

CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER APPROVAL OF THE PROPOSED FISCAL YEAR 2017-18 FUNDING PLAN FOR CLEAN TRANSPORTATION INCENTIVES

The California Air Resources Board (CARB or Board) will conduct a public meeting at the time and place noted below to consider the approval of *Proposed Fiscal Year 2017-18 Funding Plan for Clean Transportation Incentives* (FY 2017-18 Funding Plan).

DATE: December 14, 2017

TIME: 9:00 a.m.

LOCATION: California Environmental Protection Agency
California Air Resources Board
Byron Sher Auditorium
1001 I Street
Sacramento, California 95814

This item will be considered at a meeting of the Board, which will commence at 9:00 a.m., December 14, 2017, and may continue at 8:30 a.m., on December 15, 2017. Please consult the agenda for the meeting, which will be available at least ten days before December 14, 2017, to determine the day on which this item will be considered.

Background

The proposed FY 2017-18 Funding Plan covers a total of \$663 million in clean transportation investments from four related funding sources appropriated to CARB in budget bills passed by the Legislature and signed by the Governor in 2017:

- \$560 million for Low Carbon Transportation investments funded with Cap-and-Trade Auction Proceeds appropriated to CARB in Assembly Bill (AB) 134 (Committee on Budget, Chapter 254, Statutes of 2017).
- \$28.64 million for the Air Quality Improvement Program (AQIP) appropriated to CARB in AB 97 (Ting, Chapter 14, Statutes of 2017), the Budget Act of 2017.
- \$25 million Volkswagen Settlement Funds for Zero Emission Vehicle (ZEV) Aspects of Vehicle Replacement Programs appropriated to CARB in AB 97.
- \$50 million for a new Zero- and Near Zero-Emission Warehouse Program appropriated to CARB in Senate Bill (SB) 132 (Committee on Budget and Fiscal Review, Chapter 7, Statutes of 2017).

In addition to these programs, the Legislature appropriated CARB funding for two new incentive programs in the budget bills passed on September 15, 2017. One provides \$135 million to reduce emissions from agricultural equipment, and the other provides \$250 million for air districts to implement the community emission reduction programs developed pursuant to AB 617 (Garcia, Chapter 136, Statutes of 2017). These new programs were not covered previously in the public process for the FY 2017-18 Funding Plan, so they will be developed through a separate public process commencing shortly.

The proposed FY 2017-18 Funding Plan describes CARB's policy drivers and vision for these advanced technology mobile source investments, eligible project categories and criteria, project funding allocations, program implementation details, grant administration procedures, and the justification for these investments. CARB staff has developed a joint plan for these funding sources to ensure synergistic investments among these related programs while ensuring that statutory requirements applicable to each are met.

Background on each of the four funding sources covered in the proposed FY 2017-18 Funding Plan is provided below, followed by a summary of the proposed investments.

Low Carbon Transportation: The Low Carbon Transportation Program is part of California Climate Investments, a statewide program that puts billions of Cap-and-Trade dollars to work reducing greenhouse gas (GHG) emissions, strengthening the economy, and improving public health and the environment—particularly in disadvantaged communities. CARB's Low Carbon Transportation Program is designed to accelerate the transition to low carbon freight and passenger transportation with a priority on providing health and economic benefits to California's most disadvantaged communities.

The Legislature has appropriated nearly \$700 million to CARB for its Low Carbon Transportation Program over the past four budget cycles. This is being used to fund: zero-emission and plug-in hybrid passenger vehicles through the Clean Vehicle Rebate Project (CVRP); transportation equity projects to increase access to the cleanest vehicles in and near disadvantaged communities and for low-income Californians; clean trucks and buses using zero-emission, hybrid, and low nitrogen oxides (NOx) technologies through the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP); and advanced technology freight demonstration projects.

