



# Proposed Fiscal Year 2025-26 and Fiscal Year 2026-27 Funding Plan for the Air Quality Improvement Program (AQIP)



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*[Submit Written Comments](#)*

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## Executive Summary

On June 12, 2025, Governor Newsom signed *Executive Order (EO) N-27-25*. This EO reaffirms California's commitment to the deployment of clean vehicles and kickstarts the development of next-generation policy to spur innovation, update State vehicle purchasing requirements, and new actions to accelerate affordable clean vehicle adoption. However, recent federal actions have delayed or weakened key emission standards, resulting in California not receiving the level of oxides of nitrogen (NO<sub>x</sub>) reductions that were previously expected. This NO<sub>x</sub> shortfall exacerbates the State's existing challenges in meeting health-based air quality standards, particularly in regions that continue to face some of the worst air pollution in the state. In light of these gaps, near-term emission benefits are urgently needed to protect communities and maintain progress toward California's air quality and climate targets. The EO was in response to illegal federal government actions that attempt to worsen and turn back the clock on California's air quality, climate, and public health.

This EO sets the stage for the Proposed Fiscal Year (FY) 2025-26 and 2026-27 Funding Plan for the Air Quality Improvement Program (Proposed AQIP Funding Plan), which aims to advance these goals by investing in essential zero-emission (ZE) technologies and supporting the continued market momentum for ZE technologies. Additionally, to achieve California's various air quality, climate change, and ZEV goals, the California Air Resources Board (CARB or Board) has adopted a holistic, multipronged strategy that uses incentives to complement its programmatic approaches.

CARB staff launched the Drive Forward initiative later in 2025 as the next phase of addressing mobile source criteria, toxic, and greenhouse gas emissions. This initiative will seek to expand access to clean transportation and accelerate clean vehicle technologies. The Proposed AQIP Funding Plan directly supports implementation of Drive Forward by targeting incentive investments that expand ZEV access, lower operating costs, and accelerate deployment in the on- and off-road medium- and heavy-duty sectors that have the greatest potential to deliver public health benefits.

Annually, the State appropriates funds to a portfolio of incentive projects, and each project plays a unique role to improve air quality, enhance community protection, reduce harmful emissions, and support a zero-emission economy across multiple sectors. These investments contribute to drive market advancement and deliver on Drive Forward's objective of enabling widespread, affordable access to clean transportation options across all communities, especially those most overburdened by pollution.

The Air Quality Improvement Program (AQIP) receives a continuous annual appropriation, which is typically accompanied by additional annual funding for the broader suite of Low Carbon Transportation Incentives. Developed annually, the funding plan has traditionally funded a wide variety of clean technologies at different points on their commercialization arc. The incentive funds have helped to continue successful deployment of the cleanest available technologies, reduce production costs, promote consumer and business

acceptance, and accelerate technology transfer to other sectors. These projects are designed to achieve immediate emission reductions and support the equitable deployment of ZEVs and equipment in California's fleets. In the design of these investments, CARB strives to maximize benefits for overburdened communities, which are defined as communities experiencing high cumulative exposure to toxic air contaminants and criteria pollutants, often including minority, low-income, tribal, and indigenous populations that face disproportionate environmental harms, risks, and vulnerabilities.

Created in 2007 by Assembly Bill (AB) 118 ([Nunez, Chapter 750, Statutes of 2007](#)), Air Quality Improvement Program (AQIP) funding was reauthorized by AB 126, ([Reyes, Chapter 319, Statutes of 2023](#)). AB 126 directs AQIP-funded projects prioritize zero-emission technology, heavy-duty projects, and benefits in nonattainment air basins, especially extreme nonattainment areas. Accordingly, this Proposed AQIP Funding Plan will provide recommendations for \$35 million in AQIP funding from FY 2025-26 and another \$35 million proposed for FY 2026-27. The AQIP funds prioritize eligible incentives that reduce emissions from medium- and heavy-duty vehicles and equipment ([CA Health & Safety Code, Section 44274.\(a\)](#)). Therefore, this Proposed AQIP Funding Plan is limited to on- and off-road medium- and heavy-duty projects. For information on any other Low Carbon Transportation Incentives (LCTI) programs, such as light-duty, equity, and mobility projects, visit the following webpage: [Low Carbon Transportation Incentives](#).

In FY 2025-26, the budget bills passed by the Legislature and signed by the Governor appropriated approximately \$35 million to the Air Quality Improvement Fund (AQIF) for AQIP (Senate Bill (SB) 101 ([Wiener, Chapter 4, Statutes of 2025](#)); SB 127 ([Committee on Budget and Fiscal Review, Chapter 15, Statutes of 2025](#)); and SB 105 ([Wiener, Chapter 104, Statutes of 2025](#))).<sup>1</sup> The approximately \$35 million allocation is included in the Proposed AQIP Funding Plan for Board approval.

In the Governor's proposed FY 2026-27 budget released in January 2026 and the subsequent May revision, the Administration proposed an appropriation to AQIP of approximately \$35 million.<sup>2</sup> The approximately \$35 million is included in the Proposed AQIP Funding Plan for Board approval. Additionally, the FY 2026-27 funding is subject to

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<sup>1</sup> The Governor's FY 2025-26 budget bill passed by the Legislature allocated approximately \$157 million to be appropriated directly to specific programs in addition to the AQIP funds. Of the \$157 million, approximately \$132 million of these funds are a result of the recent legal settlement with Hino Motors, a subsidiary of Toyota Motor Corporation, and were allocated to the Clean Truck and Bus Voucher Incentive Project (HVIP) per Legislative direction. The Legislature also appropriated \$25 million from the Greenhouse Gas Reduction Fund (GGRF) to the Regional Clean Cars 4 All programs.

<sup>2</sup> The Governor's FY 2026-27 budget also proposed \$200 million as a one-time appropriation, which is not reflected in this funding plan based on prior legislative direction. Of the \$200 million, \$115 million was from GGRF and \$85 million was from the Air Pollution Control Fund (APCF) to create a new incentive program for passenger light-duty ZEVs.

legislative approval and may not be implemented by CARB until the associated FY 2026-27 budget act is chaptered.

## Scope of the Proposed Air Quality Improvement Program Funding Plan

The Proposed AQIP Funding Plan describes CARB's policy drivers and vision for mobile source investments, project funding allocations, criteria, and other implementation details, as well as justification for these investments. CARB staff's proposal continues to focus these incentives to accelerate the development and deployment of the cleanest feasible mobile source technologies and to improve equitable access to clean transportation. Since their inception, these incentive projects have supported the emission reduction goals identified in the Climate Change Scoping Plan, State Implementation Plans, California Sustainable Freight Action Plan, priorities of SB 1403 (*Lara, Chapter 370, Statutes of 2018*) identified through the *Long-Term Heavy-Duty Investment Strategy* and the goals of Sustainable Communities consistent with SB 375 (*Steinberg, Chapter 728, Statutes of 2008*). General incentive project categories within the Proposed AQIP Funding Plan are designed to support the State's public health, air quality, and climate change goals, as well as the equitable deployment of zero-emission vehicles and equipment in California's fleets, where feasible, as emphasized in Governor Newsom's EO N-79-20 and recommitted to in EO N-27-25.

EO N-27-25 directed CARB and other State agencies to develop recommendations aimed at making clean transportation more affordable, reliable, and accessible. Continued funding for incentive projects was identified as a core recommendation to ensure continued progress toward clean air, a robust economy, and healthy communities for all Californians. And, as called for in the Governor's EO N-16-22, the Proposed AQIP Funding Plan also incorporates equity into the incentive projects, including efforts to improve engagement with overburdened California communities, as well as California Native American Tribes (tribes), that have been historically inundated with pollution and underserved in its clean-up. In designing these investments, CARB strives to maximize the benefits for overburdened communities. These investments include targeted support to the communities most impacted by poor air quality and climate change.

In most cases, these projects continue to build on investments from previous budget cycles that were envisioned as multi-year investments. CARB staff are proposing projects for approximately \$70 million in combined AQIP allocations across the two fiscal years. This document also includes contingency provisions in the event that the final legislative budget differs from what is anticipated. The contingency provisions ensure that funding issued after the Board Hearing can be spent expeditiously. Staff developed the proposed project allocations through a public process, considered legislative direction and feedback from interested parties and overburdened communities, evaluated anticipated demand and

technology readiness, and reviewed the long-term planning elements of previous funding plans.

The Proposed AQIP Funding Plan is a guidance document that defines funding priorities and allocations to ensure funds are invested strategically and support California’s air quality goals. Appendix A (Emission Reduction Quantification) will present the benefit-cost analysis and projected emission reductions, and Appendix B (Medium & Heavy-Duty Project Updates) provides summaries, project statuses, highlighted achievements, and updates on funding allocations provided in the budget that are being implemented per past Board or Legislative direction.

### Proposed Allocations

Staff considered projects with remaining funds allocated from previous FYs, as well as other available funding sources, and proposes to allocate approximately \$68 million to the Clean Off-Road Equipment Voucher Incentive Project (CORE). This recommendation reflects CORE’s strong cost-effectiveness relative to other medium- and heavy-duty project categories, as demonstrated by consistent high demand for the program. Staff’s proposed project category allocations are shown in Table ES-1.

**Table ES-1: FY 2025-26 and FY 2026-27 Proposed Project Allocations (Millions)**

Project Category	Air Quality Improvement Fund	Total Allocation
Clean Off-Road Equipment Voucher Incentive Project (CORE)	\$68.13	<b>\$68.13</b>
State Operations*	\$1.75	<b>\$1.75</b>
<b>Total</b>	<b>\$69.88</b>	<b>\$69.88</b>

\*5% of FY 2026-27 funds may be reserved for state operations.

