

SUMMARY OF BOARD ITEM**ITEM # 02-3-4: PUBLIC MEETING TO CONSIDER PROPOSED GUIDELINES FOR IMPLEMENTING AN EXPANDED STATEWIDE ZERO EMISSION VEHICLE (ZEV) INCENTIVE PROGRAM (ZIP I AND ZIP II) AND A ZEV INCENTIVE PROGRAM FOR FLEETS THAT OPERATE IN AREAS OF CALIFORNIA WITH THE POOREST AIR QUALITY**

STAFF RECOMMENDATION: Staff recommends that the Board approve the Proposed Guidelines for Implementing an Expanded Statewide ZEV Incentive Program (Zip I and Zip II) and a ZEV Incentive Program for Fleets that Operate in Areas of California with the Poorest Air Quality.

DISCUSSION: The original Statewide ZEV Incentive Program was created by Assembly Bill 2061 (Statutes of 2000, Chapter 1072, Lowenthal) and funded with an \$18 million appropriation from the State General Fund. Guidelines for implementing this program were first adopted by the Board on December 7, 2000. The existing program was modified by Assembly Bill 1390 (Statutes of 2001, Chapter 763, Firebaugh), effective January 1, 2002. Additional ZEV grants have been funded by a \$20 million appropriation from the approved Fiscal Year 2001-2002 State Budget. Ten million dollars was made available for individual ZEV grants and \$10 million for vehicles in fleets operating in areas of California with the poorest air quality.

SUMMARY AND IMPACTS: The Statewide ZEV Incentive Program will ease the transition to a self-sustaining ZEV market by providing grants to individuals, businesses, organizations and public agencies to reduce the cost of purchasing or leasing eligible ZEVs. The original program will provide grants up to \$9,000 per vehicle for eligible ZEVs purchased or leased between October 2000 and December 2002. The Fiscal Year 2001-2002 State Budget appropriation will extend the availability of ZEV grants through June 2004 and creates two new ZEV incentive programs. One program will provide grants up to \$5,000 per vehicle on a first-come first-served basis. The other program will

award grants up to \$11,000 per fleet vehicle using a competitive process.

The proposed guidelines will provide for the coordinated implementation of these three ZEV incentive programs. The proposed guidelines include an implementation schedule, procedures for administering the programs, criteria for recipients, criteria for eligible vehicles, criteria for fleet vehicle project eligibility, evaluation and ranking criteria, discussion on environmental justice criteria, and proposed grant amounts.

ARB staff has solicited input from interested parties throughout the development of the guidelines, holding numerous meetings and telephone conferences between October 2001 and March 2002. Staff also held two public workshops to discuss proposed program concepts and criteria.

CALIFORNIA AIR RESOURCES BOARD**NOTICE OF PUBLIC MEETING TO CONSIDER PROPOSED GUIDELINES FOR IMPLEMENTING AN EXPANDED STATEWIDE ZERO EMISSION VEHICLE INCENTIVE PROGRAM (ZIP I AND ZIP II) AND A ZERO EMISSION VEHICLE INCENTIVE PROGRAM FOR FLEETS THAT OPERATE IN AREAS OF CALIFORNIA WITH THE POOREST AIR QUALITY**

The California Air Resources Board (Board or ARB) will conduct a public meeting at the time and place noted below to consider proposed guidelines for the coordinated implementation of three zero emission vehicle (ZEV) incentive programs, an existing statewide program and two new programs. The existing program was created by Assembly Bill 2061 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal) and originally funded with an \$18 million appropriation. The two new programs will provide additional ZEV grants authorized by the Budget Act of 2001 and funded with a \$20 million appropriation. One new program will expand the existing statewide program and the other new program will provide grants, using a competitive process, to fleets that operate in areas of California with the poorest air quality. These three programs make available grants for the purchase or lease of eligible ZEVs, during overlapping periods, beginning October 1, 2000, and extending through June 30, 2004.

DATE: April 25, 2002

TIME: 9:00 a.m.

PLACE California Environmental Protection Agency
Central Valley Hearing Room, 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., on April 25, 2002, and may continue at 8:30 a.m., April 26, 2002. This item may not be considered until April 26, 2002. Please consult the agenda for the meeting, which will be available at least 10 days before April 25, 2002, to determine when this item will be considered.

This facility is accessible to persons with disabilities. If accommodation is needed, please contact ARB's Clerk of the Board at (916) 322-5594 by April 11, 2002, to ensure accommodation. Persons with hearing or speech impairments can contact us by using our Telephone Device for the Deaf (TDD) at (916) 324-9531, or (800) 700-8326 for TDD calls from outside the Sacramento area.

BACKGROUND

California's ZEV program was originally adopted following a hearing in 1990, as part of the Low Emission Vehicle regulations. The ZEV program is an integral part of California's mobile source control efforts and is intended to foster market development for advanced technologies that will secure increasing air quality benefits for California now and into the future. During biennial technical reviews the Board received testimony that the initial cost of ZEVs, today and in the 2003 timeframe, is much higher than for comparable conventional cars. The Board recognized that incentives are needed to ease the transition to a self-sustaining ZEV market. Therefore, the Board directed staff to investigate and develop additional mechanisms, to encourage purchase or lease of new ZEVs, to help with the ZEV market transition.

The existing statewide ZEV incentive program was created by AB 2061 (Statutes of 2000, Chapter 1072, Lowenthal), and was funded with an \$18 million appropriation from the State General Fund. Qualified recipients may receive grants up to \$9,000 per vehicle for the purchase or lease of zero emission passenger cars or trucks between October 2000 and December 2002. Guidelines for implementing this program were first adopted by the Board on December 7, 2000. The program was recently modified by AB 1390 (Statutes of 2001, Chapter 763, Firebaugh), effective January 1, 2002.

Additional ZEV incentives has been provided by the Legislature through a \$20 million appropriation in the approved Fiscal Year 2001-2002 State Budget. Ten million dollars was appropriated for grants up to \$5,000 per vehicle for individual recipients. The other \$10 million was appropriated for grants up to \$11,000 per vehicle to be awarded using a competitive process to operators of fleets in areas of California with the poorest air quality. These funds are available for expenditure through June 2004.

DESCRIPTION OF PROPOSED GUIDELINES

The proposed guidelines include modifications to the guidelines for implementing the existing statewide ZEV incentive program and will establish criteria for the distribution of the additional ZEV incentive funding appropriated in the Fiscal Year 2001-2002 State Budget. Staff proposes to modify the current guidelines to address AB 1390 and other changes proposed by staff. In addition, staff proposes that the funding available from the State Budget appropriation be made available to a greater variety of ZEVs than under the current program. However, eligible vehicle models will still be determined on a case-by-case basis.

The Executive Summary of the proposed guidelines is provided with this notice. This section provides an overview of the criteria for qualified recipients, eligible ZEV categories, procedures for administering the programs, fleet project ranking criteria, proposed grant amounts, and a proposed implementation schedule.

In preparing the proposed guidelines, ARB staff has worked closely with ZEV stakeholders to ensure that they have an opportunity to provide comments and suggestions. As part of the effort, staff has met with individual stakeholders and held several working meetings on the guidelines for all stakeholders. Staff also held public workshops to discuss proposed program concepts and criteria in Sacramento, California, on December 19, 2001, and in Huntington Park, California, on January 10, 2002. The proposed guidelines are expected to be available to the public by April 2, 2002. The Board will consider the proposed guidelines and information presented by staff and all interested parties.

AVAILABILITY OF DOCUMENTS AND AGENCY CONTACT PERSON

Staff anticipates that proposed guidelines for the coordinated ZEV incentive programs will be available by April 2, 2002. This notice, information on the current ZEV incentive program and, when available, the proposed guidelines may be obtained from ARB's Public Information Office, 1001 "I" Street, Sacramento, California 95814, (916) 322-2990, or from the ARB internet site at <http://www.arb.ca.gov/msprog/zevprog/zip/zip.htm>. If you would like to receive a copy of the proposed guidelines by mail, please contact Ms. Linda Davis, On-Road Controls Branch, Mobile Source Control Division, at (916) 323-6169.

To obtain these documents in an alternate format, please contact the ARB American Disabilities Act Coordinator at (916) 323-4916, TDD (916) 324-9531, or (800) 700-8326 for TDD calls from outside the Sacramento area.

If you need additional information or have further inquiries, please contact Ms. Judy Yee, Air Pollution Specialist, at (916) 327-5610, or Ms. Gayle Sweigert, Air Pollution Specialist, at (916) 322-6923.

SUBMITTAL OF COMMENTS

The public may present comments relating to this matter orally or in writing at the meeting, and in writing or by e-mail before the meeting. To be considered by the Board, written submissions must be addressed to and received by the Clerk of the Board, Air Resources Board, P.O. Box 2815, Sacramento, California 95812, or 1001 "I" Street, 23rd Floor, Sacramento, California 95814, no later than 12:00 noon on April 24, 2002, or received by the Clerk of the Board at the meeting. To be considered by the Board, e-mail submissions must be addressed to zip02@listserv.arb.ca.gov and received at ARB no later than 12:00 noon on April 24, 2002.

The Board encourages members of the public to bring to the attention of staff in advance of the meeting any suggestions or comments. The Board requests, but does not require, that 30 copies of any written statement be submitted as early as possible prior to the meeting date, so that ARB staff and Board Members have time to fully consider each comment.

CALIFORNIA AIR RESOURCES BOARD

A handwritten signature in black ink, appearing to read "Michael P. Kenny for".

Michael P. Kenny
Executive Officer

Date: March 29, 2002

ATTACHMENT

PROPOSED GUIDELINES FOR IMPLEMENTING AN EXPANDED STATEWIDE ZERO EMISSION VEHICLE INCENTIVE PROGRAM (ZIP I AND ZIP II) AND A ZERO EMISSION VEHICLE INCENTIVE PROGRAM FOR FLEETS THAT OPERATE IN AREAS OF CALIFORNIA WITH THE POOREST AIR QUALITY

EXECUTIVE SUMMARY

This report provides the State Air Resources Board (ARB or Board) proposed guidelines for the coordinated implementation of three zero emission vehicle (ZEV) incentive programs. One program is an existing program, the original \$18 million statewide ZEV incentive program authorized by Assembly Bill 2061 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal). In addition, the Legislature approved funding of a total of \$20 million in the Fiscal Year 2001-2002 State Budget (Budget Act of 2001) for two new ZEV incentive programs. These three programs make available grants to consumers for the purchase or lease of eligible ZEVs during overlapping time periods, beginning October 1, 2000 and extending through June 30, 2004.

Originally, \$38 million in total funding was appropriated for these three programs. However, the Administration Budget for 2001-2002 has reduced the original Lowenthal authorized program funding by \$3.2 million. This reduces the total available funding from \$38 million to \$34.8 million. Of the \$20 million allocated in the State Budget for new programs, half is prescribed for extension of the original grant program, and the other half is to provide grants to fleets that operate in the areas with the poorest air quality.

This report is organized in two parts. Part I contains proposed guidelines for implementing two distinct, but similar, ZEV incentive programs. Part II contains proposed guidelines for a unique fleet incentive program. Specifically, Part I-A contains staff's proposed revisions for the existing statewide ZEV incentive program authorized by AB 2061 which staff will refer to as "ZIP I". Part I-B contains staff's recommendation for guidelines for implementing one of the two new ZEV incentive programs funded by the Budget Act of 2001. As discussed above, funding was appropriated to provide additional grants for ZEVs through June 2004; staff will refer to this program as "ZIP II". Part II contains staff's proposed guidelines for the implementation of the second new ZEV incentive program for fleets operated primarily in areas of California with the poorest air quality which staff will refer to as the "fleet program".

Both ZIP I and ZIP II provide grants for new eligible ZEVs on a first-come-first-served basis and have overlapping grant availability periods. ZIP I provides greater grant amounts per vehicle, but is a more focused program. Grants remain available for eligible new zero emission passenger cars and trucks only through December 2002. As proposed, ZIP II grants will be available for a greater variety of ZEVs and will be

available through June 2004. Staff is proposing to implement both programs in a coordinated and seamless manner so that the consumer will be served by a single, expanded statewide ZEV incentive program. The Program Manager, application form and approval process will be the same for both programs. The Program Manager will ensure that the consumer receives the maximum grant amount available at the time of purchase or lease.

The proposed fleet program (Part II) would provide the highest award amounts. The Legislature directed the Air Resources Board to award these grants through a competitive process. The competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities.

Part I-A. A Revised Zero Emission Incentive Program Pursuant to Health and Safety Code Sections 44260-44265 (ZIP I)

Part I-A contains proposed guidelines that incorporate and revise Guidelines for a Zero Emission Vehicle Incentive Program Pursuant to Health and Safety Code Sections 44260-44265 (AB 2061, Statutes of 2000, Lowenthal) which were approved by the Board at its December 7, 2000, public meeting and released by staff in February 2001. Originally authorized by AB 2061, this program provides grants up to \$9,000 for the purchase or lease of new zero emission passenger cars or trucks between October 1, 2000 and December 31, 2002. AB 2061 specified that only vehicles capable of operation on freeways, also referred to as full-function vehicles, are eligible for grants. AB 2061 also provided a calculation method for determining a maximum available grant and provided instructions on the distribution of the grant. A status report on the implementation of this program through February 2002 is provided in Appendix I-G. The program was recently modified by Assembly Bill 1390 (AB 1390, Statutes of 2001, Chapter 763, Firebaugh), effective January 1, 2002. The proposed revisions to the guidelines address required AB 1390 program modifications as well as several changes proposed by staff.

AB 1390 expanded eligible applicants to include public agencies. This change will allow federal agencies and entities, previously excluded by AB 2061, to qualify for grants. AB 1390 also gives ARB the ability to reserve, allocate and reallocate funds to any eligible grant recipient. The ARB is to periodically review grant applicants and the award of grants to ensure, to the greatest extent possible, that all grant funds are used. The ARB may also reduce the grant amount or eliminate the grant if the applicant receives a grant from either of the two new ZEV incentive programs.

Staff's proposed changes include an additional criterion for vehicle eligibility that requires that the vehicle must be covered by a full manufacturer warranty on the power train and battery pack for a minimum of 36 months.

Part I-B. A Zero Emission Vehicle Incentive Program Pursuant To The Budget Act of 2001 (ZIP II)

Part I-B contains staff's proposed guidelines for implementing a new ZEV incentive program funded by an appropriation from the Budget Act of 2001. The appropriation is available for expenditure through June 2004 and may be used to provide grants up to \$5,000 per vehicle pursuant to criteria established by the ARB. Staff is proposing that this ZEV incentive program, ZIP II, be implemented statewide and administered in coordination with ZIP I. However, staff is proposing that ZIP II provide grants for a greater variety of ZEVs than are eligible in ZIP I. Staff is not proposing to implement a retroactive program. Therefore, staff is proposing that new eligible ZEVs must be purchased or leased after the date of Board approval of these guidelines and on or before June 30, 2004, to be eligible for grants on a first-come-first-served basis.

For ZIP II, staff is proposing to place individual ZEV models in one of several categories for the purpose of determining vehicle eligibility and grant amount. Staff is proposing to use the following vehicle categories: Full-Function ZEVs (FFEVs), City ZEVs (CEVs), Neighborhood ZEVs (NEVs), and Zero Emission Motorcycles (ZEMs). Because NEVs are a low-cost compliance strategy for the ZEV regulations, they would not be eligible for ZIP II grants unless the manufacturer volunteers to give up the ZEV regulatory credit. The ZEM category is limited to fully-enclosed, 3-wheel motorcycles. Staff will subdivide the ZEM category, if needed, into freeway-capable and non-freeway ZEMs for purposes of establishing grant amounts.

As in ZIP I, eligible vehicle models will be determined on a case-by-case basis. Vehicle eligibility criteria include certification by ARB as New Electric Vehicles or New Zero Emission Vehicles, compliance with all applicable Federal Motor Vehicle Safety Standards (FMVSS), and a minimum 36 month full manufacturer warranty on the vehicle power train and battery pack. The proposed grant amounts range from \$1,000 up to \$5,000 per vehicle.

As mentioned previously, staff is proposing to implement ZIP I and ZIP II in a coordinated and seamless manner so that the consumer will be served by a single, expanded statewide ZEV incentive program. Staff proposes to use a common application and approval process. The availability of ZIP I and ZIP II grants will overlap during 2002. During 2002, a ZEV meeting the eligibility criteria for both a ZIP I and ZIP II grant, will be awarded the greater grant amount, in most cases the ZIP I grant. After December 31, 2002, and through June 2004, only ZIP II grants may be awarded.

For either a ZIP I grant or ZIP II grant, the applicant may choose to accept the grant directly or to assign the grant payment to a participating lessor. When the applicant accepts direct payment of the ZIP I grant, it is paid in three equal annual allotments, consistent with AB 2061. The ZIP I grant may not be assigned to the vehicle dealer when the vehicle is purchased. However, the staff proposes to distribute the smaller

ZIP II grant in one payment. The applicant will have the option of assigning the ZIP II grant to a participating dealer for a vehicle purchase.

Part II. A Zero Emission Vehicle Incentive Program For Fleets That Operate In Areas of California With the Poorest Air Quality

In the Budget Act of 2001, the Legislature appropriated funding to establish a new ZEV incentive program for fleets operating in areas of California with the poorest air quality. The direction for the program is specified in both Assembly Bill 1390 (2001, Chapter 763, Section 44260) and authorizing Budget Language (Zero Emission Vehicle Program, Fiscal Year 2001-2002). The proposed competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities.

Staff proposes a fleet program with the following four program goals:

- Implement an incentive program for ZEVs for fleets that operate in the geographical areas of the State with the poorest air quality;
- Promote the deployment of ZEVs in communities that suffer from greater exposure to poor air quality, including low-income and minority communities;
- Encourage projects that showcase ZEV technology to communities, or include education on the benefits of ZEV technology, so that all communities, especially low-income and communities of color, can take a more active role in decisions affecting their local air quality; and
- Promote Full-Function ZEVs or ZEVs with full function characteristics.

Staff proposes that the fleet program be implemented at the state level by ARB, in conjunction with Program Partners and Program Sponsors. An ARB-appointed Program Manager will oversee the implementation of the fleet program. Program Partners will be public agencies that agree to work with the ARB Program Manager and assist in the implementation of the program in their jurisdictions. Program Partners may include local air pollution control or air quality management agencies. Program Sponsors will be organizations that support the program in a variety of ways, including outreach activities and fleet evaluation of interested applicants. Program Sponsors may include automakers, electric utilities with electric vehicle programs, environmental groups, or community groups.

The fleet program is divided into three stages: pre-solicitation, solicitation, and grant allocation. The goal of the pre-solicitation is to inform interested fleets, public agencies and community organizations about the benefits of ZEV technologies and funding opportunities available under the program. The solicitation process will begin with a public notice announcing the opening of the grant solicitation period. All interested parties must submit an official application form along with required information on the proposed project. The Program Manager will screen all applications for completeness and determine eligibility for all complete applications. Eligible applicants will be public

agencies, businesses or corporations authorized to conduct business in California, non-profit organizations, estates and trusts. Individuals will not be eligible. All eligible proposals will be evaluated and scored using objective criteria by Program Partners and a Technical Review Committee consisting of ARB staff and managers with expertise in the areas of environmental justice, public education, sources of air pollutant emissions and grant management. Proposals will be categorized as Community Projects or Fleet Projects. The same ranking process will be used to evaluate both types of projects and will allow projects of similar scope to be evaluated comparably. Table I below summarizes eligibility criteria and considerations in project evaluation.

Table I: Fleet Program Project Eligibility Requirements and Evaluation Criteria

Criteria	Project Eligibility Requirement	Project Evaluation Criteria
Eligible Applicant	Yes	
Eligible Fleet	Yes	
Nonattainment Area	Yes	
New Eligible ZEV	Yes	
Environmental Justice Criteria	Yes	Yes
Project Administration (<i>Fleet Projects only</i>)	Yes	
Vehicle Miles Traveled		Yes
Public Education		Yes
Program Partnerships		Yes
Vehicle Use/Application		Yes

Staff Recommendation and Proposed Implementation Schedule

These proposed guidelines are presented for Board consideration and approval. It should be noted that the Legislature is also considering a combination of additional funding cuts and funding redistribution of \$12.8 million dollars from both the Lowenthal authorized funds and funds allocated from the 2001-2002 State Budget.

A summary of proposed eligible vehicle categories and grant amounts is provided in Table II. A proposed implementation schedule is provided in Table III.

Table II: Summary of ZEV Incentive Programs

Vehicle Category	Earns ZEV Regulatory Credit	Grant Amount		
		ZIP I	ZIP II	Fleet Program
		10/2000-2002	5/2002-2004	5/2002-2004
Full Function ZEV	Yes	Up to \$9,000	\$5,000	\$11,000
City ZEV	Yes	None	\$3,500	\$5,000
Neighborhood ZEV	Yes	None	None	None
	No, per manufacturer option	None	\$1,000	\$1,500
Zero-Emission Motorcycle (ZEM)	No	None	Up to \$2,000	Up to \$3,000

Table III: Proposed Implementation Schedule

Date or Time Period	Action Item
April 25-26, 2002	ARB public meeting to consider guidelines
Current – Dec. 31, 2002	Applications and voucher requests accepted for ZIP I grants authorized by AB 2061
May 1, 2002 – June 30, 2004	Applications and voucher requests accepted for ZIP II grants funded by Budget Act of 2001
May/June 2002	Pre-Solicitation Workshops For First Fleet ZEV Grant Solicitation
July-August 2002	First Solicitation Period
September 2002	Selection of Fleet Proposals from First Solicitation
February 2003	Pre-Solicitation Workshops For Second Fleet ZEV Grant Solicitation (tentative)
March - May 2003	Second Solicitation Period (tentative)
April 2003	Annual Status Report on ZEV Incentive Programs
June 2003	Selection of Fleet Proposals from Second Solicitation (tentative)
April 2004	Annual Status Report on ZEV Incentive Programs

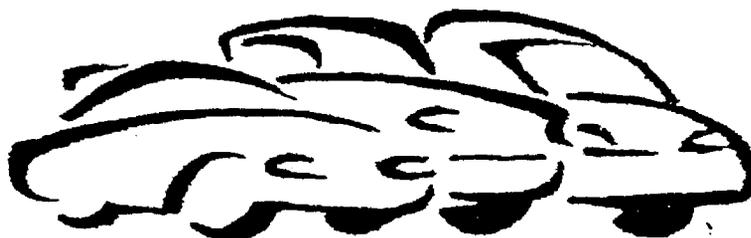
State of California
California Environmental Protection Agency

AIR RESOURCES BOARD

**PROPOSED GUIDELINES FOR IMPLEMENTING
AN EXPANDED STATEWIDE ZERO EMISSION VEHICLE
INCENTIVE PROGRAM (ZIP I AND ZIP II)**

AND

**A ZERO EMISSION VEHICLE INCENTIVE PROGRAM
FOR FLEETS THAT OPERATE IN AREAS OF
CALIFORNIA WITH THE POOREST AIR QUALITY**



Released March 29, 2002

This report has been reviewed by the staff of the California Air Resources Board and approved for publication. Approval does not signify that the contents necessarily reflect the views and policies of the Air Resources Board, nor does the mention of trade names or commercial products constitute endorsement or recommendation for use.

Prepared By:



Zero Emission Vehicle Implementation Section
Mobile Source Control Division

Acknowledgements

Staff appreciates the assistance and time provided by an informal working group representing government agencies, vehicle manufacturers and dealers, fleet administrators, and ZEV proponents. The perspective and experience of this group proved invaluable to staff in the development of these guidelines.

EXECUTIVE SUMMARY

This report provides the State Air Resources Board (ARB or Board) proposed guidelines for the coordinated implementation of three zero emission vehicle (ZEV) incentive programs. One program is an existing program, the original \$18 million statewide ZEV incentive program authorized by Assembly Bill 2061 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal). In addition, the Legislature approved funding of a total of \$20 million in the Fiscal Year 2001-2002 State Budget (Budget Act of 2001) for two new ZEV incentive programs. These three programs make available grants to consumers for the purchase or lease of eligible ZEVs during overlapping time periods, beginning October 1, 2000 and extending through June 30, 2004.

Originally, \$38 million in total funding was appropriated for these three programs. However, the Administration Budget for 2001-2002 has reduced the original Lowenthal authorized program funding by \$3.2 million. This reduces the total available funding from \$38 million to \$34.8 million. Of the \$20 million allocated in the State Budget for new programs, half is prescribed for extension of the original Grant program, and the other half is to provide grants to fleets that operate in the areas with the poorest air quality.

This report is organized in two parts. Part I contains proposed guidelines for implementing two distinct, but similar, ZEV incentive programs. Part II contains proposed guidelines for a unique fleet incentive program. Specifically, Part I-A contains staff's proposed revisions for the existing statewide ZEV incentive program authorized by AB 2061 which staff will refer to as "ZIP I". Part I-B contains staff's recommendation for guidelines for implementing one of the two new ZEV incentive programs funded by the Budget Act of 2001. As discussed above, funding was appropriated to provide additional grants for ZEVs through June 2004; staff will refer to this program as "ZIP II". Part II contains staff's proposed guidelines for the implementation of the second new ZEV incentive program for fleets operated primarily in areas of California with the poorest air quality which staff will refer to as the "fleet program".

Both ZIP I and ZIP II provide grants for new eligible ZEVs on a first-come-first-served basis and have overlapping grant availability periods. ZIP I provides greater grant amounts per vehicle, but is a more focused program. Grants remain available for eligible new zero emission passenger cars and trucks only through December 2002. As proposed, ZIP II grants will be available for a greater variety of ZEVs and will be available through June 2004. Staff is proposing to implement both programs in a coordinated and seamless manner so that the consumer will be served by a single, expanded statewide ZEV incentive program. The Program Manager, application form and approval process will be the same for both programs. The Program Manager will ensure that the consumer receives the maximum grant amount available at the time of purchase or lease.

The proposed fleet program (Part II) would provide the highest award amounts. The Legislature directed the Air Resources Board to award these grants through a competitive process. The competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities.

