

FROM: Jared Blumenfeld
Secretary for Environmental Protection

Richard W. Corey
Executive Officer
California Air Resources Board

TO: Greenhouse Gas Reduction Fund (GGRF) Program File

DATE: July 18, 2019

SUBJECT: GREENHOUSE GAS REDUCTION FUND: CALIFORNIA AIR RESOURCES BOARD (CARB) EXPENDITURE RECORD FOR FISCAL YEAR 2019-20 — LOW CARBON TRANSPORTATION PROGRAM

This Attestation Memorandum documents that the California Environmental Protection Agency and CARB completed the attached Expenditure Record on July 1, 2019 for the Low Carbon Transportation Program. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 and with CARB's 2017 Draft *Funding Guidelines for Agencies that Administer California Climate Investments* to support expenditures from the Greenhouse Gas Reduction Fund.

This Attestation Memorandum and Expenditure Record will be submitted to CARB for public posting on the CARB website at: www.arb.ca.gov/caclimateinvestments. Questions on this Attestation Memorandum or Expenditure Record may be directed to Andrew Panson, Staff Air Pollution Specialist, at (916) 323-2809 or by email at andrew.panson@arb.ca.gov.

Attachment

cc: Andrew Panson
Staff Air Pollution Specialist
California Air Resources Board

Greenhouse Gas Reduction Fund: Expenditure Record

California Air Resources Board (CARB)
Low Carbon Transportation

Authorizing legislation: Items 3900-101-3228 and 3900-102-3228 of the Budget Act of 2019, Assembly Bill (AB) 74 (Ting, Chapter 23, Statutes of 2019) appropriate CARB a total of \$485 million for the Low Carbon Transportation Program funded with Cap-and-Trade Auction Proceeds.

Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.

<input type="checkbox"/> Agency that will administer funding	<ul style="list-style-type: none">▪ CARB
<input type="checkbox"/> Amount of proposed expenditure and appropriation reference	<ul style="list-style-type: none">▪ The expenditure is \$485 million for CARB's Low Carbon Transportation Program per Item 3900-101-3228 Schedule (2) Provisions 2 (a) and (b) and Item 3900-102-3228 Schedule (1) of the Budget Act of 2019, AB 74.
<input type="checkbox"/> Estimated amount of expenditures for administering agency administrative costs	<ul style="list-style-type: none">▪ Of CARB's State Operations appropriation per Item 3900-001-3228 of the Budget Act of 2019, approximately \$5 million is for the Low Carbon Transportation Program.▪ Consistent with the provisions of Items 3900-101-3228 and 3900-102-3228 of AB 74, CARB may use up to one percent of the \$485 million appropriation for CARB's administrative costs.
<input type="checkbox"/> If applicable, identify laws or regulations that govern how funds will be used	<ul style="list-style-type: none">▪ AB 1532 (Pérez, Chapter 807, Statutes of 2012), Senate Bill (SB) 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014), and AB 1550 (Gomez, Chapter 369, Statutes of 2016) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32.▪ SB 1275 (De León, Chapter 530, Statutes of 2014) establishes the Charge Ahead California Initiative with the goals of placing one million zero-emission and near zero-emission vehicles in California by 2023 and increasing access to these vehicles for lower-income consumers and consumers in disadvantaged communities. SB 1275 provides direction to CARB on implementation of CVRP and other light-duty vehicle incentive programs including those funded with Cap-and-Trade auction proceeds.

