

State of California
Air Resources Board

Resolution 10-28

June 24, 2010

Agenda Item No.: 10-6-4

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* (AB 118; Stats. 2007, ch. 750), which creates the Air Quality Improvement Program (AQIP), administered by the Air Resources Board (ARB or Board), 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, Title 13, California Code of Regulations, section 2350 et seq. establishes the AB 118 Air Quality Improvement Program Guidelines (AB 118 Guidelines) which define the overall administrative requirements as well as the program structure of the AQIP;

WEREAS, the AB 118 Guidelines require that a Funding Plan must annually be submitted to the Board for approval;

WHEREAS, the fiscal year 2010-11 proposed State budget appropriates \$40 million to implement the AQIP;

WHEREAS, these funds are to be encumbered by June 30, 2011 and expended by June 30, 2013;

WHEREAS, Health and Safety Code sections 39600 and 39601 authorize ARB 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, California has an existing portfolio of ongoing air quality incentive programs including the Carl Moyer Program, the Goods Movement Emission Reduction Program, the Lower-Emission School Bus Program, the Enhanced Fleet Modernization Program, and the Alternative and Renewable Fuel and Vehicle Technology Program;

WHEREAS, Governor Schwarzenegger's Executive Order S-03-05 established targets for the State to reduce greenhouse gas (GHG) emissions to the 2000 level by 2010; to the 1990 level by 2020; and to 80 percent below the 1990 level by 2050;

WHEREAS, AB 32 (Stats. 2006, ch. 488) directs ARB to conduct a number of activities to reduce GHG emissions and to ensure that these activities do not interfere with efforts to attain ambient air quality standards and reduce toxic air contaminants;

WHEREAS, on November 15, 2007, the Board approved the State Alternative Fuels Plan, which directs staff to work with the California Energy Commission (Energy Commission) to ensure that funds expended pursuant to AB 118 provide the maximum possible benefits in terms of air quality improvement and greenhouse gas reduction;

WHEREAS, on September 25, 2008, the Board approved Resolution 08-40 that:

- Directs the AQIP to provide the maximum possible air quality and greenhouse gas reductions in order to meet the California's State Implementation Plan (SIP) commitments and GHG reduction targets;
- Recognizes that funding of emerging technologies is needed to achieve California's multiple policy goals of achieving GHG, ambient air quality, and toxic air contaminant reductions; and
- Recognizes the importance of continuing ARB and Energy Commission coordination to ensure the ongoing success of both the AQIP and the Alternative and Renewable Fuel and Vehicle Technology Program.

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

WHEREAS, the proposed Funding Plan for fiscal year 2010-11 is based upon the latest available information, including funds appropriated in the State budget, availability of and demand for potential technology, and availability of funds from other incentive programs;

WHEREAS, the AB 118 Guidelines define the process for ensuring that the AQIP complements, and does not interfere with, California's existing air quality programs as required by Health and Safety Code section 44271(b);

WHEREAS, on April 24, 2009, the Board approved the AB 118 AQIP Funding Plan for Fiscal Year 2009-10 that established priorities and guiding principles for the AQIP, which include:

- Projects should accelerate the commercialization of advanced technologies needed to meet California's longer-term, post-2020 SIP goals;
- The AQIP should direct funds to project types that cannot receive funding through California's other incentive programs;
- Deployment projects should be ready for immediate on-the-ground deployment, while demonstration projects should be near commercialization; and
- Projects should modify consumer choice, inducing purchases that would not have occurred otherwise;

WHEREAS, Board Resolution 09-33 established the following project categories for the AB 118 AQIP Funding Plan for Fiscal Year 2009-10:

- Deployment/Commercialization Projects
 - Hybrid Truck and Bus Voucher Incentive Project (HVIP);
 - Zero-Emission and Plug-In Hybrid Light-Duty Vehicle Rebate Project (CVRP);
 - Lawn and Garden Equipment Replacement Project (LGER); and
 - Zero-Emission All-Terrain Agricultural Work Vehicle Rebate Project (Ag UTV).
- Advanced Technology Demonstration Projects

WHEREAS, ARB staff conducted four public workshops, one in December 2009 and three in April 2010, and released concepts for public review;

WHEREAS, ARB held six public working group meetings to evaluate and refine criteria for projects in the proposed AQIP Funding Plan;

WHEREAS, ARB staff conducted monthly coordination meetings with the Energy Commission to develop the proposed AQIP Funding Plan;

WHEREAS, ARB coordinated development of the proposed AQIP Funding Plan with local air districts to ensure the Funding Plan complements existing incentive programs;

WHEREAS, in consideration of the Staff Report, staff presentation, and public testimony and comments, the Board finds that:

