

Greenhouse Gas Reduction Fund: Expenditure Record

California Air Resources Board
Low Carbon Transportation

Authorizing legislation: Item 3900-495 of the Budget Act of 2024, as amended by Senate Bill (SB) 108 (Weiner, Chapter 35, Statutes of 2024), reverts \$53 million in General Fund dollars for Emerging Opportunities under the Low Carbon Transportation Program that was originally appropriated to the California Air Resources Board (CARB) in paragraph (3) of subdivision (a) of Section 36 of Assembly Bill (AB) 211 (Chapter 574, Statutes of 2022). In addition, 3900-102-3228 of the Budget Act of 2024, as amended by SB 108 (Weiner, Chapter 35, Statutes of 2024), appropriates to CARB \$53 million from the Greenhouse Gas Reduction Fund (GGRF) for Emerging Opportunities under the Low Carbon Transportation Program. Section 15.14 of the Budget Act provides the direction that agencies can only commit up to 75% of their appropriations until the Department of Finance makes a determination on the expenditure of remaining funds after the fourth Cap-and-Trade auction of the Fiscal Year (FY). Thus, grants will be limited to commit 75% of CARB's total appropriation, or \$39.75 million, until after the fourth Cap-and-Trade auction of FY 2024-25 in Spring 2025.

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

Agency that will administer funding:

- CARB.

Amount of proposed expenditure and appropriation reference:

- The total expenditure is \$53 million for CARB's Low Carbon Transportation Program per Item 3900-102-3228 of the Budget Act of 2024, as amended by SB 108. These dollars were initially appropriated as a part of the Budget Act of 2022 in AB 211 (Chapter 574, Statutes of 2022) and have already been preliminarily allocated to projects via a competitive solicitation that was issued in 2023.

Estimated amount of expenditures for administering agency administrative costs

- Of CARB's State Operations appropriation per Item 3900-001-3228 of the Budget Act of 2024, as amended by SB 108, approximately \$130,000 is for the Low Carbon Transportation Program. Consistent with the provisions of Item 3900-102-3228 Budget Act of 2024, as amended by SB 108, CARB may also use up to 5% of the \$53 million appropriation for CARB's administrative costs.

If applicable, identify laws or regulations that govern how funds will be used

- AB 1532 (Pérez, Chapter 807, Statutes of 2012), 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 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 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 GGRF.
- All funds will be allocated and managed in accordance with these laws.

Continuation of existing Expenditure Record

- This is an update to an existing Expenditure Record for the Low Carbon Transportation Program. This year's appropriation will support projects that have already been funded under CARB's Expenditure Records for FY 2013-14 through FY 2023-24. The Expenditure Record elements being updated include the following:
 - The amount of expenditure and appropriation reference.
 - Describe the projects and/or measures that will be eligible for funding.
 - Intended recipients.
 - How the expenditure is consistent with the Investment Plan and the Scoping Plan.
 - Explain when greenhouse gas (GHG) emission reductions and/or co-benefits are expected to occur and how they will be maintained.
 - Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities.

Project Type(s)

- Low Carbon Transportation Program.

Describe the projects and/or measures that will be eligible for funding

- Per the Budget Act of 2024, as amended by SB 108, the following Low Carbon Transportation projects will be eligible for funding:
 - \$53 million for emerging opportunities within zero-emission vehicles, zero-emission vehicle components, and zero-emission vehicle charging or refueling equipment, established under Section 39719.2 of the Health and Safety Code and shall be available for local assistance or state operations.
- Please note that Section 15.14 of the Budget Act provides the direction that agencies can only commit up to 75 percent of their appropriations until the Department of Finance makes a determination on the expenditure of remaining funds after the fourth Cap and Trade auction of the FY. Thus, initial grants are limited to 75 percent of the \$53 million funding totals shown above.
- CARB's FY 2022-23 Funding Plan for Clean Transportation Incentives (FY 2022-23 Funding Plan) describes the expenditures that will be made pursuant to this appropriation in greater detail.
- Funding was preliminarily awarded via a competitive grant solicitation that was issued in 2023. CARB is in the process of executing grant agreements.

Intended recipients

- Public agencies
- Municipalities
- Cities
- Counties
- Special districts
- Non-profit organizations
- Local and Tribal Governments
- Public Schools and School Districts

Program structure and process for selecting projects for funding

- The FY 2022-23 Funding Plan describes the process for selecting projects. Projects were previously selected via competitive solicitation that was issued in 2023.

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.

How the expenditure is consistent with the Investment Plan and the Scoping Plan

- 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. For the Sustainable Transportation and Communities sector, the Cap-and-Trade Auction Proceeds Fourth Investment Plan: FYs 2022-23 through 2024-25 states, “Investments are needed to support:
 - Development and deployment of zero-emission vehicles, equipment, and associated infrastructure, covering the technology commercialization spectrum from research and demonstration to deployment and the wide range of vehicle and equipment categories operating in California.
- The expenditures described in this record and the Funding Plan are consistent with these investment recommendations.