## Chapter 1: Introduction and Background

The Proposed Fiscal Year (FY) 2025-26 and 2026-27 Funding Plan for the Air Quality Improvement Program (Proposed AQIP Funding Plan) presents California Air Resources Board (CARB or Board) staff's proposed recommendations on how to allocate, or distribute, funds appropriated to the agency in the California State Budget (State Budget) for FY 2025-26 (July 1, 2025 - June 30, 2026) and the proposed for FY 2026-27 (July 1, 2026 - June 30, 2027). This year, the only proposed recommendations include the allocation of funding for the Air Quality Improvement Program (AQIP).<sup>3</sup>

CARB staff welcomes feedback on the proposed recommendations. The public can provide feedback in several ways:

1. Submit written *public comments* between May 15 and June 15, 2026
2. *Request to meet with CARB staff one-on-one* May 15 through June 15, 2026; note requests will open May 1 and close May 29, 2026, to allow for scheduling as CARB staff availability for one-on-one meetings may be limited
3. Provide *verbal public comments* at the June 25, 2026, Board meeting

AQIP is one of the foundational programs in CARB's Clean Transportation Incentives portfolio. In 2007, the Legislature passed the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (Assembly Bill (AB) 118 (*Nunez, Chapter 750, Statutes of 2007*)). This act created AQIP and established fees to support the program. The bill also established the *Alternative and Renewable Fuel and Vehicle Technology Program*, which is now called the Clean Transportation Program at the California Energy Commission (CEC), which is a complementary program to AQIP that focuses on supporting infrastructure, clean fuels, and other emergent technologies.<sup>4</sup>

In 2014, the Legislature first appropriated funding to CARB for incentives to reduce greenhouse gas emissions with an emphasis on investments that would benefit overburdened communities, establishing a program CARB called Low Carbon Transportation Incentives (LCTI).<sup>5</sup> When this funding was appropriated, CARB combined AQIP and LCTI into a single, joint annual funding plan structure that streamlined public engagement, improved administrative efficiency, and provided a unified framework for guiding the State's clean transportation investments. Since then, and with each subsequent Funding Plan, CARB has endeavored to shape its clean transportation investments to

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<sup>3</sup> For an overview and historical information about the Funding Plan in general, visit [Funding Plan for Clean Transportation Incentives](#).

<sup>4</sup> For more historical information on AQIP visit [Funding Plan for Clean Transportation Incentives](#).

<sup>5</sup> Health and Safety Code sections [39711](#) and [39713](#) provide descriptions and definitions for disadvantaged communities (DAC), low-income households, and low-income communities which we refer to as "overburdened" communities in this document.

achieve its many goals equitably and with the greatest benefit to California’s overburdened communities.

CARB has also prioritized equity in developing the Proposed AQIP Funding Plan, aligning with the direction established in [EO N-16-22](#).<sup>6</sup> To help achieve this, CARB staff engages with a variety of interested parties, prior to, and throughout the Proposed AQIP Funding Plan development process, to evaluate transportation and mobility project implementation and to gauge their advancement of environmental justice and equity goals. This is achieved through public meetings, such as workgroups, workshops, and monthly evening community meetings, along with other outreach and engagement efforts. In developing the Proposed AQIP Funding Plan, CARB staff works to ensure projects and policy changes are consistent with CARB and State environmental justice goals.

Additionally, CARB strives to promote and protect public health, welfare, and ecological resources through the effective reduction of air pollutants while it recognizes and considers the effects on the economy.<sup>7</sup> Hence, CARB also works to boost the economy, expand [workforce training and development efforts](#), and support small businesses and public fleets through its incentive projects. CARB does so through several of its individual and community mobility incentives (which are not a focal point of this document) and medium- and heavy-duty incentives (e.g., [Clean Truck and Bus Voucher Incentive Project \(HVIP\)](#), [Innovative Small E-Fleet \(ISEF\) Pilot Project](#), [Zero-Emission School Bus and Infrastructure \(ZESBI\)](#), [Sustainable Heavy-Duty Initiatives for Future Technology \(SHIFT\)](#), [Zero-Emission Truck Loan Pilot Project](#), [Clean Off-Road Equipment Voucher Incentive Project \(CORE\)](#), and [Cal Fleet Advisor](#) ).

To gather input on this year’s Proposed AQIP Funding Plan, CARB staff considered feedback from various sources. CARB staff gathered feedback via an initial workgroup on the development process for this year, two public workshops, monthly evening community meetings, and one-on-one meetings. A significant portion of these discussions also included ongoing implementation updates and improvements. Input also included written submissions from interested parties as well as responses to a community survey. CARB staff then developed final proposed recommendations for the Board to consider, which have been compiled into this Proposed AQIP Funding Plan. Due to the nature of this year’s budget, only AQIP allocations remain subject to Board approval. CARB staff released this Proposed AQIP Funding Plan for public review and comment on May 15, 2026. The Proposed AQIP Funding Plan will be presented to the Board for consideration at the June 25, 2026, Board meeting.

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<sup>6</sup> [Governor Newsom Strengthens State’s Commitment to a California for All](#).

<sup>7</sup> [The California Air Resources Board’s mission](#).

## Drive Forward

In spring 2025, the federal government took unprecedented actions claiming to cancel [California's Clean Air Act waivers](#) for enforcement of three mobile source clean air and climate programs.

In response, California filed suit to challenge the federal government's unlawful actions, and that case is ongoing. Additionally, Governor Gavin Newsom signed Executive Order (EO) N-27-25 on June 12, 2025, reaffirming the state's commitment to cut harmful air pollution from transportation and protect public health. This includes directing CARB to begin work on its next round of vehicle emissions standards to cut smog-forming, greenhouse gas, and toxic emissions, especially in communities disproportionately impacted by pollution.

Drive Forward is California's plan to advance cleaner vehicle technologies and guide the next phase of the State's transportation and climate programs. The Drive Forward initiative reaffirms California's leadership in clean air and climate policy, setting the course for the next phase of the State's light-, medium-, and heavy-duty vehicle programs. This effort will further advance the clean technologies available today to ensure California meets its air quality and climate obligations. The Drive Forward initiative has helped inform the policy and direction taken with the Proposed AQIP Funding Plan and helped guide staff's recommendations for funding allocations.

Drive Forward continues California's commitment to meet state and national air quality standards, achieve climate and clean air goals, and protect public health through strong vehicle standards. Drive Forward will support the development of light-, medium- and heavy-duty vehicle regulations, incentive programs, outreach and education, and supportive programs and policies that enable clean vehicle use.

## Priorities and Goals

To develop the Proposed AQIP Funding Plan, CARB staff looks to support the strategies and follow the guidance outlined in numerous policy documents. The Proposed AQIP Funding Plan is shaped by, and helps to support, various executive orders and legislation, such as:

- [EO N-79-20](#) - Established the following goals for California:
  - 100% of in-state sales of new passenger cars and trucks be zero-emission (ZE) by 2035
  - 100% of drayage trucks and off-road vehicles and equipment in the state be ZE by 2035
  - 100% of medium- and heavy-duty vehicles in the state be ZE by 2045 for all operations where feasible
- [AB 1279](#) (Muratsuchi, Chapter 337, Statutes of 2022) - Established the State's policy to achieve carbon neutrality as soon as possible, but no later than 2045
- [EO N-27-25](#) - Further advanced California's deployment of clean vehicles and kickstarted the development of next-generation policy to spur innovation, updated

State vehicle purchasing requirements, and directed California to craft new actions to accelerate affordable clean vehicle deployment

- [AB 118 AQIP Guidelines](#) - A regulatory framework established by CARB that determines how funding is allocated and managed for projects that reduce air pollution and promote clean transportation
- [CA Health & Safety Code, Section 44274](#). - The statutory purpose of AQIP is to fund air quality improvement projects relating to zero-emission fuel and vehicle technologies
- [Long-Term Heavy-Duty Investment Strategy](#) - Guides CARB's medium- and heavy-duty incentive investments by setting long-term priorities, aligning funding with regulatory and technology goals, and ensuring resources support the most impactful and equitable clean transportation technologies.

In response to the Governor's direction in EO N-27-25, CARB and other State agencies (CEC, the Governor's Office of Business and Economic Development, the California State Transportation Agency, and the Department of Consumer Affairs) prepared a [report](#) with recommendations for how California can expand the use of ZEVs across all vehicle types. The report lays out six priority recommended action categories: private investment, incentives, infrastructure, fuel pricing, regulations, and procurement. Some priority actions specific to ZEV incentives include:

1. Backfill federal tax credits that ended on September 30, 2025
2. Support ZEV market deployment incentive and rebate projects with reliable and consistent funding to support ZEV and infrastructure deployment goals along with increased ZEV access for consumers with low incomes and for small businesses
3. Create an education pipeline for good paying jobs in the ZEV and ZE equipment industry

It should also be noted that funding incentive projects alone, without complementary programs, will not allow California to meet its ambitious goals for ZE deployment, air quality improvement, and GHG emissions targets. As such, incentive projects complement CARB's other programs to ensure that reductions in air pollutants and greenhouse gas emissions occur while clean transportation is made more accessible for all Californians.

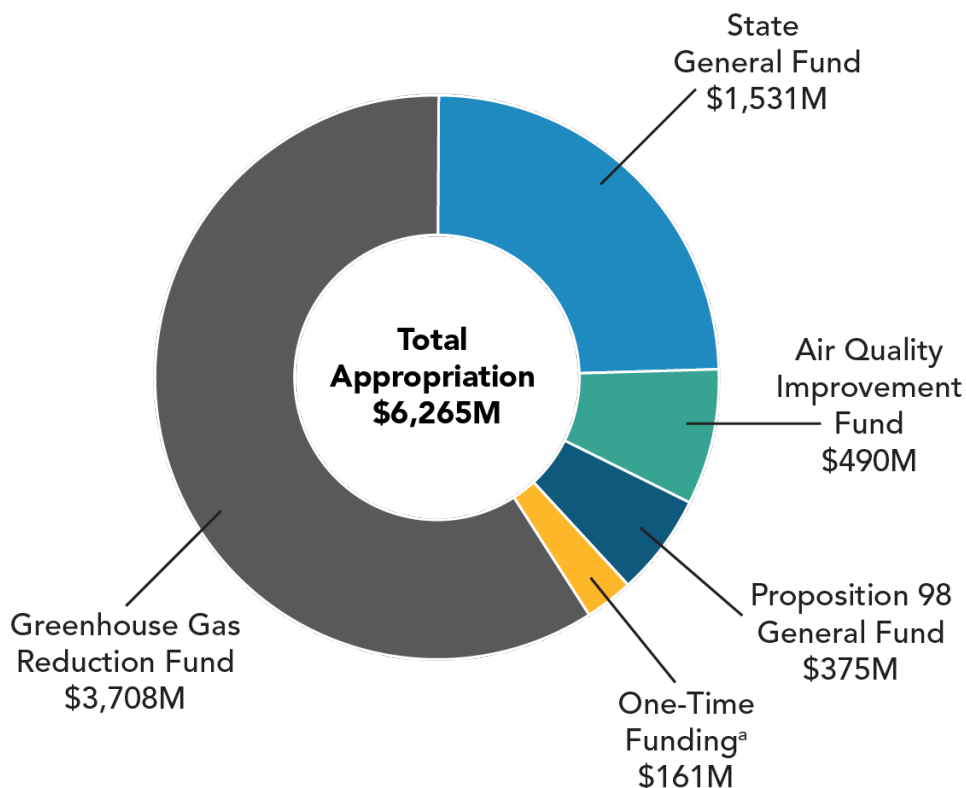
For more information on the goals and priorities of the Proposed AQIP Funding Plan, visit [Climate Goals: Funding Plan Goals and Priorities](#).

