Proposed

State of California
Air Resources Board

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

Resolution 26-8

June 25, 2026

Agenda Item No.: 26-4-1

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 Proposed Funding Plan must be submitted to the Board annually for approval;

Whereas, California Code of Regulations, title 13, section 2355(a), identifies CARB as the responsible agency for administering AQIP, including developing the annual Funding Plan and administering the program;

Whereas, Health and Safety Code section 44274, subdivision (a), states that the purpose of the program shall be to fund, upon appropriation by the Legislature, air quality improvement projects relating to zero-emission fuel and vehicle technologies.

Whereas, Health and Safety Code section 44274, subdivision (b), provides 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 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, Item 3900-101-3119 in Section 2.00 of the Budget Act of 2025 (Senate Bill (SB) 101, Wiener, Stats. 2025, ch. 4) appropriates $34.94 million from the Air Quality Improvement Fund (AQIF) to CARB for AQIP in Fiscal Year (FY) 2025-26;

Whereas, the proposed legislative budget that was released on May 15, 2026 proposed appropriating $34.94 million from AQIF to CARB for AQIP in FY 2026-27 and it is expected this appropriation will be included in the Budget Act of 2026;

Whereas, CARB may withhold up to 5% of funding from the FY 2026-27 AQIF allocation for state operations subject to FY 2026-27 budget bill language;

Whereas, the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan allocates $34.94 million from AQIF for FY 2025-26 and $33.19 million from AQIF for FY 2026-27 for a combined total of $68.13 million to the Clean Off-Road Equipment (CORE) voucher incentive project pursuant to Health and Safety Code section 44274, subdivision (c);

Whereas, the proposed AQIP project categories are measures that further the purposes of the program by providing incentives to reduce off-road gasoline exhaust and evaporative emissions and incentivize medium- and heavy-duty vehicles and equipment mitigation, consistent with the AQIP funding requirements provided by Health and Safety Code section 44274, subdivisions (b) and (c);

Whereas, the projects selected for allocations in the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan have been screened by staff for compliance with California Code of Regulations, title 13, section 2343, which requires that AB 118 funded projects adhere to all applicable laws, ordinances, and regulations;

Whereas, the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan provides CARB's policy and technical justification for each eligible project category and funding target;

Whereas, potential emission reductions achieved by the proposed project categories in the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan are not required by any federal, state, or local regulation, agreement, settlement agreement, mitigation requirement or local mandate, and emissions are not eligible for marketable emission reduction credits;

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 essential to meet greenhouse gas, smog-forming, and toxic pollutant emission reduction goals – specifically, supporting zero-emission deployments and advancing strategies that enable end-users to experience the benefits of zero-emission technologies 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 and to create an annual framework and plan to invest in the development, demonstration, and deployment of zero-emission and near-zero-emission technologies;

Whereas, the Board-approved contingency measures in the Funding Plans for FY 2009-10 through 2024-25 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 2025-26 and FY 2026-27 AQIP Funding Plan;

Whereas, CARB executed necessary Grant Agreements and Interagency Agreements for administration of projects funded by AQIP funds allocated by previous years' Funding Plans 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 2025-26 and FY 2026-27 AQIP Funding Plan, and at these workshops staff announced their intent to prepare a funding plan for AQIP and released concepts for public review;

Whereas, CARB held two workshops and evening community meetings to evaluate and refine criteria for projects in the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan;

Whereas, the Proposed FY 2025-26 and FY 2026-27 AQIP 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 5 of the Proposed FY 2025-26 and FY 2026-27 AQIP 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 2025-26 and FY 2026-27 AQIP Funding Plan**,** released to the public on May 15, 2026;

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 2025-26 and FY 2026-27 AQIP 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 2025-26 and FY 2026-27 AQIP Funding Plan, staff presentation, and public testimony and comments, the Board finds that:

1. The development of a funding plan to allocate the combined $68.13 million in AQIF funding to the CORE voucher incentive project is appropriate;
2. CARB staff has met the requirements set forth in the AQIP Guidelines, California Code of Regulations, title 13, section 2350 et seq., for considering and adopting the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan and has met the requirements of the AB 118 Air Quality Guidelines, California Code of Regulations, title 13, section 2340 et seq.;
3. The proposed AQIP project categories were selected in accordance with the requirements of Health and Safety Code section 44274, subdivisions (b) and (c);
4. The Proposed FY 2025-26 and FY 2026-27 AQIP 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 2016 *California Sustainable Freight Action Plan*;
5. Building on prior Board approval, CARB staff will implement project criteria updates to all projects funded through prior and current Funding Plans;
6. The contingency measures set out in Chapter 5 of the Proposed FY 2025-26 and FY 2026-27 AQIP 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;
7. To support the contingency measures set forth in Chapter 5 of the Proposed FY 2025-26 and FY 2026-27 AQIP 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 2025-26 and FY 2026-27 AQIP 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 2027-28 Funding Plan; allocate, reallocate, redirect, modify, combine and adjust grant and incentive amounts; combine projects; allocate funding received from new sources to augment project categories authorized in the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan; scale back projects if needed; make advance payment of grant awards; and, for the time period falling

between June 30, 2027, and the Board approval of the Proposed FY 2027-28 Funding Plan, continue to fund projects consistent with the authority and objectives of the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan;

8. 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
9. Finally, the Proposed FY 2025-26 and FY 2026-27 AQIP 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 2025-26 and FY 2026-27 AQIP Funding Plan released to the public on May 15, 2026.

Be it further resolved that the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan is effective as of the date approved by the Board.

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 2025-26 and FY 2026-27 AQIP 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 2025-26 and FY 2026-27 AQIP 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 2027-28 Funding Plan; allocate, reallocate, redirect, modify, combine and adjust grant and incentive amounts; combine projects; allocate funding received from new sources to augment project categories authorized in the Proposed FY 2025-26 and FY 2026-27 AQIP Funding Plan; scale back projects if needed; make advance payment of grant awards; and, for the time period falling between June 30, 2027 and the Board approval of the Proposed FY 2027-28 Funding Plan, continue to fund projects consistent with the authority and objectives of the FY 2025-26 and FY 2026-27 AQIP Funding Plan.

Be it further resolved that the Board directs the Executive Officer to provide an update to the Board on implementation of the FY 2025-26 and FY 2026-27 AQIP Funding Plan when presenting the Proposed FY 2027-28 Funding Plan for approval.