Part I-A. A Revised Zero Emission Incentive Program Pursuant to Health and Safety Code Sections 44260-44265 (ZIP I)

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AB 1390 expanded eligible applicants to include public agencies. This change will allow federal agencies and entities, previously excluded by AB 2061, to qualify for grants. AB 1390 also gives ARB the ability to reserve, allocate and reallocate funds to any eligible grant recipient. The ARB is to periodically review grant applicants and the award of grants to ensure, to the greatest extent possible, that all grant funds are used. The ARB may also reduce the grant amount or eliminate the grant if the applicant receives a grant from either of the two new ZEV incentive programs.

Staff's proposed changes include an additional criterion for vehicle eligibility that requires that the vehicle must be covered by a full manufacturer warranty on the power train and battery pack for a minimum of 36 months.

Part I-B. A Zero Emission Vehicle Incentive Program Pursuant To The Budget Act of 2001 (ZIP II)

Part I-B contains staff's proposed guidelines for implementing a new ZEV incentive program funded by an appropriation from the Budget Act of 2001. The appropriation is available for expenditure through June 2004 and may be used to provide grants up to \$5,000 per vehicle pursuant to criteria established by the ARB. Staff is proposing that this ZEV incentive program, ZIP II, be implemented statewide and administered in coordination with ZIP I. However, staff is proposing that ZIP II provide grants for a greater variety of ZEVs than are eligible in ZIP I. Staff is not proposing to implement a retroactive program. Therefore, staff is proposing that new eligible ZEVs must be purchased or leased after the date of Board approval of these guidelines and on or before June 30, 2004, to be eligible for grants on a first-come-first-served basis.

For ZIP II, staff is proposing to place individual ZEV models in one of several categories for the purpose of determining vehicle eligibility and grant amount. Staff is proposing to use the following vehicle categories: Full-Function ZEVs (FFEVs), City ZEVs (CEVs), Neighborhood ZEVs (NEVs), and Zero Emission Motorcycles (ZEMs). Because NEVs are a low-cost compliance strategy for the ZEV regulations, they would not be eligible for ZIP II grants unless the manufacturer volunteers to give up the ZEV regulatory credit. The ZEM category is limited to fully-enclosed, 3-wheel motorcycles. Staff will subdivide the ZEM category, if needed, into freeway-capable and non-freeway ZEMs for purposes of establishing grant amounts.

As in ZIP I, eligible vehicle models will be determined on a case-by-case basis. Vehicle eligibility criteria include certification by ARB as New Electric Vehicles or New Zero Emission Vehicles, compliance with all applicable Federal Motor Vehicle Safety Standards (FMVSS), and a minimum 36 month full manufacturer warranty on the vehicle power train and battery pack. The proposed grant amounts range from \$1,000 up to \$5,000 per vehicle.

As mentioned previously, staff is proposing to implement ZIP I and ZIP II in a coordinated and seamless manner so that the consumer will be served by a single, expanded statewide ZEV incentive program. Staff proposes to use a common application and approval process. The availability of ZIP I and ZIP II grants will overlap during 2002. During 2002, a ZEV meeting the eligibility criteria for both a ZIP I and ZIP II grant, will be awarded the greater grant amount, in most cases the ZIP I grant. After December 31, 2002, and through June 2004, only ZIP II grants may be awarded.

For either a ZIP I grant or ZIP II grant, the applicant may choose to accept the grant directly or to assign the grant payment to a participating lessor. When the applicant accepts direct payment of the ZIP I grant, it is paid in three equal

annual allotments, consistent with AB 2061. The ZIP I grant may not be assigned to the vehicle dealer when the vehicle is purchased. However, the staff proposes to distribute the smaller ZIP II grant in one payment. The applicant will have the option of assigning the ZIP II grant to a participating dealer for a vehicle purchase.

Part II. A Zero Emission Vehicle Incentive Program For Fleets That Operate In Areas of California With the Poorest Air Quality

In the Budget Act of 2001, the Legislature appropriated funding to establish a new ZEV incentive program for fleets operating in areas of California with the poorest air quality. The direction for the program is specified in both Assembly Bill 1390 (2001, Chapter 763, Section 44260) and authorizing Budget Language (Zero Emission Vehicle Program, Fiscal Year 2001-2002). The proposed competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities.

Staff proposes a fleet program with the following four program goals:

- Implement an incentive program for ZEVs for fleets that operate in the geographical areas of the State with the poorest air quality;
- Promote the deployment of ZEVs in communities that suffer from greater exposure to poor air quality, including low-income and minority communities;
- Encourage projects that showcase ZEV technology to communities, or include education on the benefits of ZEV technology, so that all communities, especially low-income and communities of color, can take a more active role in decisions affecting their local air quality; and
- Promote Full-Function ZEVs or ZEVs with full function characteristics.

Staff proposes that the fleet program be implemented at the state level by ARB, in conjunction with Program Partners and Program Sponsors. An ARB-appointed Program Manager will oversee the implementation of the fleet program. Program Partners will be public agencies that agree to work with the ARB Program Manager and assist in the implementation of the program in their jurisdictions. Program Partners may include local air pollution control or air quality management agencies. Program Sponsors will be organizations that support the program in a variety of ways, including outreach activities and fleet evaluation of interested applicants. Program Sponsors may include automakers, electric utilities with electric vehicle programs, environmental groups, or community groups.

The fleet program is divided into three stages: pre-solicitation, solicitation, and grant allocation. The goal of the pre-solicitation is to inform interested fleets, public agencies and community organizations about the benefits of ZEV

technologies and funding opportunities available under the program. The solicitation process will begin with a public notice announcing the opening of the grant solicitation period. All interested parties must submit an official application form along with required information on the proposed project. The Program Manager will screen all applications for completeness and determine eligibility for all complete applications. Eligible applicants will be public agencies, businesses or corporations authorized to conduct business in California, non-profit organizations, estates and trusts. Individuals will not be eligible. All eligible proposals will be evaluated and scored using objective criteria by Program Partners and a Technical Review Committee consisting of ARB staff and managers with expertise in the areas of environmental justice, public education, sources of air pollutant emissions and grant management. Proposals will be categorized as Community Projects or Fleet Projects. The same ranking process will be used to evaluate both types of projects and will allow projects of similar scope to be evaluated comparably. Table I below summarizes eligibility criteria and considerations in project evaluation.

Table I: Fleet Program Project Eligibility Requirements and Evaluation Criteria

Criteria	Project Eligibility Requirement	Project Evaluation Criteria
Eligible Applicant	Yes	
Eligible Fleet	Yes	
Nonattainment Area	Yes	
New Eligible ZEV	Yes	
Environmental Justice Criteria	Yes	Yes
Project Administration (<i>Fleet Projects only</i>)	Yes	
Vehicle Miles Traveled		Yes
Public Education		Yes
Program Partnerships		Yes
Vehicle Use/Application		Yes

Staff Recommendation and Proposed Implementation Schedule

These proposed guidelines are presented for Board consideration and approval. It should be noted that the Legislature is also considering a combination of additional funding cuts and funding redistribution of \$12.8 million dollars from both the Lowenthal authorized funds and funds allocated from the 2001-2002 State Budget.

A summary of proposed eligible vehicle categories and grant amounts is provided in Table II. A proposed implementation schedule is provided in Table III.

Table II: Summary of ZEV Incentive Programs

Vehicle Category	Earns ZEV Regulatory Credit	Grant Amount		
		ZIP I	ZIP II	Fleet Program
		10/2000-2002	5/2002-2004	5/2002-2004
Full Function ZEV	Yes	Up to \$9,000	\$5,000	\$11,000
City ZEV	Yes	None	\$3,500	\$5,000
Neighborhood ZEV	Yes	None	None	None
	No, per manufacturer option	None	\$1,000	\$1,500
Zero-Emission Motorcycle (ZEM)	No	None	Up to \$2,000	Up to \$3,000

Table III: Proposed Implementation Schedule

Date or Time Period	Action Item
April 25-26, 2002	ARB public meeting to consider guidelines
Current – Dec. 31, 2002	Applications and voucher requests accepted for ZIP I grants authorized by AB 2061
May 1, 2002 – June 30, 2004	Applications and voucher requests accepted for ZIP II grants funded by Budget Act of 2001
May/June 2002	Pre-Solicitation Workshops For First Fleet ZEV Grant Solicitation
July-August 2002	First Solicitation Period
September 2002	Selection of Fleet Proposals from First Solicitation
February 2003	Pre-Solicitation Workshops For Second Fleet ZEV Grant Solicitation (tentative)
March - May 2003	Second Solicitation Period (tentative)
April 2003	Annual Status Report on ZEV Incentive Programs
June 2003	Selection of Fleet Proposals from Second Solicitation (tentative)
April 2004	Annual Status Report on ZEV Incentive Programs

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Part 1. GUIDELINES FOR IMPLEMENTING AN EXPANDED
STATEWIDE ZERO EMISSION VEHICLE INCENTIVE PROGRAM
(ZIP I AND ZIP II)

Part I-A. A Revised Zero Emission Vehicle Incentive Program Pursuant
To Health And Safety Code Sections 44260-44265 (ZIP I)

Note: Part I-A incorporates staff's proposed revisions to Guidelines for a Zero Emission Vehicle Incentive Program Pursuant to HSC 44260-44265 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal) which were originally approved by the Air Resources Board at its December 7, 2000, public meeting and released by staff in February 2001. Proposed additions to these guidelines are marked *in bold and italics*. Proposed deletions to these guidelines are marked ~~in bold and strikeout~~.

CHAPTER I.

1.0 INTRODUCTION

Zero emission vehicles (ZEVs) are an integral part of California's efforts to meet health-based air quality standards. Incentives for the purchase of new ZEVs are an important element in the effort to commercialize ZEVs. The statewide ZEV Incentive Program is the result of Assembly Bill 2061 (AB 2061) which was sponsored by Assemblyman Alan Lowenthal of Long Beach and signed by Governor Gray Davis on September 30, 2000 (see Appendix I-A). This ~~\$18 million~~ program provides grants up to \$9,000 for the purchase or lease of an eligible ZEV between October 1, 2000 and December 31, 2002. *This program was modified by AB 1390 (Statutes of 2001, Firebaugh), effective January 1, 2002.*

Part 1 of this document presents staff's proposal for guidelines to implement an expanded statewide ZEV incentive program. This section of Part I-A contains staff's proposed revisions to Guidelines for a Zero Emission Vehicle Incentive Program Pursuant to HSC 44260-44265 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal) which were originally approved by the Air Resources Board (Board or ARB) at its December 7, 2000, public meeting and released by staff February 2001. The proposed revisions incorporate program modifications pursuant to AB 1390 and additional program modifications proposed by staff. Staff will refer to the ZEV incentive program described in this Section A as ZIP I to distinguish this program from a new ZEV incentive program funded by the Budget Act of 2001. Staff's proposed guidelines for implementing the new ZEV incentive program, which staff refer to as ZIP II, can be found in Section B of Part 1, below.

ZIP I will provide ~~a total of \$18 million in~~ grants to reduce the incremental cost of new ZEVs over the next three years. Individual grants totaling up to \$9,000 may be provided in three allotments over a 36-month period. These grants are available to qualified private and public consumers who purchase or lease a new ZEV between October 1, 2000, and December 31, 2002. ~~\$18 million is available for grants.~~ All of the funds will be used for grants, and none will be used for program administration. ~~If each recipient is awarded the full \$9,000, this program would support up to 2,000 vehicles.~~

The purpose of the program is to make the price of a full-service electric vehicle comparable to that of a conventionally fueled vehicle, spurring the electric vehicle market in California. This is important for supporting a critical ramp-up period needed for the 2003 ZEV requirement.

The program will be developed and administered by the California Air Resources Board (Board or ARB) in conjunction with the State Energy Resources Conservation and Development Commission (Energy Commission or CEC). The guidelines establish the administrative process and vehicle eligibility. At a December 7, 2000 public meeting, the Board considered and approved staff's proposed guidelines, with some modifications, with Resolution 00-38, (See Appendix I-B). With Board approval of the guidelines, ARB staff has implemented the program almost immediately. A timetable for implementation of the program is shown in Table 1-A-1, below. ARB, CEC, the local air quality management and air pollution control districts (local air districts or districts), and bill proponents are committed to a quick, successful implementation of the program.

Table 1-A-1: Timetable for ZIP I ~~AB 2064~~ Implementation

December 7, 2000	ARB public meeting to consider approval of original guidelines.
December 15, 2000	Target date to begin taking applications
February 1, 2001	Target date to begin distribution of grants.
<i>January 1, 2002</i>	<i>Effective Date of AB 1390 modifications to the program</i>
<i>April 25, 2002</i>	<i>ARB public meeting to consider approval of revised guidelines.</i>

1.1 A. Background

Air quality in California has improved dramatically over the past 25 years, largely due to continued progress in controlling pollution from motor vehicles. Faced with ever more stringent regulations, vehicle manufacturers have made remarkable advances in vehicle technology. Several thousand zero emission vehicles (battery-electric vehicles) are now in everyday service on California roads, and the latest conventional internal combustion engine vehicles achieve emission levels that seemed impossible just a few short years ago.

Despite this progress, however, air quality in many areas of the state still does not meet federal or state health-based ambient air quality standards. Mobile sources still are responsible for well over half the ozone-forming emissions in California, and passenger cars and small trucks are responsible for a significant portion of the mobile source contribution. State and federal law requires the implementation of control strategies to attain ambient air quality standards as quickly as practicable.

1.2 B. Air Resources Board's Zero Emission Vehicle Program

In 1990, the ARB adopted the Zero Emission Vehicle (ZEV) program as part of the Low Emission Vehicle regulations. The ZEV program is an integral part of California's mobile source control efforts, and is intended to create a market for advanced technologies that will secure increasing air quality benefits for California now and into the future. ZEVs have significant long-term benefits because they have no emission control equipment that can deteriorate or fail, and generate only minimal "upstream" refueling and fuel cycle emissions.

ZEVs also have the capability to provide comprehensive energy benefits. High-efficiency ZEVs result in significant reductions in emissions of carbon dioxide (CO₂) and other greenhouse gases. Vehicles powered by grid electricity will increase the diversity of California's fuel supply and reduce our dependence on imported oil. In addition, electric drive vehicles have the potential to be powered by renewable sources of energy such as wind, hydropower, or solar energy.

At its September 2000 meeting, the Air Resources Board unanimously adopted a resolution affirming that the ZEV program is an essential component of the State's long-term air quality strategy. Staff was directed to review the regulation and propose appropriate modifications to address issues such as the current lack of ZEV availability/ramp-up, market demand, public education, infrastructure needs, manufacturer costs and incentives to assure successful penetration of ZEVs into the market. ARB staff returned to the Board with its recommendations on how to address these issues on January 25, 2001.

1.3 ~~C.~~ Need for Incentives

One way to address vehicle cost is by using government incentives. Incentives are commonly used to promote the introduction of new technology that will benefit society. Because ZEVs are a relatively new technology and are currently produced in limited quantities, they are more expensive than conventional vehicles. To enhance vehicle marketability in the near term and to assist in the transition to large volume production, it is vital to provide support, both monetary and non-monetary, in the form of vehicle and infrastructure incentives.

CHAPTER II.

2.0 PROGRAM ADMINISTRATION

This chapter provides staff's recommendations for how the program should be administered. Specifically, this chapter outlines roles and responsibilities of the Program Manager, how the program will operate from the consumer's perspective, including how consumers will get information about the program, how they will apply for grants and how grants will be distributed.

2.1 ~~A.~~ Program Administration

The enabling legislation, AB 2061, specifies that ARB will administer the program in consultation with the Energy Commission. In addition, the legislation provides the opportunity for air districts to voluntarily administer the program within their jurisdiction.

ARB has the primary responsibility for administering the program. In developing the proposed guidelines, ARB staff has consulted with the CEC, local air districts, legislative bill sponsors, automakers and other stakeholders in the development of this program. Coordination among all parties is essential for an effective, seamless, consumer-friendly program.

Air districts may voluntarily administer the grant program within their jurisdiction. However, air districts must use the guidelines adopted by ARB, including the forms in Appendix ~~B-I-C~~. In addition, AB 2061 does not provide any funds to either ARB or air districts to administer the program.

An air district interested in administering the program should submit a letter to the Program Manager, signed by the Air Pollution Control Officer, stating the district's desire to administer the program. This letter should identify district staff who will be responsible for the program, and whether the district will augment these funds. The Program Manager will work with each interested district to assist it in developing its program, and will develop a mechanism for the transfer of grant funds. Districts administering the program will be responsible for approving all

applications, allocating grant funds, providing documentation to ARB, and verifying vehicle registration in subsequent years.

2.2 B.—Energy Commission and Air District Incentive Programs

Vehicle "buy-down" incentives ~~are currently~~ *may be currently* available in ~~some many~~ areas of the State. In the South Coast, these incentives *have been* ~~are~~ provided by the Mobile Source Air Pollution Reduction Committee (MSRC). In the rest of the State, these incentives are co-funded by CEC, and available in air districts that provide matching funds. These buy-down incentives reduce the capitalized cost of the ZEV, and the lease payments are recalculated on the reduced cost of the vehicle. The incentives, while awarded to the consumer, are transferred through the lessor. These incentives are available for vehicles that meet specific performance criteria and are certified to applicable Federal Motor Vehicle Safety Standards (FMVSS)¹.

Since 1996, the CEC has partnered with local air districts and automakers to provide zero-emission vehicle buy-down and infrastructure incentives for vehicles leased or purchased. As a result, the CEC has gained valuable knowledge and experience in the elements necessary to conduct a successful statewide incentive program and is developing an expanded pilot incentive program with \$5 million in funding from the Governor's 2000/2001 budget. This new efficiency-based program is designed to create a statewide market-based program that will provide incentives and information on comparable vehicle technologies for all vehicle technologies and class types including ZEVs. This program will potentially include a variety of efficient vehicle types such as hybrid electric vehicles and alternatively fueled vehicles.

Close coordination between the administration of the ZEV Incentive Program and the new Efficient Vehicle Program is critical.

2.3 C.—Coordination Between Incentive Programs

The ARB, CEC and local air districts are working towards a statewide coordinated vehicle incentive program that can be implemented through a single, seamless application process. Staff recommends that coordination of incentive programs be achieved through on-going communication and cooperative development of public information products.

Implementation of the ZEV Incentive Program will include establishment of an ongoing Working Group. This group may be formed as an extension or expansion of existing air district incentive program working groups if appropriate. This Working Group will be composed of interested air districts, the MSRC, CEC, the Department of General Services' Office of Fleet Administration (DGS),

¹ FMVSS are found in Title 49 of the Code of Federal Regulations (CFR) Part 571

legislative bill sponsors, automakers and other interested parties. The Working Group will meet quarterly to discuss the status of the program, implementation issues, and share information. One of the goals of the Working Group is to ensure that all entities have the most up-to-date information on incentive programs and to ensure that the public receives complete and accurate information about all incentive opportunities available.

It is important that information on all incentive programs be centrally available at a web site, www.zevinfo.com, in addition to the information provided by the ARB, CEC, air district, DGS (for public agencies), and other web sites. The website www.zevinfo.com is likely to be the easiest for a consumer to use, as it is primarily established to provide easy and up-to-date information on just zero emission vehicles, their availability, attributes, incentives and benefits. Many consumers find it more difficult and time-consuming to navigate government web sites that contain information on a wide variety of programs and issues.

The web site www.zevinfo.com ~~will~~ allows potential consumers to indicate the type of vehicle they are interested in purchasing or buying and the city where they live; and then the consumer ~~would be~~ *is* given specific information on eligibility and how to apply, including the ability to download the application and instructions. **Planned upgrades to the website will expand** ~~links~~ links to appropriate web sites to obtain additional information as well as e-mail links to program staff that can provide assistance would also be included along with a listing of dealers who sell or lease ZEVs. In addition, the customary Manufacturer Suggested Retail Price (MSRP) and lease price for each ZEV will be posted on the web site to give consumers a baseline price for the vehicles. Staff has a multitude of ideas about additional ways that www.zevinfo.com can be **designed improved** to assist *both* dealers and customers.

Information ~~will also be~~ *is* available through ARB's 1-800-END-SMOG information line. Operators of the 1-800-END-SMOG line ~~will~~ use the www.zevinfo.com web site to provide information about available incentive programs and direct callers to the appropriate staff person at the ARB, CEC, or local air district.

2.4 D. — Program Manager

The statewide ZEV Incentive Program will be administered by an ARB Program Manager. The Program Manager will be responsible for administering the program in a manner consistent with the guidelines adopted by the Board.

The duties of the Program Manager will include, but not be limited to the following:

- ◆ Review applications for eligibility
- ◆ Approve or disapprove grant applications

- ◆ Verify that all required information has been submitted prior to grant distribution
- ◆ Authorize grant distribution
- ◆ Track program status, including funding allocation
- ◆ Submit quarterly reports on program status to the Executive Officer
- ◆ Recommend changes to the guidelines, as needed
- ◆ Prepare outreach and educational materials
- ◆ Work with CEC, local air districts, MSRC, and DGS to ensure consistent implementation of the program throughout the State
- ◆ Provide information, upon request, to individuals or organizations that wish to appeal a grant denial to the Executive Officer
- ◆ Coordinate with CEC, MSRC, air districts, DGS and vehicle dealers to assist the buyer in receiving all other incentives that may apply to the vehicle (buy-down, infrastructure, etc).

2.5 E. Overview: Grant Payment Process

Staff has structured the application process so that consumers can assign the grant to a participating lessor or receive the grant payments directly from the ARB.

At any time, a potential consumer can access the web site www.zevinfo.com or 1-800-END-SMOG to get information on program eligibility. Both of these resources will be designed to assist consumers with their purchase or lease decisions. Information will be provided on the amount of total funding available, vehicle eligibility, and the maximum grant that is available for each qualified vehicle. ~~This information will be updated on a weekly basis.~~ Information on vehicle sales contacts, as well as staff at local air districts, CEC, and DGS will also be provided to ensure that prospective consumers are able to get as much assistance as needed to facilitate their participation in the program.

1. Assignment of Grant to Participating Lessors

The grant assignment option is a mechanism that allows consumers to sign over the grant to the lessor in exchange for a lower monthly lease price. In order to assign the grant to the participating lessor, the vehicle must be leased, not purchased. It would also be an option for vehicles that are leased with an option to buy at the end of the lease period, if the lease period is at least 36 months. This transaction would be handled by the lessor for the consumer. This option would result in the entire grant going directly to the lessor. The lessor would reduce the capitalized cost of the ZEV by the entire grant amount. It is anticipated that most consumers will find this the easiest option to use.

At the time of the lease transaction, a lessor (or authorized representative) would contact the Program Manager for a voucher number for the qualifying vehicle using a toll free telephone number established by the Program Manager. Each

voucher number will represent the total grant amount for the qualifying vehicle. Obtaining this voucher number would constitute a "pre-authorization" of grant approval. To simplify the process, the voucher number will be provided to the **applicant** by the Program Manager either on the telephone or by fax. It is the responsibility of the Program Manager to ensure that the applicant is qualified under the program. A voucher number will guarantee that the lessor will receive the total grant amount, provided that the lease is executed with the applicant and the required documentation is submitted.

Once a voucher number has been issued, the consumer can complete the lease agreement. The lessor will reduce the lease obligation by the total grant amount. The lessor will submit the completed application, which has been signed by both the applicant and lessor, along with an Assignment of Grant Form that is included in Appendix I-C. The applicant must also check and initial the box on the application form indicating that he or she has assigned the grant benefits to the lessor. Lessors can also use their own grant assignment form, as long as it has been approved in advance by the Program Manager.

The lessor will submit the application to the Program Manager, along with the required documentation of the purchase or lease, such as a copy of the sales or lease contract, along with an itemization of discounts, incentives and credits received, and appropriate proof of temporary or permanent vehicle registration. Once the application with the valid voucher number and required documentation is received, a check for the total grant amount will be sent to the lessor. A voucher number assures the lessor that it will receive payment, as long as the lessor submits a complete application and the required supporting documentation.

2. Payment of Grant to Vehicle Lessee/Owner

A consumer who is purchasing or leasing an eligible ZEV can apply for direct payment of the grant which typically will be distributed in three allotments over a 36-month period.

At the time of, or following, the purchase or lease transaction, an applicant or sales/lessor representative would contact the Program Manager to receive a voucher number for the eligible vehicle. Each voucher number will represent the total grant amount for the eligible vehicle. Obtaining this voucher number would constitute a "pre-authorization" of grant approval. To simplify the process, the voucher number will be provided to the applicant or sales/lessor representative by the Program Manager either on the telephone or by fax. It is the responsibility of the Program Manager at this time to ensure that the applicant is qualified under the program. A voucher number will guarantee the applicant will receive the grant in three allotments over a 36-month period, provided that the purchase, or lease, is executed with the applicant and a complete application and the required supporting documentation is submitted.

Once a voucher number has been issued, the applicant will submit the application to the Program Manger, along with the required documentation of the purchase or lease, such as a copy of the sales or lease contract, along with an itemization of discounts, incentives and credits received, and appropriate proof of temporary or permanent vehicle registration. Once the application with the valid voucher number and required documentation is received, a check for the first grant allotment will be sent to the lessee. What a grant recipient must do to receive the second and third grant allotments is described in Section 3 below.

This program is retroactive to October 1, 2000. Therefore, if an eligible ZEV has been purchased between October 1, 2000 and the date of program implementation, the applicant shall submit a completed application and required documentation to the Program Manager. In such cases, applicants do not need to obtain voucher numbers prior to submitting applications.

3. Distribution of 2nd and 3rd Grant Allotments

For those customers who receive grant payments directly and have not assigned the benefits to the lessor, the Program Manager is required to verify continued California vehicle registration to the grant recipient prior to making subsequent grant distributions. To simplify this process, the Program Manager will send each grant recipient a reminder letter requesting that any changes in information be provided regarding vehicle ownership and owner address along with a copy of the current vehicle registration.

4. Annual Reports from Participating Lessors

The Program Manager will send a letter on a quarterly basis to participating lessors with grant assignments requesting status information on a specific list of vehicles that received grants at the beginning of the previous 12-month period. The Project Manager is requesting that information be provided for any changes in the status of the vehicle lease and vehicle lessees and addresses.

5. Assignment of Benefits to New Lessees/Owners.

As mentioned earlier, the intent of this program is to place ZEVs in the 2000-2002 timeframe and to reduce the cost of a ZEV over a 36-month period. With that said, the ARB realizes that some ZEVs may be sold or returned to a dealer within the 36-month period. Staff recommends that the grant remain with the vehicle if it is sold or re-leased. If this occurs, a new owner or lessee can request a continuation or transfer of the grant benefit.

