

## CALIFORNIA AIR RESOURCES BOARD

### NOTICE OF PUBLIC MEETING TO CONSIDER MODIFICATIONS TO THE FISCAL YEAR 2016-17 FUNDING PLAN FOR LOW CARBON TRANSPORTATION AND FUELS INVESTMENTS AND THE AIR QUALITY IMPROVEMENT PROGRAM

The Air Resources Board (ARB or Board) will conduct a public meeting at the time and place noted below to consider approving modifications to the *Fiscal Year 2016-17 Funding Plan for Low Carbon Transportation and Fuels Investments and the Air Quality Improvement Program* (FY 2016-17 Funding Plan or Funding Plan).

DATE: October 20, 2016

TIME: 9:00 a.m.

LOCATION: San Joaquin Valley Air Pollution Control District  
1990 East Gettysburg Avenue  
Fresno, California 93726

This item will be considered at a one day meeting of the Board, which will commence at 9:00 a.m., October 20, 2016. Please consult the agenda for the meeting, which will be available at least 10 days before October 20, 2016 to determine the order in which this item will be considered.

#### **Background**

At the June 23, 2016 Board meeting, the Board approved the proposed FY 2016-17 Funding Plan which describes how ARB would spend \$500 million in proposed Low Carbon Transportation and Fuels funding from the Greenhouse Gas Reduction Fund and \$28.6 million for Air Quality Improvement Program (AQIP). The plan is available on ARB's website at: <http://www.arb.ca.gov/msprog/aqip/fundplan/fundplan.htm>.

At the time of the Board's action, the Legislature had appropriated AQIP funds for FY 2016-17 to ARB as part of the Budget Act of 2016. The Legislature, however, deferred action on the \$500 million in Low Carbon Transportation and Fuels funds for ARB in the Governor's Budget proposal. The Low Carbon Transportation and Fuels elements of the Funding Plan were contingent on appropriation of these funds. The Funding Plan included contingency provisions to address the budget uncertainty and directed staff to return to the Board with modifications to the plan if the Legislature appropriated less than \$400 million to ARB.

On August 31, 2016, the Legislature approved Assembly Bill (AB) 1613 (Committee on Budget, Chapter 370) which appropriates \$363 million to ARB for Low Carbon Transportation projects and specifies that the funding be allocated as follows:

- \$133 million to the Clean Vehicle Rebate Project (CVRP);
- \$80 million to light-duty equity projects, with at least \$60 million for the Enhanced Fleet Modernization Program (EFMP) and EFMP Plus-up (car scrap and replace) and up to \$20 million for other light-duty equity projects;
- \$150 million to heavy-duty vehicle and off-road equipment projects.

AB 1613 also appropriates \$5 million to ARB for black carbon wood smoke programs. The wood smoke funding is not under the purview of the Funding Plan and will not be considered as part of this proposed Board action.

Table 1 shows a comparison of the project category allocations in the Funding Plan and the allocations specified in the AB 1613 budget appropriation.

**Table 1: Comparison of Board-Approved Funding Plan Project Allocations and AB 1613 Budget Appropriation**

| Category   | Board-Approved Funding Plan (millions) | AB 1613 Budget Appropriation (millions)                |
|--|--|--|
| CVRP   | \$230                                  | \$133  |
| EFMP and EFMP Plus-up  | \$30                                   | \$80<br>(with at least \$60 for EFMP and EFMP Plus-up) |
| Other Light-Duty Equity Pilot Projects<br>Car Sharing and Mobility Options<br>Agricultural Worker Van Pools in the San Joaquin Valley<br>Public Fleet Incentives for CVRP Eligible Vehicles<br>Financing Assistance for Lower-Income Consumers | \$20                                   |  |
| Heavy-Duty Vehicles and Off-Road Equipment   | \$175                                  | \$150  |
| Very Low Carbon Fuel Production Incentives   | \$40                                   | \$0  |
| <b>Total</b>   | <b>\$495<sup>1</sup></b>               | <b>\$363</b>   |

<sup>1</sup>The remaining \$5 million of the \$500 million proposal is for State operations. This funding was already appropriated to ARB in June 2016 in Senate Bill (SB) 826, the Budget Act of 2016.