## **Clean Transportation Incentives Funding**

The Clean Transportation Incentives program is a statewide initiative that provides financial support to accelerate the deployment of zero-emission and low-emission transportation technologies across California. As part of CARB's broader suite of incentive efforts, the program draws from the LCTI and the AQIP to help advance clean vehicles and equipment statewide. Clean Transportation Incentives is funded through multiple sources, including the

Air Quality Improvement Fund (AQIF), the Greenhouse Gas Reduction Fund (GGRF), the General Fund, and various one-time allocations. One-time funding sources have included the Air Pollution Control Fund and Proposition 98 General Funds dedicated to school bus incentives. Figure 1-1 summarizes all Clean Transportation Incentives appropriated funds to CARB through FY 2024-25. In total, approximately \$6.3 billion has been appropriated to CARB from FY 2009-10 through FY 2024-25.

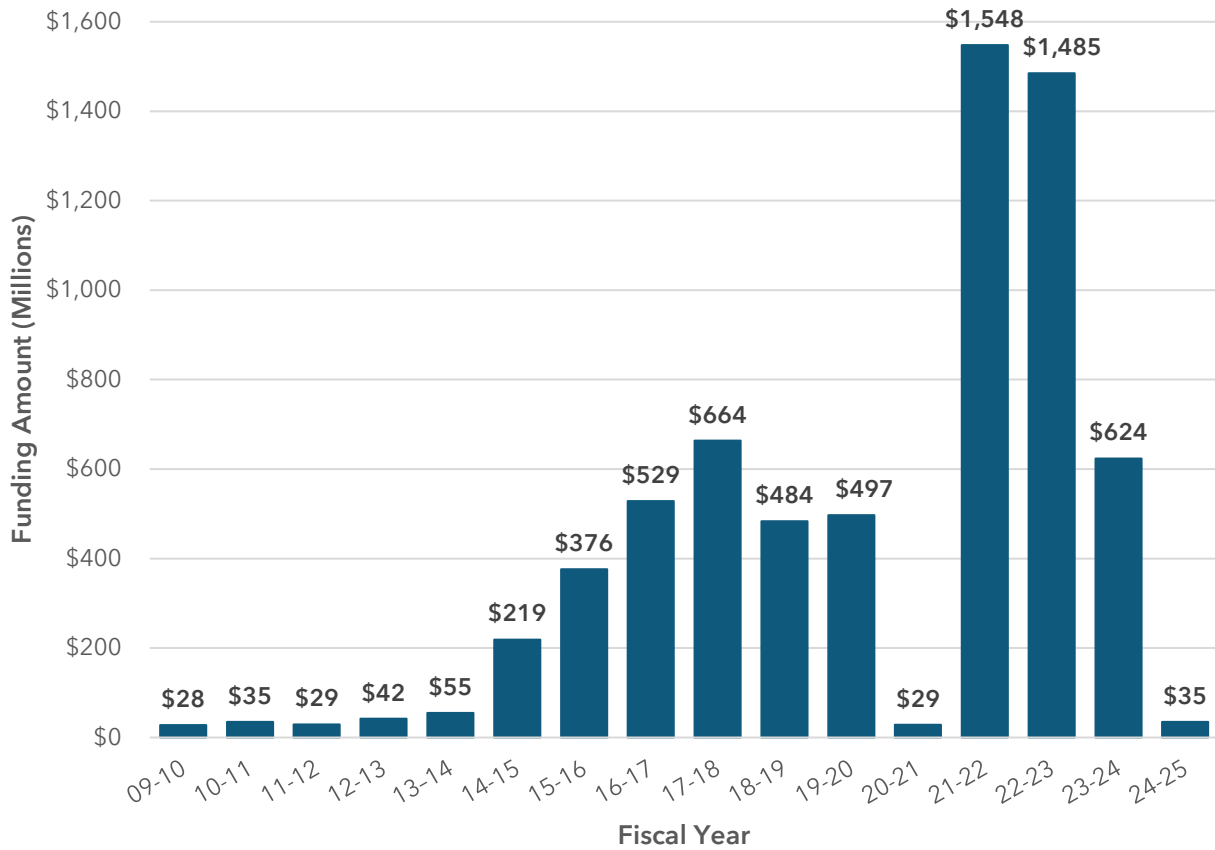
**Figure 1-1: Total Incentive Dollars Appropriated (Millions) to Clean Transportation Incentives from Fiscal Years 2009-10 through 2024-25**



<sup>a</sup> One-Time Funding includes (Millions): Air Pollution Control Fund \$86M, Trade Corridor Enhancement Account (Zero-Emission Warehouse) \$50M, and Volkswagen Settlement Fund for ZEV Aspects of Vehicle Replacement Programs \$25M.

Figure 1-2 represents the total annual funding for CARB’s suite of Clean Transportation Incentives projects. It shows that while overall funding has generally increased over time, it has been inconsistent from year to year. The appropriation in FY 2020-21 was minimal due to the Coronavirus (COVID-19) pandemic, decreased global supply, and shipping issues. In FYs 2021-22 and 2022-23, there was a State Budget surplus as well as complementary effort to improve air quality and reduce the impacts of climate change through the ZEV EO N-79-20.

**Figure 1-2: Total Annual Funding for Clean Transportation Incentive Projects for Fiscal Year 2009-10 through Fiscal Year 2024-25**

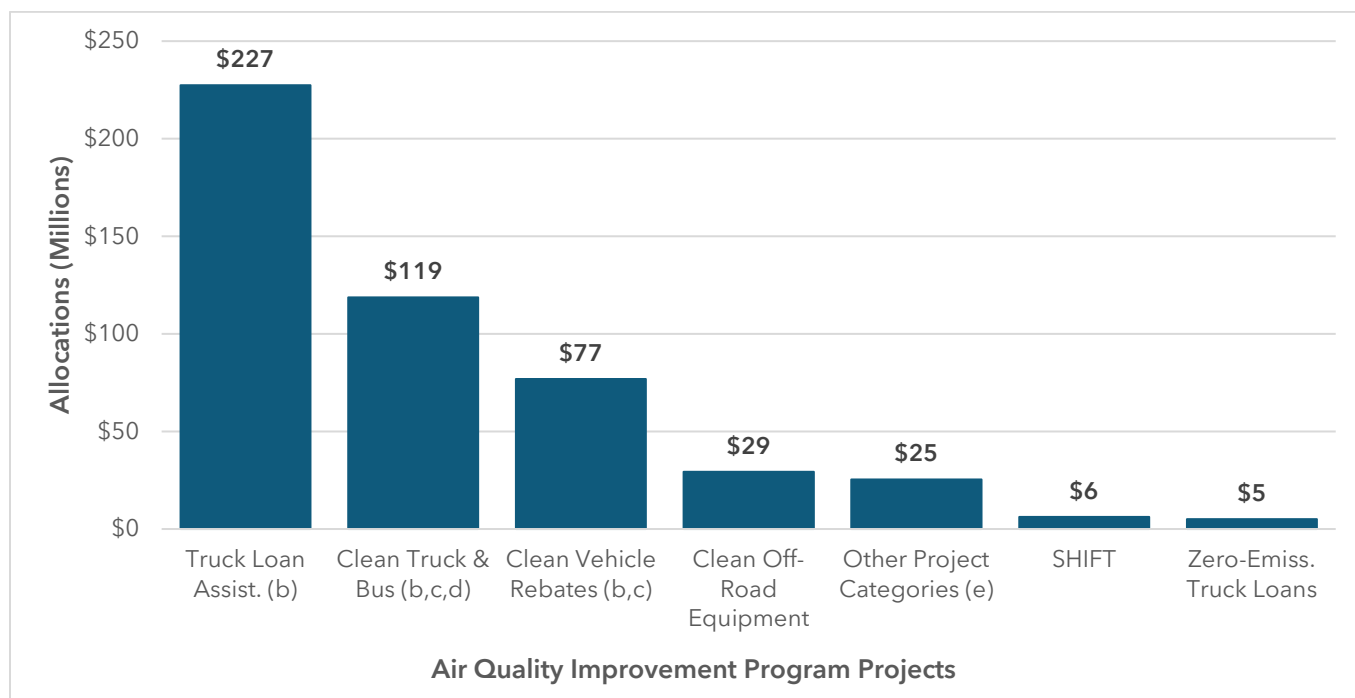


### Air Quality Improvement Fund

The Air Quality Improvement Program (AQIP), established through statute and implemented under CARB’s AQIP regulation (*Cal. Code Regs., tit. 13, §2351*), provides long-term, stable support for advanced clean vehicle and equipment technologies that reduce criteria air pollutants and greenhouse gas emissions. Funded through the Air Quality Improvement Fund, AQIP serves as the foundational, continuously appropriated funding source for the Clean Transportation Incentives portfolio. AQIF is the only funding source CARB has received every fiscal year since the program’s inception, although annual appropriations vary. From FY 2015-16 to FY 2019-20, AQIF allocations ranged from \$23 million to \$48 million, with an average of approximately \$31 million per year. In 2023, AB 126 (Reyes, Chapter 319, Statutes of 2023) extended the AQIP fee authority through 2035, ensuring ongoing support for AQIP. For FY 2025-26, the Legislature appropriated \$34.94 million to AQIP, and for FY 2026-27, the legislature proposes an appropriation of \$34.94 million to AQIP.