For those vehicles that were leased under the assignment of grants option, the lessor will continue to provide the grant benefit in the form of reduced lease payments to the new customer who re-leases the vehicle. A lessor may, at its

sole discretion, return the unused grant amount should it no longer wish to make the vehicle available for lease in California.

1. Statewide Availability

This grant is available statewide to all eligible consumers. However, ARB acknowledges that several areas of the State have taken many actions to become "EV Ready." Areas such as the South Coast, Bay Area, and Sacramento have made significant public investments in electric vehicle (EV) infrastructure and incentive programs. In particular, the MSRC has been a leader in this area. As a result of these programs, there now exists considerable unmet interest in EVs. These are also the areas with some of the most challenging air quality problems.

The ARB encourages these "EV Ready" areas to continue their supportive activities such as infrastructure development, public education and buy-down incentives.

2. Appeal Process

If an applicant is denied a grant, the Program Manager will provide the applicant with the reason for the denial in writing. Any applicants who feel that they have been unfairly denied a grant may submit an appeal to the ARB Executive Officer. Such an appeal must be submitted to the ARB Executive Officer within 30 days of the date shown on the written denial letter. The appeal must be made in writing, and be signed by the applicant. Appeals made by e-mail, fax or phone will not be considered. A written response to the appeal will be provided by the ARB Executive Officer within 60 days of receipt.

CHAPTER III.

3.0 ELIGIBILITY CRITERIA

This chapter describes staff's plan for determining which applicants and vehicles are eligible for the grants provided by this program.

The program was originally authorized to provide grants to individuals, local governments, state agencies, nonprofit organizations, and private businesses purchasing or leasing an eligible ZEV. Federal agencies are not identified in the enabling legislation, AB 2061, and were excluded from the program prior to January 1, 2002. ***AB 1390, which became effective January 1, 2002, expands the program by making public agencies (replacing state agencies) eligible for grants. Public agencies may include local, regional, state and federal government agencies and entities.***

Vehicles must meet all of the criteria that are specified in Section B, below, to be considered eligible vehicles for the purposes of this program. Using the criteria specified in Section B, ARB staff has created an Initial List of Eligible Vehicle Models (See Appendix I-D). ARB will maintain the list of eligible vehicle models to reflect new additions, as they become available. A vehicle manufacturer will have the burden of providing sufficient information to ARB staff to make a determination regarding a vehicle model's eligibility.

Vehicles discussed below can be separated into three different categories. They include Full Function **Zero Emission** Electric Vehicles (FFEV), City **Zero Emission** Electric Vehicles (City-EV) and Neighborhood **Zero Emission** Electric Vehicles (NEV). FFEVs are freeway capable, **are required to meet numerous** FMVSS, and have **much of** the same functionality as the typical passenger car or light-duty truck on the road. City-EVs have some of the features of FFEVs, but are generally much smaller and exhibit lower vehicle performance; however, it is likely that City-EVs will be eligible for the grant. NEVs are Low Speed Vehicles (LSV) as described in California Vehicle Code (CVC) Section **385.5 22400**. NEVs have a top speed of 25 miles per hour and are not permitted on roads with speed limits exceeding 35 miles per hour. NEVs are therefore not freeway capable and are not eligible for a grant.

3.1 A. Criteria for Applicant Eligibility

Per AB 2061 **and AB 1390**, an applicant must meet one of the eligibility criteria listed below to qualify as a grant recipient:

- ◆ be an individual (i.e., a retail or private customer/consumer),
- ◆ be a local government entity or agency,
- ◆ be state government entity or agency (**replaced January 1, 2002, with public agency**)
- ◆ **as of January 1, 2002, be a public agency which may include local, regional, state and federal government agencies and entities**
- ◆ be a nonprofit organization or,
- ◆ be a private business.

For a leased ZEV, ARB staff would clarify that the grant applicant shall be the person or entity financially responsible for registration of the vehicle.

3.2 B. Criteria for Vehicle Eligibility

A qualified recipient may be provided with a maximum available grant for a new zero emission light-duty car or truck eligible for the program.² In order to be eligible to receive a grant under the ZIP I program, a zero emission vehicle shall meet all of the following criteria:

- ◆ be purchased or leased on or after October 1, 2000, and on or before December 31, 2002;
- ◆ be registered with the Department of Motor Vehicles (DMV) for use in this state;
- ◆ meet all applicable federal and state safety standards, or, if the vehicle is to be utilized solely for a demonstration program, have received the applicable waivers from the National Highway Traffic Safety Administration (NHTSA); in the case where vehicles of a particular vehicle model are to be utilized solely for a demonstration project, have the applicable waivers for those vehicles *from* NHTSA;
- ◆ be capable of operation on the freeway, as determined by the ARB, in conjunction with the CEC; and
- ◆ any other criteria established by the ARB.

1. New Vehicle

To be eligible, the vehicle shall be a new vehicle as defined in Section 430 of the California Vehicle Code³, except one circumstance provided for by AB 2061. For purpose of this program, AB 2061 specifies that "new zero emission vehicle" shall include previously leased vehicles that have been determined by the ARB to have been substantially upgraded with new technologies, including, but not necessarily limited to, advanced batteries or power electronics. What would constitute a substantial upgrade with new technologies will be addressed below.

To be eligible, a vehicle must be manufactured by the Original Equipment Manufacturer (OEM) or its authorized licensee. Therefore, a conversion of a conventionally fueled vehicle that had previously been subject to a retail purchase would not be eligible. Vehicles considered new vehicles solely for determination of compliance with state emissions standards pursuant to Health and Safety Code, Article 1.5., Prohibited Transactions, (Sections

² The maximum available grant for any qualified recipient, as determined by the state board, shall be an amount equal to 90 percent of the incremental cost above one thousand dollars (\$1,000) of a new zero emission light-duty car or truck eligible for the program.

³ Per Section 430 of the California Vehicle Code, a "new vehicle" is a vehicle constructed entirely from new parts that have never been the subject of a retail sale, or registered with the department, or registered with the appropriate agency or authority of any other state, District of Columbia, territory or possession of the United States, or foreign State, province, or country.

43150-43156) and CVC Section 4000.2., Registration of Out-of-State Vehicles, are not eligible vehicles.

2. Zero Emission Light-Duty Car or Truck

To be eligible, the vehicle must be a zero emission light-duty car or a zero emission light-duty truck. For purposes of this program, a zero emission light-duty car shall be a vehicle in the vehicle class passenger car and a model that ARB has certified as a **New Electric Vehicle** or a ZEV. A zero emission light-duty truck shall be a vehicle in the vehicle class light-duty truck and a model that ~~is~~ ARB has certified as a **New Electric Vehicle** or a ZEV.

For a vehicle model that is not yet ARB-certified as a **New Electric Vehicle** or a ZEV, the **OEM or its authorized licensee manufacturer** may apply to ARB for the necessary certification. It is ARB staff's experience that the approval process typically takes two to four weeks, provided a complete application with the results of applicable test procedures⁴ is submitted. **Staff recommends that manufacturers of new vehicle models, in particular models not previously available for sale in California, contact the DMV Registration Operations Division to ensure that the vehicle model meets California registration and safety requirements.**

For the purposes of this program, a vehicle in a vehicle class other than passenger car and light-duty truck shall not be considered an eligible vehicle. Therefore, a vehicle that is classified as a motorcycle, a medium-duty vehicle, or a heavy-duty vehicle would not be an eligible vehicle.

3. Date of Purchase or Lease

To be eligible, the vehicle must be purchased or leased on or after October 1, 2000, and on or before December 31, 2002. For purposes of this program, the date of purchase shall be the day of sale. Typically, a sale is deemed completed and consummated when the purchaser of the vehicle has paid the purchase price, or, in lieu thereof, has signed a purchase contract or security agreement and taken physical possession or delivery of the vehicle. For purposes of this program, a vehicle shall be deemed to be leased on the date upon which the lease of the vehicle commences, **which is typically as**-specified in a signed lease agreement.

4. Registration with the Department of Motor Vehicles (DMV) for Use In California

⁴ The results of tests specified in, and in conformance with, "California Exhaust Emission Standards and Test Procedures for 2003 and Subsequent Model Zero-Emission Vehicles, and 2001 and Subsequent Model Hybrid Electric Vehicles, in the Passenger Car, Light-Duty Truck and Medium-Duty Vehicle Classes, Adopted August 5, 1999."

To be eligible, the vehicle must be registered with DMV for use in California. Appropriate proof of temporary or permanent vehicle registration must be submitted with the grant application. ***A copy of the Application for New Vehicle Registration submitted by the dealer to DMV is acceptable proof of temporary vehicle registration. Local, state and federal agencies and entities may submit other documents with the prior approval of the Program Manager.***

5. Applicable Federal and State Safety Standards

It is the responsibility of the vehicle manufacturer to provide ARB with a written statement and documentation regarding whether, or not, vehicles of a particular vehicle model meet all applicable federal and state safety standards, including any applicable Federal Motor Vehicle Safety Standards (FMVSS). The FMVSS are safety standards for new motor vehicles and new motor vehicle equipment issued by the National Highway Traffic Safety Administration (NHTSA). The FMVSS are found in Title 49 of the Code of Federal Regulations (CFR) Part 571. ***A table summarizing the FMVSS for a number of vehicle categories is provided in Appendix I-H.*** If a written statement and documentation have been previously provided to ARB in the course of applying for ARB approval/certification of the vehicle model, no additional written statement is required.

In the case where vehicles of a particular vehicle model are to be utilized solely for a demonstration project, the written statement must include documentation that the applicable waivers for those vehicles have been received from NHTSA or that the manufacturer has submitted the appropriate applications or required notifications to NHTSA.⁵

6. Capable of Operation on the Freeway

For the purpose of this program, the ARB may request a vehicle manufacturer to provide a written statement on whether, or not, vehicles of a particular vehicle model are capable of operation on the freeway. Per CVC Section 22400 (Minimum Speed Law), no person shall drive upon a highway at such a slow speed as to impede or block the normal and reasonable movement of traffic. In order for a vehicle to be considered capable of operation on a freeway, it must be in compliance with CVC Section 22400. Therefore, NEVs are not eligible for this grant. CEVs may be considered freeway capable assuming they are not subject to any of the circumstances listed below.

⁵ The application or notification required by applicable FMVSS including Part 555 –Temporary Exemptions from Motor Vehicle Safety Standards (Effective 1-29-73) and Part 591- Importation of Vehicles and Equipment Subject to Federal Safety, Bumper and Theft Prevention Standards (Effective 3-28-90).

A vehicle shall be presumed not capable of operation on the freeway if any one of the following circumstances apply:

- ◆ the vehicle is a low-speed vehicle as defined by CVC Section 385.5;
- ◆ the vehicle is prohibited by law from being operated on the freeway or is only capable of limited operation on the freeway;
- ◆ the manufacturer has required, or will require, the purchaser or lessee to sign an agreement that limits, or prevents, the operation of the vehicle on the freeway; or
- ◆ there is a written manufacturer's statement or recommendation (which can include the owner's manual for the vehicle) that the vehicle should not be operated on the freeway or should have limited operation on the freeway.

7. Previously Leased Vehicle that has been Substantially Upgraded with New Technologies

ARB will determine on a case-by-case basis whether or not a previously leased vehicle has been substantially upgraded with new technologies and may be an eligible vehicle for the purposes of this program. An eligible previously leased vehicle shall not include a vehicle that is currently owned, or has previously been owned, by a person, or entity that is not the vehicle manufacturer, an authorized dealer, or their financing company. Previously leased vehicles that have been substantially upgraded may be eligible to receive up to \$9,000 depending on their incremental cost as determined by the CEC.

New technologies include, but are not limited to, advanced batteries or power electronics. For purposes of this program, replacement of spent batteries with batteries of equivalent performance or application of upgrades that do not provide substantial increase in battery or vehicle performance will not be considered substantial upgrades with new technologies.

For purposes of this program, only the vehicle manufacturer or an authorized dealer/service provider may perform the upgrades to the vehicle. The vehicle manufacturer is encouraged to submit, as expeditiously as possible, sufficient information to enable ARB to determine if a substantial upgrade with new technologies has been, or will be, made to a previously leased vehicle. Only one submittal of information is required if the manufacturer has made, or plans to make, essentially the same upgrade to one or more previously leased vehicles of the same vehicle model. The submittal must be made in writing to the ARB and must include, at a minimum, the following information:

- ◆ a summary description of the changes that have been, or will be, made and the effect the changes will have on battery and vehicle performance, operation or durability;

- ◆ for battery upgrades, include watt hour per kilogram (whr/kg), watt per kilogram (w/kg) and manufacturer's estimated cycle life specifications for the battery modules to be installed as well as those to be replaced;
- ◆ for drive systems, provide manufacturer's specifications including peak and continuous power rating of the new and replaced drive systems;
- ◆ a list of the parts/components replaced or to be replaced, and the retail value of such parts/components, if new;
- ◆ a list of the new parts/components installed or to be installed, and the retail value of each part/component;
- ◆ the manufacturer's total cost to upgrade the vehicle, with parts, labor and overhead cost identified;
- ◆ the retail value of the previously leased vehicle before the upgrade and the retail value when the vehicle was new; and
- ◆ a comparison of the retail value of the upgraded vehicle to the retail value of a comparable new vehicle.

8. Specialty Fleet Versions

The eligibility of specialty fleet vehicle models based on an eligible passenger car or light-duty truck model will be determined on a case-by-case basis. The electric United States Postal Service vehicle model that is based on the Ford electric Ranger truck is an example of a specialty fleet vehicle model.

9. Vehicle and Battery Warranty

To be eligible, a vehicle, including battery pack, must be covered by a full manufacturer warranty for a minimum of 36 months. Where a vehicle lease period is less than 36 months, the vehicle and battery pack warranties must be for the duration of the lease period. For vehicle purchases and lease periods greater than 36 months, manufacturers are encouraged to provide or offer extended warranties. Prior to approving a vehicle model for addition to the List of Eligible Vehicles, the Program Manager may request the manufacturer to provide copies of representative vehicle and battery warranties and a description of the manufacturers' plans to provide warranty and routine vehicle service.

~~CHAPTER IV.~~

4.0 INCENTIVE STRUCTURE AND ALLOCATION

This chapter describes staff's plan for distributing the grant, how the amount of the grant will be calculated, ***and allocating the grant funds.***

4.1 A. Distribution of Assigned Grants for Leased Vehicles

If the grant recipient has assigned the grant to the vehicle lessor, the entire grant amount will be provided to the lessor, or to the lessor's financing company. The Program Manager will work with a participating lessor to establish mutually agreeable procedures and schedules for submitting grant applications and grant distribution requests and making the grant distributions. However, grant distributions shall be made by the Program Manager no less frequently than quarterly, except if the lessor requests otherwise.

4.2 B. Distribution of Grants for Purchased Vehicles and Non-Assigned Grants for Leased Vehicles

Typically, the grant for an eligible vehicle will be distributed to the qualified recipient in three equal allotments, one allotment for each of the first, second and third 12-month periods, if applicable, after vehicle purchase or lease.⁶ The monies for the second and third allotments, if applicable, shall be reserved and disbursed as early as practicable in the second and third 12-month periods, respectively. The reserved monies will be released and made available for other eligible vehicles if the required documentation and verification for grant distribution is not received within the applicable 12-month period.

The three grant allotments shall be distributed in the following manner:

- Up to \$3,000 of the grant will be provided for the first 12-month period of the purchase or lease. The distribution of this first allotment of the grant will be made as soon as possible, but no later than 60 days, after receipt and verification of the documentation required for approval of the grant application.
- Up to \$3,000 of the grant remaining will be provided for the second 12-month period after vehicle purchase or lease. The release of this second allotment of the grant will be made as soon as possible after receipt and verification of any required documentation establishing continued eligibility of the vehicle for purposes of this program. Such documentation must be submitted during the second 12-month period.
- Up to \$3,000 of the grant remaining will be provided for the third 12-month period after vehicle purchase or lease. The distribution of this third and final allotment of the grant will be made as soon as possible after receipt and verification of any required documentation. Such documentation must be submitted during the third 12-month period.

⁶For a vehicle lease term of 24 months or less, but more than 12 months, the grant will be made in two equal allotments.

Each of the three grant allotments will be equal to one third of the grant. For example, if the grant is \$9,000, then each allotment will be \$3,000. If the grant amount is calculated to be \$6,000, then each allotment will be \$2,000. If the grant is \$3,000, then each allotment will be \$1,000.

4.3 C. Grant Calculation

AB 2061 specifies that the "maximum available grant" for any qualified recipient shall be the amount equal to 90 percent of the incremental cost of the vehicle above one thousand dollars. AB 2061 further specifies that up to \$3,000 of the available grant funds may be provided for each of the first, second and third 12-month periods of the lease or purchase of vehicle.

AB 2061 defines the incremental cost as the amount determined by the CEC as the reasonable difference between the cost of the ZEV and the cost of a comparable gasoline or diesel-fueled vehicle. CEC staff will provide ARB staff with a description of its methodology for determining the reasonable incremental costs of an eligible vehicle model and a list of incremental cost determinations for existing eligible vehicle models.⁷

The ARB will establish a maximum grant for each eligible vehicle model. The maximum grant shall be equal to "the maximum available grant", up to \$9,000, except if a vehicle is leased for less than 36 months. If a vehicle is leased for less than 36 months, the maximum grant shall be equal to "the maximum available grant", up to \$9,000, multiplied by the lease term in months and divided by 36 months. The ARB will include the information on the maximum grant for each eligible vehicle model in its List of Eligible Vehicle Models (See Appendix I-D.). As provided for in this program's enabling legislation, local air districts may augment the grant.

It will be a challenge to determine the incremental cost of a previously leased vehicle that has been substantially upgraded with new technologies. The vehicle manufacturers of such vehicles are encouraged to work cooperatively with CEC and ARB to arrive at an appropriate incremental cost.

4.4 Allocation of Grants

AB 1390 specifies that the Board may reserve, allocate, and reallocate funds to any eligible grant recipient. The Board may also reduce or eliminate the ZIP I grants if the Board determines that the recipient received grants from the Budget Act of 2001. Furthermore, the Board is to periodically review grant applicants and the award of grants to ensure, to the greatest extent possible, that all grant funds are used.

⁷ Currently, the CEC determines a similar incremental cost of EVs for use in the AB 1782 program.

It is proposed that the ZIP I grant be reduced or eliminated if the total amount of state grants received for the eligible vehicle would exceed 50% of the actual cost of the vehicle for the applicant. Local program grants may be used to augment the ZIP I grants.

CHAPTER V.

5.0 SUMMARY

In summary, the incentive program provided by AB 2061, **and modified by AB 1390**, is a positive step towards supporting the ZEV market in California. It provides ~~a total of \$18 million in~~ grants to reduce the incremental cost of new ZEVs over the next three years. ZEVs will be more affordable for the general public, ~~state and local government~~ **public** agencies, and private fleets.

Incentive programs such as the one created by AB 2061 are essential to increase sales volumes and reduce the cost of ZEVs. This program may also encourage manufacturers to increase the number of EVs available between the years 2000-2002. This is important for developing the momentum necessary to support the 2003 market.

However, AB 2061 alone will not achieve all of our goals. Other incentives such as access to high occupancy vehicle lanes, decreased vehicle license fees, and preferential parking are also valuable for making ZEVs more attractive to consumers. In addition, continued support for the current incentive and infrastructure programs is encouraged. These programs need to work in tandem with new programs coming on board in order to achieve our mutual goals of a sustainable market for ZEVs. ARB recommends that districts continue to provide additional funding to complement grants provided under AB ~~2046~~ **2061** where appropriate. This includes "buy-down" funds, as well as funds designed to offset costs of infrastructure installation. The Program Manager will work with local agencies to ensure that all available incentives are rolled into one consolidated package. Finally, it is our goal to make this program seamless and consistent statewide so that it is easy for consumers, air districts, dealers and manufacturers to use.

A summary of program activity through February 2002 is provided in Appendix I-G.

**Part I-B. A ZERO EMISSION VEHICLE INCENTIVE PROGRAM
PURSUANT TO THE BUDGET ACT OF 2001 (ZIP II)****1.0 INTRODUCTION**

The Legislature made funding available in the Fiscal Year 2001-2002 State Budget for use as grants to provide incentives for the purchase or lease of zero emission vehicles (ZEVs). These funds are available for expenditure through June 30, 2004 and may be used to provide grants up to \$5,000 per vehicle pursuant to criteria established by the State Air Resources Board (ARB).

Staff is proposing an expanded statewide ZEV incentive program to combine the existing statewide ZEV incentive program authorized by Assembly Bill (AB) 2061 and the funds appropriated in the Fiscal Year 2001-2002 State Budget. Staff will refer to the existing program as ZIP I and the new funds for ZEV incentives from the State Budget as ZIP II. The expanded statewide ZEV incentive program will be composed of ZIP I and ZIP II components. Available only through 2002, ZIP I grants, up to \$9,000 per vehicle, are awarded on a first-come-first-served basis to zero emission light-duty passenger cars and trucks capable of operation on freeways. Staff is proposing that ZIP II grants, up to \$5,000 per vehicle, will also be awarded on a first-come-first-served basis and be available for the purchase or lease of additional vehicles types through June 30, 2004.

Staff consulted with ZEV stakeholders, through the ZEV Incentive Working Group, for suggestions regarding vehicle categories to be considered for ZIP II grants. Staff also held two public workshops. Staff received a broad range of suggestions and opinion. Some stakeholders did not wish to expand the program and preferred that the incentive funds be reserved and allocated for grants in 2003 and 2004 for passenger cars and truck capable of operation on freeways. Some thought that all types of ZEVs should be treated equally to promote electric vehicle (EV) technology and that each ZEV should receive the maximum grant. Others said that ZEVs should be categorized by vehicle type and that the grant amount should vary by vehicle type. Some support ZEV incentives only for vehicles that meet the requirements of the ZEV regulation and would exclude vehicles such as motorcycles that are not recognized by the ZEV regulation. Many commenters suggested that staff consider factors such as vehicle suitability for a broad range of applications, manufacturing cost, compliance with safety standards, cost to consumer, vehicle range and maximum speed.

Staff's goal is to implement a single, continuous statewide program for ZEV incentives to enhance vehicle marketability in near term, through June 30, 2004. However, ZIP I and ZIP II components of the expanded program will be administered in a manner consistent with authorizing legislation, especially in regards to establishing vehicle eligibility and incentive amounts.

The Fiscal Year 2001-2002 State Budget also provided additional funding for grants in the amount up to \$11,000 per vehicle to subsidize the purchase or lease of ZEVs to be used in fleets operating in nonattainment areas, areas of the state that are not in attainment with applicable air quality standards. Staff's recommendations for how to implement this program are provided in Part II of this report.

2.0 PROGRAM ADMINISTRATION

This chapter describes staff's recommendation for how the ZIP II portion of the expanded statewide ZEV incentive program should be administered. Specifically, this chapter identifies where administration of ZIP II grants will differ from ZIP I grants. The Program Manager of the existing statewide ZEV incentive program (ZIP I) will administer an expanded ZEV incentive program that includes the ZIP II grant program. Air districts voluntarily administering ZIP I within their jurisdiction are encouraged to request to administer the expanded program. The Program Manager will have the same responsibilities as specified in the revised ZIP I guidelines. However, the Program Manager will administer ZIP II in a manner consistent with the Budget Act Language for Fiscal Year 2001-2002 and ZIP II guidelines approved by the Board.

2.1 Overview of Grant Payment Process

The Program Manager will use a single application and approval process for ZIP I and ZIP II grants. An overview of the grant payment process is provided in Part I-A, Section 2.5. However, a ZIP II grant will be paid in single allotment for the full grant amount. A ZIP II grant may be paid directly to the grant recipient or the grant recipient may assign the grant to a participating vehicle dealer or lessor. The grant recipient may assign the ZIP II grant, whether the vehicle is purchased or leased.

2.2 Effective Date of ZIP II and Availability of Grants

The effective date of the ZIP II portion of the expanded statewide ZEV incentive Program will be the date of Board approval of the staff's proposed ZIP II guidelines. ZIP II grants will be available for eligible vehicles purchased or leased on or after the date of Board approval of these guidelines and on or before June 30, 2004. ZEVs purchased or leased prior to the effective date of the ZIP II program and guidelines are not eligible for ZIP II grants. It should be noted that ZEVs purchased or leased in 2002 and meeting the ZIP I eligibility criteria will receive the ZIP I grant amount, up to \$9,000, as long as ZIP I funds are available. An applicant may not receive both a ZIP I grant and a ZIP II grant for the same vehicle. However, an applicant may accept local program incentives.

3.0 ELIGIBILITY CRITERIA

The State ARB is authorized by Budget Act language for Fiscal Year 2001-2002 to establish criteria for ZIP II grants. This chapter provides staff's recommendation for applicant and vehicle eligibility criteria.

3.1 Criteria for Applicant Eligibility

The applicant eligibility criteria for ZIP II grants will be the same as for ZIP I grants. Eligible applicants are individuals, local governments, public agencies, nonprofit organizations, and private businesses purchasing or leasing an eligible ZEV. Public agencies may include local, regional, state and federal government agencies and entities. However, federal agencies and entities only became eligible for ZIP I grants as of January 1, 2002.

3.2 Criteria for Vehicle Eligibility

The existing ZIP I program provides grants only for new zero emission light-duty passenger cars and trucks capable of operation on freeways. Consistent with the intent of AB 2061, the Board did not include other categories of vehicles in the ZIP I program. However, the Board may consider other vehicle categories for the ZIP II program. Per Budget Act Language for Fiscal year 2001-2002, the Board is to establish the criteria for the new funds that are available for grants of up to \$5,000 per vehicle. The Legislature also expressed its intent that the Board consider the eligibility of low-speed vehicles or Neighborhood Electric Vehicles, or both, for ZEV incentives, in recognition of their contribution to achieving compliance with the ZEV mandate.