The Legislature also approved an associated budget trailer bill, SB 859 (Committee on Budget and Fiscal Review, Chapter 368), which directs ARB to make several changes to CVRP. The bill:

- Limits CVRP participation to consumers whose gross annual income does not exceed: \$150,000 for single filers; \$204,000 for head-of-household filers; and \$300,000 for joint filers. The cap does not apply to fuel cell vehicle purchases.
- Increases rebate payment for low-income applicants by \$500 to: \$3,500 for a plug-in hybrid electric vehicle; \$4,500 for a battery electric vehicle; and \$7,000 for a fuel cell vehicle. SB 859 defines “low income” as a household income of less than or equal to 300 percent of the federal poverty level.
- Limits CVRP eligibility for plug-in hybrid electric vehicles to vehicles with an electric range of at least 20 miles.

- Requires outreach to low-income households to increase consumer awareness and prioritizes rebate payments to low-income applicants.

### **Proposed Modifications to FY 2016-17 Funding Plan**

Staff’s proposed modifications to the FY 2016-17 Funding Plan to allocate the \$363 million appropriated to ARB for Low Carbon Transportation investments are shown in Table 2. For comparison, Table 2 also shows the project allocations the Board had approved in June 2016. Staff’s proposal attempts to keep as much of the Funding Plan intact as possible while addressing the smaller budget appropriation and additional direction provided by the Legislature in AB 1613 and SB 859.

**Table 2: Proposed Revised Low Carbon Transportation Project Allocations**

| <b>Project Category</b>   | <b>Board-Approved Allocation<br/>(millions)</b> | <b>Proposed Revised Allocation<br/>(millions)</b> |
|---|---|---|
| <b>Light-Duty Vehicles Investments (SB 1275)</b>                        |   |   |
| CVRP  | \$230   | <b><u>\$133</u></b>                               |
| EFMP and EFMP Plus-up   | \$30  | <b><u>\$60</u></b>                                |
| Other Light-Duty Equity Pilot Projects                                  |   |   |
| Car Sharing and Mobility Options  | \$8   | \$8   |
| Increased Public Fleet Incentives for CVRP-Eligible Vehicles            | \$3   | \$3   |
| Agricultural Worker Vanpools in San Joaquin Valley                      | \$3   | \$3   |
| Financing Assistance for Lower-Income Consumers                         | \$6   | \$6   |
| <b>Light-Duty Vehicle Investment Total</b>                              | \$280   | <b><u>\$213</u></b>                               |
| <b>Heavy-Duty Vehicles and Off-Road Equipment Investments (SB 1204)</b> |   |   |
| Advanced Technology Demonstration Projects                              | \$59  | <b><u>\$34</u></b>                                |
| Zero-Emission Freight Equipment Pilot Commercial Deployment             | \$5   | \$5   |
| Zero-Emission Truck Pilot Commercial Deployment Project                 | \$18  | \$18  |
| Zero-Emission Bus Pilot Commercial Deployment Project                   | \$42  | \$42  |
| Rural School Bus Pilot Project  | \$10  | \$10  |
| Low NOx Engine Incentives with Renewable Fuel                           | \$23  | \$23  |
| Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) | \$18  | \$18  |
| <b>Heavy-Duty Vehicle and Off-Road Equipment Investment Total</b>       | \$175   | <b><u>\$150</u></b>                               |
| <b>Fuels</b>  |   |   |
| Very Low Carbon Fuels Production Incentive Project                      | \$40  | <b><u>\$0</u></b>                                 |
| <b>State Operations<sup>1</sup></b>                                     | \$5   | <b><u>\$5</u></b>                                 |
| <b>TOTAL</b>  | \$500   | <b><u>\$368</u></b>                               |

<sup>1</sup>The \$5 million for State operations was appropriated to ARB in June 2016 as part of SB 826.

