

State of California
Air Resources Board

**AMENDMENT TO THE AB 118 AIR QUALITY IMPROVEMENT PROGRAM FISCAL
YEAR 2013-2014 FUNDING PLAN**

Resolution 13-38

September 26, 2013

Agenda Item No.: 13-8-5

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, 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, title 13, California Code of Regulations, section 2350 et. seq. establishes the AB 118 Air Quality Improvement Program Guidelines (AQIP Guidelines) that define the overall administrative requirements as well as the program structure of AQIP;

WHEREAS, title 13, California Code of Regulations, section 2353, requires that a Funding Plan be submitted to the Board annually for approval;

WHEREAS, Board Resolutions 09-33, 10-28, 11-26, and 12-26 for the AB 118 AQIP Funding Plans for fiscal years 2009-13 respectively, established funding targets for specific project categories;

WHEREAS, the Board approved contingency measures in the Funding Plans for fiscal years 2009-14 that provide flexibility to adjust funding targets to address fluctuations in project demand;

WHEREAS, the fiscal year 2008-09 State Budget permitted fiscal year 2008-09 AQIP funds to be used for a new ARB loan program (Truck Loan Assistance Program) to assist fleet owners affected by the Statewide In-Use Truck and Bus Regulation and the Tractor-Trailer Greenhouse Gas Regulation;

WHEREAS, the Truck Loan Assistance Program, implemented in partnership with the California Pollution Control Financing Authority, was launched in April 2009 to utilize AQIP funds to guarantee loans provided by participating commercial lenders to eligible truck owners;

WHEREAS, demand for funding in fiscal year 2012-13 for the Clean Vehicle Rebate Project, the Hybrid Truck and Bus Voucher Incentive Project, Advanced Technology Demonstration Projects, and the Truck Loan Assistance Program outstripped available funding in AQIP;

WHEREAS, in Resolution 13-29, the Board approved the AQIP Funding Plan for fiscal year 2013-14 (2013-14 Funding Plan), which identified the Truck Loan Assistance Program as an AQIP project category, along with the following:

- Clean Vehicle Rebate Project;
- Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project; and
- Advanced Technology Demonstration Projects.

WHEREAS, in Resolution 13-29, the Board established the following minimum funding targets totaling \$20 million for the purposes described in the 2013-14 Funding Plan in anticipation that fiscal year 2013-14 revenues into the Air Quality Investment Fund would be lower than the \$35 million total appropriated in the 2013-14 State Budget:

- \$10 million for the Clean Vehicle Rebate Project;
- \$5 million for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project;
- \$2 million for Truck Loan Assistance Program; and
- \$3 million for Advanced Technology Demonstration Projects.

WHEREAS, in the 2013-14 Funding Plan, the Board directed that \$5 million of anticipated revenue to be held in reserve to ensure that money would be available for projects that demonstrate the need for additional funding;

WHEREAS, AQIP implementation has been a success, and to the extent the demand for funding exceeds available funds, additional funding is appropriate;

WHEREAS, the funding targets identified in the approved 2013-14 Funding Plan, continue ARB's investment in advanced technologies and loan assistance, however the funding will not fully satisfy the demand;

WHEREAS, the Clean Vehicle Rebate Project launched in March 2010, and has since issued over 30,000 clean vehicle rebates, as of August 15, 2013, totaling almost \$67 million in funding;

WHEREAS, on May 8, 2013, and June 12, 2013, the Energy Commission approved \$5 million and \$8 million, respectively, in AB 118 Alternative and Renewable Fuel and Vehicle Technology Program funding for an Interagency Agreement with ARB to provide incentives for qualified light-duty electric drive vehicles through the Clean Vehicle Rebate Project;

WHEREAS, demand for the Clean Vehicle Rebate Project increased throughout 2012, and continues to grow with over 2,200 rebates issued each month from June through August 2013;

WHEREAS, the anticipated funding need for the Clean Vehicle Rebate Project in fiscal year 2013-14 is between \$40 and \$60 million;

WHEREAS, when all prior year funding under the fiscal year 2012-2013 AQIP Funding Plan was exhausted in May of 2013, the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project had provided vouchers for the purchase of 1,286 hybrid and 375 battery-electric zero-emission trucks and buses since its inception, mostly in urban beverage and package delivery vocations;

WHEREAS, a significant increase in funding demand is expected for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project in fiscal year 2013-14, largely from medium and smaller fleets wanting hybrid trucks;

WHEREAS, fiscal year 2011-12 Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) funds will have been exhausted more than six months before fiscal year 2013-14 HVIP project funds become available in late 2013;

WHEREAS, the funding need for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project is expected to be between \$12 million and \$25 million for fiscal year 2013-14;

WHEREAS, Advanced Technology Demonstration Projects are intended to support the development and demonstration of technologies aimed at supporting longer-term air quality and climate change goals;