The ZIP I program guidelines notes that currently available ZEVs can be separated into three different categories: Full-Function Zero Emission Vehicles (FFEVs), City Zero Emission Vehicles (CEVs), and Neighborhood Zero Emission Vehicles (NEVs). The passenger cars and trucks currently eligible for the ZIP I grant are in either the FFEV and CEV categories. Staff recognizes that there may be some overlap in the Full-Function and City EV categories. Although the ZEVs that are currently commercially available are all battery electric vehicles, staff recognizes that zero emission fuel cell vehicles may become available, particularly for fleet demonstrations, during the implementation of the expanded ZEV Incentive Program. It is not staff's intent to exclude zero emission fuel cell vehicles from being eligible for ZIP I or ZIP II grants.

Staff's recommendation is that ZIP II program include the four eligible vehicle categories: Full-Function Zero Emission Vehicles (FFEVs), City Zero Emission Vehicles (CEVs), Neighborhood Zero Emission Vehicles (NEVs), and Zero Emission Motorcycles (ZEMs). Additionally, staff proposes to restrict the eligibility of NEV and ZEM vehicle models under certain specific circumstances

described below. Staff further proposes to evaluate the eligibility of fuel cell vehicle models on a case-by-case basis.

3.2.1 Vehicle Categories

Staff recognizes that there may be some overlap in vehicle categories, particularly in the FFEV and CEV categories, and is committed to work with the vehicle manufacturers to arrive at acceptable solutions for categorizing specific vehicle models. To be eligible for ZIP II grants, vehicle models must be ARB certified as new electric vehicles and must comply with all applicable Federal Motor Vehicle Safety Standards (FMVSS) and state safety standards. A table summarizing the FMVSS for a number of vehicle categories is provided in Appendix I-H.

- ◆ **Full-Function Zero Emission Vehicle (Full Function ZEV or FFEV) -** Vehicle models that would be placed in the FFEV category are typically zero emission passenger cars and light-duty trucks that are capable of operation on freeways. Specialty fleet versions based on passenger car or light-duty truck chassis will be considered FFEV. Vehicle models in the FFEV category are subject to the numerous FMVSS for passenger cars or light trucks, as applicable. FFEVs may be used in many typical passenger car and light-duty truck applications. Current and past FFEV models included two-seat pickup trucks, two-seat coupes, sedans, sport utility vehicles and minivans.
- ◆ **City Zero Emission Vehicle (City ZEV or CEV) -** Vehicle models that would be placed in the CEV category may be similar to FFEVs and be suitable for many of the same applications. However, vehicle models that manufacturer imposed limitations or restrictions on their operation on freeways will be placed in the CEV category. CEVs and FFEVs are subject to the same FMVSS for passenger cars or light trucks. However, CEVs will typically be smaller in size, seat two passengers and have less range (miles that the vehicle can travel when starting with fully charged batteries) than FFEVs. CEVs are typically equipped with smaller battery packs, which reduces the cost to produce the vehicles. City EVs typically have lower top speeds than FFEVs. CEVs would be suitable for use as local commute vehicles in urban and city centers.
- ◆ **Neighborhood Zero Emission Vehicle (Neighborhood ZEV or NEV) -** Vehicles that would be placed in the NEV category are zero emission low speed vehicles. Per California Vehicle Code (CVC) Section 385.5, a low speed vehicle is a motor vehicle, having four wheels on the ground and an unladen weight of 1,800 pounds or less, that is capable of propelling itself at a minimum speed of 20 miles per hour and a maximum speed of 25 miles per hour on a paved level surface. NEVs may be legally operated on public streets with maximum speed limits of 35 mile per hour or lower. Therefore, NEVs are particularly suited for operation in residential neighborhoods,

planned communities, campus environments, business parks, and, possibly, transportation centers. Low speed vehicles are not subject to FMVSS applicable to passenger cars and light trucks. Instead, low speed vehicles are subject to a single safety standard, Standard No. 500, that requires ten specific items of safety equipment.

- ◆ **Zero Emission Motorcycles (ZEMs)** - Fully-enclosed zero emission vehicles designed to travel on three wheels are motorcycles and would be placed in the ZEM category. ZEMs are subject to the FMVSS applicable to motorcycles which are less extensive than the FMVSS for passenger cars and light-duty trucks. Two-wheel motorcycles and three-wheel motorcycles not fully enclosed are not considered ZEMs for the purposes of the ZIP II grant program. Although ZEMs are not required by the ARB's Zero Emission Vehicle program and do not earn ZEV regulatory credit, staff recognizes that ZEMs may be well suited many of same transportation needs as FFEVs and CEVs. ZEMs provide a person who commutes alone with a lower cost, zero emission transportation option.

3.2.2 Eligible Vehicle Models

Vehicle models will be approved by ARB staff on a model year basis and placed on a List of Eligible Vehicle Models for ZIP I and ZIP II Grants. The initial list only contains vehicles currently eligible for ZIP I grants (Appendix I-D). Staff plans to update the list to add vehicle models eligible for ZIP II grants on an as needed basis. Manufacturers of vehicle models not currently on the list should request in writing to the Program Manager that their vehicle model be considered for addition to the list of eligible vehicle models. The written request should include a description of the vehicle model, the manufacturer's certification that the vehicle model meets all applicable state and federal safety standards and be accompanied by copies of the vehicle operation and service manuals and applicable warranties.

To be eligible, the vehicle models must meet the following criteria:

- ◆ The vehicle model has been certified by the ARB as a new electric vehicle or new zero emission vehicle.
- ◆ The manufacturer has certified that the vehicle model complies with all applicable federal and state safety standards, including applicable FMVSS.
- ◆ For NEVs only, a manufacturer has the option to enter into an agreement with the ARB to retire or forego ZEV regulatory credits earned from the production of a vehicle offered for sale in California and the placement of the vehicle into service. To use this option, the manufacturer must enter into an agreement with the ARB to retire or forego the ZEV regulatory credits earned by a specific vehicle model on a model year basis. NEV vehicle models, on a model year basis, not subject to such an agreement will not be eligible for ZIP II grants.

3.2.3 Vehicle Eligibility

To be eligible to receive a ZIP II grant, a vehicle must meet all the following criteria:

- ◆ The vehicle must be a new vehicle as defined in CVC Section 430.
- ◆ The vehicle must be purchased or leased on or after the effective date of the ZIP II program and on or before June 30, 2004. Staff is proposing that the effective date of the ZIP II Program be the date of Board approval of these proposed guidelines. If a vehicle is not available for immediate delivery, the date on which the vehicle dealer has accepted an applicant's vehicle order and a nonrefundable deposit will be considered the date of purchase or lease, provided the vehicle dealer has requested and received a grant voucher number to secure a "preauthorization" of a grant on behalf of the applicant
- ◆ If leased, the vehicle must be leased for a minimum term of 36 months.
- ◆ There must be a full warranty on the vehicle, powertrain and battery pack for a minimum period of 36 months from the date of purchase or the date the lease commenced;
- ◆ The vehicle must be registered with the California Department of Motor Vehicles (DMV) for use in California.

Vehicles will not be eligible for a grant under the following circumstances:

- ◆ The vehicle is not new, has been re-leased, is the subject of a lease assumption or has been transferred into California after previously having been registered out-of-state; or
- ◆ Vehicle is offered for lease, or is leased, for a minimum term less than 36 months.

Eligibility of imported vehicles with an exemption from applicable federal or state safety standards will be determined in a case-by-case basis. To be eligible, the vehicle must meet DMV registration requirements and be registered with the DMV for use in California.

4.0 INCENTIVES AND ALLOCATIONS

This section describes staff's plan for distributing grants, the grant amount available for each vehicle category, and allocation of grants.

4.1 Grant Amounts

Budget Act language limits the grants in an amount up to \$5,000 per vehicle pursuant to criteria established by the Board. Staff is proposing grant amounts that vary according to vehicle category. Staff considered suitability for a variety of applications, vehicle range, and price to the consumer in establishing grant amounts. FFEVs will be provided the maximum amount of \$5,000. Lesser grant

amounts are being proposed for CEVs, NEVs and ZEMs. Table 1-B-1 below summarizes the vehicle categories and the proposed grant amounts. The List of Eligible Vehicle Models provided in Appendix I-D includes specific grants amounts.

Vehicles in the FFEV category that are purchased or leased between October 1, 2000 and December 31, 2002, and meet applicable vehicle eligibility criteria of the ZIP I program may receive grants up to \$9,000, as long as ZIP I program funds are available. Otherwise, staff is proposing to provide vehicle models in the FFEV vehicle category with a grant amount of \$5,000. Vehicle models in the CEV category will be eligible for a grant amount of \$3,500.

Staff proposes to limit the participation of NEVs in the incentive program. Manufacturers are expected to aggressively market NEVs in 2002, as NEVs are their least expensive compliance option to meet their ZEV mandate requirements. NEV production costs can be considerably lower than FFEV or CEV costs because NEVs can be equipped with smaller battery packs and can be designed to comply with fewer and less stringent applicable safety standards. Manufacturers will earn relatively high ZEV regulatory credit from the production and sale of NEVs in 2002, up to four ZEV credits per NEV. However, in recognition of the contribution NEVs make to the advancement of ZEV technology, staff proposes to provide manufacturers with a limited option to participate in the incentive program. NEV manufacturers will have the option of participating in the incentive program if they enter into a formal agreement with the ARB to retire, or forego, ZEV regulatory credits earned for a specific vehicle model on a model year or calendar year basis. In this case, staff recommends that a grant of \$1,000 be provided for eligible NEVs.

Staff proposes that the grant amount for a ZEM vehicle model be determined on a case-by-case-basis for each eligible model. ZEM production cost is lower than for a typical FFEV or CEV because they can be equipped with smaller battery packs and can be designed to meet the less stringent safety standards for motorcycles. However, in recognition of the contribution of ZEMs to the advancement of ZEV technology and that manufacturers do not earn ZEV regulatory credit for ZEMs, staff proposes to determine on a case-by-case basis the grant amount for individual models. However, staff proposes to provide ZEMs that are capable of operation on freeways with a grant amount of up to \$2000.

Table 1-B-1: Proposed ZIP II Grant Amounts

Vehicle Category	ZEV Regulatory Credit	Grant Amount
Full Function ZEV	Yes	\$5,000
City ZEV	Yes	\$3,500
Neighborhood ZEV	Yes	No Incentive
	No, per manufacturer option	\$1,000
Zero-Emission Motorcycle (ZEM)	No	Up to \$2,000

4.2 Grant Allocation

The ZIP II program will be implemented statewide and grants will be awarded on a first-come-first served basis. Applicants must receive delivery or take possession of an eligible vehicle before submitting an application for a grant to the Program Manager. However, upon the applicant submitting a vehicle order or purchase order to the vehicle dealer, the applicant or the vehicle dealer may request from the Program Manager a grant voucher number that guarantees availability of a grant. Processing time from application receipt to grant approval and check issuance will take 30 to 60 days. A single check for the entire amount of the grant will be issued to the applicant or, if the applicant has assigned the grant, to the participating lessor. An applicant may not receive both a grant from the ZIP II program and a grant from the Fleet Incentive Program for the same vehicle.

On a calendar quarter basis, staff will review grant applications and the award of grants to ensure, to the greatest extent possible, that all grant funds are used. Staff will consider manufacturer production plans, including the number of vehicles, type of vehicles, and production schedule. Staff will place a priority on ensuring that grant funds will be available, to the extent feasible, for incentives for FFEVs and CEVs in the 2002-June 2004 time period.

5.0 SUMMARY

The additional appropriation made in the State Budget for ZEV incentives makes it possible for staff to implement an expanded statewide ZEV incentive program. The appropriation is available for expenditure through June 30, 2004 and may be

used to provide grants up to \$5,000 per vehicle pursuant to criteria established by the State ARB (ZIP II). The existing statewide ZEV incentive program authorized by AB 2061 (ZIP I) provides grants only through 2002. The expanded program will make grants available for the purchase or lease of additional types of ZEVs, including FFEVs, CEVs, NEVs, and ZEMs. With ZIP I, only FFEVs are eligible for grants.

Staff's goal is to implement a single, continuous statewide program for ZEV incentives to enhance vehicle marketability in near term, through June 30, 2004. However, the ZIP I and ZIP II components of the expanded program will be administered in a manner consistent with authorizing legislation, especially in regards to establishing vehicle eligibility and incentive amounts.

Appendix I-A

BILL NUMBER: AB 2061 CHAPTERED

BILL TEXT

CHAPTER 1072

FILED WITH SECRETARY OF STATE	SEPTEMBER 30, 2000
APPROVED BY GOVERNOR	SEPTEMBER 30, 2000
PASSED THE ASSEMBLY	SEPTEMBER 1, 2000
PASSED THE SENATE	AUGUST 31, 2000
AMENDED IN SENATE	AUGUST 31, 2000
AMENDED IN SENATE	AUGUST 30, 2000
AMENDED IN SENATE	JUNE 26, 2000
AMENDED IN ASSEMBLY	MAY 26, 2000
AMENDED IN ASSEMBLY	MAY 1, 2000

INTRODUCED BY Assembly Member Lowenthal
(Coauthor: Assembly Member Scott)

FEBRUARY 22, 2000

An act to add Chapter 8.6 (commencing with Section 44260) to Part 5 of Division 26 of the Health and Safety Code, relating to air pollution, making an appropriation therefore, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2061, Lowenthal. Zero-emission vehicles: alternative diesel fuel.

(1) Existing law contains various provisions relative to air pollution control.

This bill would create a grant program for the purchase and lease of zero-emission vehicles, as defined, in the state, to be developed and administered by the State Air Resources Board, in conjunction with the State Energy Resources Conservation and Development Commission. The program would provide grants to specified recipients in an amount equal to 90% of the incremental cost above \$1,000 of an eligible new zero-emission light-duty car or truck, as defined.

This bill would appropriate \$18,000,000 from the General Fund to the State Air Resources Board for allocation for the purposes of the bill.

(2) Existing law authorizes the State Air Resources Board, among other things, to adopt and implement motor vehicle fuel specifications for the control of air contaminants and the sources of air pollution.

This bill would appropriate \$500,000 from the General Fund to the State Air Resources Board for allocation for grants to air pollution control districts and air quality management districts for fiscal years 2000-01, 2001-02, and 2002-03. The bill would require districts receiving grants to use these funds to offset the incremental operating

costs of alternative diesel fuel, as defined, and as used in heavy-duty vehicles and equipment, as specified.

(3) The bill would declare that it is to take effect immediately as an urgency statute.
Appropriation: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Chapter 8.6 (commencing with Section 44260) is added to Part 5 of Division 26 of the Health and Safety Code, to read:

CHAPTER 8.6. ZERO-EMISSION VEHICLE GRANTS

44260. The state board, in conjunction with the State Energy Resources Conservation and Development Commission, shall develop and administer a program to provide grants to individuals, local governments, state agencies, nonprofit organizations, and private businesses, to encourage the purchase or lease of a new zero-emission vehicle.

44261. (a) The maximum available grant for any qualified recipient, as determined by the state board, shall be an amount equal to 90 percent of the incremental cost above one thousand dollars (\$1,000) of a new zero-emission light-duty car or truck eligible for the program.

(b) For the purposes of this chapter:

(1) "Incremental cost" means the amount determined by the State Energy Resources Conservation and Development Commission as the reasonable difference between the cost of the zero-emission vehicle and the cost of a comparable gasoline or diesel fueled vehicle.

(2) "New zero-emission vehicle" shall include previously leased vehicles that have been substantially upgraded, as determined by the state board, with new technologies, including, but not necessarily limited to, advanced batteries or power electronics.

44262. Grants made pursuant to this chapter shall be distributed in the following manner, in amounts as determined by the state board:

(a) Up to three thousand dollars (\$3,000) of the available grant funds may be provided for the first 12-month period of the lease or purchase of the vehicle.

(b) Up to three thousand dollars (\$3,000) of the remaining available grant funds may be provided for the second 12-month period of the lease or purchase of the vehicle.

(c) Up to three thousand dollars (\$3,000) of the remaining available grant funds may be provided for the third 12-month period of the lease or purchase of the vehicle.

(d) No grant funds shall be provided following the third 12-month period of the lease or purchase of the vehicle.

44263. In order to be eligible to receive a grant under this chapter, a zero-emission vehicle shall meet all of the following criteria:

(a) Be purchased on or leased on or after October 1, 2000, and on or before December 31, 2002. For purposes of this subdivision, a vehicle shall be deemed to be leased on the date upon which the lease of the vehicle commences.

(b) Be registered with the Department of Motor Vehicles for use in this state.

(c) Meet all applicable federal and state safety standards, or, if the vehicle is to be utilized solely for a demonstration program, have received the applicable waivers from the National Highway Traffic Safety Administration.

(d) Be capable of operation on a freeway, as determined by the state board in conjunction with the State Energy Resources Conservation and Development Commission.

(e) Any other criteria established by the state board.

44265. (a) The grant program described in this chapter may be administered by a local air management district or air pollution control district on a voluntary basis, provided that the district administers the program based upon the guidelines developed by the state board in conjunction with the State Energy Resources Conservation and Development Commission pursuant to subdivision (b) of Section 44264.

(b) Any district that voluntarily administers this grant program is authorized to provide grants from its own funding sources in an amount of five hundred dollars (\$500) to one thousand dollars (\$1,000) or more per year for each qualified zero-emission vehicle registered within the boundaries of its territorial jurisdiction.

SEC. 2. The sum of eighteen million dollars five hundred thousand dollars (\$18,500,000) is hereby appropriated from the General Fund to the State Air Resources Board for expenditure as follows:

(a) Eighteen million dollars (\$18,000,000), without regard to fiscal year, to implement Chapter 8.6 (commencing with Section 44260) of Part 5 of Division 26 of the Health and Safety Code.

(b) Five hundred thousand dollars (\$500,000) for grants for fiscal years 2000-01, 2001-02, and 2002-03 to air pollution control districts and air quality management districts.

(b) An air pollution control district or air quality management district that receives a grant under this section shall use these funds to offset the incremental operating costs of alternative diesel fuel, as defined in subdivision (d), and as used in heavy-duty vehicles and equipment. For the purposes of this section, heavy-duty vehicles and equipment include, all of the following:

(1) On-road motor vehicles with a gross vehicle weight rating exceeding 14,000 pounds.

(2) Off-road equipment with engines that exceed 50 horsepower.

(3) Marine vessels.

(4) Locomotives.

(5) Stationary agricultural pump engines.

(6) Forklifts.

(7) Airport ground support equipment.

(c) Grants under this section shall be awarded only to air pollution control districts and air quality management districts that apply for funds under this section. These grants shall not be used to fund engine research and development, certification testing, training, or operational controls.

(d) As used in this section, "alternative diesel fuel" means a fuel emulsion that, when used in a conventional diesel engine, reduces oxides of nitrogen emissions by at least

10 percent and particulate matter emissions by at least 15 percent as compared to the 10 percent aromatic reference fuel as defined in subdivision (g) of Section 2282 of Title 13 of the California Code of Regulations. The emissions characteristics of any alternative diesel fuel shall be determined by the State Air Resources Board based on data submitted by the producer of the fuel in accordance with data and testing protocols specified by the State Air Resources Board. Alternative diesel fuel shall not increase toxic emissions and shall have hydrocarbon emissions that are at least 25 percent lower than the engine exhaust emissions standard.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to achieve early introduction of zero-emission vehicle technologies for the purposes of meeting federal and state air quality standards as soon as possible and providing grants for alternative diesel fuel, it is necessary that this act take effect immediately.

Appendix I-B

State of California
AIR RESOURCES BOARD

Resolution 00-38

December 7, 2000

Agenda Item No.: 00-11-2

WHEREAS, the California State Implementation Plan (SIP) for ozone, adopted by the Air Resources Board (ARB or Board) in November 1994, establishes the state strategy for attaining the ambient air quality standard for ozone in all areas of the state by 2010 as required by federal law; this plan includes, as part of the mobile source element developed by the ARB, the California Low-Emission Vehicle (LEV) program, which was approved by the Board in 1990 to provide significant reductions of ozone precursor pollutant emissions from passenger cars and light-duty trucks;

WHEREAS, the California LEV program includes a zero-emission vehicle (ZEV) element under which at least 10 percent of the passenger cars and the lightest light-duty trucks produced by a large or intermediate-volume manufacturer and delivered for sale in California must be ZEVs, beginning in model year 2003;

WHEREAS, with respect to the environment, ZEVs are the "gold standard" for vehicular air pollution control as they reduce both criteria and toxic pollutant emissions to the maximum feasible levels; high-efficiency ZEVs and hybrid electric near-ZEVs also cut emissions of carbon dioxide and other greenhouse gases;

WHEREAS, for the September 2000 ZEV program biennial review, the staff evaluated vehicle technologies and concluded that there is no technological barrier to building battery powered ZEVs but issues of cost and consumer acceptance remain;

WHEREAS, in Resolution 00-29, the Board found the ZEV program to be an essential component of the State's long-term air quality strategy and resolved that the basic ZEV requirements be retained and implemented in California;

WHEREAS, the Board directed the staff to develop and propose regulatory modifications and other steps that address the challenges associated with the successful long-term implementation of the ZEV program - in particular the need for product availability and market stability, the need to greatly enhance public awareness and education of the attributes and benefits of ZEV technologies, and the need to reduce or mitigate the high initial costs of vehicles and batteries in low-volume production - and that result in a sustainable market for ZEVs;

WHEREAS, staff is scheduled to present such proposed regulatory modifications and staff's plan for non-regulatory steps to address public awareness and education, incentives and charging at the Board's January 2001 public meeting;

WHEREAS, Assembly Bill (AB) 2061, introduced by Assembly Member Lowenthal and signed into law by Governor Davis on September 30, 2000, added chapter 8.6 (commencing with section 44260) to part 5 of division 26 of the Health and Safety Code creating a zero emission vehicle incentive program, providing \$18 million for grants, up to \$9,000 per eligible ZEV;

WHEREAS, the Board, in conjunction with the State Energy Resources Conservation and Development Commission (CEC or Energy Commission), is to develop and administer a program to provide grants to individuals, local governments, state agencies, nonprofit organizations, and private businesses to encourage the purchase or lease of a new zero emission vehicle;

WHEREAS, the maximum grant for any qualified recipient shall be an amount equal to 90 percent of the incremental cost above one thousand dollars (\$1,000) of a new zero-emission light-duty car or truck eligible for the program;

WHEREAS, in order to be eligible to receive a grant, a ZEV shall meet all the following criteria: (a) be purchased on or leased on or after October 1, 2000, and on or before December 31, 2002, (b) be registered with the Department of Motor Vehicles for use in this state, (c) meet all applicable federal and state safety standards, or, if the vehicle is to be utilized solely for a demonstration program, have receive the applicable waivers from the National Highway Traffic Safety Administration, (d) be capable of operation on a freeway, and (e) any other criteria established by the Board;

WHEREAS, the program may be administered on a voluntary basis by a local air quality management district or air pollution control district (local air district) within its own jurisdiction, provided that the district administers the program based upon guidelines developed by the Board in conjunction with the Energy Commission;

WHEREAS, staff has prepared for the Board's consideration proposed guidelines for a zero emission vehicle incentive program pursuant to AB 2061; and

WHEREAS, coordination with ZEV buy-down and grant programs and infrastructure programs currently available in several areas of the state will provide consumers statewide with consistent and seamless access to available ZEV incentives.

WHEREAS, the Board has held a duly noticed public meeting to consider approval of guidelines for a Zero Emission Vehicle Incentive Program and has heard and considered the comments made by representatives of state agencies, local government, vehicle manufacturers and dealers, fleet administrators, ZEV proponents and other interested persons and agencies.

NOW, THEREFORE, BE IT RESOLVED that the Board finds that AB 2061 creates a significant and timely ZEV incentive program, providing \$18 million in grants for 2,000 or more ZEVs during a period when manufacturers are not required to make ZEVs available.

BE IT FURTHER RESOLVED that in order to be eligible to receive a grant, a ZEV shall be an ARB certified zero emission passenger car or zero emission light-duty truck.

BE IT FURTHER RESOLVED that the qualified recipient shall have the option of assigning the grant to the vehicle lessor in order to receive an up front reduction in the vehicle lease price.

BE IT FURTHER RESOLVED that the grants shall be made available statewide on a first-come-first-served basis, to the extent practicable.

BE IT FURTHER RESOLVED that the Board hereby approves the Proposed Guidelines for the Zero Emission Vehicle Incentive Program Pursuant Health and Safety Code Sections 44260-44265, as set forth in Attachment A to this resolution and as modified to incorporate changes proposed by staff in Attachment B to this resolution.

BE IT FURTHER RESOLVED that the Board directs staff to administer the program statewide in accordance with the guidelines.

BE IT FURTHER RESOLVED that, where a local air district has volunteered to administer the program in its own jurisdiction, the Board directs staff to work with the local air district to ensure that the program is implemented in accordance with the guidelines and to develop a mechanism for the transfer of grant funds; staff is directed to coordinate with the local air district to ensure that the locally-administered program and the statewide, ARB-administered program are consistent and seamless to the consumer.

BE IT FURTHER RESOLVED that the Board directs staff to coordinate with the program managers of other ZEV and infrastructure programs to ensure that the consumer is aware of all the available incentives.

I hereby certify that the above is a true and correct copy of Resolution 00-38, as adopted by the Air Resources Board.

(Original Signed By)

Marie Kavan, Clerk of the Board
Resolution 00-38

December 7, 2000

Identification of Attachments to the Resolution

- Attachment A:** Proposed Guidelines for the Zero Emission Vehicle Incentive Program Pursuant Health and Safety Code Sections 44260-44265
- Attachment B:** Staff's Recommended Modifications to the Proposed Guidelines for a Zero Emission Vehicle Incentive Program

ATTACHMENT A:

**Proposed Guidelines for a
Zero Emission Vehicle Incentive Program
Pursuant to Health and Safety Code Sections 44260-44265
(AB 2061, Statutes of 2000, Chapter 1072 Lowenthal)**

With Public Notices

Note:

The documents identified as Attachment A are not provided here.

***Copies of these documents may be obtained by contacting
Ms. Judy Yee, Program Manager, Statewide ZEV Incentive Program at
(916) 327-5610 or via email at jyee@arb.ca.gov.***

***These documents may also be obtained from the Internet at
<http://www.arb.ca.gov/msprog/zevprog/zip/zip.htm>***

ATTACHMENT B:**Staff's Recommended Modifications to
the Proposed Guidelines for a Zero Emission Vehicle Incentive Program**

Suggested Modification: There was ambiguity regarding who is entitled to the incentive in a lease transaction where the leasing company is not the zero emission vehicle (ZEV) manufacturer, but a private leasing company that purchases ZEVs for the purpose of leasing vehicles to a fleet or individual consumer.

