

State of California  
AIR RESOURCES BOARD

Resolution 02-19

April 25, 2002

Agenda Item No.: 02-3-4

WHEREAS, the California State Implementation Plan (SIP) for ozone, adopted by the Air Resources Board (ARB or Board) in November 1994, establishes the state strategy for attaining the ambient air quality standard for ozone in all areas of the state by 2010 as required by federal law; this plan includes, as part of the mobile source element developed by the ARB, the California Low-Emission Vehicle (LEV) Program, which was approved by the Board in 1990 to provide significant reductions of ozone precursor pollutant emissions from passenger cars and light-duty trucks;

WHEREAS, the California LEV Program includes a zero-emission vehicle (ZEV) element – now contained in section 1962, title 13, California Code of Regulations and the incorporated “California Exhaust Emission Standards and Test Procedures for 2003 and Subsequent Model ZEVs, and 2001 and Subsequent Model Hybrid Electric Vehicles (EV), in the Passenger Car, Light-Duty Truck and Medium-Duty Vehicle Classes” – under which at least two percent of the passenger cars and lightest light-duty trucks produced by large or intermediate-volume manufacturers and delivered for sale in California must be ZEVs, beginning in model year 2003;

WHEREAS, with respect to the environment, ZEVs are the "gold standard" for vehicular air pollution control as they reduce both criteria and toxic pollutant emissions to the maximum feasible levels; high-efficiency ZEVs and hybrid electric near-ZEVs also cut emissions of carbon dioxide and other greenhouse gases;

WHEREAS, at its September 7-8, 2000, meeting, the Board in Resolution 00-29 directed the staff to develop and propose regulatory modifications and other steps that address the challenges associated with the successful long-term implementation of the ZEV Program – in particular the need for product availability and market stability, the need to greatly enhance public awareness and education of the attributes and benefits of ZEV technologies, and the need to reduce or mitigate the high initial costs of vehicles and batteries in low-volume production – and that result in a sustainable market for ZEVs;

WHEREAS, Assembly Bill (AB) 2061, introduced by Assembly Member Lowenthal and signed into law by Governor Gray Davis on September 30, 2000, added chapter 8.6 (commencing with section 44260) to part 5 of division 26 of the Health and Safety Code creating a ZEV Incentive Program (ZIP), providing \$18 million for grants, up to \$9,000 per vehicle, to encourage the purchase or lease, between October 1, 2000 and December 31, 2002, of zero-emission light-duty cars or trucks capable of operation on freeways, commonly referred to as full-function ZEVs (such grants are referred to here as ZIP I grants);

WHEREAS, at a December 7, 2000, public meeting, the Board in Resolution 00-38 approved Proposed Guidelines for ZIP I pursuant to Health and Safety Code sections 44260-44265, with some modifications and directed staff to administer the program statewide in accordance with the guidelines and AB 2061;

WHEREAS, at a January 25, 2001, hearing, the Board in Resolution 01-1 approved major amendments to the ZEV regulations that will result in a substantial increase in the number of ZEVs over the next decade and directed staff to initiate, and take the necessary steps for, the formation of a statewide working group to assess the need for additional incentive or subsidy programs to reduce or mitigate the high initial costs of vehicles and batteries in low-volume production, and to identify and prioritize appropriate mechanisms for providing such programs, if needed; staff was directed to provide coordination and administrative support for the efforts of the statewide working group, and to explore additional ways in which purchases or leases of ZEVs by state and local government fleet operators can be substantially expanded;

WHEREAS, staff released modified guidelines, Guidelines for the ZIP pursuant to Health and Safety Code sections 44260-44265 and began awarding grants pursuant to this program in February 2001;

WHEREAS, the Legislature in the Fiscal Year 2001-2002 (FY 01-02) approved State Budget (approved July 26, 2001) appropriated \$20 million for the California ZEV Program and made such funds available for expenditure through June 2004 (Chapter 739 of Statutes of 2001);

WHEREAS, the Legislature in ZEVs Program Budget Act Language FY 01-02 has prescribed the following criteria for distribution of the \$20 million:

\$10 million shall be available for grants in an amount up to \$5,000 per vehicle for the purchase or lease of ZEVs pursuant to criteria established by the Board (such grants are referred to here as ZIP II grants); and

\$10 million shall be available for grants up to \$11,000 per vehicle to subsidize the purchase or lease of ZEVs to be used in fleets operating in nonattainment areas; and such fleet vehicle grants shall be awarded through a competitive process that gives preference to the award of grants to fleet operators that will use the vehicles primarily in communities that are disproportionately impacted by poor air quality, including low-income communities and communities of color (such process is referred to here as the Fleet Incentive Program).

