Proposed Fiscal Year (FY) 2016-17 Funding Plan

Low Carbon Transportation and Fuels Investments and Air Quality Improvement Program (AQIP)

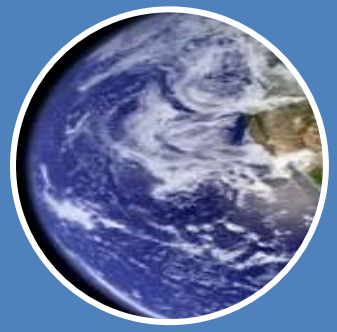
June 23, 2016

California Environmental Protection Agency
Air Resources Board

Key Elements of Today's Proposal

- Over $500 million in proposed funding
  - Advanced mobile source technologies and very low carbon fuels
  - Disadvantaged community benefits
- Long-term plan for CVRP and light-duty vehicle incentives

Policy Drivers for Investments



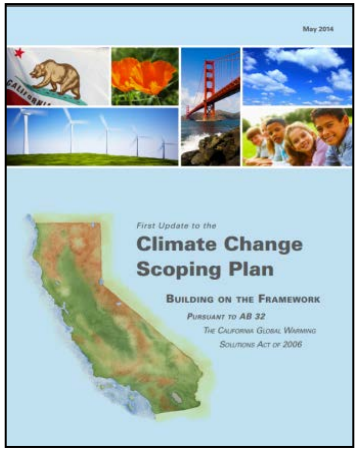
Climate Change

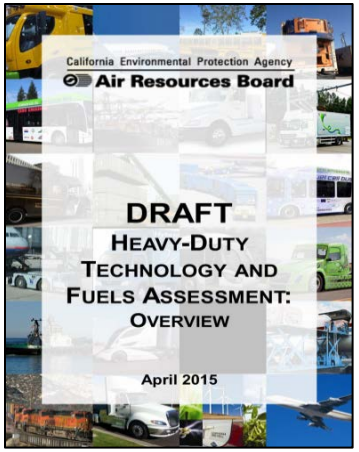
Criteria Pollutants

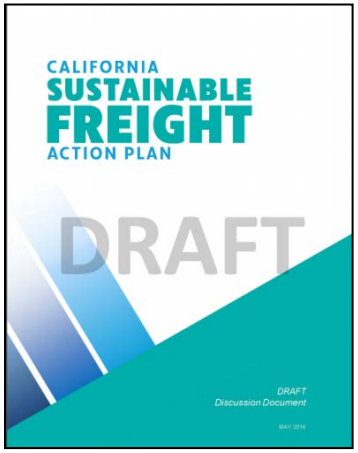
Toxics Exposure

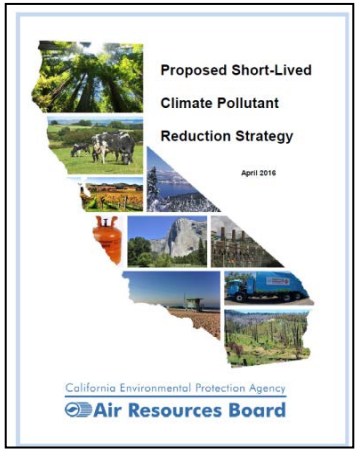
Coordinated Investment Strategy

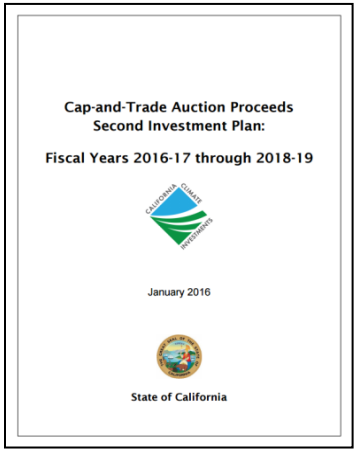
These Investments Support Air Quality and Climate Change Goals











Funding Plan Builds on Previous Investments

- $275 million in AQIP funding since FY 2008-09
- $325 million in Low Carbon Transportation funding since FY 2013-14
- Annual funding plan guides investments
- 2014 laws provide additional direction
  - SB 1275 (De León)
  - SB 1204 (Lara)

