

CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER THE ADOPTION OF THE PROPOSED AB 118 AIR QUALITY IMPROVEMENT PROGRAM FUNDING PLAN FOR FISCAL YEAR 2009-10

The Air Resources Board (the Board or ARB) will conduct a public meeting at the time and place noted below to consider adoption of the *Proposed AB 118 Air Quality Improvement Program Funding Plan For Fiscal Year 2009-10* (FY 2009-10 Funding Plan).

DATE: April 23, 2009

TIME: 9:00 a.m.

PLACE: California Environmental Protection Agency
Air Resources Board
Byron Sher Auditorium (2nd Floor)
1001 I Street
Sacramento, California 95814

This item will be considered at a two-day meeting of the Board, which will commence at 9:00 a.m., Thursday, April 23, 2009, and may continue at 8:30 a.m., Friday, April 24, 2009. This item may not be considered until April 24, 2009. Please consult the agenda for the meeting, which will be available at least 10 days before April 23, 2009, to determine the day on which this item will be considered.

If you require special accommodations or language needs, please contact the Clerk of the Board at (916) 322-5594 or by FAX at (916) 322-3928 as soon as possible, but no later than 10 business days before the scheduled board hearing. TTY/TDD/Speech-to-Speech users may dial 711 for the California Relay Service.

Background:

On October 14, 2007, Governor Schwarzenegger signed into State law the "California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007" (Assembly Bill (AB) 118, Statutes of 2007, Chapter 750). The Act creates the Air Quality Improvement Program (AQIP), a voluntary incentive program administered by the ARB to fund clean vehicle and equipment projects, research on biofuels production and the air quality impacts of alternative fuels, and workforce training. Statute provides up to \$50 million in annual funding for the AQIP through 2015 via increases to the smog abatement, equipment registration, and vessel registration fees collected by the Department of Motor Vehicles.

In addition to the AQIP, ARB administers a number of other air quality incentive programs such as the Carl Moyer Air Quality Standards Attainment Program (Carl Moyer Program), the Lower-Emission School Bus Program, and the Goods Movement Emission Reduction Program. These programs focus on near-term reductions in ozone and particulate matter pollution. The statute provides much broader flexibility for implementing the AQIP. ARB proposes to focus AQIP funding in areas that do not already have a significant source of incentive funding, directing funds to support development and deployment of advanced technologies needed to meet California's longer term, post 2020 State Implementation Plan (SIP) goals. The AQIP has the ability to fill a critical niche in ARB's air quality investment portfolio.

AB 118 also created the Alternative and Renewable Fuel and Vehicle Technology Program, implemented by the California Energy Commission (Energy Commission), which focuses on funding projects which achieve greenhouse gas reductions. ARB has been working in close coordination with the Energy Commission in the development of project categories that have the potential for overlap between the two programs such as hybrid and light duty vehicle projects. In addition, ARB has been providing Energy Commission input and support in assessing hydrogen fueling and electric vehicle infrastructure needs which is a priority for ARB and an integral part of ensuring the success of the Zero Emission Vehicle program, but can only be funded through the Energy Commission's program because statute does not authorize the AQIP to fund infrastructure. The California Fuel Cell Partnership has identified a need of about \$40 million in public funding over the next two years for hydrogen fueling infrastructure to support the 700 fuel cell vehicles expected to be deployed by the end of 2011. Additional infrastructure funding will be needed to support the projected, subsequent ramp up to tens of thousands of vehicles.

Implementation of the AQIP is directed through four documents: enabling statute, AQIP Guidelines (Guidelines), annual Funding Plans, and project solicitations. The statute establishes the overall framework for the program identifying the program's purpose, statutory limitations, potentially eligible source categories, and funding mechanisms. The Guidelines define the program's structure and establish minimum administrative and implementation requirements. The annual Funding Plan, discussed in greater detail in the next section, serves as each year's blueprint for expending the AQIP funds appropriated to ARB in the annual State budget, establishing ARB's priorities for the funding cycle and describing the projects ARB intends to fund. Project solicitations provide all the programmatic details potential grantees need to apply for funds and are issued for each of the projects identified in the annual Funding Plan.

Description of the Fiscal Year 2009-10 Funding Plan:

As discussed previously, the proposed FY 2009-10 Funding Plan serves as the blueprint for expending the AQIP funds that will be appropriated to ARB in the FY 2009-10 State budget. The appropriation for AQIP projects in the proposed budget for FY 2009-10 is \$42.3 million. The proposed FY 2009-10 Funding Plan establishes ARB's priorities for the funding cycle, describes the projects ARB intends to fund, and

sets funding targets for each project. The proposed FY 2009-10 Funding Plan specifies all policy-related details regarding the proposed projects, including eligible applicants, the criteria ARB will use to evaluate applications, eligible vehicles/equipment, maximum incentive amounts, and other grantee requirements.