To address this issue, language will be added to make it clear that the incentive shall go to the entity that pays for the registration of the vehicle.

Suggested Modification: In Section III Vehicle Eligibility, B. Criteria for Vehicle Eligibility it reads, "AB 2061 specifies that this program will provide the maximum allowable grant to any qualified recipient for the purchase or lease of a new zero emission light-duty car or truck eligible for the program."

To more accurately reflect the language in the bill, this sentence will be replaced with, "The maximum allowable grant for any qualified recipient, as determined by the state board, shall be an amount equal to 90 percent of the incremental cost above one thousand dollars (\$1,000) of a new zero-emission light-duty car or truck eligible for the program."

Suggested Modification: Add to paragraph one in Section III Vehicle Eligibility, Part B. Criteria for Vehicle Eligibility, the following sentence:

As a matter of policy, vehicles that are required by ARB's Memoranda of Agreement (MOA) with the automakers, are ineligible for incentives through this program.

Suggested Modification: There is a sentence on the back of the Assignment form that provides tax advice. Since the ARB cannot give tax advice, the sentence "The participating lessor will then be responsible for any tax consequences associated with the grant incentive" will be replaced with "This grant may be taxable, so please contact your tax professional or the IRS for additional information."

Suggested Modification: The Ford Think City EV will be added to the list of eligible vehicles in Appendix C of the guidelines.

Suggested Modification: Addition of clarifying language and correction of typos.

Appendix I-C

Application Forms



Requirements and Instructions for Receiving A Zero Emission Vehicle Incentive Grant

Pursuant to California Health and Safety Code (H&SC) Sections 44260-44265

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Applicant and Vehicle Eligibility Requirements

Applicant and vehicle eligibility requirements are specified in Sections 44260-44265 of the California Health and Safety Code (H&SC) and in the Air Resources Board's (ARB's) program guidelines and are available from the Program Manager (See contact information on Page 2.) or on the Internet at www.arb.ca.gov/msprog/zevprog/zip/zip.htm. The applicant must be an individual, a local government entity or agency, a public agency, a nonprofit organization or a private business. For a leased vehicle, the applicant shall be the individual or entity that is financially responsible for the cost of the registration of the vehicle.

Applicant and vehicle must meet requirements that include, but are not limited to, the following:

1. The applicant is a resident of the State of California or represents an entity that conducts business in the State of California.
2. The applicant has purchased or is leasing a new zero emission vehicle (ZEV) that meets the criteria specified in H&SC Sections 44261 and 44263 and the vehicle is an ARB certified zero emission passenger car or light-duty truck.
3. The purchase or lease of this new ZEV commenced on or after October 1, 2000 and on or before December 31, 2002.
4. This new ZEV is registered with the California Department of Motor Vehicles for use in California.

There are two options for receiving the grant:

1) "Grant Assignment to Lessor"

If you intend to lease the new ZEV, you may consider assigning the grant to a participating lessor. The participating lessor would then receive the entire grant amount directly from the Program Manager. This will allow the lessor to reduce the three-year lease price of the qualifying vehicle by the entire grant amount, giving you lower monthly lease payments. If the lease period is less than 36 months, you or the participating lessor should contact the Program Manager, as the maximum grant for the ZEV may be reduced. This grant may be taxable so please contact your tax professional or the Internal Revenue Service for additional information. If you choose this option, complete and submit, through the participating lessor, the following items to the Program Manager (See contact information on next page.):

- A completed Application for Zero Emission Vehicle Incentive Grant (Form MSCD/ZEV-02A). If multiple vehicle grants are requested, Form MSCD/ZEV-02B may be completed and attached to Form MSCD/ZEV-02A.
- A completed Assignment of Zero Emission Vehicle Incentive Grant Form (Form MSCD/ZEV-03)
- A copy of the lease/purchase agreement signed by all parties with an itemization of credits, discounts, incentives received, if applicable
- A copy of the current vehicle registration

2) "Direct Payment"

With this option, you would receive your grant directly in three equal allotments. The first allotment will be sent out upon approval of your grant application. The second allotment will be sent out at the beginning of the second 12-month period after the purchase or lease of the new ZEV. The third allotment will be sent out at the beginning of the third 12-month period after the purchase or lease of the new ZEV. If you intend to lease a new ZEV and the lease period is less than 36 months, you should contact the Program Manager, as the maximum grant for that ZEV may be reduced. This grant may be taxable so please contact your tax professional or the Internal Revenue Service for additional information. If you choose this option, complete and submit the following items to the Program Manager:

- A completed Application for Zero Emission Vehicle Incentive Grant (Form MSCD/ZEV-02A). If multiple vehicle grants are requested, Form MSCD/ZEV-02B may be completed and attached to Form MSCD/ZEV-02A.
- A copy of the lease/purchase agreement signed by all parties with an itemization of credits, discounts and incentives received, if applicable
- A copy of the current vehicle registration

If you choose the "Direct Payment" option, the Program Manager will send you a letter each year to remind you to submit a request for payment of your ZEV incentive grant that remains available. At that time, you would complete the form provided to you and send it to the Program Manager, along with a copy of the current vehicle registration. If you change addresses during the three-year period after the date of purchase or lease, please provide the Program Manager with your new address as soon as possible. To receive the entire grant amount, you must own the vehicle for a continuous 36 month period after the date of purchase or continue to lease the vehicle for the entire period specified in the your application. If you decide to sell the ZEV or terminate the lease, please contact the Program Manager.

PRIVACY STATEMENT

Section 7(b) of the Privacy Act of 1974 (Public Law 93-5791) requires that any federal, state, or local governmental agency which requests an individual to disclose his/her social security account number shall inform that individual whether that disclosure is mandatory or voluntary, by which statutory or other authority such number is solicited, and what uses will be made of it.

The State of California requires that all parties entering into business transactions that may lead to payments from the State must provide their Taxpayer Identification Number (TIN) as required by the State Revenue and Taxation Code, Section 18646 to facilitate tax compliance enforcement activities and to facilitate the preparation of Form 1099 and other information as required by the Internal Revenue Code, Section 6109(a). The TIN for individual and sole proprietorships is the Social Security Number (SSN).

It is mandatory to furnish the information requested. Federal law requires that payments for which the requested information is not provided be subject to 31% withholding and state law imposes noncompliance penalties of up to \$20,000.

You have the right to access records containing your personal information, such as your SSN. To exercise that right or if you have any questions regarding this Privacy Statement, please contact the Program Manager of the Statewide Zero Emission Vehicle Incentive Grant Program at (866) 808-0189.

◆ CONTACT INFORMATION ◆

Statewide ZEV Incentive Program
California Air Resources Board, MSCD/ZEV
1001 I Street, Sacramento, CA 95814
P.O. Box 2815, Sacramento, CA 95812

Judy Yee, Program Manager
Telephone: (916) 327-5610
Toll Free Line: (866) 808-0189
FAX: (916) 322-3923
E-Mail: jyee@arb.ca.gov

General Information Line: 1-800-END-SMOG



Application for Zero Emission Vehicle Incentive Grant

Pursuant to California Health and Safety Code (H&SC) Sections 44260-44265

Obtain from ARB
Voucher Number: **363**

Complete and Submit to:
Program Manager, Statewide ZEV Incentive Program,
California Air Resources Board, MSCD/ZEV
P.O. Box 2815, Sacramento, California 95812
Toll Free Line: (866) 808-0189

A. APPLICANT INFORMATION (Please print.)

Name of Vehicle Owner/Lessee:		PURPOSE: Information contained in this form will be used by the Air Resources Board for determining grant eligibility, processing grant allocations, and to prepare Information Returns (Form 1099). <small>(See Privacy Statement in Requirements and Instructions)</small>	
Street Address:			
City:	State:	Zip Code:	
Mailing Address:			
Telephone Number:	FAX Number:	E-mail Address (optional):	

B. PAYMENT OPTION

Please check option and initial:

Direct Payment (Initial here: _____)

Grant Assigned to Lessor (Also complete and submit Form MSCD/ZEV-03.) (Initial here: _____)

Please check one box below, as applicable, and provide the requested information:

<input type="checkbox"/> Private Individual, Sole Proprietor <input type="checkbox"/> Federal Government Agency <input type="checkbox"/> State Government Agency <input type="checkbox"/> Local Government Agency <input type="checkbox"/> Non-profit Organization <input type="checkbox"/> Corporation <input type="checkbox"/> Partnerships, Estates or Trusts	<u>Social Security Number:</u>
	OR
	<u>Federal Employer's Identification Number:</u>

C. VEHICLE INFORMATION (Multiple vehicles-Form MSCD/ZEV-02B is attached. Initial here: _____)

Date of Purchase or Date on Which Lease Commences:	Lease Term in Months (if applicable):
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact (Please print name and title.):	Telephone Number:

I hereby certify to the best of my knowledge and belief that the requirements for this grant as specified in H&SC 44260-44265 and the Air Resources Board's (ARB's) program guidelines have been meet and that all information provided in this application and supporting attachments are true and correct.

Name of Applicant, or Authorized Representative and Title (Please print.):	
Signature:	Date:

FOR ARB USE ONLY:

Name and Title (Please print.):	Date:	Approval Number
Signature:	Grant Amount:	Number of Allotments

Please Indicate Total Number of Vehicles: _____	
VEHICLE # _____	
Date of Purchase or Date on Which Lease Commences:	Lease Term in Months <i>(if applicable)</i> :
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact <i>(Please print name and title.)</i> :	Telephone Number:
VEHICLE # _____	
Date of Purchase or Date on Which Lease Commences:	Lease Term in Months <i>(if applicable)</i> :
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact <i>(Please print name and title.)</i> :	Telephone Number:
VEHICLE # _____	
Date of Purchase or Date on Which Lease Commences:	Lease Term in Months <i>(if applicable)</i> :
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact <i>(Please print name and title.)</i> :	Telephone Number:
VEHICLE # _____	
Date of Purchase or Date on Which Lease Commences:	Lease Term in Months <i>(if applicable)</i> :
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact <i>(Please print name and title.)</i> :	Telephone Number:
VEHICLE # _____	
Date of Purchase or Date on Which Lease Commences:	Lease Term in Months <i>(if applicable)</i> :
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact <i>(Please print name and title.)</i> :	Telephone Number:
VEHICLE # _____	
Date of Purchase or Date on Which Lease Commences:	Lease Term in Months <i>(if applicable)</i> :
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact <i>(Please print name and title.)</i> :	Telephone Number:
VEHICLE # _____	
Date of Purchase or Date on Which Lease Commences:	Lease Term in Months <i>(if applicable)</i> :
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact <i>(Please print name and title.)</i> :	Telephone Number:



Assignment of Zero Emission Vehicle Incentive Grant
 Pursuant to California Health and Safety Code (H&SC) Sections 44260-44265

Obtain from **365RB**
 Voucher Number:

Complete and Submit with Form MSCD/ZEV-02A to:
 Program Manager, Statewide ZEV Incentive Program,
 California Air Resources Board, MSCD/ZEV
 P.O. Box 2815, Sacramento, California 95812
 Toll Free Line: (866) 808-0189

By signing and submitting this form through the lessor or dealer, you, the lessee or the authorized representative of the lessee, are assigning the entire grant amount to the lessor. This will allow the lessor to reduce the price of the qualifying vehicle by the available grant amount, giving you a lower monthly lease cost. This grant may be taxable, so please contact your tax professional or the Internal Revenue Service for additional information.

I, the lessee or authorized representative of the lessee, hereby certify to the best of my knowledge and belief to the following:

1. I am a resident of the State of California or represent an entity conducting business in the State of California.
2. I am leasing a new zero emission vehicle that meets the criteria specified in H&SC Sections 44261 and 44263 and the vehicle is an Air Resources Board certified zero emission passenger car or light-duty truck. The Vehicle Identification Number (VIN) is set forth below.
3. The lease of this new zero-emission vehicle commences on the date set forth below, which is on or after October 1, 2000 and on or before December 31, 2002.
4. This new zero-emission vehicle is or shall be registered with the Department of Motor Vehicles for use in California.
5. I understand that H&SC Sections 44260-44265 provide zero-emission vehicle incentive grants to purchasers or lessees of eligible zero-emission vehicles. I hereby assign my rights to these grants to _____. I understand that, in consideration of this assignment, my vehicle lease cost has been reduced by an amount equal to the amount of the grant assigned to _____ over the lease period of the vehicle.

Name of Lessee, or Authorized Representative and Title (<i>Please print.</i>):		
Signature:		Date:
<input type="checkbox"/> Check, if this assignment is for multiple vehicles identified in Form MSCD/ZEV-02B. Initial here:		
Make, Model and Model Year of ZEV:		Vehicle Identification Number (VIN):
Date on Which Lease Commences:		Lease Term in Months:
Lessor:		
Lessor Address:		
City:	State:	Zip Code:
Federal Employer's Identification Number:		

I, the lessor agent, hereby certify to the best of my knowledge and belief that the requirements of this grant as specified in H&SC Sections 44260-44265 and the Air Resources Board's program guidelines have been meet and that all information provided in this application and supporting attachments are true and correct.

Name of Lessor Agent and Title (<i>Please print.</i>):		Telephone Number:
Signature:		Date:

Appendix I-D

List of Eligible Vehicle Models For the Statewide ZEV Incentive Program (Revised March 20, 2002)

List of Eligible Vehicle Models For ZIP I Grants

Part 1: New Vehicles

Make and Model	Incremental Cost ¹	Maximum Available Grant ²
Chrysler EPIC EV NIMH (van)	\$17,905	\$9,000
Ford Ranger EV NIMH (truck)	\$36,395	\$9,000
Ford Ranger EV Pb-A (truck)	\$23,265	\$9,000
Ford ThInk City EV (2-seat city car)	\$15,491	\$9,000
General Motors EV1 Pb-A (2-seat coupe)	\$11,925	\$9,000
General Motors EV1 NIMH (2-seat coupe)	\$21,925	\$9,000
General Motors S-10 Pb-A (truck)	\$18,067	\$9,000
General Motors S-10 NIMH (truck)	\$30,577	\$9,000
Nissan Altra (wagon)	\$24,889	\$9,000
Toyota RAV 4 NIMH (sport utility)	\$21,395	\$9,000
Solectria Force Pb-A (sedan)	\$18,935	\$9,000

Part 2: Previously Leased Vehicles with Substantial Upgrades

Make and Model	Incremental Cost ¹	Maximum Grant Amount ²
1997 General Motors EV1 with Panasonic Pb-A (2-seat coupe)	\$4,888	\$3,500

¹ Incremental cost information provided by the California Energy Commission

² Prorated if lease period is less than 36-month

List of Eligible Vehicle Models For ZIP II Grants

Pending

Appendix I-E

BILL NUMBER: AB 1390 CHAPTERED
BILL TEXT

CHAPTER 763
FILED WITH SECRETARY OF STATE OCTOBER 12, 2001
APPROVED BY GOVERNOR OCTOBER 11, 2001
PASSED THE ASSEMBLY SEPTEMBER 14, 2001
PASSED THE SENATE SEPTEMBER 13, 2001
AMENDED IN SENATE SEPTEMBER 10, 2001
AMENDED IN SENATE AUGUST 30, 2001
AMENDED IN SENATE JULY 5, 2001
AMENDED IN SENATE JUNE 26, 2001
AMENDED IN ASSEMBLY APRIL 16, 2001

INTRODUCED BY Assembly Member Firebaugh

FEBRUARY 23, 2001

An act to amend Section 44260 of, and to add and repeal Section 43023.5 of, the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 1390, Firebaugh. Air pollution.

(1) Existing law grants primary authority for the control of air pollution from vehicular sources to the State Air Resources Board. Existing law also authorizes the state board to adopt and implement motor vehicle emission standards and motor vehicle specifications. Existing law also provides for the existence of various clean air programs, including the Carl Moyer Air Quality Standards Attainment Program.

This bill, notwithstanding a specified provision of the Budget Act of 2001, would require any air quality management district or air pollution control district with a population of one million residents or greater, in consultation with the state board, to expend not less than 50% of the moneys appropriated until January 1, 2007, for the Carl Moyer program, programs to fund the purchase of reduced emission schoolbuses, and diesel mitigation programs, in a manner that directly reduces air contaminants or the public health risks associated with air contaminants, in communities with the most significant exposure to air contaminants or localized air contaminants, or both, including communities of minority populations or low-income populations, or both. The bill would make those provisions inapplicable to those districts with fewer than one million residents, but would, notwithstanding a specified provision in the Budget Act of 2001, encourage those districts to apply similar funding approaches to the extent each district determines feasible. By imposing additional duties on districts, this bill would impose a state-mandated local program.

(2) Existing law requires the state board, in conjunction with the State Energy Resources Conservation and Development Commission, to develop and administer a program to provide grants to individuals,

local governments, state agencies, nonprofit organizations, and private businesses, to encourage the purchase or lease of a new zero-emission vehicle.

This bill would expand those potential grant recipients to include public agencies, and would permit the state board to reserve, allocate, and reallocate funds to any of those grant recipients. The bill would require the state board to periodically review grant applications and the award of grants to ensure utilization of grant funds, and would authorize the state board to reduce or eliminate grants if that recipient received a grant for the purchase or lease of a zero-emission vehicle in the Budget Act of 2001.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) The Legislature finds and declares both of the following:

(1) Air pollution is a serious and persistent problem for the health and welfare of the citizens of the state, and it poses a threat to our natural environment.

(2) Certain areas of the state suffer from greater exposure to poor air quality, particularly pollutants emitted by motor vehicles.

(b) It is the intent of the Legislature to do all of the following:

(1) Focus existing state air quality programs more directly on those geographic areas that suffer from the greatest exposure to poor air quality.

(2) Structure future state air quality programs in a manner that ensures the fair treatment of people of all races, cultures, and income levels, including minority populations and low-income populations of the state.

(3) Include, in any future appropriations intended to provide incentives for the purchase of zero emission vehicles by a member of the public or by a public agency, a concurrent appropriation for air quality emission reduction programs that are designed to benefit communities with significant air quality problems.

SEC. 2. Section 43023.5 is added to the Health and Safety Code, to read:

43023.5. (a) Notwithstanding the requirements established by Provision 3 of Item 3900-001-0044 of the Budget Act of 2001 (Chapter 106 of the Statutes of 2001) requiring all districts to distribute one-half of the funds subject to that provision in a manner that directly benefits low-income communities and communities of color that are disproportionately impacted by air pollution, only districts

with a population of one million residents or greater, in consultation with the state board, shall ensure that not less than 50 percent of the funds subject to that provision and any other funds appropriated for purposes of the programs specified in paragraphs (1) to (3), inclusive, are expended in a manner that directly reduces air contaminants or reduces the public health risks associated with air contaminants in those districts, including, but not limited to, airborne toxics and particulate matter, in communities with the most significant exposure to air contaminants or localized air contaminants, or both, including, but not limited to, communities of minority populations or low-income populations, or both:

(1) The Carl Moyer Air Quality Standards Attainment Program (Chapter 9 (commencing with Section 44275) of Part 5 of Division 26 of the Health and Safety Code).

(2) Programs for the purchase of reduced-emissions schoolbuses.

(3) Diesel mitigation programs.

(b) Notwithstanding the requirements established by Provision 3 of Item 3900-001-0044 of the Budget Act of 2001 (Chapter 106 of the Statutes of 2001) requiring all districts to distribute one-half of the funds subject to that provision in a manner that directly benefits low-income communities and communities of color that are disproportionately impacted by air pollution, a district with less than one million residents is encouraged to expend funds available to the district for the purposes specified in subdivision (a) in a manner similar to that set forth in subdivision (a), to the extent that district determines that this is feasible.

(c) This section shall remain in effect until January 1, 2007, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2007, deletes or extends that date.

SEC. 3. Section 44260 of the Health and Safety Code is amended to read:

44260. The state board, in conjunction with the State Energy Resources Conservation and Development Commission, shall develop and administer a program to provide grants to individuals, local governments, public agencies, nonprofit organizations, and private businesses, to encourage the purchase or lease of a new zero-emission vehicle. The state board may reserve, allocate, and reallocate funds to any of those potential grant recipients. The state board shall periodically review grant applications and the award of grants to ensure, to the greatest extent possible, that all grant funds are used. The state board may reduce or eliminate grants awarded pursuant to this chapter if the state board determines that the recipient received a grant for the purchase or lease of a zero-emission vehicle in the Budget Act of 2001.

SEC. 4. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Appendix I-F**ZERO-EMISSION VEHICLES PROGRAM
Budget Act Language
FY 01-02**

1. It is the intent of the Legislature that the State Air Resources Board consider the eligibility of manufacturers and consumers of low-speed vehicles or Neighborhood Electric Vehicles, or both, in the administration of any grant programs, loan programs, or rebate programs, as an incentive to manufacturers or consumers, or both, of zero emission vehicles, in recognition of those vehicles contribution to achieving compliance with the zero emission vehicle mandate.
2. Of the funds appropriated in this item, \$20,000,000 shall be available for use as grants to provide incentives for the purchase or lease of zero emission vehicles, and shall be available for expenditure through June 30, 2004, as follows:
 - (a) \$10,000,000 for grants in an amount up to \$5,000 per vehicle pursuant to criteria established by the State Air Resources Board.
 - (b) \$10,000,000 for grants in an amount up to \$11,000 per vehicle to subsidize the purchase or lease of zero emission vehicles to be used in fleets operating in nonattainment areas.
 - (c) The State Air Resources Board shall award grants pursuant to subdivision (b) of this provision through a competitive process that gives preference to the award of grants to fleet operators that will use the vehicles primarily in communities that are disproportionately impacted by poor air quality, including low-income communities and communities of color.
 - (d) An entity receiving grants pursuant to subdivision (b) of this provision shall be ineligible for any grants pursuant to subdivision (a) of this provision

Appendix I-G

Statewide ZEV Incentive Program (ZIP) Activity Report: October 1, 2000 Through February 2001

APPLICATIONS			
Approved	Disapproved	Pending	
341	32	36	
VOUCHER NUMBERS			
Issued	Redeemed	Pending	
151	142	9	
VEHICLE DISTRIBUTION			
Model	Quantity	Air District	Quantity
GM EV1 – Release (Upgrade, PbA)	100	SCAQMD	164
Toyota RAV4	93	BAAQMD	53
Ford Think City	70	YSAQMD	46
GM EV1 - New (NiMH and PbA)	34	SDAPCD	25
		VCAPCD	21
Ford Ranger	19	SMAQMD	16
Chevrolet S-10	14	SBAPCD	5
Nissan Altra	4	SJVUAPCD	4
Chrysler EPIC	4	KCAPCD	4
Solectria Force	3	MBUAPCD	3
Total	341	Total	341
APPLICANT DISTRIBUTION			
Individual	Business	Local/Public Agency	
145	70	126	
STATUS OF FUNDS			
Original Appropriation	\$18,000,000		
Approved Grants:	\$2,358,000		
Pending Vouchers:	\$54,332		
Pending Applications:	\$259,331		
Budget Reduction	\$3,200,000		
Advance to Local Program	\$2,000,000		
Remaining Funds	\$10,128,337		

Appendix I-H

Table of Federal Motor Vehicle Safety Standards (FMVSS)

FEDERAL MOTOR VEHICLE SAFETY STANDARDS (FMVSS); APPLICABILITY								
49 CFR Part 571	Passenger Car	MPV Lt Truck (1)	Heavy Truck (2)	Bus	Motorcycle	Trailer	Equipment	
FMVSS Number								
100 Series (Crash Avoidance)								
101 Controls and Displays	●	●	●	●				
102 Transmission Shift Lever Sequence	●	●	●	●				
103 Windshield Defrosting and Defogging Systems	●	●	●	●				
104 Windshield Wiping and Washing Systems	●	●	●	●				
105 Hydraulic and Electric Brake Systems	●	●	●	●				
106 Brake Hoses	●	●	●	●	●	●	●	
108 Lamps, Reflective Devices and Associated Equipment	●	●	●	●	●	●	●	
109 New Pneumatic Tires	(3)	(4)		(4)		(4)	●	
110 Tire Selection and Rims	●						●	
111 Rearview Mirrors	●	●	●	● (5)	●			
113 Hood Latch System	●	●	●	●				
114 Theft Prevention	●	●						
116 Hydraulic Brake Fluids	●	●	●	●	●	●	●	
117 Retreaded Pneumatic Tires (passenger cars)							●	
118 Power-Operated Window Systems	●	●						
119 New Pneumatic Tires for Trucks, Buses etc.		(4)	(4)	(4)	(4)	(4)	●	
120 Tire Selection and Rims for Trucks, Buses etc.		●	●	●	●	●	●	
121 Air Brake Systems			●	●		●		
122 Motorcycle Brake Systems					●			
123 Motorcycle Controls and Displays					●			
124 Accelerator Control Systems	●	●	●	●				
125 Warning Devices							●	
129 New Non-Pneumatic Tires for Passenger Cars	(3)	(4)					●	

131 School Bus Pedestrian Safety Devices				● (5)				
135 Passenger Car Brake Systems	●	● (6)						
200 Series (Crash Worthiness)								
201 Occupant Protection in Interior Impact	●	●		● (1)				
202 Head Restraints	●	●		● (1)				
203 Impact Protection for Driver Steering Controls	●	●		● (1)				
204 Steering Control Rearward Displacement	●	●		●				
205 Glazing Materials	(7)	(7)	(7)	(7)	(7)		●	(7)
206 Door Locks and Retention Components	●	●	●					
207 Seating Systems	●	●	●	●				
208 Occupant Crash Protection	●	●	●	●				
209 Seat Belt Assemblies	(7)	(7)	(7)	(7)			●	
210 Seat Belt Assembly Anchorages	●	●	●	●				
212 Windshield Mounting	●	●		● (1)				
213 Child Restraint Systems	●	●		●			●	
214 Side Impact Protection	●	●		● (1)				
216 Roof Crush Resistance	●	● (8)		● (8,9)				
217 Bus Emergency Exits and Window Retention				●				
218 Motorcycle Helmets							●	
219 Windshield Zone Intrusion	●	●		● (1)				
220 School Bus Rollover Protection				● (5)				
221 School Bus Body Joint Strength				● (5)				
222 School Bus Seating and Crash Protection				● (5)				
223 Rear Impact Guards							●	
224 Rear Impact Protection							● (2)	
225 Child Restraint Anchorage Systems	●	● (10)		● (1)				
300 Series (Post Crash Protection)								
301 Fuel System Integrity	●	●		● (5)				
302 Flammability of Interior Materials	●	●	●	●				

303 Fuel System Integrity of Compressed Natural Gas Vehicles	●	●		●	(1,5)				
304 Compressed Natural Gas Fuel Container Integrity								●	
500 Series (Low-Speed Vehicles)									
500 Low-Speed Vehicles									●
(1) Gross Vehicle Weight Rating (GVWR) less than or equal to 4,536 Kg (10,000 lb)	(6) GVWR less than or equal to 3,500 Kg (7,716 lb)								
(2) GVWR greater than 4,536 Kg (10,000 lb)	(7) For use in								
(3) See FMVSS No. 110	(8) GVWR less than or equal to 2,722 Kg (6,001 lb)								
(4) See FMVSS No. 120	(9) Does not apply to School Buses								
(5) Applies to or has different requirements for School Buses	(10) GVWR less than or equal to 3,855 Kg (8,500 lb)								

Passenger Car: Motor vehicle with motive power, except a low-speed vehicle, multipurpose passenger vehicle, motorcycle or trailer designed for carrying 10 persons or less.