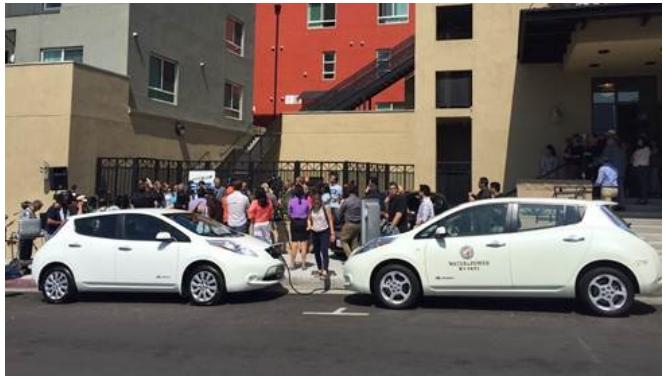
These Investments Have Put Cleaner Vehicles on California Roads

- 150,000 zero-emission and plug-in hybrid passenger car rebates
- Over 2,500 hybrid and zero-emission truck and bus vouchers
- 10,000 loans for cleaner trucks

+ Recent equity projects, advanced technology demonstrations, and pilot deployments…

Recently Funded Equity Projects

- Car scrap and replace (EFMP Plus-up) launched in San Joaquin Valley and South Coast
- Car sharing projects under development in Los Angeles and Sacramento
- Financing assistance pilot launched in Bay Area



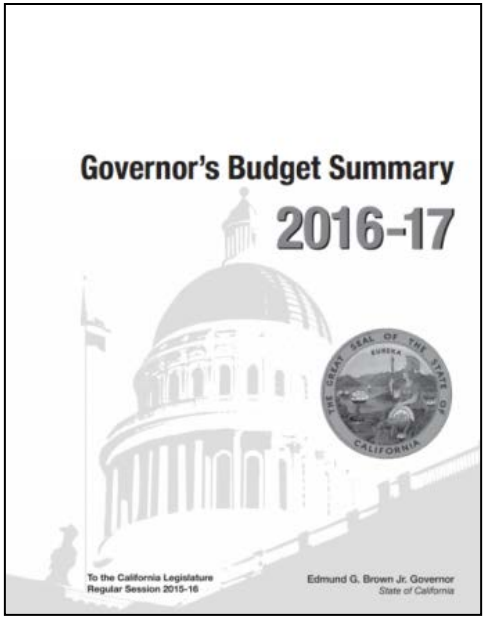
Recently Funded Heavy-Duty Projects

- Zero-emission drayage truck demonstration at ports and freight facilities in five air districts
- Multi-source demonstrations of zero-emission equipment at Port of LA and Southern California facilities
- Zero-emission truck and bus pilot deployments

FY 2016-17 Budget Proposal

Low Carbon Transportation and Fuels — *Budget Pending*

- $500 million to accelerate transition to low carbon freight and passenger transportation
- At least 50 percent to benefit and 10 percent in disadvantaged communities



AQIP — *Budget Approved*

$28.6 million for AQIP projects

FY 2016-17 Funding Plan Priorities

- Implement unfunded projects from last year's plan
- Meet expected demand for first-come first-served projects
- Increase equity project funding
- Develop and implement new fuels production incentives
- Long-term plan for light-duty vehicle incentives

Long-Term Plan for CVRP and Light-Duty Vehicle Incentives

- SB 1275 directs ARB to develop long-term plan for light-duty vehicle incentives
- Plan must include
  - 3-year forecast of funding needs
  - Market and technology assessment
  - Assessment of when self-sustaining market expected
- ARB must update every 3 years

Key Findings in Long-Term Plan

- Potential funding needs grow to $300-400M by FY 2018-19
  - Staff's proposed project allocations align with identified funding need FY 2016-17
- Positive signs on market growth and technology development
  - ZEV sales now 3 percent of CA passenger car market
  - Technology improving and costs coming down
  - Joint ARB/EPA/NHTSA Technical Assessment Report will provide latest information

Long-Term Plan Recommendations

- Key ZEV market sustainability indicator based on market penetration
  - Will take over 5 years to reach sustainability
- Transition CVRP in future years as market grows
  - Adjust income eligibility and rebate amounts
  - Potential alternative incentive mechanisms

