State of California
Air Resources Board

Board Item Summary

Item # 26-4-1: Public Meeting to Consider Approval of the Proposed Fiscal Year 2025-26 and Fiscal Year 2026-27 Funding Plan for the Air Quality Improvement Program

Staff Recommendation:

California Air Resources Board (CARB or Board) staff (staff) recommends the Board approve the Proposed Fiscal Year (FY) 2025-26 and Fiscal Year 2026-27 Funding Plan for the Air Quality Improvement Program (Proposed AQIP Funding Plan). The Proposed AQIP Funding Plan builds on the clean transportation incentive projects through which CARB has invested billions to support transformative changes in the mobile sector, with the majority of funds going to overburdened communities.

Discussion:

To achieve California's numerous climate change, air quality, and zero-emission vehicle deployment goals, CARB has adopted an aggressive, multi-pronged strategy that uses incentives to complement other programmatic 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. Recent illegal federal actions that purport to revoke key waivers have created a projected NOx shortfall, underscoring the importance of maintaining the State's ongoing efforts to close that gap. These incentive projects are designed to support investment in a zero-emission economy across multiple sectors, including investments in the transportation sector administered through the Proposed AQIP Funding Plan.

In FY 2025-26, the Legislature and Governor appropriated approximately $35 million to CARB for the Air Quality Improvement Program (AQIP). For FY 2026-27, the Governor's proposed budget includes another approximately $35 million for AQIP. This funding is subject to Legislative approval and may not be implemented by CARB until the associated FY 2026-27 budget act is chaptered. The Proposed AQIP Funding Plan covers the AQIP appropriations from both fiscal years, totaling approximately $70 million.

This year's Proposed AQIP Funding Plan includes an update on previously funded medium- and heavy-duty projects and CARB staff's proposal for the proposed project allocation of the approximate $70 million designated for AQIP. Staff developed the proposed project allocation 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.

Staff welcomed feedback and collaboration on the Proposed AQIP Funding Plan during public workgroup meetings and workshops, as well as monthly evening community meetings. CARB staff also has an open-door policy for any interested party to *request a one-on-one meeting* to share feedback and collaborate on the Proposed AQIP Funding Plan.

Summary and Impacts:

The Proposed AQIP Funding Plan continues to build on investments from previous budget cycles that were envisioned as multi-year investments. AQIP plays a critical role by funding early-commercial zero-emission technologies that ensure progress toward a zero-emission future while also balancing the need for near-term NOx reductions. The Proposed AQIP Funding Plan also supports CARB's Drive Forward effort by directing incentive investments toward technologies that expand access, accelerate deployment, and help fill the near-term oxides of nitrogen (NOx) shortfall. The investments are designed to achieve both immediate emission reductions and, as emphasized in Governor Newsom's Executive Order (EO) N-79-20, and recommitted to in EO N-27-25, accelerate the deployment of zero-emission vehicles and equipment into California's fleet. CARB strives to maximize benefits for overburdened communities in designing these investments.

Staff proposes to allocate about $70 million in AQIP funds for medium- and heavy-duty off-road equipment incentives that provide much needed investments for advanced clean technologies. Staff proposes the following approximate allocations:

- Approximately $68 million for the Clean Off-Road Equipment (CORE) project, and
- $1.75 million may be reserved for State operations.

This is in line with Assembly Bill 126, which specifies that AQIP funds must be used to prioritize zero-emission technology, heavy-duty projects, and benefits in extreme nonattainment air basins. The CORE project reduces criteria air pollutants in the logistics, goods movement, off-road, agriculture, warehouse, and port sectors. These sectors are often located in extreme nonattainment areas, and CORE supports cleaner air by reducing the cost of zero-emission equipment deployed primarily in these areas.