Multipurpose Passenger Vehicle: Motor vehicle with motive power, except a low-speed vehicle or a trailer designed to carry 10 persons or less which is constructed either on a truck chassis or with special features for occasional off-road operation.

Truck: Motor vehicle with motive power, except a trailer, designed primarily for the transportation of property or special purpose equipment.

Bus: Motor vehicle with motive power, except a trailer, designed for carrying more than 10 persons.

School Bus: A bus that is sold, or introduced in interstate commerce, for purposes that include carrying students to and/or from school or related events, but does not include a bus designed and sold for operation as a common carrier in urban transportation.

Motorcycle: Motor vehicle with motive power, having a seat or saddle for use of the rider and designed to travel on not more than three wheels in contact with the ground.

Trailer: Motor vehicle with or without motive power, designed for carrying persons or property and for being drawn by another motor vehicle.

Motor Vehicle Equipment: Individual vehicle components or systems whether installed on a new vehicle or provided as a replacement or accessory that are subject to a FMVSS.

Low-Speed Vehicle: 4-wheeled motor vehicle, other than a truck, with a maximum speed greater than 20 and not more than 25 miles per hour.

**PART II: A ZERO EMISSION VEHICLE INCENTIVE PROGRAM FOR
FLEETS THAT OPERATE IN AREAS OF CALIFORNIA WITH
THE POOREST AIR QUALITY**

PART II: ZEV INCENTIVE PROGRAM FOR FLEETS THAT OPERATE IN AREAS OF CALIFORNIA WITH THE POOREST AIR QUALITY

Part II of this document covers staff's recommendations for the new ZEV incentive program that will provide grants for fleets that operate in areas of California with the poorest air quality. Topics covered include background on the Legislative requirements and the need for the program, proposed administrative structure, eligibility requirements, and project evaluation criteria.

1.0 BACKGROUND

This section presents background information on the Legislative direction for the program, environmental justice, need for incentives, expected program benefits, and staff's proposed program goals.

1.1 Introduction

The Legislature approved funding in the Fiscal Year 2001-2002 State Budget. This funding is to be used to establish a new ZEV incentive program for fleets. This funding authorizes grants of up to \$11,000 per vehicle for new qualifying ZEVs that are purchased or leased through June 2004, and are used by fleets operating in nonattainment areas of California.

The Legislature directed the Air Resources Board to award grants through a competitive process. The competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities. The direction on the program is specified in both Assembly Bill 1390 (2001 Statutes, Chapter 763, Health and Safety Code Section 44260) and authorizing Budget language (Zero Emission Vehicle Program, Fiscal Year 2001-2002). A copy of Assembly Bill 1390 and the authorizing Budget Language can be found in Appendix I-E and Appendix I-F, respectively, in Part I of this document.

1.2 Environmental Justice

Environmental justice is defined in State law as "*the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies.*" These laws respond to growing concerns about the potential health effects from exposure to multiple pollutants and toxic compounds. Local community groups have repeatedly called for better protection from emissions from mobile sources, as well as pollutants from industrial sources that have often been sited in or near low-income communities.

In December 2001, ARB adopted broad-ranged environmental policies that are designed to assure clean air for all Californians. The policies will help advance this goal by making environmental justice considerations a standard practice in all ARB activities.

The policies are a result of a comprehensive two year Stakeholder process, in which ARB worked closely with local air districts, environmental and community groups, and industry representatives.

ARB's Environmental Justice policies represent one of the most comprehensive policies yet adopted by a State agency to date. They include major commitments in seven broad areas which are summarized below:

- ◆ Integrate environmental justice into all of ARB's programs, policies, and regulations.
- ◆ Strengthen ARB's outreach and education efforts in all communities, especially low-income and minority communities, so that all Californians can fully participate in our public processes and share in the air quality benefits of our programs.
- ◆ Work with local air districts to meet health-based air quality standards and reduce health risks from toxic air pollutants in all communities, especially low-income and minority communities, through the adoption of control measures and the promotion of pollution prevention programs.
- ◆ Work with the local air districts to strengthen enforcement activities at the community level across the state.
- ◆ Assess, consider, and reduce cumulative emissions, exposures and health risks when developing and implementing programs.
- ◆ Work with local land-use agencies, transportation agencies, and air districts to develop ways to assess, consider, and reduce cumulative emissions, exposures, and health risks from air pollution through general plans, permitting, and other local actions.
- ◆ Support research and data collection needed to reduce cumulative emissions, exposure, and health risks, as appropriate, in all communities, especially low-income and minority communities.

ARB's environmental justice policies specifically commit to implement incentive programs as specified in Assembly Bill 1390 to ensure that all communities, including low income and communities of color, are afforded the opportunity of participating in the program. Thus, this ZEV incentive program is an important part of implementing ARB's environmental justice policies.

1.3 Need for Incentives

Incentives help accelerate the production of technologies that benefit society. During the next three years, staff believes that incentives will play a critical role in enhancing market development for ZEVs. ZEVs currently cost more than comparable conventionally fueled vehicles, due in part, to small production volumes. This higher cost makes it much more difficult for fleets to purchase or lease ZEVs.

Residents of many communities, including low-income and communities of color, have not had the opportunity to purchase or lease a ZEV because of the substantially higher cost of these vehicles and lack of familiarity with the technology. This program is designed to break through these barriers. By providing significant grants to fleets that operate in areas with the poorest air quality, this program is intended to provide opportunities to communities who may not have been previously able to consider leasing or purchasing a ZEV.

This program has the potential to provide tangible, near-term benefits to communities. ZEVs can replace older gasoline or diesel vehicles that contribute to smog and toxic air pollutants. Education and outreach on ZEV technology helps promote a greater understanding of air pollution and its causes, which can empower communities to take a more active role in air quality decisions which impact them. This is consistent with ARB's Environmental Justice policies, that commit to strengthen outreach and education efforts in all communities, especially low income and communities of color, so that all Californians can fully participate in public process and share in the air quality benefits of our programs.

Finally, by providing a grant of up to \$11,000 per vehicle, it is anticipated that this incentive program will result in greater use of ZEVs by fleets. This will greatly enhance the marketability of ZEVs, because fleets have been very important in paving the way to a vibrant consumer market. Of particular importance is the ability to allocate funding priorities to support the availability of vehicles with full function characteristics. Full function ZEVs are able to satisfy the widest variety of transportation needs, and thus are a critical element of a sustainable market.

1.4 Program Goals

There are four program goals for this program. These goals incorporate the Legislative direction for this program, ARB's Environmental Justice policies, and priorities identified by the Board for ZEV program implementation. The program requirements described later are structured to most effectively meet these goals. The four program goals are described below:

- ◆ Implement an incentive program for ZEVs for fleets that operate in the geographical areas of the State with the poorest air quality.

- ◆ Promote the deployment of ZEVs in communities that suffer from greater exposure to poor air quality, including low-income communities and minority communities.
- ◆ Encourage projects that showcase ZEV technology to communities, or include education on the benefits of ZEV technology, so that all communities, especially low-income and communities of color, can take a more active role in decisions affecting their local air quality.
- ◆ Promote full function ZEVs or ZEVs with full function characteristics.

2.0 PROGRAM ADMINISTRATION

This section provides staff's recommendations for how the program should be administered. Topics discussed include the application and solicitation process, and administrative roles and responsibilities. Staff's proposals are intended to ensure that the program is successful in meeting the program goals discussed in the previous section.

This program differs from the programs described in Part I in that grants are not allocated on a "first-come, first-served" basis. The Legislature directed ARB to award grants through a competitive process.

A competitive process is one in which all eligible requests for grants are evaluated and scored utilizing objective criteria. Grants are then awarded to proposals that are found to score the highest using the criteria. The order in which proposals are submitted is not important as long as they are submitted within required timeframes. A competitive process is already used by ARB in the administration of a number of programs, including the Carl Moyer Program, and the award of funds allocated through the Research Division for sponsored research projects.

2.1 Program Overview

The program will be implemented at the State level by ARB, in conjunction with Program Partners and Program Sponsors. ARB will appoint a Program Manager to oversee the implementation of the program and to work collaboratively with Program Partners and Program Sponsors. Program Partners are air districts or other public agencies that agree to assist with the implementation of program in their area, including the recruitment and evaluation of project proposals. Program Sponsors are public or private organizations that would like to assist with program outreach and identification of potential applicants. The duties of the Program Manager, Program Partners, and Program Sponsors are described later in this section.

The Program is divided into three different stages: (1) Pre-Solicitation (2) Solicitation and (3) Grant Allocation.

Pre-Solicitation During this period, ARB, Program Partners, and Program Sponsors hold Pre-Solicitation workshops to inform interested parties about the program and funding opportunities. These workshops will be held throughout the State, and will include detailed information on the program and how to apply, as well as a demonstration of ZEV technology and information on charging infrastructure.

Grant Solicitation This begins when ARB and Program Partners announce the Request for Grant application period. This will be a sixty-day period, in which all interested parties can submit an application requesting a grant. All applications must be received by the last day of the solicitation period. There will be at least two Solicitation periods, one each in 2002 and 2003. Depending on funding availability, there could be additional solicitation periods in 2003 and 2004.

Grant Allocation. ARB and Program Partners review and score all applications submitted during the Grant Solicitation Period (more information on this process is included in the *Project Evaluation* Section). Successful applicants will be notified and they will receive grants upon execution of the Grant Agreement and submittal of necessary documentation, including vehicle lease and registration information.

2.2 Program Partners

Program Partners are essential to a successful program. A Program Partner is a public agency that agrees to work with the ARB Program Manager and assist with implementation of the program in their area or jurisdiction. Program Partners agree to make the following commitments to the program:

- ◆ Jointly co-sponsor at least one Pre-Solicitation Workshop in their jurisdiction each solicitation period.
- ◆ Provide input on the program outreach strategy for their region or jurisdiction.
- ◆ Assist with outreach efforts for the program in their area or jurisdiction, including providing assistance to ARB to help identify potential fleets in their area.
- ◆ Make the grant application package and program information available at their offices, website, and at appropriate outreach events that they normally sponsor or participate in.
- ◆ Provide information on all possible incentives or funding sources that could be considered by potential applicants in their area.
- ◆ Assist ARB in the evaluation of applications within their jurisdiction. This will include their recommendation as to the scoring of projects utilizing Project Evaluation Criteria and recommendations as to which projects to fund in their area or jurisdiction.

- ◆ Appoint a staff person to provide input to the ARB Program Manager. This will include participating in quarterly meetings or monthly conference calls with other Program Partners and the ARB Program Manager. Air Districts who are Program Partners would also be asked to develop environmental justice criteria for their region or provide input to the Program Manager on the appropriate environmental justice criteria for their area.

Staff looks forward to Air Districts' active participation as Program Partners. Air Districts can make a very important contribution to the overall program success. Districts are the most familiar with fleets in their area and as well, can provide considerable expertise in the identification of appropriate environmental justice criteria in their area. In addition, they have ongoing outreach activities that provide important opportunities to educate their communities about ZEV technology and funding opportunities available with this program.

While it is anticipated that Air Districts will be the primary Program Partners, staff also encourages other public agencies that have battery electric vehicle or expertise with implementing fleet programs to consider becoming a Program Partner. This could result in some areas having more than one Program Partner. For example, an Air District, City, and State or federal agency could all have overlapping areas of jurisdiction. This structure has the potential to incorporate a wide variety of insight, expertise, and knowledge into the program. It also opens up a multitude of outreach opportunities to inform communities about the program and grant opportunities. Program Partners will play an extremely important role in implementing the program at the local level.

To avoid any conflict of interest, a Program Partner must agree to not submit a grant proposal under this program. Because Program Partners will be evaluating grant applications for their area, it would not be appropriate for them to submit their own application during a solicitation period. However, interested agencies that are planning to submit a grant application would be eligible to participate as a Program Sponsor.

2.3 Program Sponsors

Organizations (automakers, electric utilities with EV programs, environmental or community organizations, etc) that could have a potential stake in which proposals receive grants are welcome to participate as a Program Sponsor. A Program Sponsor would be an organization that is willing to support the program, including outreach activities and fleet evaluation of interested applicants. However, they would not have any role in the evaluation of projects in their area. Specifically, Program Sponsors agree to the following:

- ◆ Sponsor a pre-solicitation workshop in their area and provide other assistance, as needed, with outreach on the program.

- ◆ Provide assistance, as needed, to the Program Manager and Program Partners in identifying potential fleets or specific fleet applications in their area or within their area of expertise that they believe have high merit.
- ◆ Assist interested organizations with determining if EVs are appropriate for their fleet needs ("fleet evaluation").
- ◆ Program Sponsors may also assist fleets in the development of grant proposals.

2.4 Program Manager

ARB will appoint a Program Manager to administer the program. The Program Manager may be different than the Program Manager responsible for the statewide grant program described in Part I of this report. The duties of the Program Manager are:

- ◆ Coordinate with Program Partners and Program Sponsors.
- ◆ Develop grant application packages and make them available.
- ◆ Develop outreach plan with Program Partners and Program Sponsors.
- ◆ Coordinate outreach activities with the ZEV Outreach Stakeholder Group.
- ◆ Coordinate with the ZEV Grant Program Manager and ZEV Incentive Stakeholder Group.
- ◆ Conduct Pre-Solicitation Workshops with Program Partners and Program Sponsors.
- ◆ Screen all applications for completeness and eligibility.
- ◆ Ask Program Partners to review all eligible applications in their jurisdiction.
- ◆ Assist in the evaluation of applications, and incorporate recommendations of Program Partners regarding applications in their area or jurisdiction.
- ◆ Announce grant awards and authorize grant distribution.
- ◆ Track program status, including funding allocation.
- ◆ Meet quarterly (or monthly if needed) with Program Partners and Program Sponsors.
- ◆ Coordinate within ARB to hold an outreach event in 2003 to publicly acknowledge the contribution of all Program Partners and Program Sponsors, and to highlight Program Accomplishments.

2.5 Pre-Solicitation Process

The goal of the Pre-Solicitation process is to inform interested fleets, public agencies, and community organizations about the benefits of ZEV technologies and funding opportunities available under the program. The Pre-Solicitation process will include a comprehensive outreach effort. This will include the following materials and activities:

- ◆ Written materials on ZEV technology and funding opportunities prepared by the Program Manager in coordination with Program Partners and Program Sponsors.
- ◆ ARB Press Release announcing the Program.

- ◆ Preparation of outreach materials that can be used by Program Partners and Sponsors to outreach on the Program. In addition to a program factsheet, this could include brochures, a short Power Point Presentation or video explaining the program that could be used by Program Partners and Sponsors, and any other outreach needs identified by Program Partners and Sponsors. In addition, a program logo will be developed to enable interested parties to quickly identify the program.
- ◆ Identify potential fleets and fleet applications and determine best methods of outreach to these fleets.
- ◆ Coordinate outreach activities with ZEV Stakeholder Outreach Group and other interested organizations.
- ◆ Conduct Pre-Solicitation Workshops. These workshops will include discussion of available ZEVs, assistance with a fleet evaluation, and detailed information on the program and application process.

2.6 Solicitation Process

The solicitation process begins with the announcement of the opening of the grant solicitation period. The first solicitation period is expected to begin by July 2002 and conclude by August 2002. Application packages will be available from ARB, www.zevinfo.com, auto dealers, as well as from Program Partners and Program Sponsors.

The application process has been designed to be simple and easy to complete. However, all interested parties must submit the official application form. Required information includes: applicant name, taxpayer identification number, business license (if applicable), mailing address and agency contact information. In addition, the application must include name of organization(s) where the vehicles will be placed and used. Other required information includes number and type of vehicles that will be leased or purchased (make, model number, lease cost), address(es) where vehicles will be garaged, and description of project.

It is anticipated that the project description will be relatively simple for those applicants leasing or purchasing small number of vehicles, but may be significantly more detailed for large and complex projects. Detail on project requirements can be found in subsequent sections of this report. However, project description should, at a minimum:

- ◆ Identify geographical areas where vehicles will be garaged and used, including the nonattainment area;
- ◆ Document that the vehicle will be garaged and used in an area that meets environmental justice criteria and benefits of the project to the area;
- ◆ Fleet application or use for the vehicle;
- ◆ Estimated vehicle miles traveled;
- ◆ Briefly describe any educational or outreach project components; and
- ◆ Identify any Program Partnerships.

Only paper copies of applications will be accepted. All applications must be received by the close of the solicitation period. Applicants may include any supplemental information they would like to have considered in the evaluation of their project. In addition, the application must be signed and dated by a representative of applicant's organization that has the authority to submit the application.

2.7 Grant Allocation Process

The Program Manager shall (1) screen all applications for completeness, and (2) determine eligibility for all complete applications. All eligible applications will be evaluated and scored by Program Partners and the ARB Technical Review Committee.

Complete Applications. The Program Manager will review each application to determine if it is complete. Anyone that has submitted an application that is incomplete, unsigned, or has missing information, will be provided with an opportunity (10 business days maximum) to provide the missing information to the Program Manager. If the information is not provided within this timeframe, the application will be found to be ineligible. All applicants will be notified in writing that their application has been received and whether it is complete.

Eligibility Determination. Eligibility requirements are discussed in the next section. All applications will be reviewed by the Program Manager to determine if they meet minimum eligibility requirements. The Program Manager will consult, as necessary, with the appropriate Program Partner. Applications determined to not meet minimum eligibility requirements will be notified in writing. Any applicant can appeal to the Program Manager in writing if they believe that their application has been unfairly found to be ineligible. They must provide their reason in a signed letter within 10 working days of being notified that their application does not meet minimum requirements. All applicants that submit an appeal will be notified in writing by the Program Manager of the final eligibility determination.

Most, if not all, ineligible applicants would be eligible for a grant under the general ZEV Grant Program, described in Part I of this document. All ineligible applicants will be provided with information on how to complete the paperwork to receive a grant from the general ZEV Grant program.

Project Evaluation and Award of Grants. A copy of all eligible applications will be provided to Program Partners (projects in their jurisdiction) for their review and recommendation. The Program Manager and Technical Review Committee will then review the Program Partner's evaluation of each project, and incorporate their evaluation when determining a final score for the project. The composition of the ARB Technical Review Committee and evaluation process is described in detail in the *Project Evaluation* section.

2.8 Program Funding Allocation

A maximum of 40% of total funds will be set aside for vehicles leased to implement project proposals that are approved in the year 2002. The remaining funds, as well as any unused funds from 2002, will be available for vehicles leased for projects approved in 2003 and 2004. Minimum baseline funding amounts will initially be allocated in 2002 to each eligible area of the State (eligible areas are described in the *Program Eligibility* section). These allocations will not comprise more than 20% of available funding for a given year and will be based on a consideration of both population and severity of the air pollution problem. The allocations will be made by eligible air districts.

Providing minimum baseline allocations of funding was recommended in the ZEV Incentive Stakeholder Group as a mechanism to ensure that each eligible area has the ability to have funded projects. The Program Manager will reallocate this funding if there are insufficient requests in an area, or submitted requests do not attain a minimum score using Project Evaluation Criteria (discussed in the section on Project Criteria). Proposals that attain a score of 70 or better are eligible for funding.

If the amount of projects with a score of 70 (see Table II-3 below for details) exceeds available funding in an area, then projects will be funded in priority, based on those with the highest score. The process will fund the projects with the highest score (a score of 70 or greater) in each area. When funding is either exhausted for each area, or if unused, it will be reallocated to a "State pool." The remaining projects will then be funded, based on those with the highest score (must have a minimum score of 55, as discussed later).

2.9 Grant Payments

Successful applicants will be notified in writing that they are eligible for a grant award. In order to receive their grant, they must execute a Grant Agreement with ARB and lease or purchase the vehicles. A copy of the recommended draft terms and conditions of the Grant Agreement is included in the Appendix II-A. Each Grant Agreement will specify the number of vehicles and approved grant award for each vehicle. The applicant's project description will be incorporated as part of the Grant Agreement.

All successful applicants will be provided with a Grant Agreement, approved (signed) by ARB. The receipt of the approved Grant Agreement is documentation to the applicant that their project is approved for funding, pending execution of Grant agreement. The Grant Agreement must be fully executed within 90 days from the date that ARB approves the Grant Agreement. If the Grant Agreement is not fully executed within 90 days, then the applicant is no longer eligible for a grant. A "Fully Executed" Grant Agreement means that the applicant has signed the Grant Agreement (as approved by ARB), returned it to the Program Manager, and provided any required documentation (vehicle lease or sales agreement is not needed at this stage). Any changes to the standard Grant Agreement Terms and Conditions must be approved by both ARB and

the applicant and the Grant Agreement must be fully executed within the same 90 day period (90 day period is calculated from the date that the original Grant Agreement was approved by ARB).

It should be understood that execution of the Grant Agreement does not obligate the applicant to purchase or lease vehicles should they determine for any reason not to implement the project. In addition, applicants can purchase or lease vehicles in increments, or purchase or lease a smaller number of vehicles than approved in the executed Grant Agreement. Under no circumstances, however, can an applicant receive funds in excess (or for a greater number of vehicles) than in the executed Grant Agreement.

Upon obtaining prior written approval by the Program Manager, applicants can substitute similar vehicles for those that are identified in the executed Grant Agreement (and were originally requested in their application). All vehicles substituted must be eligible for the same grant award. For example, an applicant could substitute similar vehicles that qualify for the maximum grant award of \$11,000 (RAV4EV or a Ford Ranger EV), but not a RAV4EV for a Neighborhood Electric Vehicle. In addition, all substituted vehicles must be eligible for a grant. In approving the substitution of vehicles, the intent is to support the implementation of projects, address any vehicle availability issues, and provide flexibility to applicants if they identify vehicles better suited to their project or fleet application. However, no vehicle substitutions will be approved if the substitution itself substantially changes the scope or effectiveness of the project, as described in the applicant's original project description.

The successful applicant has a maximum of twelve months from the date that ARB signs the Grant Agreement to lease or purchase the vehicles. This time period is being provided to address Stakeholder concerns related to vehicle availability, time needed to address budgetary and procurement cycles of different agencies. However, if the vehicles are not leased or purchased within 12 months of the date that ARB approves the Grant Agreement, then the applicant must reapply for a grant during the next open solicitation period. If the applicant does not execute the Grant Agreement within 90 days, then the project is no longer eligible for a grant. A grant will be offered to any other remaining eligible projects that attained a score of 55 and greater (in same solicitation period).

Actual payment will be made when the applicant leases or purchases the vehicles. Payment can be made directly to applicant or auto manufacturer/dealer. Payment will be issued when the applicant returns the Payment Request Form with documentation of vehicle lease or purchase. Payments will be made only for eligible vehicles included in the executed Grant Agreement. No grants or funds are provided to recoup administrative or infrastructure costs. Applicants are encouraged to work closely with Program Partners and Program Sponsors in their area so that they can secure all assistance that they may be available for in their area.

3.0 PROGRAM ELIGIBILITY REQUIREMENTS

This section of the staff report contains staff's recommendations for the minimum program eligibility requirements. These requirements reflect the Legislative Direction that ARB provide grants to fleets that operate in areas with the poorest air quality. The eligibility requirements are also structured to ensure that the program goals are achieved:

3.1 Overview

As discussed in the previous section, all applications submitted will be evaluated through a three-step competitive process. First, all applications are screened to determine if they are complete. Second, all complete applications are reviewed to determine if they meet minimum eligibility requirements. Any applicant whose proposal is determined by the Program Manager to not meet the minimum eligibility requirements will be provided with an opportunity to appeal this finding (as described in previous section). If it is deemed to be ineligible after an appeal, it will be excluded from further evaluation. Finally, all applications that meet minimum eligibility requirements will be evaluated and scored, using the project evaluation criteria (discussed in later sections of this report).

Staff proposes five requirements that would need to be met for all applications or grant requests. These are: (1) definition of eligible applicant, (2) fleet definition, (3) nonattainment requirement, (4) eligible vehicle, and (5) environmental justice criteria. To be eligible, an applicant must meet all five of these requirements. In addition, some projects must also provide information on how the project will be administered. Each of these requirements is described in this section.

3.2 Applicant

Individuals are not eligible for grants. To qualify, all applications must be submitted by a representative of an organization that falls into one of the following categories:

- ◆ Public agency. This includes State agencies (including State College and University system), any federal agency with an office in California (example U.S. Post Office) and local agencies (city, county, public school, public community college, police, fire or other special purpose district). The applicant shall provide their federal tax payer identification number on the application and information on the agency (type of agency, mission, geographic area of service).
- ◆ Business or Corporation Authorized to Conduct Business in California. This includes sole proprietors and partnerships. The applicant shall provide a copy of the current business license issued in California and their federal tax payer identification number. If a business license is not required, the applicant can provide other documentation demonstrating that they are authorized to conduct business in

California. The applicant shall provide a short description of their business and geographical area of service.

- ◆ Non-profit organizations, Estates, or Trusts. The applicant shall provide a federal tax payer identification number and a short description of the charter or organizational mission and geographical area of service/activity.