➡ Staff recommends maintaining current structure while market still in infancy

Proposed Low Carbon Transportation and Fuels Allocations

$280M	Light-duty vehicle investments (SB 1275) – CVRP – Equity projects
$175M	Heavy-duty vehicles and equipment (SB 1204) – Advanced technology demonstrations – Pilot deployment of zero-emission trucks, buses, equipment – Deployment vouchers for trucks, buses, low NOx engines
$40M	Very low carbon fuels production
$5M	State operations
$500M	**TOTAL**

➡ Would exceed disadvantaged community investment targets

A Closer Look at Light-Duty Vehicle Investments

Project Category	**Funding** (millions)	**Disadvantaged Community Benefit**
CVRP Remaining 2015-16 Demand: $55M 2016-17 Demand (through September 2017): $175M	$230	≥33%
Pilot Projects to Benefit Disadvantaged Communities EFMP Plus-up (scrap and replace): $30M Car Sharing and Mobility Options: $8M Agricultural Worker Van Pools for San Joaquin Valley: $3M Increased Public Fleet Incentives through CVRP: $3M	$44	100%
Financing Assistance for Lower-Income Consumers	$6	≥50%

FY 2016-17 CVRP Proposal

- Funding level accommodates market growth and greater participation by lower-income consumers
- Increased outreach and public education
  - With disadvantaged community focus
- Implement pre-qualification
- Prioritize payment of lower-income consumer rebates if funding runs short
- No changes to per vehicle rebate levels

FY 2016-17 Equity Projects Proposal

- Increase funding from $10 million to $50 million
- Expand financing assistance for lower-income consumers statewide
- Expand EFMP Plus-up to additional air districts
- Launch new vanpool pilot to serve agricultural workers in San Joaquin Valley's disadvantaged communities

A Closer Look at Heavy-Duty Vehicle and Equipment Investments

Project Category	**Funding** (millions)	**Disadvantaged Community Benefit**
Advanced Technology Demonstrations Freight and Other Heavy-Duty Categories	$59	100%
Zero-Emission Freight Equipment Pilot Commercial Deployments	$5	≥50%
Zero-Emission Truck Pilot Commercial Deployments	$18	≥75%
Zero-Emission Bus Pilot Commercial Deployments	$42	≥75%
Rural School Bus Pilot	$10	to be determined
Low NOx Engine Incentives with Renewable Fuel Use	$23	≥50%
HVIP Remaining 2015-16 Demand: $5M 2016-17 Demand: $13M	$18	≥60%

FY 2016-17 Heavy-Duty Proposal

- Carries forward unfunded FY 2015-16 projects
  - Restart advanced technology demonstration efforts
  - New projects: rural school buses and freight equipment
- Meets expected demand for HVIP and low NOx engines
- Fulfills next highest scoring projects from recent zero-emission truck and bus pilot solicitation

Very Low Carbon Fuels Production

- $40 million for new incentive category
- Production-based incentives to complement other State agencies waste diversion and biofuel facility investments
- Per gallon incentives for in-state producers of very low carbon fuels

Proposed FY 2016-17 AQIP Projects

$22M	Truck Loan Assistance Program
$3M	Agricultural Equipment Trade Up Pilot for San Joaquin Valley
$3.6M	Reserve for Revenue Uncertainty
$28.6M	**TOTAL**

Addressing Low Carbon Transportation & Fuels Budget Delay

- Full Cap-and-Trade expenditure plan funding deferred to later in session
  - Waiting lists to manage consumer demand for ongoing first-come, first-served projects
  - Implementation of other projects may be delayed
- Return to Board for updates if needed after Budget approved
- AQIP funding included in Budget, not impacted

Conclusion and Recommendation

- Proposed $500+ million funding would:
  - Expand investments to meet demand and implement unfunded FY 2015-16 projects
  - Accelerate commercialization of technologies needed to meet climate change and air quality goals
  - Expand projects benefiting disadvantaged communities and lower-income households
- Long-term plan charts future course for CVRP
- Recommend approval of proposed Funding Plan