

**PROPOSED**

State of California  
AIR RESOURCES BOARD

**CONSIDER APPROVAL OF THE PROPOSED  
FISCAL YEAR 2020-21 FUNDING PLAN FOR  
CLEAN TRANSPORTATION INCENTIVES**

Resolution 20-40

December 10, 2020

Agenda Item No.: 20-13-7

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize the California Air Resources Board (CARB or Board) to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

WHEREAS, the California Global Warming Solutions Act of 2006 (Assembly Bill (AB) AB 32; Stats. 2006, ch. 488; Health and Safety Code section 38500 et seq.) declares that global warming poses a serious threat to the economic well-being, public health, natural resources, and environment of California and creates a comprehensive multi-year program to reduce California's greenhouse gas (GHG) emissions to 1990 levels by 2020;

WHEREAS, Health and Safety Code section 44270 et seq. establishes the *California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007* (AB 118; Stats. 2007, ch. 750), which creates the Air Quality Improvement Program (AQIP), administered by CARB, to fund air quality improvement projects related to fuel and vehicle technologies with the primary purpose of funding projects to reduce criteria air pollutants, improve air quality, and provide funds for research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies;

WHEREAS, California Code of Regulations, title 13, section 2340 et. seq. establishes the AB 118 Air Quality Guidelines which define the process for ensuring that AQIP complements, and does not interfere with, California's existing air quality programs as required by Health and Safety Code section 44271(b);

WHEREAS, California Code of Regulations, title 13, section 2350 et seq. establishes the AB 118 Air Quality Improvement Program Guidelines (AQIP Guidelines) which

define the overall administrative requirements as well as the program structure of AQIP;

WHEREAS, California Code of Regulations, title 13, section 2353, requires that an AQIP funding plan must be submitted to the Board annually for approval;

WHEREAS, Health and Safety Code section 44274(c) allows for AQIP funding mechanisms to include competitive grants, revolving loans, loan guarantees, loans, and other appropriate measures;

WHEREAS, Health and Safety Code section 44274(b) requires that CARB shall provide preference in awarding funding to projects with higher benefit cost scores that maximize the purposes and goals of AQIP and that CARB may give additional preference for various criteria;

WHEREAS, item 3900-101-3119 in Section 2.00 of the Budget Act of 2020, Senate Bill (SB) 74 (Mitchell, Stats. 2019, ch. 23), appropriates \$28.64 million from the Air Quality Improvement Fund (AQIF) to CARB for AQIP;

WHEREAS, the \$28.64 million in AQIP funding will be placed into one funding plan: *Proposed Fiscal Year 2020-21 Funding Plan for Clean Transportation Incentives for Low Carbon Transportation Investments and the Air Quality Improvement Program* (FY 2020-21 Funding Plan), as released to the public on November 6, 2020;

WHEREAS, Government Code section 16428.8 created the Greenhouse Gas Reduction Fund (GGRF) as a special fund in the State Treasury to receive all moneys, except for fines and penalties, collected by CARB from the auction or sale of allowances, pursuant to a market-based compliance mechanism established pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code and specified in sections 95800 to 96022, inclusive, of the California Code of Regulations, title 17;

WHEREAS, Health and Safety Code section 39712 requires that the moneys appropriated from GGRF shall only be used to further the regulatory purposes of Division 25.5 (commencing with section 38500) of the Health and Safety Code, consistent with law, and to facilitate the achievement of reductions of GHG emissions in California and, where applicable and to the extent feasible, achieve additional co-benefits;

WHEREAS, Health and Safety Code section 39712 identifies potential investment areas for moneys appropriated from GGRF;

WHEREAS, Health and Safety Code section 39716 requires the Department of Finance, on behalf of the Governor, and in consultation with CARB and any other relevant State entity, to develop and submit to the Legislature by May 14, 2013, a three-year investment plan, consistent with the requirements of Health and Safety