A typical applicant would be an entity that meets the criteria above and who applies for grants for vehicles that they will lease and use in their own fleet. However, it is also possible that a qualified applicant could also be any entity that meets the criteria outlined above and who is applying for funding that will be used to purchase or lease vehicles that they will place and manage in other fleets (or other fleets including their own). In all cases, vehicles must be placed with an eligible fleet, which is defined below.

3.3 Eligible Fleets

All vehicles must be placed in a fleet. The Legislation or authorizing budget language does not define fleet or include any fleet criteria. There are many possible definitions of a fleet that have been used in programs. These definitions include organizations that own a specified number of vehicles (2,10,100, etc), organizations that purchase a specified number of vehicles, or organizations that administer vehicles for other fleets or organizations (including implementing a project).

Staff proposes to define fleet very broadly to facilitate community participation in the program. However, the fleet definition proposed by staff is also intended to exclude any grants for vehicles purchased or leased by an individual or primarily intended for use as a commuter vehicle.

A fleet vehicle differs from a vehicle purchased by an individual. Individuals generally use their vehicles to meet their personal transportation needs, including commuting. A fleet vehicle is any vehicle used by a business, public agency, or other organization in the course of conducting business. This vehicle is generally owned, leased, or procured through a long-term rental agreement.

An eligible fleet must meet either one of the following criteria:

- ◆ Any eligible applicant (described earlier) that at the time the application for a grant is submitted owns or leases two or more fleet vehicles that are used for the conduct of business.
- ◆ Any public agency, business, non-profit organization estate, or trust that has entered into an agreement with an eligible applicant to receive and use ZEVs that receive a grant through this program. All vehicles must be used as fleet vehicles.

The proposed definition of fleet is broad. It should accommodate a broad spectrum of community organizations, businesses, and public agencies. Staff recommends that in the evaluation of projects (described in detail in the next section), priority be given to those fleets that do not typically garage their fleet vehicles at a private residence, and do not intend to garage the ZEV receiving a grant at a private residence. This is to ensure that grants are allocated to fleet vehicles. "Garaged" is defined for a battery EV as the location where the charging station is installed. For all other vehicles, "garaged" is defined as the location where the vehicle is parked overnight.

All grant applications will need to include an estimate of the number of fleet vehicles in the applicant's fleet. This number can be based on the number of vehicles in the entire organization in one geographical area (for example, Air District boundaries or nonattainment area boundary) or sub-unit of organization that will use the vehicles. If the applicant is not the entity using the vehicle, then the applicant must identify each eligible fleet receiving vehicles through their project.

3.4 Definition of Nonattainment Area

3.4.1 Background

The Legislature directed that grants be awarded to fleets that operate in nonattainment areas of California. This section provides background information on, ambient air quality standards and nonattainment areas. Health effects associated with other pollutants, including particulate matter (PM), carbon monoxide, and toxic air contaminants are discussed in the following section on environmental justice criteria. Additional information on air quality standards, health effects, and air pollution sources, is available in the Appendix II-C.

The 1990 Federal Clean Air Act requires that the United States Environmental Protection Agency (U.S. EPA) establish National Ambient Air Quality Standards. The Board also establishes state ambient air quality standards that are in some cases, more stringent and protective of human health than the national standards. The national and states ambient air quality standards set legal limits on the level of an air pollutant in the outdoors (ambient) air necessary to protect public health. The process to establish these standards is based on extensive evaluation of peer reviewed scientific data as well as public input and comment.

Monitoring is conducted to measure air quality throughout the State. Areas that exceed the levels specified in the ambient air quality standards are designated as a nonattainment area for that particular pollutant. An area can be nonattainment for one or multiple pollutants. Additionally, an area can be nonattainment for both the State and federal standards for a particular pollutant, or for only the State or federal standard.

Nonattainment areas are those counties or sub-division of a county where U.S. EPA or ARB determines that the measured levels of a particular pollutant are exceeded for a minimum number of days or hours. Of particular concern is the ambient air quality

standard for ozone. This is due to the severity of the nonattainment problem throughout California. Ozone is a regional pollutant and is formed by chemical reaction in which emissions primarily from motor vehicles are chemically transformed in the presence of sunlight.

Most population centers of California exceed the ozone standard by a significant margin. This includes the Sacramento metropolitan area, the South Coast Air Basin, the Bay Area Air Quality Management District, and San Diego area. Populations at highest risk are children, the elderly, and those with pre-existing health conditions. Scientific studies have demonstrated that ozone can cause or contribute to breathing difficulties and lung tissue damage. Health effects are impacted by both the severity (or level) of the pollutant, the length of exposure (number of hours or days in which the standard was exceeded).

3.4.2 Proposed Nonattainment Requirement

Staff proposes to define the nonattainment requirement as any County or sub-division of a County that is designated nonattainment for the federal ambient air quality standard for ozone. To qualify, each vehicle receiving a grant would need to be garaged in a County or sub-division of a County currently designated nonattainment for the federal ozone standard. This will be based on designations promulgated by U.S. EPA and in effect at the time of the application period. The Table below lists the current counties or parts of counties that are currently designated as a federal ozone nonattainment area, and thus eligible for grants under this program.

Table II-1: Nonattainment Areas for Federal Ozone Ambient Air Quality Standard

County	County
Alameda	Ventura
Contra Costa	Butte—Chico only
Fresno	El Dorado (not Lake Tahoe portion)
Kings	Imperial
Los Angeles	Kern (only San Joaquin Valley portion)
Madera	Yolo
Marin	Placer (not Lake Tahoe portion)
Merced	Riverside (only South Coast Air Quality Management District portion)
Napa	
Orange	Solano
Riverside	San Mateo
Sacramento	Stanislaus
San Diego	Sutter
San Francisco	Tulare
San Joaquin	

A map of the nonattainment areas for national ambient air quality standard for the ozone standard are included in Appendix II-B. This map shows the severity of the air pollution problem, based on U.S. EPA classifications of unclassified, moderate, serious, severe, and extreme nonattainment areas.

3.5 New Eligible ZEV

Each applicant would be assured that if their proposal were selected, they would receive the maximum grant amount for each eligible vehicle, unless they requested a lesser grant amount. The program is structured this way to provide certainty to fleets and to encourage the use of ZEVs in fleets. A more detailed rationale on vehicle eligibility requirements can be found in Part I of this document. Generally, all vehicles eligible for a grant under the statewide ZEV Grant Program are also eligible for a grant under this program. However, the funding amounts differ. This is because the Legislature authorized a maximum grant of \$11,000 per vehicle for this program to encourage vehicles in areas that are disproportionately impacted by poor air quality.

To be eligible, the vehicle must be a new zero emission light-duty car, zero emission light-duty truck, or fully enclosed three wheel zero emission motorcycle. NEVs that are not receiving regulatory credit are also eligible. The vehicle categories described in Part I will also be used in this program.

Below is a summary of the basic vehicle requirements:

- ◆ A zero emission light-duty car or a zero emission light-duty truck, or a 3-wheel, fully enclosed motorcycle that is certified by the ARB;
- ◆ Any NEV certified as a ZEV that does not receive regulatory credits;
- ◆ A new vehicle as defined in Section 430 of the California Vehicle Code; and
- ◆ Paperwork to register the vehicle must have been submitted to the Department of Motor Vehicles, and the applicant must possess a temporary or permanent vehicle registration to operate the vehicle in California issued before receiving a grant.

Table II-2 below lists the vehicle categories that qualify for grants. The maximum grant amount a vehicle may receive is specified. Project applicants' may request a lesser grant amount per vehicle.

The registered address for fleets can often vary significantly from the address where the vehicle is garaged. In order to qualify for funding, an applicant will need to provide documentation that the vehicle will be registered and used in California. However, in terms of ensuring that the vehicle meets nonattainment and environmental justice criteria, the location where the vehicle will be garaged will be used to determine compliance with these requirements.

TABLE II-2: ELIGIBLE VEHICLES AND GRANT AMOUNTS

Vehicle Category	Proposed Grant Amount
Full-Function ZEV	\$5,000
City ZEV	\$3,500
Neighborhood ZEV	\$1,000
Zero Emission Motorcycle (ZEM)	\$3,000

The Appendix I-D contains a list of current model vehicles eligible for funding under this program.

3.6 Environmental Justice Criteria

The Legislature directed that ARB give priority in the allocation of grants to those fleets that operate in areas that are disproportionately impacted by poor air quality, including low income and communities of color.

The final eligibility requirement that all projects must meet is to have a vehicle garaged in an area that meets environmental justice criteria. The garaged location is being used to simplify the process for applicants in determining whether their project is located in an area that meets environmental justice criteria. In addition, staff recognizes that the majority of EVs will be used within a 30-mile radius of the garaged location.

However, the geographic area that the vehicle will actually be driven is important and will be an important consideration during the evaluation and scoring of all eligible projects. This is to ensure that vehicles receiving a grant are primarily driven in areas that meet environmental justice criteria, so that these communities receive tangible benefits from the funding provided in this program.

3.6.1 Background on Environmental Justice

ARB's environmental justice policies are intended to ensure that diverse strata of communities, including low income and minority communities, will benefit from efforts to control California's air quality problems and to address the impact that exposure to multiple pollutants, including toxic air contaminants, has on community health.

Scientific studies have demonstrated that many pollutants have the potential to impact public health. Besides ozone, particulate matter (PM) and carbon monoxide (CO) are of particular concern. PM has been correlated to increased respiratory disease, lung damage, and premature death. CO causes chest pain in heart patients, headaches, and reduced mental alertness. In addition there are a number of toxic air contaminants that can contribute to a wide variety of long-term health impacts, including increased cancer rate.

In addition to air quality considerations, it is also important to consider the socioeconomic factors that may impact a community's existing air quality as well as participation in new programs, including the ZEV incentive program. These factors include but are not limited to:

- ◆ Number of people at or below the federal poverty level
- ◆ Average median household income that meets definition of low income (HUD or other agencies)
- ◆ Ethnic make-up of the neighborhood
- ◆ Unemployment rates
- ◆ Higher than average concentration of industrial and mobile sources (e.g, power plants, freeway corridors, auto refinishing).

Available data includes regional air quality monitoring data, emissions data by source (or source category), and community health monitoring. In addition, ARB provides an estimate of cumulative risk from exposure to toxic air contaminants. This information is available through interactive maps (Aspen Maps) that estimate inhalable cancer risk, as well as show anticipated trends between 1990 and 2010. Socioeconomic data includes (but is not limited to) income, ethnicity, housing, and population data available from the U.S. Census Bureau.

3.6.2 Environmental Justice Criteria

It is very difficult to develop a "one size fits all" environmental justice criteria that is fair and equitable throughout the State. This is because local air quality concerns and socioeconomic factors vary significantly due to the diversity of communities found in California. The best criteria will reflect the best data and tools available for a particular area.

Therefore staff strongly recommends that the best approach is for Air Districts to develop environmental justice criteria for their jurisdiction. To facilitate participation in the program, staff recommends that Air Districts map areas that meet environmental justice criteria using a Geographic Information System (GIS). This will make it easy for potential applicants to determine if their project is located in an area meeting minimum environmental justice criteria. Several air districts have already taken this approach to developing environmental justice criteria for the Carl Moyer Program. This includes the South Coast, Santa Barbara, and Mojave districts.

Health and Safety Code Section 43023.5 requires districts containing more than one million inhabitants to spend at least fifty percent of state incentive funds, including Carl Moyer Program funds, to reduce or eliminate impacts on areas of the state with the poorest air quality. As part of the implementation of the Carl Moyer Program, many Districts have reviewed the challenges they need to address to best define environmental justice criteria for their area. Larger Air Districts, including South Coast, Bay Area, Sacramento, San Joaquin Valley, and San Diego Air Districts have developed or are in the process of developing environmental justice criteria for Carl Moyer projects within their jurisdiction.

The South Coast's proposed environmental justice criteria includes an economic and air quality factor. The economic factor is defined as areas where at least ten percent of the population is below the federal poverty level (based on U.S. Census data). The air quality factor is defined as the areas with the highest PM concentrations and areas with highest estimated cancer risks. Less populated or rural districts are also attempting to respond to the challenges of how they should best define areas to focus environmental justice efforts. The issue of which criteria to use can be quite different for small dispersed communities whose demographics are difficult to define.

In many cases, it is anticipated that existing environmental justice criteria that Districts are using for the Carl Moyer Program may be applicable to this program. In the event that district criteria is not available, or Carl Moyer environmental justice criteria is not appropriate, ARB staff proposes to work with district staff and interested community organizations to assist in the development of criteria for the area. Also, staff proposes that potential applicants be allowed to use alternate criteria, as long as supporting documentation is supplied. ARB and Program Partners will review the alternate criteria as part of the program eligibility determination process.

3.7 Project Administration

Staff proposes to require some applicants provide additional information related to program administration. The reason for this is to ensure that grants are awarded to projects that have the greatest likelihood of being implemented. As discussed earlier, funds for grant awards are encumbered for up to one year. It would be counterproductive to encumber money for projects that are speculative, have not identified all of the funding needed to implement the project, or do not have agreements in process of being finalized that are needed to execute the project. It would also tie up funds for projects that are ready to move forward.

Applications for projects that include the following would need to complete Attachment B of the standard application form:

- ◆ All projects with 10 or more vehicles.
- ◆ All projects where vehicles will be used by a State or Federal Agency.
- ◆ All projects that include off-road use of vehicles (example military base, closed campus, retirement community, factory, etc).

Administrative and funding issues are more of a concern with those projects that will be procuring larger numbers of vehicles, as the complexity and cost increases, so does the administrative needs of the project. Attachment B would also be required for projects involving State or federal agencies, since contracts, budget augmentations and other administrative requirements, if not obtained, can make it difficult for the projects to be implemented. Finally, staff also recommends that projects that will include off-road applications also be required to provide this information. This is to ensure that projects that include off-road uses will be administered so that tangible benefits will be achieved in the intended community.

Applicants will need to provide information on the following:

- ◆ Identify funding sources for the entire project, including infrastructure
- ◆ Charging strategy
- ◆ Person responsible for administering the project
- ◆ Any contracts or agreements necessary to implement the project

4.0 PROJECT EVALUATION AND RANKING

This section discusses staff's recommendations regarding the process to evaluate and score all eligible applications. Topics discussed include type of projects, project proposal requirements, and project evaluation criteria. The minimum eligibility requirements were discussed in the previous section.

4.1 Eligible Projects

All proposals that meet the minimum eligibility requirements will be further evaluated after establishing that they meet minimum eligibility requirements. Proposals will fall into one of two categories. These categories are established to help simplify the application and review process for smaller projects, and to set up a structure so that projects of similar scope are evaluated against each other. It is staff's intention to ensure that a diverse mix of projects is funded, and that no one applicant or project receives all of the available funding. The two categories of projects are:

- ◆ Community Projects. These are applications for 10 or fewer vehicles for a project where all the vehicles are intended for use by the applicant. Federal or State agencies of any size must apply as a Fleet Project (described below). Community Projects do not have to complete Attachment B of the Application Form (Project Administration). Any local government agency is eligible to apply as a Community Project, as long as the project is for 10 or fewer vehicles. All proposals for Community Projects must complete the standard application package.
- ◆ Fleet Projects. This includes any applications submitted for vehicles to be placed in State or federal agencies, or any projects requesting funding for 10 or more vehicles. In addition, projects where the applicant is receiving funding for vehicles that will be

used by other fleets also are defined as a Fleet Project. An example of a project where the applicant is different than the end user of the vehicle is the *ev Sacramento* project; the Department of General Services leased vehicles for *ev Sacramento* and then entered into contracts with other State and local government agencies to sub-lease the vehicles. In addition, any projects where vehicles will be used in off-road applications are also considered a fleet project. An example of an off-road application would be a University that plans to use vehicles in a closed campus setting.

The same ranking process will evaluate both Community and Fleet projects, but the application process for Community Projects will be simpler because they do not have to complete Attachment B. Funding will be set aside for both Community and Fleet projects, while retaining the overall goal of providing grants to the highest scoring projects. This proposed structure is designed to ensure that small projects are able to remain competitive when evaluated alongside projects that propose large fleet deployments.

4.2 Project Evaluation Criteria

All applications that meet the minimum eligibility requirements will be evaluated using the Project Evaluation Criteria. Table II-3 below lists both eligibility and Project Evaluation Criteria. During the project evaluation process, all Community Projects will be evaluated and scored using the project evaluation criteria. The competitive process will consist of ranking all Community projects against each other, and all Fleet Projects against each other. All projects have a potential score of 100: All eligible projects are given a beginning score of 40. The project evaluation criteria will provide a score of up to 60 additional points. The final score for a project will be determined during the evaluation process.

Projects that attain a minimum score of 70 are eligible for a grant, contingent upon execution of a Grant Agreement and submittal of required documentation. However, if the number of projects exceeds funding availability, then grants will be allocated to the highest scoring projects. Conversely, if there is more funding than projects that attain a score of 70, then projects with a score of 55 or better will be eligible for a grant. A project applicant's request for a lesser grant amount per vehicle may be considered in ranking the project.

TABLE II-3: Project Eligibility and Project Ranking Criteria

Criteria	Project Eligibility Requirement	Project Evaluation Criteria
Applicant	Yes	
Eligible Fleet	Yes	
Nonattainment Area	Yes	
New Eligible ZEV	Yes	
Environmental Justice Criteria	Yes	Yes
Project Administration (Fleet Projects Only)	Yes	
Vehicle Miles Traveled		Yes
Public Education		Yes
Program Partnerships		Yes
Vehicle Use/Application		Yes

Vehicle Miles Traveled (VMT). The more a ZEV is driven, the greater the air quality benefit to the community. Fleets should identify the VMT of the vehicle, if it is replacing an existing vehicle in their fleet. If it is not replacing an existing vehicle, fleets should provide an estimate of projected VMT (daily and monthly estimates).

Factors considered when scoring projects include: estimated daily and monthly VMT, type of vehicles being replaced, and type of VMT (freeway, surface street, mixed, or off-road).

Public Education/Outreach. Education to communities on air quality in general as well as ZEV technology is very important. Education provides important tools to communities so that they can take a more active role in air quality decisions that affect them. In addition, education and outreach on ZEV technology is a critical element for achieving long-term program success. Projects that include public education or outreach will be given a higher priority than comparable projects with no public education or outreach elements.

Education and outreach opportunities vary widely depending on the interests of the community and type of project. Some examples of how this can be included in project proposals include:

- ◆ Use, display, or demonstration at educational facilities, including elementary and high schools and universities.
- ◆ Display at scheduled outreach or educational events.
- ◆ High-profile vehicle use.
- ◆ Vehicle displayed in community.
- ◆ Innovative new programs that provide education on air quality or other environmental issues.
- ◆ Displays or other information at office or primary vehicle location.
- ◆ Employee or student education.
- ◆ Provide brochures or other information on air quality issues at business or fleet location.

Program Partnerships. Projects that include partnerships have the potential to provide substantial benefits to communities. Program Partners can provide a diverse type of tangible benefits to communities. These contributions including financial or in-kind monetary contributions to the project, project management assistance, funding for public or workplace infrastructure that could attract additional ZEVs to the community. Projects that include Program Partnerships will be given higher priority than those that do not.

Factors considered when scoring include: (1) are Program Partners identified? (2) are the Program Partners providing financial or in-kind contributions? (3) what tangible benefits are Program Partners bringing to the community (e.g., supporting local business or organization, public charging, etc)? and (4) do Program Partners establish a framework that contributes to a successful project that would be difficult to achieve without the partners?

Examples of Program Partnerships include local air agencies, electric utilities, other public agencies, auto manufacturers/dealers, and equipment manufacturers.

Vehicle Use/Application. All applicants must identify each vehicle and how the vehicle will be used, or the type of fleet application being proposed. Proposals for vehicles that include individual transportation uses, including commuting, will not be given priority. Fleet applications will be evaluated for suitability, benefit to the community, potential for demonstrating and enhancing ZEV marketability, and potential for success in the particular application.

Factors considered when scoring include: (1) the full-function capabilities of the vehicle, (2) whether the vehicle is garaged at a non-residential facility, (3) whether the fleet application appears reasonable, given the vehicle specification and range, (4) whether the proposed vehicle use takes advantage of all vehicle capabilities, (5) whether the fleet application primarily in the community, and (6) whether the vehicle will use

freeways and city streets, or is primarily intended for use in an enclosed environment (school, industrial, etc).

Environmental Justice Criteria. The vehicle must be garaged in an area that meets environmental justice criteria, as discussed earlier. However, the goals of the program will be best met with vehicles that are used primarily in areas that meet environmental justice criteria. Priority will be given to those projects that can include documentation that the vehicles are intended to be driven at least 75% of the time in areas that meet environmental justice criteria. This documentation can be relatively simple for small projects of one to two vehicles. Documentation for small projects could consist of a description of the organization's service area, or description of expected routes described, or routes indicated on a regional map.

4.3 Scoring

Project Partners will evaluate projects in their area and score projects. The Project Partner's evaluation will be provided to the Program Manager. The Program Manager will provide a copy of the Program Partner's evaluation and each application to the ARB Technical Review Committee. The Technical Review Committee will meet to evaluate and score each project. The ARB Project Manager will compile the final results. The scoring contributed by Program Partners will be averaged into the score determined by the ARB Technical Review Committee. Using a weighted average for each criterion, Program Partner's evaluation will contribute 30% to the total score, and the ARB Technical Review Committee will contribute 70%. If more than one Program Partner evaluates an application, the scoring will reflect the input of all the Program Partners.

4.4 Technical Review Committee

The proposed composition of the Technical Review Committee includes representatives from several ARB Divisions. It is staff's intention to incorporate staff expertise in the areas of environmental justice, public education, and emission sources of air pollutants. Staffs' proposal for the Technical Review Committee:

- ◆ Chief Mobile Source Control Division (MSCD), or designee,
- ◆ MSCD/ZEV Implementation Section (two staff, including Program Manager),
- ◆ TSD/Environmental Justice Section (one staff),
- ◆ ASD/Accounting Section (one staff). and
- ◆ Chair's Office/Office of Education (one staff).

All scoring of projects will be evaluated by the Deputy Executive Officer, prior to the award of grants being announced

Appendix II-A

DRAFT GRANT TERMS AND CONDITIONS

1. PARTIES

The parties to this Grant are the California Air Resources Board (ARB), whose address is 1001 I Street, Sacramento, CA 95814, and (GRANTEE), whose address is _____.

2. GRANTEE

- A. GRANTEE is authorized to do business in the State of California and attests that it is in good tax standing with the California Franchise Tax Board OR
- B. GRANTEE is a State Agency OR
- C. GRANTEE is a public agency (local, federal, special purpose district) OR
- D. GRANTEE is a non-profit organization, estate or trust.

3. RECITALS

GRANTEE agrees to obtain the required licenses, permits, and all other appropriate legal authorizations from all applicable federal, state, and local jurisdictions, and pay all applicable fees.

4. TERM

- A. The term of this Grant is from date of approval by ARB to (12 months)_____.
- B. It is the intent that all zero emission vehicles funded through the grant will be in use and purchased or leased within 12 months)_____ of the date that this Grant Agreement is approved by ARB. No funds will be disbursed for zero emission vehicles leased or purchased after that date.

5. AUTHORIZATION

- A. GRANTEE (other than Air District or local government agency) shall provide a letter signed by the organization's Executive or Chief Executive Officer or provide other documentation that demonstrates that the representative signing this GRANT AGREEMENT is authorized to do so.

- B. GRANTEE that is an Air District or local government agency shall provide a copy of Resolution or letter from Governing Body that demonstrates that the representative signing this GRANT AGREEMENT is authorized to do so.
- C. GRANTEE shall provide a copy of: (1) lease agreement or other contract for the vehicle, (2) signed PAYMENT REQUEST FORM, and (3) documentation that the vehicle will be registered for use in California.

6. REIMBURSEMENT FOR FAILURE TO PERFORM

- A. GRANTEE is obligated through this Grant to keep the zero emission vehicle receiving the grant registered in California and in use in the nonattainment area for a minimum of two years from the date the funded zero emission vehicle is placed in service. Should GRANTEE not fulfill this obligation, GRANTEE shall reimburse ARB for a prorated share of the funds provided for the zero emission vehicle.

FAILURE TO PERFORM is defined as the GRANTEE selling the vehicle, breaking a lease agreement, or removing the vehicle receiving the grant from the nonattainment area where it was originally placed. The prorated share for which GRANTEE will be liable shall be (1) 100% if the FAILURE TO PERFORM occurs within six months of the grant execution, (2) 75% if the FAILURE TO PERFORM occurs between six months and one year.

7. GRANT DISBURSEMENT

- A. GRANTEE may request disbursement of funds upon completion of vehicle purchase. GRANTEE shall submit Payment Request Form, a lease or purchase agreement, and copy of GRANT AGREEMENT number to ARB's Program Manager.
- B. Any costs incurred by GRANTEE prior to grant execution shall be incurred solely at the risk of the GRANTEE. In the event that a formal Grant is not executed, the ARB shall not be liable for any amounts expended in anticipation of a formal Grant. If a formal Grant does result, pre-grant cost expenditures authorized by the Grant will be reimbursed in accordance with the cost schedule and payment provisions of the Grant.
- C. Total amount of this Grant is \$ _____. This amount is allocated as follows:

(fill in appropriate vehicles and grant amounts)

- D. GRANTEE shall only receive funding disbursement for zero emission vehicles that are actually leased or bought. No administration or operational costs are allowed.

8. INDEMNIFICATION

GRANTEE agrees to hold harmless, indemnify, and defend ARB, its officers, employees, agents, representatives, and successors-in-interest against any and all loss, damage, cost or expenses which ARB, its officers, employees, agents, representatives, and successors-in-interest may incur or be required to pay by reason of any injury or property damage caused or incurred by GRANTEE, its employees, subcontractors, or agents as a result of the performance of this Grant and use of the subject zero emission vehicles.

9. PROJECT MANAGEMENT

Project Managers for GRANTEE and ARB are as follows:

ARB
1001 I Street
P.O. Box 2815
Sacramento, California 95812
(916) 322-6922

10. STATEMENT OF WORK

- A. The Statement of Work is attached (Application and Project Proposal)
- B. The GRANTEE shall provide the vehicle identification number for each zero emission vehicle receiving a Grant on the Payment Request Form.