Figure 1-3 summarizes and highlights some of CARB’s AQIP investments to date. Projects that received one-time funding in various years to help meet demand are included in “Other Project Categories.” In some years, the Clean Vehicle Rebate Project (CVRP)<sup>8</sup> and the Clean Truck and Bus Voucher Incentive Project (HVIP) received funding from both AQIF and other funding sources.

**Figure 1-3: Air Quality Improvement Program Project Allocations to Date for FY 2009-10 through FY 2024-25<sup>a</sup>**



<sup>a</sup> Allocations amounts rounded to the nearest million dollars.

<sup>b</sup> Includes a total of \$108 million in funding from CEC’s Clean Transportation Program, the Vehicle Inspection and Repair Fund, and CARB’s FY 2017-18 budget. Truck Loan Assistance received \$25 million, CVRP received \$79 million, and HVIP received \$4 million of these other funds. The Truck Loan Assistance Program closed in 2023.

<sup>c</sup> CVRP and HVIP also received Low Carbon Transportation funds in FY 2013-14 through FY 2019-20 and General Funds in FY 2021-22. CVRP also received about \$70 million from CEC and the Vehicle Inspection and Repair Fund in FY 2013-14.

<sup>d</sup> Includes Innovative Small E-Fleet Pilot Project (ISEF), a set aside project within HVIP, allocations of \$14.32 million in FY 2023-24 and \$14.97 million in FY 2024-25.

<sup>e</sup> “Other Project Categories” includes: \$10 million for natural gas engines, \$4 million each for Clean Cars 4 All and Agricultural Equipment (San Joaquin Valley), \$3 million each for Lawn and Garden Equipment and Truck Filter Replacements, \$2 million for Off-Road Hybrid Equipment, \$500,000 for Off-Road Mobile Agricultural Equipment Trade-Up Pilot, and \$100,000 for Zero-Emission Agricultural Utility Equipment.

<sup>8</sup> The Clean Vehicle Rebate Project closed on November 8, 2023.

## Greenhouse Gas Reduction Fund

The Greenhouse Gas Reduction Fund (GGRF) is funded by California’s Cap-and-Invest program and provides critical support for CARB’s Low Carbon Transportation Program, enabling incentives that accelerate the deployment of zero-emission vehicles and equipment across the state. Since the first appropriation in FY 2013-14, GGRF has served as one of Clean Transportation Incentives’ largest and most flexible funding sources. Although not continuously appropriated, it has supplied annual funding in most fiscal years through FY 2023-24, ranging from \$30 million to \$746 million, with an average of approximately \$366 million per year. In 2025, the Legislature extended the authority for Cap-and-Invest spending through 2045 via AB 1207 (*Irwin, Chapter 117, Statutes of 2025*), ensuring long-term continuity for programs that rely on GGRF.

Between 2013 and 2024, the Legislature appropriated a total of about \$3.6 billion to CARB for LCTI. These appropriations are used to fund ZEVs and ZE equipment projects that focus on small businesses, fleets, and nonprofit organizations, in addition to innovative vehicle ownership for ZE and plug-in hybrid passenger vehicles and community mobility incentive projects.

As reported in the *California Climate Investments 2025 Annual Report*, Table 1-1, 2024 Cumulative Statistics on Benefiting Overburdened Communities, at least 85% of CARB’s LCTI from the GGRF were allocated to projects that benefit overburdened communities as shown in the table below. Data reported in the California Climate Investment (CCI) Annual Report and the table below reflects calculated project information from each program’s inception through November 30, 2024. At the time this Proposed AQIP Funding Plan was published, May 15, 2026, HVIP is pending data corrections. This data only reflects what has been reported to CCI and does not account for all the funds that have been allocated. The percentages are based on the amount of funds implemented as of November 2024 but could change as remaining funds are distributed and used. Currently, the overall percentage benefiting overburdened communities exceeds commitments made in past funding plans.

**Table 1-1: Historical Low Carbon Transportation Program Awards and Percentage Benefiting Overburdened Communities as Reported to California Climate Investments through November 2024<sup>b</sup>**

Project Category	Funding Awarded (millions)	Share Benefiting Overburdened Communities <sup>c</sup>
Individual Mobility Projects <sup>d</sup> and Support Projects	-	-

<b>Project Category</b>	<b>Funding Awarded (millions)</b>	<b>Share Benefiting Overburdened Communities<sup>c</sup></b>
Driving Clean Assistance Program (Statewide Clean Cars 4 All and Financing Assistance)	\$95.0	Data not yet available
Regional Clean Cars 4 All Program	\$231.2 <sup>e</sup>	95%
Financing Assistance for Low-Income Consumers (closed)	\$42.9 <sup>d</sup>	84%
Clean Vehicle Rebate Project (closed)	\$1,046.1 <sup>d</sup>	35%
Outreach, Education, and Awareness	\$11.6 <sup>d</sup>	100%
<b>Community Mobility Projects<sup>f</sup></b>	-	-
Clean Mobility Options Voucher Pilot Program	\$81.6	100%
Sustainable Transportation Equity Project	\$77.3	100%
Clean Mobility in Schools Pilot Project	\$50.4	100%
Rural School Bus Pilot Project	\$61.6	54%
Agricultural Worker Vanpools Project	\$6.0	100%
<b>Medium- and Heavy-Duty Vehicle and Off-Road Equipment Incentive Projects</b>	-	-
Clean Truck and Bus Vouchers (HVIP)	\$1,048.0 <sup>e</sup>	69%
Zero- and Near Zero-Emission Freight Facilities (part of the SHIFT program)	\$148.7	100%
Zero-Emission Truck and Bus Pilot Projects (part of the SHIFT program)	\$82.8	78%

<b>Project Category</b>	<b>Funding Awarded (millions)</b>	<b>Share Benefiting Overburdened Communities<sup>c</sup></b>
Sustainable Heavy-Duty Initiatives for Future Technology (SHIFT) - (formerly Advanced Technology Demonstrations and Pilot Projects)	\$142.6	86%
Clean Off-Road Equipment Voucher Incentive Project (CORE)	\$422.6 <sup>e</sup>	85%
<b>Total</b>	<b>\$3,548.6</b>	<b>85%</b>

<sup>b</sup> Source: *2025 California Climate Investments Annual Report Cap-and-Trade Auction Proceeds*. The data in Table 1-1, 2024 Cumulative Statistics of this report is based on data reported to CCI through November 2024. This is based on funds implemented through November 2024. For updated data, see each [project's webpage](#).

<sup>c</sup> Based on funding implemented.

<sup>d</sup> Clean Transportation Equity Projects Established Under Senate Bill 1275 (*De León, Chapter 530, Statutes of 2014*).

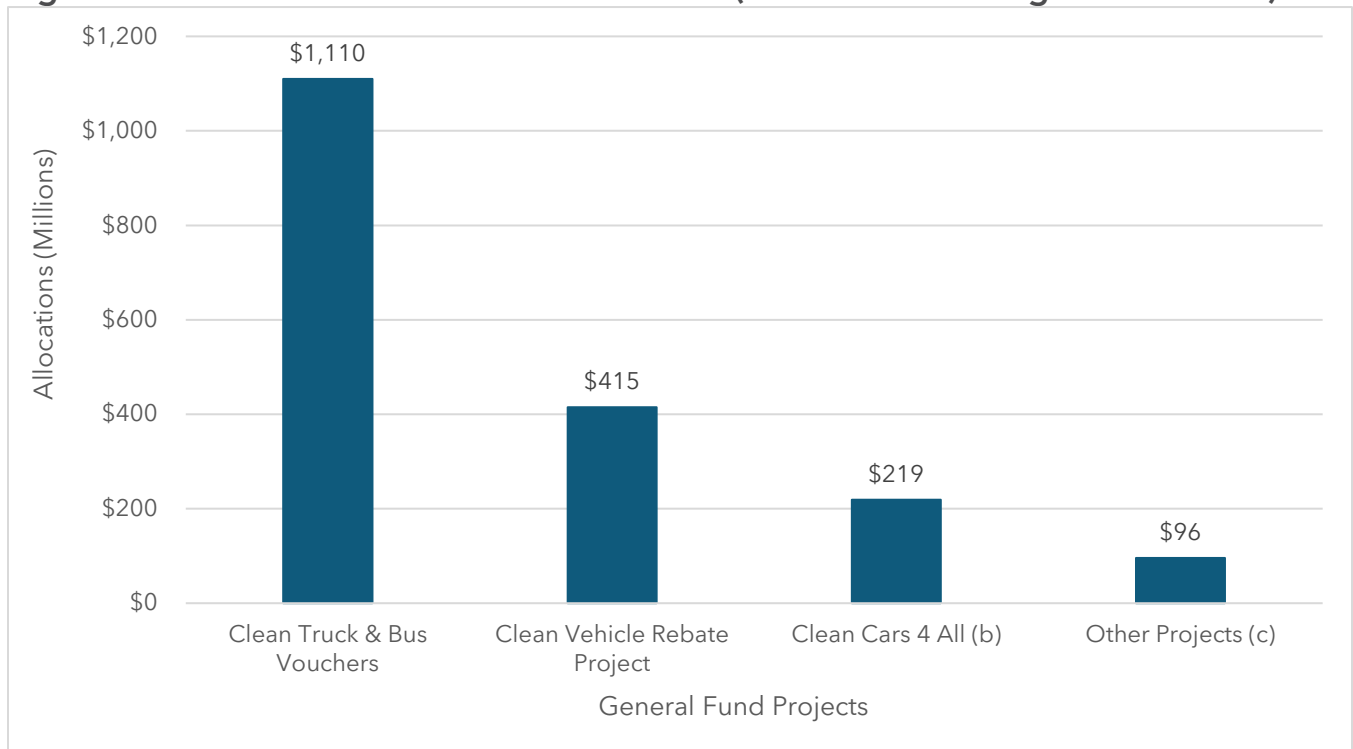
<sup>e</sup> Funding shown here only includes Low Carbon Transportation Allocations. CVRP, HVIP, and CORE received funding from the AQIP and General Fund as shown in Figures 1-3 and 1-4. Clean Cars 4 All received funding from AQIP (as shown in Figure 1-3) and \$10 million from the Volkswagen (VW) settlement funds. Financing Assistance received \$10 million from the VW settlement funds, and Access Clean California also received \$5 million from the VW settlement funds.

