

Proposed
State of California
Air Resources Board

Proposed Fiscal Year 2024-25 Funding Plan for Clean Transportation Incentives

Resolution 24-15

November 21, 2024

Agenda Item No.: 24-7-1

Whereas, sections 39600 and 39601 of the Health and Safety Code authorize the California Air Resources Board (CARB or Board) to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

Whereas, Health and Safety Code section 44270 et seq. establishes the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (Assembly Bill (AB) 118; Stats. 2007, ch. 750), which created the Air Quality Improvement Program (AQIP), administered by CARB, to fund air quality improvement projects related to fuel and vehicle technologies with the primary purpose of funding projects to reduce criteria air pollutants, improve air quality, and provide funds for research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies;

Whereas, California Code of Regulations, title 13, section 2340 et. seq. established the AB 118 Air Quality Guidelines, which define the process for ensuring that AQIP complements, and does not interfere with, California's existing air quality programs as required by Health and Safety Code section 44271, subdivision (b);

Whereas, California Code of Regulations, title 13, section 2350 et seq. established the AB 118 AQIP Guidelines, which define the overall administrative requirements as well as the program structure of AQIP;

Whereas, AB 8 (Perea, Stats. 2013, ch. 401) reauthorized the fees that support AQIP through 2023, and subsequently AB 126 (Reyes, Stats. 2023, ch. 319) further extended fees through 2035;

Whereas, California Code of Regulations, title 13, section 2353, requires that an AQIP funding plan must be submitted to the Board annually for approval;

Whereas Health and Safety Code section 44274, subdivision (c), allows for AQIP funding mechanisms to include competitive grants, revolving loans, loan guarantees, loans, and other appropriate measures;

Whereas, Health and Safety Code section 44274, subdivision (b), requires that CARB shall provide preference in awarding funding to projects with higher benefit cost scores that maximize the purposes and goals of AQIP and that CARB may give additional preference for various criteria;

Whereas, Item 3900-101-3119 in Section 2.00 of the Budget Act of 2024 (AB 107, Gabriel, Stats. 2024, ch. 22), as amended by Senate Bill (SB) 108 (Weiner, Stats. 2024, ch. 35), appropriates \$34.94 million from the Air Quality Improvement Fund (AQIF) to CARB for AQIP;

Whereas, staff proposed how to allocate the \$34.94 million in AQIP funding in the Proposed Fiscal Year (FY) 2024-25 Funding Plan for Clean Transportation Incentives, released to the public on October 11, 2024;

Whereas, Item 3900-102-3228 in Section 2.00 of the Budget Act of 2024 (AB 107, Gabriel, Stats. 2024, ch. 22), as amended by SB 108, reverted \$53 million in General Funds from FY 2021-22 and appropriated \$53 million in Greenhouse Gas Reduction Funds for emerging opportunities.

Whereas, *California's 2022 Scoping Plan for Achieving Carbon Neutrality*, CARB's 2020 *Mobile Source Strategy*, and the 2016 *California Sustainable Freight Action Plan*, concluded that many of the same actions are needed to meet Greenhouse Gas, smog-forming, and toxic pollutant emission reduction goals – specifically, a transition, as quickly as possible, to zero-emission and, where appropriate, near-zero-emission technologies and use of the cleanest, lowest carbon fuels and energy across all vehicle and equipment categories;

Whereas, Health and Safety Code section 39719.2 directs CARB, through the existing AQIP funding plan process, to develop guidance; create an annual framework and plan; articulate an overarching vision for implementing the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program; and include a three-year investment strategy for zero- and near-zero-emission heavy-duty vehicles, with an assessment of the State's school bus incentive projects, commencing with the FY 2019-20 Funding Plan;

Whereas, the Board-approved contingency measures in the Funding Plans for FY 2009-10 through 2022-23 which provide flexibility to adjust funding targets, modify project criteria, address funding received from new sources, and re-direct funding among projects as necessary to address uncertain revenues and fluctuations in project demand, and similar flexibility is necessary for the Proposed FY 2024-25 Funding Plan;

Whereas, the Board executed necessary Grant Agreements and Interagency Agreements for administration of projects funded by AQIP for FY 2009-10 through FY 2024-25;