*Note: Allocations in **bold underline** indicate proposed changes to the allocations in the Funding Plan approved by the Board in June 2016.*

**CVRP:** The Legislature appropriated \$133 million to CVRP and also directed ARB to reduce the income cap levels, increase rebates for low-income consumers, and limit plug-in hybrid electric vehicle eligibility. SB 859 specifies these changes to CVRP eligibility criteria become effective on November 1, 2016. Staff is incorporating these

changes into the CVRP application and terms and conditions. No further Board action is needed because these changes are mandated in statute. SB 859 further directs ARB to provide outreach to low-income households and prioritize rebate payments to low-income applicants. ARB already incorporated these two new provisions into the Funding Plan that the Board approved in June 2016, so no further action is needed.

The Funding Plan allocated \$230 million to CVRP to meet projected CVRP demand through September 2017 (16 months of funding). Staff had estimated the corresponding 12 month funding need through June 2017 to be about \$170 million. Staff has reevaluated the funding need because of the new eligibility criteria and CVRP rebate demand through August 2016. The lower income caps alone may reduce CVRP demand by about a quarter, but staff acknowledges high uncertainty associated with this estimate. Based on the new CVRP criteria, staff now estimates a funding need of \$125 to \$135 million through June 2017, including rebate payments to applicants on the waiting list. The \$133 million appropriation should meet demand through the fiscal year, so staff proposes no further changes to CVRP beyond those mandated by SB 859.

**Light-Duty Equity Projects:** The Legislature appropriated \$80 million to light-duty equity projects, with the requirement that at least \$60 million be allocated to EFMP and EFMP Plus-up and up to \$20 million may be allocated to other light-duty equity projects.

Consistent with this direction, staff proposes allocations of \$60 million for EFMP/EFMP Plus-up and \$20 million for the other equity projects. Staff proposes that the \$20 million be allocated as approved in Funding Plan: \$8 million for Car Sharing and Mobility Options; \$3 million for Agricultural Worker Van Pools in the San Joaquin Valley; \$3 million for Increased Public Fleet Incentives for CVRP-Eligible Vehicles; and \$6 million for Financing Assistance for Lower-Income Consumers. With this proposed approach, none of these equity projects must be scaled back.

The \$60 million EFMP/EFMP Plus-up allocation doubles the available funding compared to the Board-approved Funding Plan. This should ensure that the existing San Joaquin Valley Air Pollution Control District (APCD) and South Coast Air Quality Management District (AQMD) programs have funding through and beyond the 2016-17 fiscal year in addition to providing funding for any other air district interested in starting a program. At this time, ARB staff cannot predict the exact funding needs for each air district, so it proposes to allocate the \$60 million as follows:

- \$15 million would be initially allocated to the San Joaquin Valley APCD, a 50 percent increase relative to allocation in the Funding Plan and a tripling of funding compared to last fiscal year.
- \$15 million would be initially allocated to the South Coast AQMD, a 50 percent increase relative to allocation in the Funding Plan and a tripling of funding compared to last fiscal year.

- \$10 million would be reserved as an initial allocation for any other air districts, the same funding level as in the Funding Plan.
- ARB would reserve the remaining \$20 million to allocate in spring 2017 based on air districts' funding need projections. Staff expects that most of this remaining funding would be allocated to the San Joaquin Valley APCD and South Coast AQMD, but due to the significant expansion of the programs, staff believes it is prudent to reserve flexibility to direct funding where it is needed.
  - Each air district that has started or plans to start a program would provide to ARB by the end of April 2017 a summary of funds spent to date and projected funding needs for the next 6 months and next 12 months.
  - ARB staff would work with each air district and the California Air Pollution Control Officers Association to allocate the remaining \$20 million based on this information. If projected demand does not warrant allocating all the remaining funds, ARB would repeat this process at 6 month intervals until all the funds are allocated. ARB staff would report back to the Board in the FY 2017-18 Funding Plan on how these funds were allocated.