<sup>f</sup> Also formally referred to as Sustainable Community-Based Transportation Equity Incentive Projects.

## General Fund

From FY 2021-22 through FY 2023-24, the Legislature appropriated General Fund dollars to further support the ZEV market in the light-duty, mobility, and medium- and heavy-duty transportation sectors. These appropriations are used to support various projects under the Clean Transportation Incentives portfolio. Figure 1-4 shows the General Fund allocations for various projects through September 2024. It should be noted that no General Funds were appropriated to CARB in FYs 2024-25, 2025-26, or 2026-27. The total General Fund appropriation is \$1,531 million as shown previously in Figure 1-1, with a minimum of \$50 million, maximum of \$824 million, and an average of \$510 million over three years.

**Figure 1-4: General Fund Allocations to Date (FY 2021-22 through FY 2024-25)<sup>a</sup>**



<sup>a</sup> Incentive project allocations rounded to nearest million dollars.

<sup>b</sup> Includes \$80 million for the Regional Clean Cars 4 All (CC4A) program and \$139 million for the Statewide CC4A portion of the Driving Clean Assistance Program (DCAP). The Financing Assistance portion of DCAP is included in "Other Projects."

<sup>c</sup> "Other Projects" is made up of the Financing Assistance portion of DCAP, \$12 million; Clean Mobility Options, \$20 million; Clean Mobility in Schools, \$15 million; E-Bikes, \$28 million; Zero-Emission Assurance Project, \$10 million; Planning and Capacity Building, \$5 million; and other supporting projects, \$6 million.

## Air Pollution Control Fund

In some years, the Legislature appropriates funds to CARB with one-time appropriations, such as dollars from the Air Pollution Control Fund (APCF).<sup>9</sup> These one-time appropriations may support clean transportation incentive programs when the settlement funds are designated for mitigation purposes and align with the goals of reducing emissions and addressing environmental harm. In some cases, the source of this funding is through settlement funds and for FY 2025-26, the Legislature appropriated \$132 million to HVIP

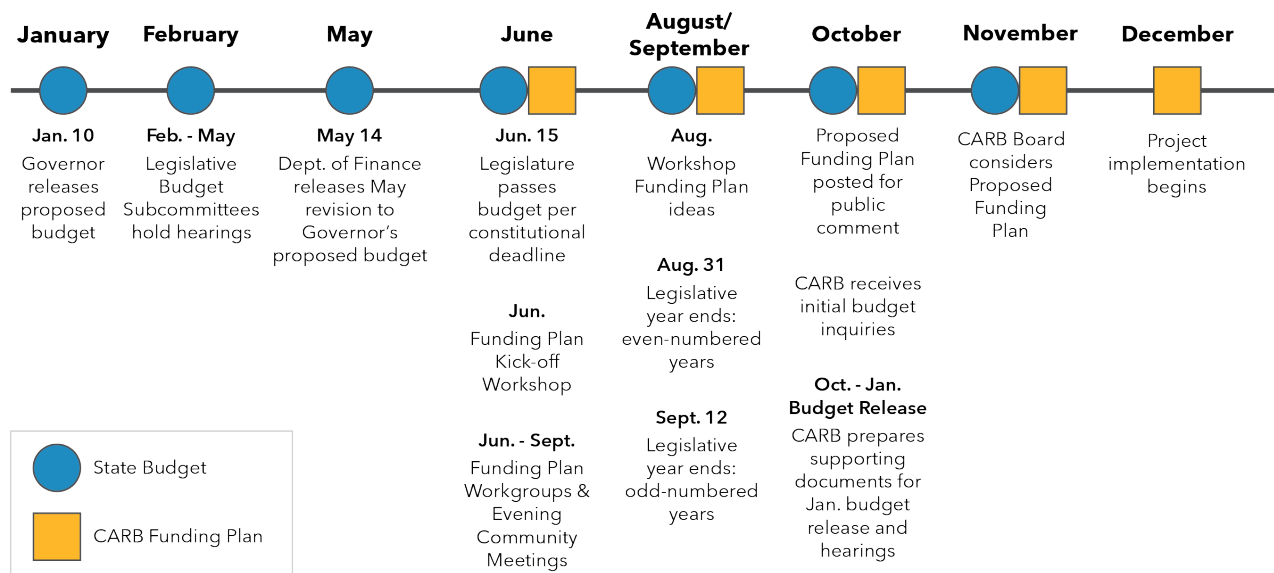
<sup>9</sup> Background information on APCF can be accessed in the [Health and Safety Code, Section 43015 \(Statutes of 2021\)](#).

from APCF. This is due to a legal settlement with Hino Motors, a subsidiary of Toyota Motor Corporation. For more information on the Hino Settlement, visit [Hino Diesel Violations](#).

## Funding Plan Development

Each year, CARB staff develops the Proposed Funding Plan in concert with the development of the State Budget. Figure 1-5 shows the typical Funding Plan development process. For more information on the State Budget process, visit [The Budget Process - A Citizen's Guide to Participation](#) as well as [California State Senate's Legislative Process](#).

**Figure 1-5: Clean Transportation Incentives Funding Plan Development Timeline**



While this graphic depicts the typical Funding Plan process, this year's plan reflects timeline changes to allow for additional public input. Instead of bringing the Proposed AQIP Funding Plan to the board in November 2025, staff held a Drive Forward Incentives Workshop to re-orient and gather feedback on the best path forward in light of the illegal actions of the federal government. As a result, the Proposed AQIP Funding Plan combines FY 2025-26 and FY 2026-27 AQIP funds to create a greater overall impact, with Board consideration scheduled for June 2026.

## Intentional Benefits to Communities

Over the past few years, CARB staff has placed greater emphasis on providing incentive funding to the people, communities, and businesses that need it the most. As our incentive projects and the ZE technology supported by them have evolved and matured, we have also increased our emphasis on benefiting communities and learned over time how to

better support this effort. Through the projects covered by the Proposed AQIP Funding Plan, CARB strives to support market momentum while continuing to support and serve overburdened communities. Figure 1-6 shows how much funding has been allocated to projects that have benefited overburdened communities over the past decade.

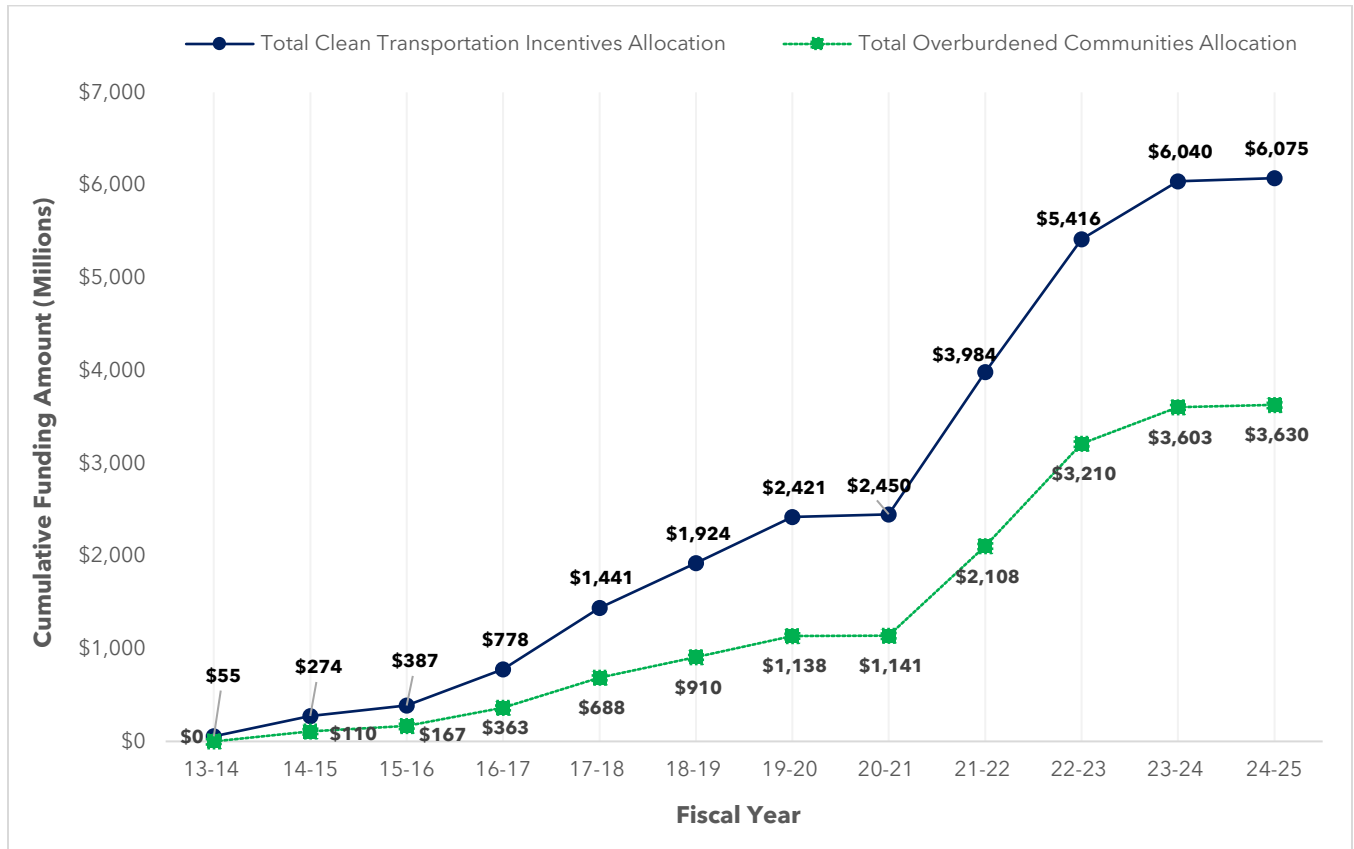
While the requirement to apply funds to benefit overburdened communities only applies to GGRF, CARB staff strives to ensure that funding from any of the funding sources appropriated to Clean Transportation Incentives programs meet these investment targets. Consistent with past years, for FY 2025-26, CARB staff again recommends that at least 60-70% of AQIP funds be invested in projects that meet one of the AB 1550 ([Gomez, Chapter 369, Statutes of 2016](#)) criteria<sup>10</sup> with the following targets:

- At least 45-50% of funds for projects that are located within, and that benefit individuals who live in, overburdened communities
- At least 15-20% of funds for projects located within, and which benefit low-income communities or low-income households

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<sup>10</sup> AB 1550 Criteria: (1) a minimum of 25% of the available moneys in the fund to projects located within, and benefiting individuals living in, disadvantaged communities, (2) an additional minimum of 5% to projects that benefit low-income households or to projects located within, and benefiting individuals living in, low-income communities located anywhere in the state, and (3) an additional minimum of 5% either to projects that benefit low-income households that are outside of, but within a 1/2 mile of, disadvantaged communities, or to projects located within the boundaries of, and benefiting individuals living in, low-income communities that are outside of, but within a 1/2 mile of, disadvantaged communities.

