

State of California Air Resources Board

Board Item Summary

Item # 24-7-1: Public Meeting to Consider Approval of the Proposed Fiscal Year 2024-25 Funding Plan for Clean Transportation Incentives

Staff Recommendation:

Staff recommends the California Air Resources Board (CARB or Board) approve the Proposed Fiscal Year 2024-25 Funding Plan for Clean Transportation Incentives (Funding Plan). The \$34.94 million proposed in this year's Funding Plan builds on the transportation incentive projects that have invested billions in transformative change in the mobile source sector, with over half of those funds going to priority populations.

Discussion:

To achieve California's numerous climate change and air quality goals, CARB has adopted an aggressive, multi-pronged strategy that uses incentives to complement regulatory approaches. Annually, the state legislature appropriates funding to a portfolio of incentive projects, and each project plays a unique role to improve air quality, reduce greenhouse gas emissions, and support equitable investments. These incentive projects are designed to support investment in a low carbon economy across multiple sectors, including investments in the transportation sector administered through the Funding Plan.

The Proposed Funding Plan covers \$34.94 million in clean transportation investments appropriated by the Legislature in the Budget Act of 2024 (Assembly Bill 107, Gabriel, Chapter 22, Statutes of 2024), as amended by Senate Bill 108 (Wiener, Chapter 35, Statutes of 2024), to CARB from the Air Quality Improvement Fund for the Air Quality Improvement Program. These funds come from fees established by Assembly Bill 118 (Nunez, Chapter 750, Statutes of 2007) to create and support the Air Quality Improvement Program. This appropriation from the Budget Act of 2024 is a significant reduction in appropriated funds from recent years Budget Acts and leaves several projects in the Funding Plan without new funding.

CARB staff welcomes feedback and collaboration on the Funding Plan during public workgroup meetings and workshops, as well as during monthly evening community meetings for Funding Plan development. CARB staff focused on outreach to priority populations across California through various methods, such as through environmental

justice organizations, the Environmental Justice Advisory Committee, and Access Clean California's statewide network of outreach partners. CARB staff has an open door policy for interested parties to schedule one-on-one meetings as another avenue to share feedback and collaborate.

Summary and Impacts:

The Proposed Funding Plan continues to build on investments from previous budget cycles that were envisioned as multi-year investments. The projects covered by the Funding Plan are designed to achieve both immediate emission reductions and, as emphasized in Governor Newsom's Executive Order N-79-20, accelerate the deployment of zero emission vehicles and equipment into California's fleet. CARB strives to maximize the benefits for priority populations in designing these investments.

Despite limited funding in this budget cycle, previous year's allocations directly benefited priority populations through clean transportation equity incentive projects and have allowed these projects to continue.

Staff proposes the \$34.94 million for medium- and heavy-duty on- and off-road vehicle and equipment incentives that provide vouchers or financing opportunities for advanced clean technologies. Staff proposes \$14.97 million for the Innovative Small e-Fleet Pilot Project, \$14.97 million for the Clean Off-Road Equipment Project directed only toward small businesses and public agencies, and \$5 million for the Zero-Emission Truck Loan Pilot project. This is in line with Assembly Bill 126, which specifies that Air Quality Improvement Program funds must be used to prioritize zero-emission technology, heavy-duty projects, and benefits in extreme nonattainment air basins. The projects reduce criteria air pollutants in the logistics, goods movement, off-road, warehouse, and port sectors.

Finally, along with this funding, staff proposes a few changes across some of the previously funded projects. These include an increase to the loan cap for the Driving Clean Assistance Program to ensure vehicle affordability for participants, an updated funding allocation for future years for Clean Cars 4 All to enhance transparency and predictability of the allocation process, the exploration of a Used Truck Voucher Pilot within the Innovative Small e-Fleet Pilot Project to develop an affordable secondary vehicle market, and a review of voucher amounts and eligible categories for heavy-duty vehicle incentives.