Code section 39712, that identifies near-term and long-term GHG emission reduction goals and targets by sector, analyzes gaps in current State strategies for meeting GHG reduction goals by sector, and identifies priority investments that facilitate GHG reductions and that the investment plan be updated every three years;

WHEREAS, the Department of Finance on behalf of the Governor submitted to the Legislature the *Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16* in May 2013, the *Cap-and-Trade Auction Proceeds Second Investments Plan: Fiscal Years 2016-17 through 2018-19* in January 2016, and the *Cap-and-Trade Auction Proceeds Third Investments Plan: Fiscal Years 2019-20 through 2021-22* in February 2019 as required by Health and Safety Code section 39716;

WHEREAS, the *Cap-and-Trade Auction Proceeds Third Investments Plan: Fiscal Years 2019-20 through 2021-22* recommends continuing funding for existing California Climate Investments programs and prioritizing programs that “achieve near-term climate and health benefits and contribute to long-term transformation to low carbon communities and ecosystems that are adaptable and resilient” and lists existing low carbon transportation investments including projects “that replace older, more emission-intensive vehicles with clean, modern systems such as hybrid, electric, and alternative fuel powered vehicles in classes ranging from passenger cars to heavy-duty trucks and off-road equipment” and “addressing barriers to awareness and access to clean transportation and mobility options for disadvantaged communities and low-income residents.

WHEREAS, Health and Safety Code section 39718 requires that moneys in GGRF shall be appropriated through the annual Budget Act consistent with the investment plan developed and submitted pursuant to Health and Safety Code section 39716;

WHEREAS, Health and Safety Code section 38590.1(a) establishes the Legislature’s priorities for moneys appropriated from GGRF include, but are not limited to, air toxic and criteria pollutants from stationary and mobile sources, low- and zero-carbon transportation alternatives, and short-lived climate pollutants, among others;

WHEREAS, Health and Safety Code section 39713 requires that the investment plan allocate a minimum of 25 percent of the available moneys in GGRF to projects located within the boundaries of, and benefiting individuals living in, the disadvantaged communities described in Health and Safety Code section 39711, and that the investment plan allocate a minimum of 5 percent of the available moneys in GGRF to projects that benefit low-income households or to projects located within the boundaries of, and benefiting individuals living in, low-income communities located anywhere in the state; and that the investment plan allocate a minimum of 5 percent of the available moneys in GGRF to either projects that benefit low-income households that are outside of, but within a half mile of, disadvantaged communities described in Health and Safety Code section 39711, or to projects located within the boundaries of, and benefiting individuals living in, low-income communities that are

outside of, but within a half mile of, disadvantaged communities described in Health and Safety Code section 39711;

WHEREAS, Health and Safety Code section 39715 requires CARB, in consultation with the California Environmental Protection Agency, to develop funding guidelines for administering agencies that receive appropriations from GGRF and CARB most recently amended and approved these guidelines on July 26, 2018, and published them in August 2018;

WHEREAS, the Legislature has not yet approved a budget to appropriate GGRF funding to Low Carbon Transportation programs, including clean passenger vehicles, trucks, buses, and off-road equipment projects such as the Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP), Clean Off-Road Equipment (CORE) Voucher Incentive Project, and freight demonstration and pilot projects; the Enhanced Fleet Modernization Program and Plus-up Pilot Project/Clean Cars 4 All and other transportation equity projects), authorized pursuant to Chapter 530 of the Statutes of 2014; and the Clean Vehicle Rebate Project (CVRP), for FY 2020-21;

WHEREAS, the Legislature may appropriate funding for these purposes for the FY 2020-21;

WHEREAS, the proposed Funding Plan includes contingency provisions should the Legislature appropriate FY 2020-21 Low Carbon Transportation funds to projects such that an appropriation may be spent;

WHEREAS, *California's 2017 Climate Change Scoping Plan*, CARB's 2016 *Mobile Source Strategy*, and the 2016 *California Sustainable Freight Action Plan*, conclude that many of the same actions are needed to meet GHG, smog forming, and toxic pollutant emission reduction goals – specifically, a transition to zero-emission and near zero-emission technologies and use of the cleanest, lowest carbon fuels and energy across all vehicle and equipment categories;