For FY 2017-18, the Legislature appropriated \$560 million for the Low Carbon Transportation Program to continue and build on investments from previous years. The budget appropriation specifies that the funding be invested in the following categories:

- Up to \$140 million for the CVRP.
- Up to \$100 million for transportation equity projects including Enhanced Fleet Modernization Program (EFMP) and EFMP Plus-up, school bus replacements, CVRP rebates for low-income applicants, and light-duty equity projects authorized pursuant to a previous statute, SB 1275 (Chapter 530, Statutes of 2014).

- Up to \$140 million for advanced freight equipment demonstration and pilot commercial deployment, including projects for ships at berth.
- Up to \$180 million for clean truck and bus vouchers through the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project.

Additional direction from the Legislature on the use of these funds is described in the proposed FY 2017-18 Funding Plan.

AQIP: AQIP is a mobile source incentive program that focuses on reducing criteria pollutant and diesel particulate emissions with concurrent GHG reductions. CARB investments started under AQIP provide the foundation for the Low Carbon Transportation investments that now make up the vast majority of the proposed FY 2017-18 Funding Plan. AQIP has provided funding for CVRP, HVIP, and advanced technology demonstrations since 2009. In recent years, these projects have been primarily funded with Low Carbon Transportation appropriations, and the majority of AQIP funds have been directed to the Truck Loan Assistance Program and other diesel emission reduction projects. For FY 2017-18, the Legislature appropriated \$28.64 million to CARB for AQIP. Staff proposes allocating \$28 million to projects and holding the \$0.64 million as a reserve to address revenue uncertainty as it has done in past years.

Volkswagen Settlement for the ZEV Aspects of Vehicle Replacement Programs: CARB has entered into several partial consent decrees with Volkswagen to resolve claims against the company for equipping its diesel vehicles with illegal defeat devices. One of the partial consent decrees requires Volkswagen to pay CARB \$25 million to fund the ZEV-related aspects of the EFMP Plus Up Program or similar vehicle replacement programs for low-income Californians. In the AB 97 Budget Act of 2017, the Legislature appropriated \$25 million to CARB to implement this part of the settlement and provided additional direction to CARB on how these funds should be spent. The Legislature specified that a portion of these funds shall be used to support the expansion of EFMP Plus-up statewide including developing a tool to improve program efficiency and verify participant eligibility. The Legislature also specified that a portion may be used to increase community outreach efforts.

Zero/Near-Zero Emission Warehouse Program: This year's SB 132 amended the Budget Act of 2016 to appropriate \$50 million to CARB in one-time funding for a new Zero/Near Zero-Emission Warehouse Program. Per statute, these funds are to be used for a competitive funding program to advance implementation of zero- and near zero-emission warehouses and technology with a requirement for a one-to-one match resulting in \$100 million for projects. The Legislature directed CARB to develop criteria for implementing this program using the AQIP funding plan process.

Summary of the Proposed FY 2017-18 Funding Plan

California has important goals to reduce GHG and short-lived climate pollutant emissions, improve air quality and reduce toxics risk, deploy ZEVs, and reduce

petroleum dependency. Staff proposes using these incentives to accelerate development and deployment of the cleanest feasible mobile source technologies and to improve access to clean transportation. This would support the key emission reduction goals identified in the *Climate Change Scoping Plan*, *State Implementation Plan*, and *California Sustainable Freight Action Plan*.

These projects are designed to both achieve immediate emission reductions and, equally important, support the transformation of the fleet to one that is largely zero-emitting where feasible and as clean as possible where zero-emissions are not feasible. In designing these investments, CARB strives to maximize the benefits for disadvantaged communities, low-income communities, and low-income households.

The proposed projects for the FY 2017-18 cycle in most cases continue and build on investments from previous budget cycles that were envisioned as multi-year investments. All proposed projects are designed to meet the Legislature’s specific direction on the use of these funds in various budget bills. Staff determined project allocations by evaluating anticipated demand and technology readiness, reviewing the long-term planning elements of previous Funding Plans and the Three-Year Investment Strategy for Heavy-Duty Vehicles and Off-Road Equipment included in the proposed FY 2017-18 Funding Plan, considering other available funding sources, and considering stakeholder input. Staff’s proposed funding allocations are shown in Table 1, and the rationale for the proposal is described in the proposed FY 2017-18 Funding Plan.