1. ARB staff has met the requirements set forth in the AQIP Guidelines for consideration and adoption of the fiscal year 2010-11 AQIP Funding Plan;
2. The proposed project categories are critical for enabling ARB and the local air districts to fulfill their longer-term, post 2020 SIP goals;
3. The proposed AQIP Funding Plan properly directs funding to project categories that may not be funded through existing incentive programs but are necessary for ARB to meet California's multiple policy goals of achieving GHG, ambient air quality, and toxic air contaminant reductions;
4. The implementation priorities and guiding principles approved for the Fiscal Year 2009-10 AQIP Funding Plan continue to be appropriate for identifying project categories for fiscal year 2010-11;
5. The funding targets are appropriate for continuing ARB's investment in those advanced technologies approved for AQIP funding in fiscal year 2009-10;
6. The voucher and rebate projects in the Fiscal Year 2009-10 AQIP Funding Plan enabled California to effectively accelerate deployment of advanced technology vehicles and equipment while ensuring robust program oversight and accountability;

7. The AQIP implementation has been a success, the demand for funding exceeds available funds, and seeking additional funding is appropriate.
8. It is necessary and appropriate to advance grantees up to ten percent of clean vehicle, equipment, or technology funding and up to half of project administration funding at project inception to ensure continued effective implementation of streamlined AQIP projects;
9. While the participation of public fleets is important for the successful deployment of hybrid vehicles, few hybrid truck or bus vouchers have been requested by public fleets in the first three months of this year's HVIP;
10. Hybrid off-road equipment is now commercially available and has the potential to significantly reduce criteria pollutant, air toxic, and GHG emissions;
11. The proposed funding categories strike an appropriate balance for achieving long-term benefits with regards to reducing production costs and accelerating technology transfer and consumer acceptance of advanced technologies, while also achieving short-term criteria pollutant emission benefits;
12. The proposed fiscal year 2010-11 AQIP Funding Plan establishes a framework for achieving GHG emission reductions through accelerating development and deployment of more efficient, advanced technologies and for reducing California's dependence on foreign oil; and
13. The proposed contingency plans are necessary to ensure that AQIP funds are spent expeditiously and efficiently.

NOW, THEREFORE, BE IT RESOLVED that the Board approves the proposed AB 118 Air Quality Improvement Program Funding Plan for fiscal year 2010-11.

BE IT FURTHER RESOLVED that the following project category and funding targets are established for the purposes described in the approved fiscal year 2010-2011 AQIP Funding Plan:

- \$25 million for the Hybrid Truck and Bus Voucher Incentive Project;
- \$5 million for the Clean Vehicle Rebate Project;
- \$3 million for the Hybrid Off-Road Equipment Pilot Project;
- \$1 million for the Lawn and Garden Equipment Replacement Project;
- \$0.5 million for the Zero-Emission Agricultural UTV Rebate Project; and
- \$ 5.5 million for Advanced Technology Demonstration Projects.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer, at the time of the HVIP solicitation, to identify the need for allocating up to five percent of HVIP funding for hybrid vehicle testing.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer, at the time of the HVIP solicitation, to set aside up to ten percent of HVIP voucher funding for public fleets if needed to encourage their participation.

BE IT FURTHER RESOLVED that the Executive Officer may modify approved project criteria where necessary to coordinate with other incentive funds or ARB regulations and to reflect changes in the available technology.

BE IT FURTHER RESOLVED that the Executive Officer may modify the approved funding targets as specified in the contingency plans set forth in the approved fiscal year 2010-2011 AQIP Funding Plan.

BE IT FURTHER RESOLVED that the Executive Officer may resolicit a project or redirect funding from one project category to another if applications in a project category fail to meet minimum project scores set in the project solicitations or when demand for funds in one project category exceeds the demand for funds in another project category.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to coordinate with the Governor's Office of Economic Development and take appropriate action, if any, in response to recommendations concerning Zero-Emission Commercial Vehicles.

BE IT FURTHER RESOLVED that the Executive Officer may advance the grantee up to ten percent of vehicle/technology funding and half of administration funding once a grant agreement has been fully executed.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to conduct the analysis required under the AB 118 Air Quality Guidelines for the projects approved in 2010-2011 AQIP Funding Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to identify additional funding opportunities to augment or complement AQIP funds, and to look for opportunities to leverage State funds with federal air quality incentive funds.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to conduct working group meetings or other outreach, as necessary, for development of project solicitations and further refinement of project implementation.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to work with the Energy Commission on further coordination of the AQIP and the Alternative and Renewable Fuel and Vehicle Technology Program.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to provide an update to the Board on implementation of the AQIP when presenting the proposed fiscal year 2011-2012 Funding Plan for approval.

BE IT FURTHER RESOLVED that the Board extends its appreciation to the Energy Commission, the local air districts, environmental groups, industry groups, and other stakeholders for their cooperation and efforts in developing this Funding Plan.

I hereby certify that the above is a true and correct copy of Resolution 10-28, as adopted by the Air Resources Board.

Lori Andreoni, Clerk of the Board