WHEREAS, Health and Safety Code section 44258.4 establishes the Charge Ahead California Initiative and sets the following goals of the Initiative: to place in service at least one million zero-emission and near-zero emission vehicles by January 1, 2023; to establish a self-sustaining California market for zero-emission and near-zero emission vehicles; and to increase access to these vehicles for disadvantaged, low-income, and moderate-income communities and consumers;

WHEREAS, Health and Safety Code section 44258.4 directs CARB to adopt certain revisions to the criteria and other, requirements for CVRP and to establish programs that further increase access to and direct benefits for disadvantaged, low-income, and moderate-income communities and consumers from electric transportation;

WHEREAS, Health and Safety Code section 44258.4 directs CARB to include in the FY 2016-17 Funding Plan for AQIP a plan for CVRP and related light-duty vehicle

incentive programs that contains a three-year estimate of funding needs, a market and technology assessment, and an assessment of when a self-sustaining market is expected and to update that plan at least every three years until January 1, 2023;

WHEREAS, the Supplemental Report of the 2018-19 Budget Act directs CARB to update the CVRP forecast annually until January 1, 2030, and include as part of its forecast the total state rebate investment necessary to facilitate reaching the goal of placing in service at least five million zero-emission vehicles by January 1, 2030;

WHEREAS, the Governor signed Executive Order, N-79-20, which establishes a goal that 100 percent of in-state sales of new passenger cars and truck will be zero-emission by 2035 and that 100 percent of medium- and heavy-duty vehicles in the State be zero-emission by 2045;

WHEREAS, Health and Safety Code section 39719.2 creates the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program to fund development, demonstration, pre-commercial pilot, and early commercial deployment of zero-emission and near-zero emission truck, bus, and off-road vehicle and equipment technologies including use of fuels that reduce GHG emissions with priority given to projects benefiting disadvantaged communities;

WHEREAS, Health and Safety Code section 39719.2 directs CARB, through the existing AQIP funding plan process, to develop guidance, create an annual framework and plan, articulate an overarching vision for implementing the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, and include a three-year investment strategy for zero- and near-zero emission heavy-duty vehicles, with an assessment of the State's school bus incentive programs, commencing with the FY 2019-20 Funding Plan;

WHEREAS, the Board-approved contingency measures in the Funding Plans for FYs 2009-10 through 2019-20 provide flexibility to adjust funding targets to address fluctuations in project demand and similar flexibility is necessary for the proposed FY 2020-21 Funding Plan;

WHEREAS, the Board executed necessary Grant Agreements and Interagency Agreements for administration of projects funded by AQIP for FYs 2009-10 through 2019-20 and for Low Carbon Transportation projects funded from GGRF for FYs 2013-14 through 2019-20;

WHEREAS, Health and Safety Code section 39603.1 allows CARB to provide advance payment of grant awards to initiate and implement projects in a timely manner;

WHEREAS, CARB staff conducted two workshops in developing the proposed FY 2020-21 Funding Plan and at these workshops staff announced its intent to prepare a funding plan for AQIP and released concepts for public review;

WHEREAS, CARB held 11 public working group meetings to evaluate and refine criteria for projects in the proposed FY 2020-21 Funding Plan;

WHEREAS, CARB staff conducted meetings and coordinated development of the proposed Funding Plan with local air districts and with the California Energy Commission to develop the proposed Funding Plan and to ensure the Funding Plan complements existing incentive programs;

WHEREAS, CARB's regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans has been certified by the Secretary for Natural Resources under Public Resources Code section 21080.5 of the California Environmental Quality Act (CEQA; California Code of Regulations, title 14, section 15251(d)), and CARB conducts its CEQA review according to this certified program (California Code of Regulations, title 17, sections 60000-60007);