WHEREAS, Advanced Technology Demonstration Projects are not dependent on consumer demand or goals based on regulatory deadlines for the deployment of vehicles into the marketplace;

WHEREAS, since its inception, AQIP has funded, in partnership with other agencies and local air districts, 13 Advanced Technology Demonstration Projects totaling \$5.6 million, ranging from locomotive retrofits to hybrid marine demonstrations;

WHEREAS, participation in the Truck Loan Assistance Program has grown rapidly as regulatory compliance deadlines approach, whereby the program has issued over half of the total loans offered over the course of the program in just this past year;

WHEREAS, as of August 30, 2013, approximately \$30 million in Truck Loan Assistance Program funding has been leveraged to provide about \$204 million in financing to small business truckers for the purchase of over 3,509 cleaner trucks, exhaust retrofits, and trailers;

WHEREAS, an additional \$14 million in funding is necessary to extend the Truck Loan Assistance Program through the 2013-14 fiscal year;

WHEREAS, SB 95 (Committee on Budget and Fiscal Review, 2013) transfers \$24.55 million from the California Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Fund to Air Quality Improvement Fund and increases funding authority for the Air Quality Improvement Program;

WHEREAS, SB 359 (Corbett, 2013), transfers, as a loan, \$30 million from the Vehicle Inspection Repair fund to the Air Quality Improvement Fund and also transfers, as a loan, \$10 million from the Vehicle Inspection Repair Fund to the Air Pollution Control Fund;

WHEREAS, SB 359 appropriates \$20 million to be expended only for the Clean Vehicle Rebate Project and \$10 million to be expended only for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project;

WHEREAS, SB 359 appropriates \$10 million to be expended only for the Heavy-Duty Vehicle Air Quality Loan Program (also known as the Truck Loan Assistance Program);

WHEREAS, in consideration of the fiscal year 2013-14 Funding Plan, staff presentation, and public testimony and comments, the Board finds that:

1. Demand for funding in fiscal year 2013-14 for the Clean Vehicle Rebate Project, the Hybrid and Zero Emission Truck and Bus Voucher Incentive Project, and the Truck Loan Assistance Program is expected to exceed the funding targets identified in the approved fiscal year 2013-14 AQIP Funding Plan;
2. The AQIP Funding Plan for fiscal year 2013-14 needs to be amended to reflect additional funding authorized in the 2013 legislative session and to reallocate funding;
3. Additional funding is needed to meet consumer demand in the Truck Loan Assistance Program;
4. Expending the previously allocated funds in fiscal year 2013-14 for Advanced Technology Demonstration Projects is not critical and it is more essential to reallocate \$3 million to the Truck Loan Assistance Program;
5. The \$5 million of anticipated revenue held in reserve, as described in the AB 118 Air Quality Improvement Program Funding Plan for fiscal year 2013-14, shall be allocated to the Truck Loan Assistance Program;

6. Funding allocations for AQIP projects identified in the AQIP Funding Plan for fiscal year 2013-14 shall be amended as shown in Table 1:

Table 1: Revised funding allocations for AQIP projects

	Board Approved Allocation	SB 95	SB 359	Board Reallocation	Revised Total Allocation
Clean Vehicle Rebate Project	\$10M	\$24.55M	\$20M	-	\$54.55M
Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project	\$5M	-	\$10M	-	\$15M
Truck Loan Assistance Program	\$2M	-	\$10M	\$8M	\$20M
Advanced Technology Demonstration	\$3M	-	-	(\$3M)	\$0
Reserve	\$5M	-	-	(\$5M)	\$0
Total	\$25M	\$24.55M	\$40 M	-	\$89.55M

7. It is necessary and appropriate to consider the use of a waiting-list for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project; and

8. All other areas of the FY 2013-14 AQIP Funding Plan remain unchanged.

NOW, THEREFORE, BE IT RESOLVED that the Board approves the proposed amendments to the AB 118 Air Quality Improvement Program Funding Plan for fiscal year 2013-14.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to allocate funds in accordance with Table 1.

BE IT FURTHER RESOLVED that the Executive Officer may institute a waiting-list for up to \$5 million of fiscal year 2013-14 available funding for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project to ensure program continuity.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to identify additional funding opportunities to support AQIP projects beyond fiscal year 2013-14.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to work with other agencies and local air districts to identify alternative funding sources and initiate advanced technology demonstrations projects consistent with those proposed at the July 25, 2013 Board meeting.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to conduct working group meetings, analysis, and seek input from stakeholders to

determine long-term changes to improve the sustainability of the Clean Vehicle Rebate Project.

I hereby certify that the above is a true and correct copy of Resolution 13-38, as adopted by the Air Resources Board.

Tracy Jensen, Clerk of the Board