WHEREAS the Legislature in ZEV Program Budget Act Language FY 01-02 made known its intent that the Board consider the eligibility of low-speed vehicles or Neighborhood Electric Vehicles (NEV), or both, in the administration of ZIPs in recognition of those vehicles' contribution to achieving compliance with the ZEV mandate;

WHEREAS, AB 1390, introduced by Assembly Member Firebaugh and signed into law by Governor Davis on October 11, 2001, made amendments to section 44260 in part 5 of division 26 of the Health and Safety Code, to expand potential grant recipients; to permit the Board to reserve, allocate, and reallocate funds to any grant recipient; to require the Board to periodically review grant applications and the award of grants to ensure utilization of grant funds; and to authorize the Board to reduce or eliminate grants if that recipient received a grant from the Budget Act of 2001 for the purchase or lease of a ZEV;

WHEREAS, state law defines environmental justice as the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies;

WHEREAS, on December 13, 2001, the Board adopted a comprehensive set of policies and actions that will make environmental justice an integral part of Board activities and commit staff to work with local air districts to implement incentive programs in communities with the most significant air pollution, including low income and communities of color, consistent with AB 1390;

WHEREAS, the Fleet Incentive Program is an important part of implementing the Board's Environmental Justice Program and Policies;

WHEREAS, staff has assisted in the formation of an informal ZEV Incentives Stakeholders Working Group consisting of representatives of state agencies, local government, local and regional air agencies, public utilities, vehicle manufacturers and dealers, fleet administrators, ZEV proponents, and other interested persons and agencies, and has provided opportunities beginning in October 2000 for regular meetings and/or teleconferences for the following purposes:

Informing stakeholders about the status and implementation of the statewide ZIP and receiving stakeholder input during development of guidelines for implementing new state incentive programs;

Coordination of state and local incentive programs and exchange of information on proposed federal and state legislation providing ZEV incentives;

Discussion regarding additional incentives that may be needed to support the early ZEV market and mechanisms to obtain them; and

Exchanging information on vehicle availability and efforts of other staff facilitated stakeholder-working groups for public education and infrastructure.

WHEREAS, staff expects manufacturers to aggressively market low-speed vehicles or NEVs as the least expensive compliance option in the early years to meet their ZEV mandate requirements and the number of such vehicles that will be made available is expected to far exceed the availability of any other type of ZEVs;

WHEREAS, although not required by the ZEV mandate and not a compliance option to meet ZEV mandate requirements, three-wheel, fully-enclosed zero-emission motorcycles (ZEMs) may be well suited for many of the same transportation needs as full-function ZEVs and may support the build-up to a sustainable ZEV technology market; ZEMs are expected to be available in limited quantities in the early years of the ZEV Program;

WHEREAS, staff has prepared for the Board's consideration proposed guidelines for implementing an expanded statewide ZIP, which provide for the coordinated administration and awarding of ZIP I and ZIP II grants and a ZIP for fleets that operate in areas of California with poorest air quality that uses a competitive process for awarding grants and which considers environmental justice principles and goals; and

WHEREAS, the Board has held two duly noticed public meetings to consider approval of guidelines for implementing an expanded statewide ZIP (ZIP I and ZIP II) and an incentive program for fleets in areas of California with poorest air quality and has heard and considered the comments made by interested parties.

NOW, THEREFORE, BE IT RESOLVED that the Board finds that AB 2061, AB 1390, and the Budget Act of 2001 provide for three significant and timely ZIPs, providing grants for the purchase or lease of eligible ZEVs during a period when manufacturers are not required to make ZEVs available and during the early years of ZEV mandate.

BE IT FURTHER RESOLVED that qualified grant recipients might be individuals, local governments, public agencies, nonprofit organizations, and private businesses.

BE IT FURTHER RESOLVED that the qualified recipient of a ZIP I or ZIP II grant shall have the option of assigning the grant to the vehicle lessor in order to receive an up-front reduction in the vehicle lease price and that a qualified recipient of a ZIP II shall have the option of assigning the grant to the vehicle manufacturer or dealer in order to receive an up-front reduction in the vehicle purchase price.

BE IT FURTHER RESOLVED that low-speed vehicles or NEVs shall be included in these incentive programs only on a limited basis, provided the manufacturer has entered into an agreement on a model year basis with the Executive Officer to forego the use of ZEV regulatory credit earned from offering the vehicles for sale in California and for the placement of the vehicles in service in California as a compliance option for meeting ZEV mandate requirements.