Whereas, Health and Safety Code section 39603.1, as amended by AB 3017 (Hart, Stats. 2024, ch. 664), and other laws where applicable, provides for advance payment of grant awards to initiate and implement projects in a timely manner;

Whereas, CARB staff conducted two workshops while developing the Proposed FY 2024-25 Funding Plan, and at these workshops staff announced its intent to prepare a funding plan for AQIP and released concepts for public review;

Whereas, CARB held at least three public workgroup meetings to evaluate and refine criteria for projects in the Proposed FY 2024-25 Funding Plan;

Whereas, CARB staff conducted meetings and coordinated with local air districts and the California Energy Commission to develop the Proposed FY 2024-25 Funding Plan and ensure the Funding Plan complements existing incentive projects;

Whereas, the Proposed FY 2024-25 Funding Plan is based upon the latest available information, including funds appropriated in the State Budget, direction from the California

Legislature on how to spend funds, availability of and demand for advanced technology, and availability of funds from other sources;

Whereas, Chapter 6 of the Proposed FY 2024-25 Funding Plan proposes the Board provide the Executive Officer authority to make adjustments, corrections, updates, or modifications for contingency measures necessary to address uncertain revenues, enable project criteria to be modified and funding to be redirected among projects as necessary to meet project demand, to ensure a rapid response to changes in the economy, technology, and regulatory environment, to ensure funds are spent expeditiously, efficiently and where the need is greatest, and to address funding received from new sources to augment projects;

Whereas, staff has proposed the FY 2024-25 Funding Plan, as set forth in the Staff Report released to the public on October 11, 2024;

Whereas, CARB's regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans has been certified by the Secretary for Natural Resources under Public Resources Code section 21080.5 of the California Environmental Quality Act (CEQA; Cal. Code Regs., tit. 14, § 15251, subd. (d)), and CARB conducts its CEQA review according to this certified program (Cal. Code Regs., tit. 17, §§ 60000-60008);

Whereas, staff has determined that the Proposed FY 2024-25 Funding Plan is not a "project" subject to CEQA review, because it is a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (Cal. Code Regs., tit. 14, § 15378, subd. (b)(4));

Whereas, in consideration of the Proposed FY 2024-25 Funding Plan, staff presentation, and public testimony and comments, the Board finds that:

1. The development of a funding plan for the \$34.94 million in AQIP funding is appropriate;
2. CARB staff has met the requirements set forth in the AQIP Guidelines for considering and adopting the Proposed FY 2024-25 Funding Plan and has met the requirements of the AB 118 Air Quality Guidelines;
3. The proposed AQIP project categories were selected in accordance with the requirements of Health and Safety Code section 44274, subdivision (b);
4. The Proposed FY 2024-25 Funding Plan project categories are consistent with and support the strategies identified in *California's 2022 Scoping Plan for Achieving Carbon Neutrality*, *2020 Mobile Source Strategy*, and the July 2016 *California Sustainable Freight Action Plan*;
5. The Proposed FY 2024-25 Funding Plan meets the requirements of Health and Safety Code section 44258.4 and the Supplemental Report of the 2018-19 Budget Act by including an updated long-term plan for light-duty ZEV market and clean transportation equity investments;
6. The Proposed FY 2024-25 Funding Plan meets the requirements of Item 3900-101-3119 in Section 2.00 of the Budget Act of 2024, as amended by SB 108.
7. The contingency measures set out in Chapter 6 of the Proposed FY 2024-25 Funding Plan are necessary to address uncertain revenues, enable project criteria to be modified and funding to be redirected among projects as necessary to meet project demand, to

ensure a rapid response to changes in the economy, technology, and regulatory environment, to ensure funds are spent expeditiously, efficiently and where the need is greatest, and to address funding received from new sources to augment projects;