AB 1613 directs Low Carbon Transportation funds to be used for both EFMP and EFMP Plus-up. In response, staff proposes to modify implementation criteria so these funds may be used to cover the full incentive amount for a scrap and replace transaction where the replacement is an advanced technology vehicle benefitting a disadvantaged community. Staff also proposes to allow that funds may be used to cover incentives for an alternative mobility option, such as public transit passes instead of a replacement vehicle, for program participants living in or near a disadvantaged community.

**Heavy-Duty Vehicles and Off-Road Equipment:** The Legislature appropriated \$150 million for heavy-duty vehicle and off-road equipment projects, \$25 million less than had been allocated in the Board-approved Funding Plan. The Legislature did not specify how ARB should modify the plan to reflect the lower funding level.

The Funding Plan allocates funding to seven heavy-duty and off road equipment project categories, including pre-commercial advanced technology demonstration projects, early commercial pilot deployment projects, and voucher incentive projects in Table 2. Staff believes each of these categories could benefit from additional funding. However, the funding need is greatest in the early commercial pilot projects and the voucher incentive projects as documented by the greatly oversubscribed Zero-Emission Truck and Bus Pilot Commercial Deployment solicitation, the HVIP waiting list, and public comments received during plan development and at the June 2016 Board meeting. These represent the most “shovel ready” projects which can be implemented and deliver emission reductions more quickly than the demonstration projects. Staff proposes leaving these projects at their full Funding Plan allocations and reducing funding for the advanced technology demonstration project category by \$25 million – from \$59 million to \$34 million. While there is significant interest in these demonstration

projects, ARB has not yet released any solicitations for them, and staff believes that several good demonstration projects could still be funded even with this reduced level of funding. Staff proposes primarily focusing the demonstration funds on projects that support ARB's sustainable freight effort.

Staff also proposes to increase the maximum incentive amount for the Low NOx Engine Incentives with Renewable Fuel to cover the full incremental cost up to \$25,000 based on public comments and Board input during the June 2016 Board meeting.

**Very Low Carbon Fuel Production Incentives:** The Funding Plan allocated \$40 million to a new Very Low Carbon Fuel Incentive Project. The Legislature appropriated no funding to this category, so ARB will not move forward with project implementation at this time.

### **Submittal of Comments and Agency Contact Persons**

This meeting notice serves as staff's proposal of the modifications to the Funding Plan. Staff does not intend to directly reflect these changes in the Funding Plan document approved by the Board in June 2016 or release additional written materials before the Board hearing. Staff will make a verbal presentation summarizing these proposed modifications to the Funding Plan for the Board's consideration at the Board meeting.

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., October 17, 2016,** 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>

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.

ARB requests that written statements on this item be filed at least 10 days prior to the meeting so ARB staff and Board members have additional time to consider each comment. Further inquiries regarding this matter should be directed to Mr. Andrew Panson, Staff Air Pollution Specialist, at (916) 323-2809 or (designated back-up contact) Mr. Ali Koohestani, Air Pollution Specialist, at (916) 324-1590.

## 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;
- 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 10 business days before the scheduled Board meeting.

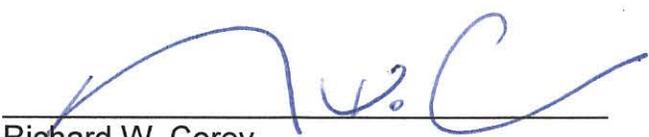
TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

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 alternativo u otro idioma;
- 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 10 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



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Richard W. Corey  
Executive Officer

Date: *September 22, 2016*

*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](http://www.arb.ca.gov).*