BE IT FURTHER RESOLVED that ZEMs shall be included in these programs to provide consumers with more zero-emission transportation options in the early years of the ZEV Program.

BE IT FURTHER RESOLVED that the grant amount for an eligible ZEV shall be determined by staff in accordance with the guidelines and is limited by the maximum grant amount specified for a ZEV model's vehicle category (Full-Function ZEV, City ZEV, Neighborhood ZEV, or ZEM) and, if applicable, its capability of operation on freeways.

BE IT FURTHER RESOLVED that an eligible ZEV shall meet criteria specified in the guidelines, including: ARB certification as a new EV and/or a new ZEV, coverage by a three-year warranty on the power train and battery pack and, vehicle model that is listed on the Board's List of Eligible Vehicle Models for ZIP II and/or ZIP II.

BE IT FURTHER RESOLVED that the ZIP I and ZIP II grants shall be made available statewide on a "first-come, first-served" basis, to the extent practicable and that grants awarded through the Fleet Vehicle Program shall be awarded using a competitive process consistent with program guidelines.

BE IT FURTHER RESOLVED that the Fleet Incentive Program is intended to support the following goals:

Implement an incentive program for ZEVs for fleets that operate in the geographical areas of the State with the poorest air quality;

Promote the deployment of ZEVs in communities that suffer from greater exposure to poor air quality, including low-income and minority communities;

Encourage projects that showcase ZEV technology to communities, or include education on the benefits of ZEV technology, so that all communities, especially low-income and communities of color, can take a more active role in decisions affecting their local air quality; and

Promote Full-Function ZEVs or ZEVs with full function characteristics.

BE IT FURTHER RESOLVED that the Board hereby approves the Proposed Guidelines for Implementing An Expanded ZIP (ZIP I and ZIP II) and a ZIP For Fleets That Operate In Areas Of California With Poorest Air Quality, as set forth in Attachment A to this resolution and as modified to incorporate changes proposed by staff in Attachment B to this resolution.

BE IT FURTHER RESOLVED that the Board directs staff to administer these programs statewide in accordance with approved guidelines but allows the Executive Officer to approve modifications to the guidelines necessary for the efficient and effective implementation of these programs and consistent with AB 2061, AB 1390, ZEVs Program Budget Act Language FY 01-02 and the Board's Environmental Justice Program and Policies.

BE IT FURTHER RESOLVED that, where a local air district is voluntarily administering the Statewide ZIP pursuant to Health and Safety Code Sections 44260-44265 (ZIP I) in its own jurisdiction, the Board directs staff to assist the local air district in its efforts implement the ZIP II Program and the Fleet Vehicle Program, if applicable, to ensure that the program is implemented in accordance with the guidelines and that the locally-administered program and the statewide, ARB-administered program are consistent and seamless to the consumer.

BE IT FURTHER RESOLVED, the Board directs staff to offer assistance to districts, if requested, in development of environmental justice criteria and to work cooperatively with program sponsors and partners.

BE IT FURTHER RESOLVED that staff is directed to evaluate the amount and number of grants awarded to NEVs and ZEMs on a regular basis and to propose modifications to the guidelines to limit or eliminate eligibility for the grants if projected availability of such vehicles will adversely impact the availability of grants for Full-Function ZEVs.

BE IT FURTHER RESOLVED that the Board authorizes staff, with the approval of the Executive Officer, to make minor changes to the Guidelines as needed; minor changes may include, but are not limited to, adding or removing vehicles from the eligibility list, making adjustments in grant amounts as program needs dictate, and making changes in the application forms.

BE IT FURTHER RESOLVED that Board directs staff to report annually to the Board regarding the status of the implementation of state ZIPs and the availability of incentive funds.

BE IT FURTHER RESOLVED that the Board directs staff to continue to provide coordination and administrative support for the ZEV Incentive Stakeholders Working Group, which provides a valuable network for information dissemination and state and local program coordination, and will ensure that information will be available to consumers regarding all the available incentives.

I hereby certify that the above is a true and correct copy of Resolution 02-19, as adopted by the Air Resources Board.

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Stacey Dorais, Clerk of the Board

Resolution 02-19

April 25-26, 2002

**Identification of Attachments to the Resolution**

**Attachment A:** Proposed Guidelines for the Proposed Guidelines for Implementing An Expanded ZIP (ZIP I and ZIP II) and A ZIP For Fleets That Operate In Areas Of California With Poorest Air Quality

**Attachment B:** Staff's Recommended Modifications to the Proposed Guidelines