**ATTACHMENT A
PAYMENT REQUEST FORM
DRAFT GRANT AGREEMENT**

1. GRANTEE

Grantee Name _____
Street Address _____
City/Zip _____
Contact Person _____
Phone _____

2. Vehicle Information

The following vehicles were purchased or leased:

Vehicle Model Number	VIN	Lease/Purchase Cost
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3. GRANT Agreement Number _____

1. Total Payment Amount Requested _____

2. To the best of my knowledge and belief, data in this Payment Request Form are true and correct.

Signature	Typed Name, Title	Date
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3. Program Manager Approval

Signature	Typed Name, Title	Date
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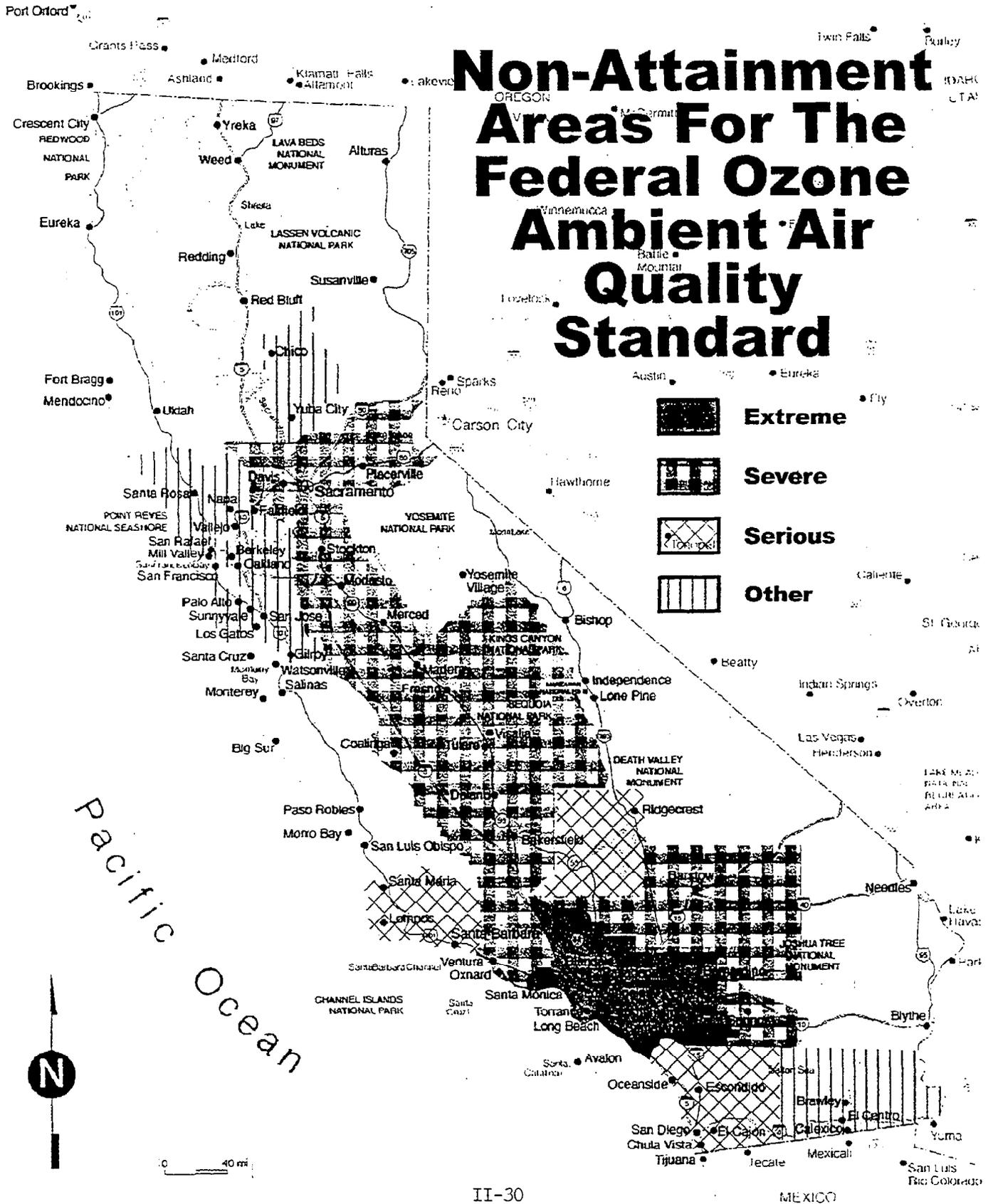
4. ARB Approval (Accounting Office)

Signature	Typed Name, Title	Date
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Appendix II-B

Map of Ozone Non-Attainment Area

Non-Attainment Areas For The Federal Ozone Ambient Air Quality Standard



Appendix II-C

ARB Fact Sheet: Air Pollution and Health



ARB Fact Sheet: Air Pollution and Health

This page updated August 24, 2001

Despite significant success in reducing overall pollution levels, air pollution continues to be an important public health problem. Air monitoring shows that over 90 percent of Californians breathe unhealthy levels of one or more air pollutants during some part of the year. Health-based ambient air quality standards set by the California Air Resources Board (ARB) identify outdoor pollutant levels that are considered safe for the public – including those most sensitive to the effects of air pollution, such as children and the elderly. The ARB has set standards for eight "traditional" pollutants, such as ozone and particulate matter. In addition to setting standards, the ARB identifies other air pollutants as toxic air contaminants (toxics) – pollutants that may cause serious, long-term effects, such as cancer, even at low levels. Most toxics have no known safe levels, and some may accumulate in the body from repeated exposures. The Board has identified about 200 pollutants as toxics, and measures continue to be adopted to reduce emissions of toxics. Both traditional pollutants and toxic air contaminants are measured statewide to assess programs for cleaning the air. The ARB works with local air pollution control districts to reduce air pollution from all sources.

What are the health effects of some common air pollutants?

The table below shows the health effects of some of the common pollutants found in our air and examples of some of the sources of these pollutants.

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POLLUTANT	HEALTH EFFECTS	EXAMPLES OF SOURCES
Particulate Matter (PM10: less than or equal to 10 microns)	<ul style="list-style-type: none"> • Increased respiratory disease • Lung damage • Premature death 	<ul style="list-style-type: none"> • Cars and trucks, especially diesels • Fireplaces, woodstoves • Windblown dust, from roadways, agriculture and construction
Ozone (O ₃)	<ul style="list-style-type: none"> • Breathing difficulties • Lung damage 	<ul style="list-style-type: none"> • Formed by chemical reactions of air pollutants in the presence of sunlight. Common sources: motor vehicles, industries, and consumer products
Carbon Monoxide (CO)	<ul style="list-style-type: none"> • Chest pain in heart patients • Headaches, nausea • Reduced mental alertness • Death at very high levels 	<ul style="list-style-type: none"> • Any source that burns fuel such as cars, trucks, construction and farming equipment, and residential heaters and stoves
Nitrogen Dioxide (NO ₂)	<ul style="list-style-type: none"> • Lung damage 	<ul style="list-style-type: none"> • See Carbon Monoxide sources
Toxic Air Contaminants	<ul style="list-style-type: none"> • Cancer • Chronic eye, lung, or skin irritation • Neurological and reproductive disorders 	<ul style="list-style-type: none"> • Cars and trucks, especially diesels • Industrial sources such as chrome platers • Neighborhood businesses, such as dry cleaners and service stations • Building materials and products

Appendix II-D

ARB's Programs and Policies for Environmental Justice



**POLICIES AND ACTIONS
FOR
ENVIRONMENTAL
JUSTICE**

Approved on December 13, 2001



AIR RESOURCES BOARD

POLICIES AND ACTIONS FOR ENVIRONMENTAL JUSTICE

Introduction

The California Air Resources Board (ARB/Board) is committed to making the achievement of environmental justice an integral part of its activities. State law defines environmental justice as the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies.¹ The Board approved these Environmental Justice Policies and Actions (Policies) on December 13, 2001, to establish a framework for incorporating environmental justice into the ARB's programs consistent with the directives of State law. These Policies apply to all communities in California, but recognize that environmental justice issues have been raised more in the context of low-income and minority communities. A number of specific actions support each Policy.

While these Policies focus on ARB as an organization, they also reflect the need for the local air pollution control and air quality management districts (local air districts) and other local agencies to play their part. The local air districts are most directly responsible for the regulation of air pollution from businesses and industries in California. Local land-use agencies are directly responsible for the siting of new air pollution sources, and local air districts also play an important role by issuing permits for new sources of air pollution. We are committed to working as partners with these agencies to improve the available information that local agencies use to make planning and permitting decisions. We are also committed to continuing our aggressive program to control motor vehicle pollution, the principal source of air toxics and other emissions leading to the violation of clean air standards. By working together to improve siting and mitigation practices, and further controlling sources within ARB's jurisdiction, we can help address environmental justice issues at the community level throughout California.

Over the past twenty years, ARB, local air districts, and federal air pollution control programs have made substantial progress towards achieving federal and State air quality standards. These achievements have reduced the exposures of California's residents to air pollution. Remarkably, during this same period, the State population has increased almost 45 percent and the daily number of vehicle miles traveled in the State has increased almost 90 percent.

REDUCTIONS IN AIR POLLUTANTS *	
1980 – 1999	
Ozone	- 53%
Carbon Monoxide +	- 35%
Particulate Matter –	- 21%
* Ambient air quality standards exist for these air pollutants; statewide average, as measured by air monitoring stations.	
+ State ambient air quality standard achieved in all but a portion of Los Angeles County and the City of Calexico.	
– 1988 – 1999, non-desert areas.	

¹ Senate Bill 115, Solis, 1999; California Government Code § 65040.12(c).

Despite this progress, many areas in California still exceed health-based air quality standards for ozone and particulate matter. Air monitoring shows that over 90 percent of Californians breathe unhealthy levels of one or both of these air pollutants during some part of the year. Attaining the health-based standards for ozone and particulate matter is essential to protect the health of all Californians.

Statewide health risk from the most widespread toxic air pollutants has also been substantially reduced through the combined efforts of ARB and local air district actions. Nevertheless, there is a general consensus that the statewide health risk posed by toxic air pollutants remains too high. In addition, some communities experience higher exposures than others as a result of the cumulative impacts of air pollution from multiple mobile, commercial, industrial, and other sources.

REDUCTIONS IN TOXIC AIR POLLUTANTS * 1990 – 1999	
Lead +	- 95%
Benzene	- 67%
Hexavalent Chromium	- 59%
Perchloroethylene	- 59%
1,3-Butadiene	- 45%
Diesel Particulate	- 40%
Methylene Chloride	- 39%
* Identified by the Board as cancer-causing toxic air contaminants; statewide average, as measured by air monitoring stations.	
+ 1980 – 1999	

The Board shall dedicate resources and work with local air districts to develop narrowly tailored remedies to reduce emissions, exposures, and health risks in communities. The ARB's Diesel Risk Reduction Program is our most important priority for reducing toxic air pollutants because particulate matter from diesel-fueled engines accounts for 70 percent of the known cancer risk in communities that is attributed to exposure to toxic air pollutants. This Program alone is designed to achieve a 75 percent reduction in the emissions and associated health risk by 2010. However, other control efforts will be necessary to address the health risks posed by toxic air pollutants. We will continue to prioritize our efforts to reduce cumulative emissions of toxic air pollutants by considering the public exposure to, and the health risk caused by, those toxic air pollutants.

Underlying these Policies is a recognition that we need to engage community members in a meaningful way as we carry out our activities. People should have the best possible information about the air they breathe and what is being done to reduce unhealthful air pollution in their communities. In particular, we will work to make information related to air pollution and community health more accessible to the residents of low-income and minority communities so that they can take a more active role in decisions affecting air pollution in their communities. We are also committed to working with local air districts to enhance existing complaint-resolution processes, and to listen to and, as appropriate, act upon community concerns.

These Policies are intended to promote the fair treatment of all Californians and cover the full spectrum of ARB activities. While our primary focus is meeting ambient air

quality standards and reducing health risks from toxic air pollutants, efforts such as air monitoring and research are needed to better understand the connections between air pollution and health. Effective enforcement of air pollution control requirements in all communities is also critical to achieving environmental justice. Education and outreach complete the picture in terms of providing the opportunity for the full participation of all communities. Finally, we recognize our obligation to work closely with all stakeholders—communities, environmental and public health organizations, industry, business owners, other agencies, and all other interested parties—to successfully implement our Environmental Justice Policies.

ARB Policies and Actions for Environmental Justice

I. It shall be the ARB's policy to integrate environmental justice into all of our programs, policies, and regulations.

As an organization, we will make environmental justice considerations a standard practice in the way we do business. Our programs are comprehensive and include adopting regulations, funding clean air projects through incentive programs, and conducting air monitoring, emissions assessments, employee training, enforcement, research, public outreach, and education. In each program area, we will keep an environmental justice perspective as we set priorities, identify program gaps, and assess the benefits and adverse impacts of our programs, policies, and regulations.

Specific actions include the following:

- Add an explicit discussion of whether proposed major programs, policies, and regulations treat fairly people of all races, cultures, geographic areas, and income levels, especially low-income and minority communities.
- Work with local air districts and stakeholders to address, as appropriate, community concerns about air pollution emissions, exposures, and health risks, including enhanced public outreach.
- Work with stakeholders to review current ARB programs to address potential environmental justice implications and add new or modified elements consistent with these Policies where there are program gaps.
- Develop and incorporate an environmental justice program element into our employee-training curriculum.
- Annually provide a staff briefing to the Board at a public meeting regarding ongoing and planned activities. Issue a written annual status report identifying action items accomplished and a proposed work plan outlining the action items for the next year. The work plan shall include

quantitative goals for emissions reductions and promote the use of pollution-prevention strategies by ARB to achieve those goals.

- Conduct special air-monitoring studies in communities where environmental justice or other air-quality concerns exist, with the goal of assessing public health risks. Compare that information to relevant regional data. Current studies include Oakland, Barrio Logan (San Diego), Boyle Heights, and Wilmington.
- Work with local air districts to develop guidelines for implementation of AB 1390 (Firebaugh, 2001.) (This new law provides that not less than 50 percent of the funds for certain mobile source programs, such as the Carl Moyer Air Quality Standards Attainment Program and programs for the purchase of reduced-emissions school buses, are expended in communities with the most significant exposure to air contaminants, including, but not limited to, low-income and minority communities.)

II. It shall be the ARB's policy to strengthen our outreach and education efforts in all communities, especially low-income and minority communities, so that all Californians can fully participate in our public processes and share in the air quality benefits of our programs.

We want to enhance the participation of the public in State and local decision-making processes. To accomplish this, we will solicit input from communities, develop additional information on air quality in communities, make this information more accessible, and educate communities on the public process used to make State and local decisions. In partnership with local air districts, we will provide communities, including low-income and minority communities, the opportunity to participate in the decision-making processes.

Specific actions include the following:

- Hold meetings in communities affected by our programs, policies, and regulations at times and in places that encourage public participation, such as evenings and weekends at centrally located community meeting rooms, libraries, and schools.
- Assess the need for and provide translation services at public meetings.
- Hold community meetings to update residents on the results of any special air monitoring programs conducted in their neighborhood.

- In coordination with local air districts, make staff available to attend meetings of community organizations and neighborhood groups to listen to and, where appropriate, act upon community concerns.
- Establish within the Chairman's Office of Community Health a specific contact person for environmental justice issues.
- Increase public awareness of ARB's actions in protecting public health through the K-12 education system and through outreach opportunities at the community level.
- Make air-quality and regulatory information available to communities in an easily understood and useful format, including fact sheets, mailings, brochures, and Web pages, in English and other languages.
- Distribute fact sheets in English, and other languages, regarding the Children's Environmental Health Program, the Community Health Program, and our Environmental Justice Policies.
- Develop and maintain a web-site dedicated to community health that includes information on children's health issues, neighborhood air monitoring results, pollution prevention, risk reduction, and environmental justice activities.
- Develop and maintain a web-site that provides access to the best available information about sources of air pollution in neighborhoods. Include on the web-site ongoing activities to improve the quality of the information, and note the limitations and uncertainties associated with that information.
- Allow, encourage, and promote community access to the best available information in our databases on air quality, emission inventory, and other information archives.
- Distribute information in multiple languages, as needed, on how to contact the Chairman's Office of Community Health and our Public Information Office to obtain information and assistance regarding the Board's EJ programs, including how to participate in public processes.
- Create and distribute a simple, easy-to-read, and understandable public participation handbook.
- Consistent with State statutes, minimize, reduce, and, where practicable, eliminate fees for public information and enhance access to that information, and encourage local air districts to do the same.

- III. **It shall be the ARB's policy to work with local air districts to meet health-based air quality standards and reduce health risks from toxic air pollutants in all communities, especially low-income and minority communities, through the adoption of control measures and the promotion of pollution prevention programs.**

Preventing and reducing air pollution is the Board's highest priority. In doing so, we are committed to achieving environmental justice. The public health framework of our efforts to reduce air pollution is the attainment of State and federal ambient air quality standards and reduction of health risks from toxic air pollutants. The framework includes a variety of measures that must be adopted at the local, State, and federal level. As part of these efforts, we must focus on both the regional and neighborhood levels.

In reducing statewide emissions of toxic air pollutants, we will prioritize our efforts by focusing on those pollutants contributing the majority of the exposure and public health risk, including those pollutants identified by the Office of Environmental Health Hazard Assessment under the Children's Environmental Health Protection Program as potentially causing infants and children to be more susceptible to illness. In the prioritization process, we will consider ARB and local air district air quality assessments and other available data.

Specific actions include the following:

- Develop the ARB Clean Air Plan to assist in the achievement of federal and State ambient air quality standards and to reduce health risks posed by toxic air pollutants.
- Prioritize toxic air pollutant control efforts, including the ARB Diesel Risk Reduction Program, by targeting measures that provide immediate and achievable air-quality benefits, such as emissions reductions from transit buses, refuse trucks, and tanker trucks.
- Develop control measures for other mobile sources of diesel particulate matter.
- Work with local air districts to develop control measures to reduce diesel particulate matter from stationary, portable, and marine diesel engines.
- Review, revise, and develop, as appropriate, modeling tools and control measures for sources of toxic air pollutants that may present significant near-source risks to residents and are common to communities across the State, including consideration of proximity. For example, ARB is reviewing the control measure to reduce

hexavalent chromium from plating facilities and evaluating additional perchloroethylene emission reduction opportunities from dry-cleaning facilities.

- Review existing and evaluate new or revised control measures for toxic air pollutants identified by the Office of Environmental Health Hazard Assessment (OEHHA) under the Children's Environmental Health Protection Program as potentially causing infants and children to be more susceptible to illness. These toxic air pollutants include lead, acrolein, diesel particulate matter, polycyclic organic matter, and dioxins.
- Develop new control measures that will reduce exposure to toxic air pollutants across the State. This analysis will include the consideration of proximity of sources to sensitive populations. Currently under development is an air toxics control measure (ATCM) for formaldehyde from composite wood products. These products are often used in portable buildings and manufactured housing and are of concern due to public exposure and health impacts to children.
- As part of our pollution-prevention efforts, promote and encourage the deployment of zero- and near-zero emissions technologies in communities, especially low-income and minority communities. These technologies include alternate power units for trucks and ZEVs.
- Work with the local air districts to implement incentive programs in communities, especially low-income and minority communities, with the most significant exposure to air pollution, consistent with AB 1390 (Firebaugh).
- Work with local air districts to establish a pilot pollution-prevention outreach program for auto body refinishers to minimize emissions from spray applications.
- Conduct special ambient dioxins monitoring and stationary source-testing study in California.
- Work with the Bureau of Automotive Repair to conduct additional low-income vehicle repair and assistance programs and promote the Smog Check Consumer Assistance Program in low-income and minority communities.

IV. It shall be the ARB's policy to work with the local air districts in our respective regulatory jurisdictions to strengthen enforcement activities at the community level across the State.

The ARB will work with local air districts to improve statewide compliance with all applicable air quality requirements for air pollution sources, whether under ARB or local air district jurisdiction. We want to assure that all complaints are promptly investigated and feedback is provided to the public on actions taken in response to those complaints. We will review our own enforcement activities and redirect efforts where we can achieve a more direct community benefit and will incorporate an environmental justice element into our enforcement training curriculum.

Specific actions include the following:

- In coordination with local air districts and considering input from stakeholders, prioritize field inspection audits to address statewide categories of facilities that may have significant localized impacts and make those audit reports easily accessible to the public.
- Conduct roadside inspections of heavy-duty diesel vehicles in all regions of the State, especially in low-income and minority communities.
- Develop and incorporate an environmental-justice awareness element into our enforcement-training curriculum to promote fair enforcement for all communities.
- Support local air district efforts to ensure that when there is facility noncompliance, the air-pollution-reduction projects or mitigation fees imposed in lieu of penalties will benefit the air quality of the impacted communities.
- Work with the local air districts to develop enhanced complaint-resolution processes for addressing environmental justice issues, including procedures that ARB staff will follow when complaints are made to the ARB.
- Work with the local air districts to improve accessibility of information regarding enforcement activities and actions, including notices of violations, monetary penalties, and other settlements of those violations.
- Assist local air districts on specific issues of community concern.

- V. **It shall be the ARB's policy to assess, consider, and reduce cumulative emissions, exposures, and health risks when developing and implementing our programs.**

While health risks occur from exposures to cumulative emissions from all sources, motor vehicles are the single, largest contributor on a statewide basis. Current ARB air-quality programs—diesel risk reduction, ozone attainment, particulate matter attainment, zero- or low-emission motor vehicles, air toxics control measures, and consumer products—all help to improve the air quality and reduce cumulative health risks statewide. Nevertheless, current State and federal air quality standards are still exceeded in many areas of California, and there is a general consensus that the statewide health risk posed by toxic air pollutants remains too high. In addition, some communities experience higher exposures than others as a result of the cumulative impacts of air pollution from multiple sources—cars, trucks, trains, ships, off-road equipment, industrial and commercial facilities, paints, household products, and others. We will continue to work with local air districts to reduce emissions as needed to achieve and maintain State and federal air quality standards. For air toxics, we will continue to assess emissions and the associated public exposure and health risk. We will look for new opportunities to reduce cumulative health risk in all communities and to achieve emissions reductions where such reductions are shown to benefit public health, consistent with existing statutory authorities.

We must improve our ability to understand the cumulative public health impacts of air pollution by better assessing emissions, exposures, and health risks within communities. The Office of Environmental Health Hazard Assessment will help us define the health risks for potentially significant toxic air pollutants, and we will reduce emissions where such emissions reductions are shown to benefit public health. We will provide this information publicly in an easily understood way. As many of these activities are dependent upon data available at the local level, we will work very closely with the local air districts to prioritize and focus resources on those activities that will provide the greatest public health benefit.

Specific actions include the following:

- Publicly release and place on the ARB Web-site maps showing estimated cancer health risks on a regional basis, using the best available scientific methodologies and noting the limitations and uncertainty associated with the data and methodologies.
- Develop and place on the ARB Web-site local and regional maps showing air pollution emissions sources using the ARB emission inventory database.
- Develop technical tools for performing assessments of cumulative emissions, exposure, and health risk on a neighborhood scale and

provide maps showing the results at the neighborhood level. Such tools will be validated and peer-reviewed prior to use as a regulatory tool.

- Conduct field studies to support the air quality modeling efforts in communities throughout the State, including low-income and minority communities. Current studies underway include Barrio Logan in San Diego County and Wilmington in Los Angeles County.
- Update mapping data on an ongoing basis.
- Identify necessary ARB risk reduction and research priorities based on the results of the neighborhood assessments and other information.

VI. It shall be the ARB's policy to work with local land-use agencies, transportation agencies, and air districts to develop ways to assess, consider, and reduce cumulative emissions, exposures, and health risks from air pollution through general plans, permitting, and other local actions.

We recognize that local agencies have a primary role in decisions affecting land use, community health, and welfare. Local land-use agencies and transportation agencies are directly responsible for the planning and siting of new air pollution sources, and local air districts also play an important role by issuing permits for new industrial sources of air pollution. As such, we are committed to working as partners with these agencies and other stakeholders to develop the technical tools and guidance necessary to consider the cumulative impacts of local sources of air pollution. The technical tools and guidance are intended to assist the local agencies in their planning and permitting actions, including the consideration of siting alternatives and air pollution mitigation measures, and shall be peer reviewed and technically valid.

We will develop these technical tools and guidance to address, as appropriate, cumulative emissions, exposures, and health risks from sources of air pollution. We will follow ARB's existing science-based approach of evaluating public health impacts. This approach will ensure that issues are addressed from a broad, programmatic perspective and provide certainty to local agencies, the business community, and the public that decisions regarding cumulative impacts are addressed fairly and consistently. Once the technical tools and guidance are jointly developed and peer-reviewed, we will work with local agencies to best incorporate them into their existing permitting and land-use processes.

Specific actions include the following:

- Conduct joint programs with local air districts, land-use agencies (i.e., cities and counties), school districts, transportation agencies, and other

stakeholders to understand local issues and develop ways to incorporate cumulative-impacts analyses into local air district and land-use agency processes.

- Provide education and outreach to local agencies on the use of the technical tools and guidance in land-use decisions.
- Work with the local air districts to provide technical guidance to local agencies on measures that could be used to reduce or eliminate air quality impacts for specific types of sources.
- Work with the local air districts and others to maintain and compile a list of possible mitigation measures to reduce air pollution impacts for specific types of projects and the siting of sensitive receptors (e.g., schools).
- Work with Cal/EPA and the Office of Planning and Research to address environmental justice matters in city and county general plans, as required by AB 1553 (Keeley, 2001).

VII. It shall be the ARB's policy to support research and data collection needed to reduce cumulative emissions, exposure, and health risks, as appropriate, in all communities, especially low-income and minority communities.

The ARB's health research program continues to advance our ability to identify and understand air pollution's health effects. California's communities have a diversity of sensitive populations, and the health research program is increasing our understanding of the health effects of air pollution on those populations, including children, asthmatics, those with heart and lung disease, elderly, and other groups that may have a special sensitivity to air pollution. However, more research is needed to better characterize the variety of potential air pollution exposures within specific communities and people's health status as it relates to air pollution.

Specific actions include the following:

- Investigate non-cancer health effects associated with acute, peak-pollutant episodes and long-term low-level exposures that may trigger increases in the incidence of respiratory problems and neurological, developmental, and reproductive disorders.
- Characterize near-source dispersion patterns for toxic air pollutants, from selected point sources, area sources, and roadways.