California’s 2022 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 plan identifies the following vehicle technology goals through a strong set of complementary policies—including continuing to provide incentives through CARB’s comprehensive portfolio of funding programs, prioritize investments in low-income communities and areas that have the highest concentration of air pollution, provide significant infrastructure investment, broad education and outreach, and regulations—aim to reach 100% zero-emission vehicle (ZEV) sales. The expenditures described in the record and the Funding Plan 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.

Describe how expenditures will facilitate the achievement of GHG emission reductions in the State

- Expenditures will achieve GHG emission reductions by funding the purchase of ZEVs, equipment, and associated infrastructure, which emit less GHG emissions than comparable conventionally fueled vehicles or equipment.

Explain when GHG emission reductions and/or co benefits are expected to occur and how they will be maintained

- The expected time frame when reductions will be achieved and the length of time these expenditures will maintain GHG reductions varies by project.
- The emerging opportunities projects will generally start providing GHG emission reductions in 2025 or 2026. However, there can be a time lag between project kickoff and vehicle and equipment deployment at which time GHG reductions will be realized for some projects because the initial phases involve project development and design.
- The project life for these projects varies between 3 and 9 years. The expected project life for each project is listed in the FY 2022-23 Funding Plan.

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 and equipment projects will reduce criteria pollutant forming emissions of oxides of nitrogen (NOx), reactive organic gases (ROG), and particulate matter (PM) that contribute to ozone and PM air pollution. By reducing NOx, ROG, and PM emissions, these projects help California meet the health-based air quality standards and reduce toxic hot spots in California, including those near transportation hubs. Several of the projects may be designed to limit participation to the regions of California in and near disadvantaged communities in order to maximize air quality and public health benefits in these regions.
- 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-based jobs. Overall, financial incentives provided through these projects help reduce vehicle and equipment purchase costs and fuel cost for public agencies, municipalities, cities, counties, special districts, non-profit organizations, local and tribal governments, public schools and school districts.
- CARB provided an estimate of the jobs supported by these investments in [Appendix A: Emission Reductions Quantification Methodology](#) of the FY 2022-23 Funding Plan (see Table A-74).

How the project will support other objectives of AB 32 and related statutes

- 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 low-income consumers and public and private drayage fleets.
- The projects are open to public agencies, municipalities, cities, counties, special districts, non-profit organizations, local and tribal governments, public schools and school districts that implement eligible projects thereby providing an opportunity for disadvantaged communities to benefit from statewide efforts to reduce GHG emissions.

Percentage of total funding that will be expended for projects that are located in and benefit priority populations¹ per CARB guidance

- For each annual appropriation, CARB staff establish the minimum percentage of funds that must 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. In the FY 2022-23 Funding Plan for Clean Transportation Incentives, staff recommend that at least 65% of Low Carbon Transportation funds be invested in projects that meet one of the AB 1550 criteria with the following targets:
 - At least 45% of funds for projects located within, and that benefit individuals who live in, disadvantaged communities;
 - At least 20% of funds for projects located within, and that benefit low-income communities, or that benefit low-income households.
- For this appropriation specifically, CARB requires that 100% of this funding must benefit disadvantaged communities.

Describe the benefits to priority populations per CARB guidance

- Projects will provide incentives for vehicles or equipment that reduce criteria air pollutant or toxic air contaminant emissions.

¹ 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 Funding Guidelines for more information on the definitions of priority populations.

Explain strategies the administering agency will use to maximize benefits to disadvantaged communities

- CARB is pursuing a number of strategies to maximize benefits to disadvantaged communities. These include, among others: requiring that certain projects be located in or benefit disadvantaged communities in order to be eligible to receive funding; and increasing outreach to disadvantaged communities.

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

- 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. For its heavy-duty vehicle investments, CARB requires emerging opportunities projects benefit disadvantaged communities in order to provide direct 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 38500) of the Health and Safety Code.

How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB guidance

- 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 remedies for non-performance.

Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion

- 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 provided preliminary estimates of potential GHG benefits and co-benefits for proposed projects and describe its quantification methodology as part of the FY 2022-23 Funding Plan. Additional information on the methods for estimating emission benefits is available on CARB's Quantification Materials website (<https://ww2.arb.ca.gov/resources/documents/cci-quantification-benefits-and-reporting-materials>).
- 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 CARB's Funding Guidelines.

Type of information that will be collected to document results, consistent with CARB guidance

- To determine the job benefits, CARB will compile data from funding recipients on jobs provided, both the quality and quantity, consistent with CARB guidance.
- CARB will collect all data necessary to document the emission reductions achieved and will include data collection and reporting requirements for Program Administrators 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.
- Once operational, CARB will collect information on project outcomes for a percentage of projects for select programs, consistent with CARB guidance.

How the administering agency will report on program status

- 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. CARB will also be providing more data from each of the projects funded in an accessible manner on its webpages.