8. To support the contingency measures set forth in Chapter 6 of the Proposed FY 2024-25 Funding Plan, delegation of authority to the Executive Officer or their designee to make adjustments, corrections, updates and modifications to the projects included in the Proposed FY 2024-25 Funding Plan consistent with Board direction and applicable laws, guidelines and policies is necessary, including, without limitation, authority to: establish applicant waiting lists; draft, negotiate, amend, extend, execute and terminate grant agreements; modify and establish grant solicitation and project criteria; make technical and administrative changes to projects; revise project implementation manuals and terms and conditions as necessary; allocate a portion of funds to voucher and rebate consumer purchase incentive projects prior to Board consideration of the Proposed FY 2025-26 Funding Plan; allocate, reallocate, re-direct, modify, combine and adjust grant and incentive amounts; combine projects; allocate funding received from new sources to augment project categories authorized in the Funding Plan; scale back projects if needed; make advance payment of grant awards; and, for the time period falling between June 30, 2025, and the Board approval of the Proposed FY 2025-26 Funding Plan, continue to fund projects consistent with the authority and objectives of the Proposed FY 2024-25 Funding Plan;
9. Advance payment of grant awards is necessary to ensure timely implementation of projects and safeguards are needed to ensure grant monies continue to be used responsibly; and
10. Finally, the Proposed FY 2024-25 Funding Plan is not a “project” subject to CEQA review, because it is a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (Cal. Code Regs., tit. 14, § 15378, subd. (b)(4)).

Now, therefore, be it resolved that the Board hereby approves the Proposed FY 2024-25 Funding Plan as set forth in the Staff Report released to the public on October 11, 2024.

Be it further resolved that the Proposed FY 2024-25 Funding Plan is effective as of the date approved by the Board.

Be it further resolved that the Board directs the Executive Officer to issue grant solicitations, grant agreements, interagency agreements, or other appropriate funding agreements for the projects identified in the Proposed FY 2024-25 Funding Plan with provisions to make modifications where necessary or shift funding as needed, as set forth herein and in the approved FY 2024-25 Funding Plan.

Be it further resolved that the Board directs the Executive Officer to continue to conduct workgroup meetings or other outreach, as necessary, for developing project solicitations and further refining project implementation.

Be it further resolved that the Board directs the Executive Officer to continue to coordinate implementation of the projects covered in the Proposed FY 2024-25 Funding Plan with other funding programs including, but not limited to, the Volkswagen Environmental Mitigation Trust, Carl Moyer Memorial Air Quality Standards Attainment Program, Community Air Protection

Program, other Greenhouse Gas Reduction Fund funded programs, Funding Agricultural Replacement Measures for Emission Reductions Program, and the California Energy Commission's Clean Transportation Program.

Be it further resolved that the Board directs the Executive Officer to revise project implementation manuals and terms and conditions as necessary to incorporate the provisions set forth in the approved FY 2024-25 Funding Plan.

Be it further resolved that the Board delegates authority to the Executive Officer, or their designee, to make adjustments, corrections, updates and modifications to the projects included in the approved FY 2024-25 Funding Plan consistent with Board direction and applicable laws, guidelines and policies, including, without limitation, authority to: establish applicant waiting lists; draft, negotiate, amend, extend, execute and terminate grant agreements; modify and establish grant solicitation criteria; make technical and administrative changes to project categories; revise project implementation manuals and terms and conditions as necessary; allocate a portion of funds to voucher and rebate consumer purchase incentive projects prior to Board consideration of the Proposed FY 2025-26 Funding Plan; allocate, reallocate, re-direct, modify, combine and adjust grant and incentive amounts; combine projects; allocate funding received from new sources to augment project categories authorized in the funding plan; scale back projects if needed; make advance payment of grant awards; and, for the time period falling between June 30, 2025, and the Board approval of the Proposed FY 2025-26 Funding Plan, continue to fund projects consistent with the authority and objectives of the FY 2024-25 Funding Plan.

Be it further resolved that the Board directs the Executive Officer to monitor the progress and efficacy of the implementation of the projects, including the status of outreach activities, project eligibility, and voucher amounts, and to report any changes to the Board.

Be it further resolved that the Board directs the Executive Officer to provide an update to the Board on implementation of the Funding Plan when presenting the Proposed FY 2025-26 Funding Plan for approval.

Be it further resolved that the Board directs the Executive Officer to continue coordinating CARB efforts with the air districts, grantees, and other interested persons to effectively implement ongoing and future projects.