**Figure 1-6: Cumulative Funding Allocated to Projects that Have Benefited Overburdened Communities from Fiscal Years 2013-14 to 2024-25**



Each year, CARB staff considers these targets as a baseline and strives to exceed them. CARB staff will continue to consider whether provisions can be incorporated into project solicitations and implementation requirements to help ensure that CARB exceeds the minimum targets. CARB does not limit the overburdened communities or household focus to Low Carbon Transportation Incentives. Investments from AQIF and the General Fund are also designed to benefit overburdened communities. Project administrators are required to focus outreach and engagement on overburdened communities, which is often accomplished through paid partnerships with local community-based organizations. This helps to ensure that funds reach communities and their residents and provide benefits where they are most needed.

## Chapter 2: Outreach and Engagement

California Air Resources Board (CARB or Board) staff conducts a wide variety of outreach and engagement throughout California to develop the Proposed Air Quality Improvement Program (AQIP) Funding Plan. This section describes CARB staff's activities in these areas specifically related to the Proposed AQIP Funding Plan development process.

To develop the annual Funding Plan, CARB staff considers input from various interested parties, such as California Native American Tribes (tribes), communities and community-based organizations (CBO), nonprofit organizations (NPO), businesses, and industry, among others. Staff facilitates a variety of virtual and in-person meetings and promotes the development of the Proposed AQIP Funding Plan at various outreach events. CARB is also shifting to using plain language per California's *Plain Language Equity Standard*. CARB staff also holds monthly evening community meetings to provide more accessible high-level overviews of daytime workgroups. These meetings provide a space for community members and the public to discuss their needs, challenges, and potential solutions. The evening community meetings include topics of mutual interest to communities such as equitable access to incentive funding and other zero-emission vehicle (ZEV) and equipment topics. Additionally, CARB's Clean Transportation Regional Outreach Coordinators promote the Proposed AQIP Funding Plan at various outreach events, community meetings, and one-on-one meetings with community members in overburdened communities. These coordinators work directly with community members to provide education, gather feedback, and support participation in clean transportation programs.

CARB staff also focuses their outreach on overburdened communities throughout California. This includes but is not limited to outreach to tribal communities, rural communities, and communities of color. CARB staff uses the *California Climate Investments Priority Populations Mapping Tool 4.0* to identify areas that may need more outreach and engagement compared to past efforts.

### Public Meetings

The annual funding plan development process generally runs from June through November. Last year, staff began the process with an April workgroup to discuss this year's approach and funding plan development timeline. The workgroup was summarized at an evening community meeting held the same night. Staff kicked off the official development process with a mid-June workshop, followed by evening community meetings during the summer and a workshop on March 25, 2026. An evening community meeting was held on April 21, 2026, to give community members a chance to ask questions about this year's Proposed AQIP Funding Plan. CARB will continue to have monthly evening community meeting to encourage feedback on the Proposed AQIP Funding Plan, and to allow

community members an opportunity to reflect and provide feedback on the development process.

## **Evening Community Meetings**

This year, CARB staff implemented several changes to evening community meetings. These included providing email notifications when meeting materials were posted, increased and targeted meeting outreach and invitation efforts, and better alignment of daytime and evening meetings. In response to community member/public input about the desire to know when meeting materials were available on the [Low Carbon Transportation Incentives and Air Quality Improvement Program Meetings and Workshops webpage](#), CARB staff provided meeting registrants with time to review and consider information about meeting discussions ahead of time.

The second change was that CARB staff increased their outreach efforts and provided more direct invitations to community members through multiple channels. For example, CARB's Regional Outreach Coordinators connected with their networks directly, and CARB staff increased listserv invitations and promotion through CARB's social media channels. Recent meetings saw larger community member attendance than in previous months or years. However, it is too early to know if this is due to increased outreach efforts or due to interest in the topics discussed.

Another significant change this year is that CARB staff better aligned daytime and evening meetings with each other to ensure that community members and the public receive information in about the same time frame as daytime meeting attendees receive it. In prior years, staff did not offer an evening community meeting in June due to the California State Budget (State Budget) being released. However, staff realized that it is better to summarize the daytime Funding Plan Kick-Off Workshop in a timely manner for collaboration with all interested parties.

For background information on the evening community meetings, visit [LCTI and AQIP Meetings and Workshops](#).

## **Community Survey for Heavy-Duty Vehicle Interests**

To inform the development of the Proposed AQIP Funding Plan, CARB staff conducted a statewide community survey to gather input on clean transportation priorities, equity, project access, and opportunities for improvement. The survey was promoted through CARB's website, listserv email system, and public meetings. It closed on August 28, 2025.

### **Project Participation**

The respondents indicated that the types of clean heavy-duty vehicles and equipment they would like to see more of in their community include off-road equipment, freight and drayage trucks, local delivery trucks and vans, and school buses. Feedback on participation experiences was mixed. Some respondents found eligibility requirements difficult to

navigate. A few also noted long wait times before being able to participate. Others stated that they had no issues, and information was clear and easy to access.

When asked about funding distribution strategies, many supported a needs-based approach, while others also favored a first-come, first-served approach for its simplicity and speed. Several respondents suggested hybrid models, such as reserving a portion of funds for high-needs communities while allowing broader access to other funds.

## **Survey Responses**

The respondents provided feedback on equity, and several emphasized that affordability is still a major barrier. Respondents recommended:

- Simplifying applications and reducing required documentation
- Offering pre-application technical assistance
- Expanding outreach through trusted local partners
- Providing more support for renters and multifamily housing residents

One respondent specifically highlighted the importance of tracking how many non-English speakers were assisted during applications, as well as being diligent about identifying barriers or gaps in project access.

## **Success Metrics and Reporting**

Respondents suggested CARB track and report on:

- Emission reductions and vehicle miles traveled
- End-user satisfaction and usage data
- Cost-effectiveness and job creation
- Geographic distribution of funds, including maps and dashboards
- Equity indicators, such as income levels and community demographics

Several respondents emphasized the importance of transparency, plain-language materials, and real-world stories or testimonials to demonstrate project impact.

## **Open-Ended Feedback**

Respondents also shared broader feedback, including:

- Interest in alternative technologies, such as fuel cell vehicles and compressed air engines
- Concerns about project delays, dealer participation, and lack of support for small fleets
- Requests for consistent funding, especially for planning and infrastructure
- Suggestions to use the 2028 Olympics as a showcase for zero-emission transportation

## Summary of Actionable Recommendations

Based on survey responses, CARB staff identified the following recommendations:

- Improve access and simplicity:
  - Streamline applications and reduce required documentation
  - Expand technical assistance, including in-language and after-hours support
- Clarify needs-based prioritization:
  - Define criteria clearly and offer hands-on support for applicants with limited digital literacy
- Report on what matters to communities:
  - Focus on affordability, access, emission reductions, and geographic equity
  - Use maps, dashboards, and testimonials to communicate impact
- Engage through trusted messengers:
  - Partner with CBOs, schools, multifamily housing organizations, and local institutions to build trust and improve outreach

In conclusion, this community survey provided valuable insights that reinforce many of CARB's current strategies, including support for ZEV infrastructure, heavy-duty vehicle electrification, and equitable access. This alignment reflects meaningful progress toward CARB's goals and California's ZEV Executive Orders.

At the same time, the survey responses highlighted important areas for continued improvement, including application complexity, affordability barriers, and the need for expanded outreach in overburdened communities. CARB is committed to addressing these challenges through project simplification, enhanced technical assistance, and deeper community engagement.

Several respondents also shared external resources and tools they believe could support CARB's mission. These materials have been forwarded to the appropriate staff for review and follow-up. As CARB staff continues to refine and implement its clean transportation incentive projects, this input will serve as a critical guidepost to ensure that investments are responsive, inclusive, and informed by the communities we serve.

## Guidance for Providing Public Comments

CARB staff welcomes public comments and feedback during the Proposed AQIP Funding Plan development process. This Proposed AQIP Funding Plan was developed in collaboration with interested parties, including overburdened communities. CARB staff will continue to collect written public comments, which will be considered ahead of the June 25, 2026, Board Meeting. Interested parties may provide written comments through [CARB's Public Comment Dockets](#).

Additionally, in-person public comments will be heard at the June 25, 2026, Board Meeting. For more information on CARB's Board Meetings, including testimony and special accommodation requests, visit [Board Meetings](#).

## Chapter 3: Medium- and Heavy-Duty Clean Transportation Incentive Accomplishments

California Air Resources Board's (CARB or Board) suite of medium- and heavy-duty Clean Transportation Incentive projects directly supports California's ongoing commitment to reduce greenhouse gas emissions, improve air quality and public health, increase access to clean vehicles, and support economic equity, consistent with Governor Newsom's Executive Order (EO) N-27-25, which directed CARB and other State agencies to develop recommendations aimed at making clean transportation more affordable, reliable, and accessible. Continued funding for incentive projects was identified as a core recommendation to ensure ongoing progress toward clean air, a robust economy, and healthy communities for all. In these Clean Transportation Incentive programs, CARB also strives to maximize the benefits for overburdened communities. Some programs have been around for over a decade, providing much needed emission reductions in areas of the state with disproportionately poor air quality and lower levels of investment.