Table 1: Proposed Project Allocations for FY 2017-18 Funding Plan

Project Category	Allocation (million)
LIGHT-DUTY VEHICLE AND TRANSPORTATION EQUITY INVESTMENTS	
CVRP (standard rebates)	\$140
Transportation Equity Projects	\$125
EFMP Plus-Up	\$20
Financing Assistance for Lower-Income Consumers	\$20
Clean Mobility Options in Disadvantaged Communities	\$22
Agricultural Worker Vanpools	\$3
Rural School Bus Pilot	\$10
CVRP Rebates for Low-Income Applicants	\$25
To Be Allocated in Spring 2018 Based on Demand	\$20
One-Stop-Shop for CARB’s Equity ZEV Replacement Incentives <i>(new)</i>	\$5
Light-Duty Vehicle and Transportation Equity Investment Total	\$265
HEAVY-DUTY VEHICLE AND OFF-ROAD EQUIPMENT INVESTMENTS	
Advanced Freight Equipment Demonstration and Deployment	\$190
Zero- and Near Zero-Emission Freight Facilities (including warehouses) <i>(new)</i>	\$150
Zero-Emission Off-Road Freight Voucher Incentive Project <i>(new)</i>	\$40
Clean Truck and Bus Vouchers (HVIP + Low NOx Engine Incentives)	\$188
Truck Loan Assistance Program	\$20
Heavy-Duty Vehicle and Off-Road Equipment Investment Total	\$398
TOTAL	\$663

The proposed Funding Plan includes a chapter on grant administration, addressing the direction provided by AB 109 (Ting, Chapter 249, Statutes of 2017).

Proposed Action

CARB staff will present the proposed FY 2017-18 Funding Plan for the Board's approval at the meeting. Copies of the report may be obtained from CARB's Public Information Office, 1001 I Street, First Floor, Environmental Services Center, Sacramento, California, 95814, at least 30 days prior to the scheduled meeting on December 14, 2017. The report may also be obtained from CARB's website at <http://www.arb.ca.gov/aqip/>.

Interested members of the public may present comments orally or in writing at the meeting and may provide comments by postal mail or by electronic submittal before the meeting. To be considered by the Board, written comments not physically submitted at the meeting, must be received **no later than 5:00 p.m., December 11, 2017**, and addressed to the following:

Postal mail: Clerk of the Board, California Air Resources Board
1001 I Street, Sacramento, California 95814

Electronic submittal: <http://www.arb.ca.gov/lispub/comm/bclist.php>

Please note that under the California Public Records Act (Government Code section 6250 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request.

CARB requests that written statements on this item be filed at least ten days prior to the meeting so that CARB staff and Board members have additional time to consider each comment. Further inquiries regarding this matter should be directed to Andrew Panson, Staff Air Pollution Specialist, at (916) 323-2809 or (designated back-up contact) Stella Ling-Taylor, Air Pollution Specialist, at (916) 322-6369.

SPECIAL ACCOMMODATION REQUEST

Consistent with California Government Code Section 7296.2, special accommodation or language needs may be provided for any of the following:

- An interpreter to be available at the meeting;
- Documents made available in an alternate format or another language; and
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than ten business days before the scheduled Board meeting. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Consecuente con la sección 7296.2 del Código de Gobierno de California, una acomodación especial o necesidades lingüísticas pueden ser suministradas para cualquiera de los siguientes:

- Un intérprete que esté disponible en la audiencia;
- Documentos disponibles en un formato alterno u otro idioma; y
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al (916) 322-5594 o envíe un fax a (916) 322-3928 lo más pronto posible, pero no menos de diez días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

CALIFORNIA AIR RESOURCES BOARD



Richard W. Corey
Executive Officer

Date: *November 9, 2017*

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website at www.arb.ca.gov.