In the process of developing the proposed FY 2009-10 Funding Plan, ARB established the following four guiding principles to prioritize potential projects for funding:

- Attain Ambient Air Quality Standards: Projects should help California meet federal ambient air quality standards by spurring deployment of new technologies to help meet the SIP advanced technology (“black box”) commitments. Projects should also help achieve the state air quality standards, reduce toxic air contaminant emissions, and complement California’s efforts to meet its climate change goals.
- Ready for Deployment: Projects should be ready for immediate, on-the-ground deployment. Technologies that could help meet SIP “black box” commitments but which are not ready for deployment would be considered for funding as demonstration projects.
- Modify Consumer Choice: Incentives should be focused on inducing vehicle and equipment purchases that would not otherwise occur.
- Consider Funding Need: Project types that do not have access to other ARB incentive program funds, such as Carl Moyer Program and Goods Movement Emission Reduction Program funds, should be prioritized.

Based on the guiding principles, ARB and stakeholders identified four deployment/commercialization projects for the proposed FY 2009-10 Funding Plan. ARB staff has worked closely with the Energy Commission to ensure our agencies’ AB 118 incentives for vehicle deployment and demonstration projects are complementary. The centerpiece of staff’s proposal is a \$25 million voucher incentive project to accelerate the deployment of about 1,000 hybrid trucks and buses in California. In addition, ARB is proposing five categories for projects that demonstrate the viability of a new technology. ARB’s goal in funding demonstration projects under the AQIP is to help accelerate the next generation of advanced technology vehicles, equipment, or emission controls which have not yet reached the commercialization stage of development. The table below identifies the proposed projects and the associated funding amounts.

Projects Proposed for AQIP Funding in FY 2009-10

Project Description	Funding Target (in millions)
Deployment/Commercialization Projects	
Hybrid Truck and Bus Voucher Incentive Project	\$25
Zero-Emission and Plug-In Hybrid Light-Duty Vehicle Rebate Project	\$5
Lawn and Garden Equipment Replacement Project	\$2
Zero-Emission All-Terrain Agricultural Work Vehicle Rebate Project	\$1.3
Advanced Technology Demonstration Projects	
Locomotives	\$2
Marine Vessels	\$1
Transit and School Buses	\$3
Off-Road Equipment	\$2
Agricultural Equipment	\$1
TOTAL PROPOSED FUNDING	\$42.3*

*Available funding based on the proposed FY 2009-10 State Budget. Funding amounts will be adjusted proportionally if the final FY 2009-10 Budget contains a different appropriation for the AQIP.

ARB is proposing to focus AQIP funds in FY 2009-10 on a few key projects rather than providing a small amount of funding across many categories in this first year of the program. ARB anticipates that by taking this approach, AQIP funds will have a larger impact in helping advance the technologies selected for funding.

In addition to providing details and justification for the proposed project categories, the proposed FY 2009-10 Funding Plan includes a tentative timeline for project solicitations, contingency plans should mid course corrections be needed to ensure that FY 2009-10 AQIP funds are spent expeditiously and efficiently, and plans for the development of the FY 2010-11 Funding Plan.

AVAILABILITY OF DOCUMENTS AND AGENCY CONTACT PERSON

ARB staff has prepared a report entitled: "Proposed AB 118 Air Quality Improvement Program Funding Plan for Fiscal Year 2009-10", which includes a summary of the project categories ARB proposes to fund, proposed funding targets, and a description of project implementation. Copies of the proposed FY 2009-10 Funding Plan be accessed on ARB's web site at <http://www.arb.ca.gov/msprog/aqip/aqip.htm> or may be obtained from the Public Information Office, Air Resources Board, 1001 I Street, Visitors and Environmental Services Center, 1st Floor, Sacramento, California 95814, (916) 322-2990, at least 30 days prior to the scheduled hearing on April 23, 2009.

Inquiries regarding the proposed FY 2009-10 Funding Plan may be directed to Mr. Joe Calavita, Staff Air Pollution Specialist, at (916) 445-4586.

SUBMITTAL OF COMMENTS

Interested members of the public may also present comments orally or in writing at the meeting, and in writing or by e-mail before the meeting. To be considered by the Board, written comments submissions not physically submitted at the meeting must be received **no later than 12:00 noon, Pacific Standard Time, April 22, 2009**, and addressed to the following:

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

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

Facsimile submittal: (916) 322-3928

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. Additionally, this information may become available via Google, Yahoo, and any other search engines.

The Board requests but does not require that 30 copies of any written statement be submitted and that all written statements be filed at least 10 days prior to the hearing so that ARB staff and Board Members have time to fully consider each comment. The Board encourages members of the public to bring to the attention of staff in advance of the hearing any suggestions for modification of the proposed regulatory action.

CALIFORNIA AIR RESOURCES BOARD

/s/

James N. Goldstene
Executive Officer

Date: March 23, 2009

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 web site at www.arb.ca.gov.