The medium- and heavy-duty Clean Transportation Incentive programs shown and highlighted in this section provide information and data that speak to the numerous benefits from the programs. The Proposed Air Quality Improvement Program (AQIP) Funding Plan will only include medium- and heavy-duty programs, as the AQIP dollars prioritize the heavy-duty sector. Data in this plan represents the most recent data available for CARB's transportation-related incentive projects. Staff continues to collect data and refine emission reduction methodologies to ensure the most recent data is available and accurate. These projects fully support California's zero-emission vehicle (ZEV) EOs by helping place more ZEVs on our roads and in our communities - funding unique solutions to bring ZEVs to broader use. More information on the projects and a full list of projects funded can be found in Appendix B and also [Medium- and Heavy-Duty On- and Off-Road Investments](#).

## Chapter 4: Allocations and Recommendations

The investments laid out in the Proposed Air Quality Improvement Program (AQIP) Funding Plan are meant to further expand the market for zero-emission vehicles (ZEV) in key vehicle and equipment categories and support a sustainable market.

The Budget Act of 2025, Senate Bill (SB) 101 (*Wiener, Chapter 4, Statutes of 2025*); SB 105 (*Wiener, Chapter 104, Statutes of 2025*); and SB 127 (*Committee on Budget and Fiscal Review, Chapter 15, Statutes of 2025*), provide appropriations to the California Air Resources Board's (CARB) Clean Transportation Incentive programs and the projects within those programs. The 2026-27 California state budget proposes to appropriate funds to CARB for clean transportation and zero-emission vehicle incentive programs, consistent with the Governor's proposed budget, and is anticipated to be finalized by June 2026. In a given fiscal year, the California State Budget and other budget-related bills may authorize CARB to allocate a specific amount of funding for State operations, depending on legislative direction. This amount for project development and administration by CARB is separate from project administration costs used by third parties such as air districts, NPOs, CBOs, etc.

CARB staff developed the proposed project allocations through a public process, considering Legislative and past Board direction, balancing the proposal in consideration of the suite of incentive programs at CARB. Staff evaluated demand, reviewed *long-term strategies* and planning elements of previous funding plans, and considered priorities identified by communities in CARB's engagement efforts. Additionally, staff consulted documents such as *Community Emission Reduction Plans*. Further, CARB staff assessed other available funding sources and considered feedback from interested parties such as community-based organizations (CBO), community members, nonprofit organizations (NPO), California Native American Tribes (tribes), local and regional governments, State agencies, industry, etc.

This chapter presents CARB staff's proposed funding allocation. This year, the proposed allocations are limited to AQIP. Also, as a reference, *Appendix B: Medium & Heavy-Duty Project Updates* provides summaries, project statuses, highlighted achievements, and updates on funding allocations provided in the Proposed AQIP Funding Plan that are being implemented per past Board or Legislative direction.

### Proposed Air Quality Improvement Program Funding Allocations

For fiscal year (FY) 2025-26, the Legislature appropriated \$34.94 million to AQIP, and of this amount, CARB staff proposes to allocate all \$34.94 million to the Clean Off-Road Equipment Voucher Incentive Project (CORE). The Legislature is expected to appropriate \$34.94 million to AQIP for FY 2026-27, and of this amount, CARB staff proposes to allocate approximately \$33 million to CORE, while \$1.75 million, or 5%, may be withheld for State operations.

Allocating the AQIP funds to CORE would help to meet market demand for the cleanest available off-road equipment and is in line with Executive Order (EO) N-79-20 and EO N-27-25. While several other heavy-duty sectors have access to funding from additional sources, CORE has not received funding since the FY 2024-25 cycle. Additionally, during the November Drive Forward workshop, stakeholders emphasized the need to further support off-road targets and clean technology in off-road categories. At the same time, recent federal actions have reduced the level of emission reductions California expected to receive, including a significant NOx shortfall that further challenges the State's ability to meet air quality standards. These lost federal reductions heighten the need for incentive programs that can deliver near-term, verifiable emission benefits. As a result of the unprecedented federal actions purporting to revoke waivers for three of California's mobile source programs, directing funds to a program that delivers strong emission reductions is critical in helping California meet its emission reduction goals and providing significant health benefits. CORE is the most cost-effective heavy-duty Clean Transportation Incentives program and provides rapid deployment of clean off-road equipment and significant near-term emission reductions. Enhanced voucher funding has been available for deployment of equipment in priority populations, including disadvantaged and low-income communities and to small businesses. To-date, 72% of funding has been issued to equipment in disadvantaged or low-income communities and 40% to small businesses.

Staff acknowledges that all the Clean Transportation Incentives for medium- and heavy-duty projects are critically important in meeting California's air quality and clean technology goals, show strong and continued demand, and have support from a wide range of stakeholders. CARB staff conducted a statewide community survey to identify public interest in clean heavy-duty vehicle technologies. Survey responses indicated the highest levels of interest in Local Delivery Trucks, Drayage Trucks, School Buses, and Off-Road Equipment. Staff also took a strategic approach in recommending allocations in this Proposed AQIP Funding Plan because the ~\$70 million in AQIP funding would not be able to meet all the demand in the various medium- and heavy-duty projects. In addition, funding for clean on-road vehicles is available at the time of publishing through the Standard Clean Truck and Bus Voucher Incentive program (HVIP), the Transit set-aside, and the Drayage set-aside. School buses also remain a priority category; however, available funding is limited and demand for CORE continues to exceed available resources. During the last funding cycle, CORE received approximately \$104 million in voucher requests, despite having only \$36 million in available funds. By targeting the allocation to CORE, CARB aims to achieve a meaningful, long-lasting impact on the zero-emission off-road sector that might otherwise not occur if funding were allocated across all the Clean Transportation Incentives medium- and heavy-duty projects.

For additional information on CORE and other medium- and heavy-duty incentive projects, refer to Appendix B. The proposed funding allocation for FY 2025-26 for AQIP is shown in

Table 4-1, and the proposed funding allocations for FY 2026-27 for AQIP are shown in Table 4-2.

**Table 4-1: Fiscal Year 2025-26 Funding Allocations (Millions)**

Project	Air Quality Improvement Fund	Total Allocation <sup>11</sup>
Clean Off-Road Equipment Voucher Incentive Project (CORE)	\$34.94	<b>\$34.94</b>
<b>Total</b>	<b>\$34.94</b>	<b>\$34.94</b>

**Table 4-2: Fiscal Year 2026-27 Proposed Funding Allocations (Millions)**

Project	Air Quality Improvement Fund	Total Allocation <sup>12</sup>
Clean Off-Road Equipment Voucher Incentive Project (CORE)	\$33.19	<b>\$33.19</b>
State Operations	\$1.75	<b>\$1.75</b>
<b>Total</b>	<b>\$34.94</b>	<b>\$34.94<sup>13</sup></b>

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<sup>11</sup> Totals may not add up due to rounding

<sup>12</sup> Totals may not add up due to rounding

<sup>13</sup> The total allocation from the Legislature is subject to budget approval later in 2026. If the final appropriation of AQIP changes in the budget, 95% of the final approved funding would be allocated to CORE and 5% may be used for State operations.

## Chapter 5: Contingency Provisions

The Proposed Fiscal Year (FY) 2025-26 and FY 2026-27 Air Quality Improvement Program (AQIP) Funding Plan is based on the latest available data and information. However, circumstances may change between the time the Proposed AQIP Funding Plan is released for public review and comment and when the Board considers it for approval, project solicitations are issued, project funds are awarded, or projects are implemented. This section describes the California Air Resources Board (CARB) staff's proposed contingency plans should mid-course corrections be needed to ensure funds are spent expeditiously, efficiently, and where need is the greatest. Under these provisions, the Board would grant the Executive Officer authority to make any necessary adjustments.

To minimize market disruptions, CARB staff expedites the delivery of funds to projects so that the air quality and economic benefits of these projects are quickly realized. To do so, in a manner consistent with past funding plans, the Proposed AQIP Funding Plan includes contingency measures to address necessary funding adjustments for the upcoming FY. This year, following Legislative and past Board direction, staff has already begun to implement funding allocated through the Air Pollution Control Fund (APCF) and the Greenhouse Gas Reduction Fund (GGRF). Information regarding the implementation of these allocations can be found in Appendix B.

### Air Quality Improvement Program Appropriation

Over past funding cycles, AQIP revenues were sometimes lower than the levels included in the California State Budget (State Budget), and project solicitations had to be scaled back. In recent years, AQIP appropriation levels have been adjusted in the State Budget to track anticipated revenues more closely. Therefore, CARB staff does not expect to scale back AQIP funding in the FY 2025-26 or FY 2026-27 funding cycles.

### Additional Funding

If funding from other sources is provided for any of the project categories authorized in the Proposed AQIP Funding Plan, these outside funds will be allocated as needed for projects or as specifically required by the authorizing entity. Projects receiving additional funding may be altered to accommodate any conditions placed upon the use of alternative sources of funding as long as these conditions are consistent with the statutory provisions for Low Carbon Transportation and AQIP funds. CARB staff will consult with the public and interested parties through project workgroups prior to making any changes to projects.

In the event CARB receives any additional funding, staff developed a tiered approach that prioritizes programs where the funding can have the greatest impact. If CARB is allocated additional funding of less than \$25 million, the funds would be directed into the Clean Truck and Bus Voucher Incentive Project (HVIP) to help fleets overcome the high upfront costs of zero-emission on-road vehicles and help early adopters purchase these vehicles. If the amount is between \$26 million and \$50 million, the funds would be split equally between

HVIP and CORE. Directing half of the funds to CORE would allow us to support projects that are already ready to move forward and help accelerate the adoption of off-road equipment. If the amount is between \$51 million and \$100 million, the funds would be split across three programs, 35% to HVIP, 35% to CORE, and 30% to Sustainable Heavy-Duty Initiatives for Future Technology (SHIFT). SHIFT focuses on demonstrating advanced technologies and innovative projects that can support the adoption of clean vehicles. If the amount is more than \$101 million, there would be a more balanced portfolio of programs, with 25% going to HVIP, 25% to CORE, 25% to SHIFT, 12.5% to Transit Buses within HVIP, and 12.5% to School Buses within HVIP. This will further support the initiative to deploy zero-emission in sectors with maximum impact.