	<ul style="list-style-type: none"> ▪ SB 1204 (Lara, Chapter 524, Statutes of 2014) creates the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, funded with Cap-and-Trade auction proceeds, to support the development, demonstration, pre-commercial pilot, and early commercial deployment of zero-emission and near zero-emission technologies with priority given to projects that benefit disadvantaged communities. SB 1204 establishes specific requirements related to how CARB prioritizes and selects projects. SB 1403 (Lara, Chapter 370, Statutes of 2018) and AB 2145 (Reyes, Chapter 370, Statutes of 2018) provide additional direction on these clean truck, bus, and off-road vehicle and equipment investments. ▪ AB 398 (E. Garcia, Chapter 135, Statutes of 2017) prioritized air toxic and criteria air pollutants from stationary and mobile sources and low- and zero-carbon transportation alternatives among others for expenditures from the Greenhouse Gas Reduction Fund. ▪ All funds will be allocated and managed in accordance with these laws.
<p><input type="checkbox"/> Continuation of existing Expenditure Record</p>	<ul style="list-style-type: none"> ▪ This is an update to an existing Expenditure Record. This year's appropriation will support a continuing program that will fund many of the same types of projects that have already been funded under CARB's Expenditure Records for FY 2013-14 through FY 2018-19. The Expenditure Record elements being updated include: <ul style="list-style-type: none"> - The amount of expenditure and appropriation reference. - Describe the projects and/or measures that will be eligible for funding. - How the expenditure is consistent with the Investment Plan and the Scoping Plan. - Percentage of total funding that will be expended for projects that are located in and benefit priority populations per CARB guidance. - Describe the benefits to priority populations per CARB guidance. - Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities. <i>(New element in Expenditure Record.)</i>
<p><input type="checkbox"/> Project type(s)</p>	<ul style="list-style-type: none"> ▪ Low carbon transportation
<p><input type="checkbox"/> Describe the projects and/or measures that will be eligible for funding</p>	<ul style="list-style-type: none"> ▪ Per the AB 74 budget appropriation, the following Low Carbon Transportation projects will be eligible for funding: <ul style="list-style-type: none"> - \$182 million for clean trucks, buses, and off-road freight equipment including the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and advanced

	<p>technology freight demonstration and pilot commercial deployment projects.</p> <ul style="list-style-type: none"> - \$65 million for the Enhanced Fleet Modernization Program and Plus-Up Pilot Project (Clean Cars 4 All), replacement of school buses, and light-duty equity pilot projects authorized pursuant to Chapter 530 of the Statutes of 2014, collectively known as transportation equity projects. - \$238 million for the Clean Vehicle Rebate Project (CVRP), including \$25 million for increased rebates for low-income recipients. <ul style="list-style-type: none"> ▪ CARB’s Fiscal Year 2019-20 Funding Plan for Clean Transportation Incentives (FY 2019-20 Funding Plan) will describe in detail each of the expenditures that will be made pursuant to this appropriation.
<p><input type="checkbox"/> Intended recipients</p>	<ul style="list-style-type: none"> ▪ Consumers, businesses, and public fleets that purchase passenger vehicles, with extra incentives available for lower income consumers. ▪ Public and private truck and off-road equipment owners and fleets. ▪ Transit bus, shuttle bus, and school bus fleets. ▪ Car sharing, van sharing, and other clean mobility options operators and users. ▪ Advanced technology vehicle and equipment manufacturers and dealers. ▪ Cities, counties, and community-based organizations.
<p><input type="checkbox"/> Program structure and process for selecting projects for funding</p>	<ul style="list-style-type: none"> ▪ The FY 2019-20 Funding Plan will describe the process for selecting projects. Some projects are selected via competitive solicitation. In other cases, a project administrator is selected via competitive solicitation, and rebates, vouchers, or other funding are then awarded to qualifying applicants on a first-come, first-served basis.

Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

<p><input type="checkbox"/> How the expenditure is consistent with the Investment Plan and the Scoping Plan</p>	<ul style="list-style-type: none"> ▪ Health and Safety Code section 39718 requires that all GGRF moneys be appropriated in a manner that is consistent with the Administration’s three year Investment Plan. The <i>Cap-and-Trade Auction Proceeds Third Investment Plan: Fiscal Years 2019-20 through 2021-22</i> recommends continuing funding for existing California Climate Investments programs and prioritizing programs that “achieve near-term climate and health benefits and contribute to long-term
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transformation to low carbon communities and ecosystems that are adaptable and resilient” and lists existing low carbon transportation investments including “project types that replace older, more emission-intensive vehicles with clean, modern systems such as hybrid, electric, and alternative fuel powered vehicles in classes ranging from passenger cars to heavy-duty trucks and off-road equipment.”¹ The expenditures described in this record are consistent with these investment recommendations.

- California’s *2017 Climate Change Scoping Plan* identified key strategies and recommendations to continue reducing GHG emissions and achieve the goals and purposes of AB 32 and related statutes. The Scoping Plan identifies the following vehicle technology goals: through a strong set of complementary policies—including reliable incentives, significant infrastructure investment, broad education and outreach, and potential regulation—aim to reach 100 percent ZEV sales; and make significant progress in ZEV penetrations in non-light-duty segments.² The expenditures described in the record will help implement these Scoping Plan goals.

Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

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| <input type="checkbox"/> Describe how expenditures will facilitate the achievement of GHG emission reductions in the State | <ul style="list-style-type: none"> ▪ Expenditures will achieve GHG reductions by funding the purchase of zero- or near zero-emission vehicles, equipment, and associated infrastructure, which emit less GHG emissions than comparable conventionally fueled vehicles or equipment. ▪ Expenditures will also achieve GHG reductions by funding projects that displace vehicle miles traveled. |
| <input type="checkbox"/> Explain when GHG emission reductions and/or co-benefits are expected to occur and how they will be maintained | <ul style="list-style-type: none"> ▪ The expected time frame when reductions will be achieved and the length of time these expenditures will maintain GHG reductions varies by project. ▪ CVRP will begin to yield emission reductions in 2019. ▪ HVIP will begin to yield GHG emission reductions in 2019 or 2020. ▪ The advanced technology freight demonstration and pilot commercial deployment projects and transportation equity projects will generally start providing GHG emission reductions in 2020. However, there can be a time lag |

¹[Cap-and-Trade Auction Proceeds Third Investment Plan: Fiscal Years 2019-20 through 2019 20](#)

²[California's 2017 Climate Change Scoping Plan](#)

between project kickoff and vehicle deployment at which time GHG reductions will be realized for some of the pilot projects and advanced technology demonstrations. For example, the first phase of pre-commercial demonstration involves building the advanced technology vehicles and equipment, and the first phase of a clean mobility pilot involves project development and design. CARB expects all of these projects to be awarded and grants in place by 2020, but some emission reductions may not be achieved until 2021 in some cases.

- The project life for these projects varies between 3 years and 15 years. The expected project life for each project will be listed in Appendix A of the FY 2019-20 Funding Plan.
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Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

□ Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency

- In addition to providing GHG benefits, these expenditures will provide air quality, public health, and economic benefits.
 - Air Quality and Public Health Benefits: All clean vehicle projects will reduce criteria pollutant forming emissions of nitrogen oxides (NOx), reactive organic gases (ROG), and particulate matter that contribute to ozone and particulate matter air pollution. By reducing NOx, ROG, and particulate matter emissions, these projects help California meet the health-based air quality standards and reduce toxic hot spots in California including those near freight hubs. Several of the projects will be designed to limit participation to the regions of California with the worst air quality in order to maximize air quality and public health benefits. Clean truck, bus, and heavy-duty equipment projects will also reduce emissions of diesel particulate matter, a toxic air contaminant, thereby reducing toxic risk to Californians.
 - Economic Benefits: Several companies that manufacture vehicles eligible for CARB Low Carbon Transportation funding are located in California. The incentives which encourage the purchase of these vehicles provide an economic benefit to these companies and support California jobs. Overall, financial incentives provided through these projects help reduce vehicle purchase costs and fuel cost for consumers, businesses, and public fleets.
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<p>❑ How the project will support other objectives of AB 32 and related statutes</p>	<ul style="list-style-type: none"> ▪ The clean vehicle and equipment technologies being funded provide criteria pollutant and air toxics co-benefits thereby complementing the State’s efforts to improve air quality. ▪ Many projects are focused on direct investments in disadvantaged communities in California and provide economic benefits to consumers, businesses, and public fleets. ▪ These first-come, first-served projects are open to consumers, businesses, public and private fleets statewide that purchase qualifying vehicles thereby providing an opportunity for small businesses, affordable housing associations, and other community institutions to participate in and benefit from statewide efforts to reduce GHG emissions.
<p>❑ Percentage of total funding that will be expended for projects that are located in and benefit priority populations³ per CARB guidance</p>	<ul style="list-style-type: none"> ▪ For the \$485 million Low Carbon Transportation appropriation, staff proposes that at least 50 percent of the funds be invested in projects meeting one of the AB 1550 criteria: projects located within, and benefiting individuals living in disadvantaged communities; projects within and benefiting low-income communities or benefiting low-income households statewide; and projects in low-income communities that are within one-half mile of a disadvantaged community. ▪ The FY 2019-20 Funding Plan will provide additional details on benefits for priority populations.
<p>❑ Describe the benefits to priority populations per CARB guidance</p>	<ul style="list-style-type: none"> ▪ Projects will provide incentives for vehicles or equipment that reduce criteria air pollutant or toxic air contaminant emissions. ▪ Some projects will provide greater mobility and increased access to clean transportation for residents of a disadvantaged community or low-income community by placing services in that community such as ride-sharing, car-sharing, and other advanced technology mobility options. ▪ Some projects provide greater mobility and increased access to clean transportation for residents of a disadvantaged or low-income community, or a low-income household, by providing incentives for the retirement or replacement of older, higher-emitting vehicles.
<p>❑ Explain strategies the administering agency will use</p>	<ul style="list-style-type: none"> ▪ CARB is pursuing a number of strategies to maximize disadvantaged community benefits. These include, among others: requiring that certain projects be located in or benefit disadvantaged communities in order to be eligible to receive

³ Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. See Section VII.B for more information on the definitions of priority populations.

to maximize benefits to disadvantaged communities	funding; providing higher incentives for lower income consumers or vehicles that operate in disadvantaged communities for some project categories; and increasing outreach to disadvantaged communities.
<input type="checkbox"/> Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens	<ul style="list-style-type: none">▪ CARB has included a number of provisions in its Low Carbon Transportation program to help disadvantaged communities, low-income communities, and low-income households access funding. The \$65 million appropriation for transportation equity projects is specifically designed to provide incentives for these priority populations. The transportation equity projects provide opportunities for clean vehicle ownership through the Clean Cars 4 All scrap and replace programs and financing assistance projects as well as improved mobility through car sharing, bike sharing, vanpools, ride-hailing, school bus replacement, and other clean mobility options.▪ In addition, CVRP provides higher rebate amounts for low-income applicants whose household income is less than 300 percent of the federal poverty level. CVRP rebates for low-income applicants can be combined with Clean Cars 4 All funding for those applicants that have a vehicle to retire in an air district that implements a Clean Cars 4 All scrap and replace program. Over the last several funding cycles, CARB has increased CVRP outreach in disadvantaged communities to increase awareness of the program.▪ For its heavy-duty vehicle investments, CARB provides higher HVIP voucher amounts for vehicles that operate in disadvantaged communities and requires that the vast majority of its advanced technology freight demonstration and pilot commercial deployment projects be located in disadvantaged and low-income communities in order provide benefits to these priority populations.

Element (5) A description of how the administering agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.

<input type="checkbox"/> How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB guidance	<ul style="list-style-type: none">▪ Through its grant agreements, CARB will require funding recipients to maintain records and submit regular status reports. In addition, CARB will conduct periodic reviews of selected projects. If a funding recipient does not perform in accordance with program requirements, the recipient will be subject to the remedies for non-performance.
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<p><input type="checkbox"/> Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion.</p>	<ul style="list-style-type: none">▪ CARB will use several mechanisms to both prospectively estimate project GHG benefits and co-benefits and retrospectively document the results achieved from its expenditures.▪ CARB will provide preliminary estimates of potential GHG benefits and co-benefits for proposed projects and describe its quantification methodology as part of the FY 2019-20 Funding Plan. Additional information on the methods for estimating emission benefits are available on CARB's Quantification Materials website.⁴▪ In addition to these prospective benefits estimates, CARB will collect all data necessary to document the emission reductions achieved. CARB will include data collection and reporting requirements for Program Administrators as part of its grant agreements. This will include all information necessary to document the benefits for disadvantaged communities, consistent with the CARB's Funding Guidelines.
<p><input type="checkbox"/> Type of information that will be collected to document results, consistent with CARB guidance</p>	<ul style="list-style-type: none">▪ As noted above, CARB will collect all data necessary to document the emission reductions achieved and will include data collection and reporting requirements for CVRP Program Administrator as part of its grant agreements. This includes location data, the technology funded, the dollar amount of each rebate, and other data as specified in CARB's Funding Guidelines.
<p><input type="checkbox"/> How the administering agency will report on program status</p>	<ul style="list-style-type: none">▪ CARB will provide regular updates on its Low Carbon Transportation expenditures, project status, and benefits in future annual reports to the Legislature prepared according to CARB's Funding Guidelines. At a minimum, the reports will include expenditure amounts, current estimates of GHG emission reductions, and quantification of co-benefits including criteria pollutant emission reductions.

⁴ [California Climate Investments Quantification, Benefits, and Reporting Materials website](#)