WHEREAS, CARB received public comment on the proposed Funding Plan recommending that the Clean Cars for All project criteria be revised to allow applicants to receive a pre-loaded public electric vehicle (EV) charge card in lieu of the home charger incentive;

WHEREAS, staff has determined that the proposed FY 2020-21 Funding Plan is not a "project" subject to CEQA review, because it is a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (California Code of Regulations, title 14, section 15378(b)(4));

WHEREAS, the proposed Funding Plan is based upon the latest available information, including funds appropriated in the State Budget, direction from the Legislature on how to spend funds, availability of and demand for advanced technology, and availability of funds from other sources; and

WHEREAS, in consideration of the proposed FY 2020-21 Funding Plan, staff presentation, and public testimony and comments, the Board finds that:

1. The development of a funding plan for the \$28.64 million in AQIP funding is appropriate in order to ensure coordinated investments between the two programs;
2. The proposed FY 2020-21 Funding Plan meets the requirements of the Funding Guidelines established pursuant to Health and Safety Code section 39715;
3. CARB staff has met the requirements set forth in the AQIP Guidelines for considering and adopting the proposed Funding Plan and has met the requirements of the AB 118 Air Quality Guidelines;

4. The proposed AQIP project categories were selected in accordance with the requirements of Health and Safety Code section 44274(b);
5. The proposed project categories are consistent with and support the strategies identified in *California's 2017 Climate Change Scoping Plan*, CARB's May 2016 *Mobile Source Strategy*, and the July 2016 *California Sustainable Freight Action Plan*;
6. The proposed FY 2020-21 Funding Plan meets the requirements of Health and Safety Code section 44258.4 and the Supplemental Report of the 2018-19 Budget Act by including an updated three-year plan for CVRP, the ZEV market and clean transportation equity investments;
7. The proposed contingency plans in the FY 2020-21 Funding Plan are necessary to address uncertain revenues, enable project criteria to be modified and funding to be redirected among projects as necessary to meet program demand, and address funding received from new sources to augment projects;
8. The proposed contingencies to address additional Low Carbon Transportation funding that may be appropriated by the Legislature are necessary in order to enable timely and efficient expenditure of such funds;
9. The proposed investments in this funding plan support the goals of the Governor's Executive Order N-79-20;
10. The changes to the project criteria for Clean Cars 4 All to allow applicants to receive a pre-loaded public EV charge card in lieu of the home charger incentive is an appropriate change that would support program goals;
11. Advance payment of grant awards are necessary to ensure timely implementation of projects and safeguards are needed to ensure grant monies continue to be used responsibly; and
12. The proposed FY 2020-21 Funding Plan is not a "project" subject to CEQA review, because it is a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (California Code of Regulations, title 14, section 15378(b)(4)).

NOW, THEREFORE, BE IT RESOLVED that the Board approves the proposed FY 2021-21 Funding Plan as released to the public on November 6, 2020, with the following modification:

- The Clean Cars for All project criteria are revised to allow applicants to receive a pre-loaded public EV charge card in lieu of the home charger incentive.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to issue grant solicitations, grant agreements, interagency agreements, or other appropriate funding agreements for the projects identified in the FY 2020-21 Funding Plan with provisions to make modifications where necessary as specified in the contingency plans set forth in the approved FY 2020-21 Funding Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to conduct working group meetings or other outreach, as necessary, for developing project solicitations and further refining project implementation.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to coordinate implementation of the programs covered in the FY 2020-21 Funding Plan with other funding programs including, but not limited to, the Volkswagen Environmental Mitigation Trust, Carl Moyer Program, Community Air Protection Program, other GGRF-funded programs, Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program, and the California Energy Commission's Clean Transportation Program.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to revise project implementation manuals and terms and conditions as necessary to incorporate the provisions set forth in the approved Funding Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to monitor the progress and efficacy of the implementation of the programs, including the status of outreach activities, project eligibility, and voucher amounts, and to report any changes to the Board.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to provide an update to the Board on implementation of the Funding Plan when presenting the proposed FY 2021-22 Funding Plan for approval.