## Project Demand

CARB staff may issue solicitations and grant agreements based on the allocations listed in [Table 4-1](#) and [Table 4-2](#) or the Legislature's appropriations directly to projects (e.g., APCF, GGRF, etc.). Any new solicitations and grant agreements will be written with provisions to allow for an increase in awarded funding if there is sufficient revenue and project demand. Some solicitations may be written to allow for the potential use of funding from future budget years to meet excess demand, subject to approval by the Board. Conversely, CARB staff proposes that the Executive Officer could reallocate funds from any AQIP project in the event that demand does not materialize, or if it is determined that the project is not viable as envisioned in the Proposed AQIP Funding Plan (e.g., a technology considered for demonstration or pilot deployment is not ready to be funded, or sufficient staff resources are not available). In this case, funds would be reallocated within the same project category or sector. For example, if demand falls short for one of the AQIP projects, CARB would shift that funding to another AQIP project. Any changes in funding for a particular project category would be publicly discussed and examined through a public workgroup.

When CARB evaluates solicitations, there may be cases where funds have been awarded to the highest scoring applications, and the remaining available funds are less than the amount requested in the next highest scoring application. In these cases, CARB staff proposes that the Executive Officer have the authority to offer funds to the next highest scoring project(s) at a scaled down scope, carry the remaining funds forward to a future fiscal year, shift the funds to another project category, or offer funds to any unfunded projects at their discretion.

## Project Continuity Between Funding Cycles

A primary goal of the AQIP projects is to grow the market for clean technologies. Waitlists and disruptions caused by insufficient funding can adversely impact the market and reduce manufacturer confidence in projects. To address these concerns, CARB staff proposes contingency provisions to prevent or reduce interruptions to ongoing voucher incentive projects. This would be in the event that one or more projects are either temporarily on hold, only accepting waitlist applications, or in jeopardy of shutting down due to lack of funding prior to consideration of the FY 2026-27 Funding Plan. If CARB is appropriated

AQIP funding and the Executive Officer determines that projects that fall under AQIP would run out of funding prior to Board consideration of the FY 2026-27 Funding Plan, the Executive Officer would have the authority to allocate a combined total of up to 20% of the funds to the preceding projects and amend existing grant agreements to add the early allocation. Should the Legislature appropriate funds for specific projects, the Executive Officer would have the authority to immediately allocate up to the maximum amount of funding to the specified projects as directed by the Legislature.

Additionally, to avoid disruptions to ongoing projects, CARB staff proposes that the Executive Officer have the authority to establish applicant waiting lists for AQIP projects in the event funding is exhausted prior to the end of the funding cycle. If any of these projects incur waiting lists, the Executive Officer would have the authority to amend the existing grant agreements to add future years' funding upon the appropriation of funding to CARB for such projects.

CARB is also committed to working with the Governor and the Legislature to ensure that projects have funding where there is an identified need, and when possible, to minimize interruptions in projects. Re-allocation of AQIP funds may be necessary between the projects to meet market demand. Projects that have been funded by AQIP in recent years include CORE, Innovative Small E-Fleets Pilot Project, and the Zero-Emission Truck Loan Pilot Project.

## **Technical or Administrative Changes**

The Proposed AQIP Funding Plan specifies policy-related details regarding the projects to be funded. However, technical or administrative changes from what is set forth herein may be needed from time to time to ensure these projects are successful. CARB staff proposes a transparent process in which changes to a project category would be publicly explored through the workgroup process that has been established to discuss the implementation details of each project. Additionally, in some instances, project implementation updates may need to be made outside of the Proposed AQIP Funding Plan. This may include the use of tools such as annual project updates or memos. For several project categories, CARB staff is already planning to use the public workgroup process to finalize technical details prior to issuing solicitations.

## Chapter 6: California Environmental Quality Act

The California Environmental Quality Act (CEQA) requires public agencies to “look before they leap” and consider the environmental consequences of their discretionary actions.<sup>14</sup> CEQA is intended to inform government decisionmakers and the public about the potential environmental effects of proposed activities and to prevent significant, avoidable environmental damage.

### California Environmental Quality Act Requirements

The California Air Resources Board (CARB) has determined that the Proposed Air Quality Improvement Program (AQIP) Funding Plan is not a project subject to, or is otherwise exempt from, the requirements of CEQA. CARB’s certified regulatory program, which applies to the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans for the protection and enhancement of the state’s ambient air quality, has been certified by the California Secretary for Natural Resources under Public Resources Code section 21080.5 of CEQA (*Cal. Code Regs., tit. 14, § 15251, subd. (d)*). Public agencies with certified regulatory programs are exempt from certain CEQA requirements, including but not limited to, preparing environmental impact reports, negative declarations, and initial studies. For activities that constitute project approvals, as those terms are used in CEQA, CARB, as a lead agency, prepares a substitute environmental document (referred to as an “Environmental Analysis” or “EA”) as part of the Staff Report prepared for a proposed action to comply with CEQA (*Cal. Code Regs., tit. 17, §§ 60000-60008*).

CARB, as the lead agency under CEQA, has reviewed the Proposed AQIP Funding Plan and concluded that it is not a “project” under CEQA, as that term is defined under the *California Code of Regulations (Cal. Code Regs.), title 14, section 15378(b)(4)*, and thus is not subject to CEQA review. Section 15378(b)(4) states:

*“[t]he creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment is not a “project” subject to CEQA review.”*

The Proposed AQIP Funding Plan is a governmental fiscal activity that does not involve any commitment to any specific projects that may result in potentially significant impacts on the environment. The Proposed AQIP Funding Plan includes multiple funding objectives to assist entities and individuals by incentivizing the deployment of lower emitting transportation options through projects such as the Clean Truck and Bus Voucher Incentive Project (HVIP); these projects provide rebates or vouchers to support the purchase of cleaner vehicles on either a first-come, first-served basis or on a needs basis. The Proposed

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<sup>14</sup> *California Governor's Office of Land Use and Climate Innovation, CEQA: The California Environmental Quality Act.*

AQIP Funding Plan proposes budgetary allocations for the Clean Transportation Incentives Program over the next fiscal year, which runs from July 1, 2025, to June 30, 2026. The Proposed AQIP Funding Plan does not involve any commitment to any specific project, as the specific projects/applications (e.g., specific vehicles, equipment, etc.) are only considered during the program implementation phase. Thus, the Proposed AQIP Funding Plan is not a project under CEQA.

Even if the Proposed AQIP Funding Plan were a project under CEQA, it would be exempt from CEQA. First, the Proposed AQIP Funding Plan would be categorically exempt from CEQA under the commonsense exemption (*Cal. Code Regs., tit. 14, § 15061, subd. (b)(3)*). The CEQA Guidelines state:

*"[t]he activity is covered by the commonsense exemption that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA" (Cal. Code Regs., tit. 14, § 15061, subd. (b)(3).*

The Proposed AQIP Funding Plan is exempt from CEQA under the commonsense exemption because it has no reasonably foreseeable potential for causing a significant adverse impact on the environment. As mentioned above, the Proposed AQIP Funding Plan is a fiscal planning document that proposes budgetary allocations for money appropriated by the California Legislature to CARB's Clean Transportation Incentives Program. The Proposed AQIP Funding Plan does not commit CARB to any particular, individual project or program approval, or recipients of project incentives, and project or program applications will be evaluated on a case-by-case basis pursuant to their respective project guidelines. Thus, based on CARB's review, it can be seen with certainty that there is no possibility that the Proposed AQIP Funding Plan may result in a significant adverse impact on the environment.

Second, the Proposed AQIP Funding Plan is also exempt from CEQA under the Class 8 exemption for its protection of the environment (*Cal. Code Regs., tit. 14, § 15308*). The Proposed AQIP Funding Plan's overall goal and effect is to improve air quality and achieve the State's climate change goals. As mentioned above, the Proposed AQIP Funding Plan proposes budgetary allocations to CARB's clean transportation incentives projects and does not commit CARB to any specific project. The projects that may receive funding under the Proposed AQIP Funding Plan would be aimed at further incentivizing zero-emission vehicles (ZEV) and low-emission vehicles and off-road equipment within California, particularly to consumers in lower-income or overburdened communities, which are disproportionately weighed down by air pollution and the impacts of climate change. These new ZEVs and low-emission vehicles and off-road equipment will replace older, more polluting vehicles or equipment, which will have a beneficial impact on air quality, climate, and public health. CARB found no substantial evidence indicating the proposal could adversely affect air quality or any other environmental resource area, or that any of the exceptions to the Class 8 exemption apply (*Cal. Code Regs., tit. 14, § 15300.2*).

Therefore, even if the Proposed AQIP Funding Plan were a project under CEQA, it would be exempt from CEQA.

## Acronyms

### A

AB - Assembly Bill  
APCF - Air Pollution Control Fund  
AQIF - Air Quality Improvement Fund  
AQIP - Air Quality Improvement Program

### C

CARB or Board - California Air Resources Board  
CBO - community-based organization  
CCI - California Climate Investments  
CC4A - Clean Cars 4 All  
CEC - California Energy Commission  
CEQA - California Environmental Quality Act  
CMO - Clean Mobility Options Voucher Pilot Program  
CORE - Clean Off-Road Equipment Voucher Incentive Project  
CVRP - Clean Vehicle Rebate Project

### D

DAC - disadvantaged community/communities  
DCAP - Driving Clean Assistance Program

### E

EA - environmental analysis  
EO - Executive Order

### F

FARMER - Funding Agricultural Replacement Measures for Emission Reductions  
FY - fiscal year

### G

GGRF - Greenhouse Gas Reduction Fund

### H

HVIP - Clean Truck and Bus Voucher Incentive Project

## **I**

ISEF - Innovative Small E-Fleet Pilot Project

## **L**

LCTI - Low Carbon Transportation Incentives

## **M**

M - million(s)

MMTCO<sub>2</sub>e - million metric tons carbon dioxide equivalent

MSRP - manufacturer's suggested retail price

MTCO<sub>2</sub>e - metric tons carbon dioxide equivalent

## **N**

NO<sub>x</sub> - oxides of nitrogen

NPO - nonprofit organization

## **O**

OEM - Original Equipment Manufacturer

## **R**

RNG - renewable natural gas

## **S**

SB - Senate Bill

SHIFT - Sustainable Heavy-Duty Initiatives for Future Technology

## **V**

VW - Volkswagen

## **Z**

ZAP - Zero-Emission Assurance Project

ZE - zero-emission

ZE Truck Loans - Zero-Emission Truck Loan Pilot Project

ZESBI - Zero-Emission School Bus and Infrastructure Project

ZEV - zero-emission vehicle