State of California
AIR RESOURCES BOARD

Resolution 11-26

July 21, 2011

Agenda Item No.: 11-5-1

WHEREAS, Health and Safety Code section 44270 et seq. sets forth 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 the Air Resources Board (ARB or Board), 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, the Board has adopted the Guidelines for the AB 118 Air Quality Improvement Program (AB 118 Guidelines; title 13, California code of regulations, section 2350 et. seq.), which define the overall administrative requirements as well as the program structure of the AQIP;

WEREAS, the AB 118 Guidelines require that a Funding Plan must annually be submitted to the Board for approval;

WHEREAS, the fiscal year 2011-12 State budget appropriates $40 million to implement the AQIP projects;

WHEREAS, these funds are to be encumbered by June 30, 2012 and expended by June 30, 2014;

WHEREAS, Health and Safety Code sections 39600 and 39601 authorize ARB 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, California has an existing portfolio of ongoing air quality incentive programs including the Carl Moyer Program, the Goods Movement Emission Reduction Program, the Lower-Emission School Bus Program, the Enhanced Fleet Modernization Program, and the Alternative and Renewable Fuel and Vehicle Technology Program;

WHEREAS, AB 32 (Stats. 2006, ch. 488) directs ARB to conduct a number of activities to reduce greenhouse gas (GHG) emissions to the 1990 level by 2020, and to ensure that these activities do not interfere with efforts to attain ambient air quality standards and reduce toxic air contaminants;

WHEREAS, on November 15, 2007, the Board approved the State Alternative Fuels Plan, which directs staff to work with the California Energy Commission (Energy Commission) to ensure that funds expended pursuant to AB 118 provide the maximum possible benefits in terms of air quality improvement and greenhouse gas reductions;

WHEREAS, on September 25, 2008, the Board approved Resolution 08-40 that:

- Directs the AQIP to provide the maximum possible air quality and greenhouse gas emission reductions in order to meet the California's State Implementation Plan (SIP) commitments and GHG reduction targets;

- Recognizes that funding of emerging technologies is needed to achieve California's multiple policy goals of improving ambient air quality, and achieving GHG and toxic air contaminant reductions; and

- Recognizes the importance of continuing ARB and Energy Commission coordination to ensure the ongoing success of both the AQIP and the Alternative and Renewable Fuel and Vehicle Technology Program;

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, the proposed Funding Plan for fiscal year 2011-12 is based upon the latest available information, including funds appropriated in the State budget, availability of and demand for potential technology, and availability of funds from other incentive programs;

WHEREAS, the AB 118 Air Quality Guidelines define the process for ensuring that the AQIP complements, and does not interfere with, California's existing air quality programs as required by Health and Safety Code section 44271(b);

WHEREAS, the fiscal year 2008-09 State Budget directed fiscal year 2008-09 AQIP funds to be used for a new ARB loan program, referred to as Providing Loan Assistance for California Equipment (PLACE), to assist fleet owners affected by the Statewide In-Use Truck and Bus Regulation and the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Measure; staff updated the Board on the status of these funds at the December 11, 2008 and April 24, 2009 Board meetings;

WHEREAS, on April 24, 2009, the Board approved the AB 118 AQIP Funding Plan for fiscal year 2009-10 that established priorities and guiding principles for the AQIP, which include:

- Projects should accelerate the commercialization of advanced technologies needed to meet California's longer-term, post-2020 SIP goals;

- The AQIP should direct funds to project types that cannot receive funding through California's other incentive programs;
- Deployment projects should be ready for immediate on-the-ground deployment, while demonstration projects should be near commercialization; and
- Projects should modify consumer choice, inducing purchases that would not have occurred otherwise;

WHEREAS, on June 24, 2010, the Board approved the AB 118 AQIP Funding Plan for Fiscal Year 2010-11 that reaffirmed the priorities and guiding principles established in the AB 118 AQIP Funding Plan for Fiscal Year 2009-10;

WHEREAS, Board Resolution 09-33 established the following project categories for the AB 118 AQIP Funding Plan for Fiscal Year 2009-10:

- Deployment/Commercialization Projects
  - Hybrid Truck and Bus Voucher Incentive Project (HVIP);
  - Zero-Emission and Plug-In Hybrid Light-Duty Vehicle Rebate Project (CVRP);
  - Lawn and Garden Equipment Replacement Project (LGER); and
  - Zero-Emission All-Terrain Agricultural Work Vehicle Rebate Project (Ag UTV);
- Advanced Technology Demonstration Projects;

WHEREAS, Board Resolution 10-28 established the following six project categories for the AB 118 AQIP Funding Plan for Fiscal Year 2010-11, five which continue investments in the AB 118 AQIP Funding Plan for Fiscal Year 2009-10, and one new category:

- Hybrid Truck and Bus Voucher Incentive Project;
- Clean Vehicle Rebate Project;
- Lawn and Garden Equipment Replacement Project;
- Zero-Emission Agricultural UTV Rebate Project;
- Advanced Technology Demonstration Projects; and
- Hybrid Off-Road Equipment Pilot Project;

WHEREAS, ARB staff conducted four public workshops, one in January 2011 and three in April 2011, and released concepts for public review;

WHEREAS, ARB held three public working group meetings to evaluate and refine criteria for projects in the proposed AQIP Funding Plan;

WHEREAS, ARB staff conducted coordination meetings with the Energy Commission to develop the proposed AQIP Funding Plan;

WHEREAS, on February 23, 2011, the Energy Commission approved $2 million in AB 118 Alternative and Renewable Fuel and Vehicle Technology Program funding for an Interagency Agreement with ARB to provide incentives for qualified light-duty electric

drive vehicles through the Clean Vehicle Rebate Project; ARB and the Energy Commission entered into this Interagency Agreement on April 21, 2011;

WHEREAS, on May 18, 2011, the Energy Commission approved $4 million in AB 118 Alternative and Renewable Fuel and Vehicle Technology Program funding for an Interagency Agreement with ARB to provide incentives for qualified medium-duty and heavy-duty electric drive vehicles through the Hybrid Truck and Bus Voucher Incentive Program;

WHEREAS, ARB coordinated development of the proposed AQIP Funding Plan with local air districts to ensure the Funding Plan complements existing incentive programs;

WHEREAS, in consideration of the Funding Plan, staff presentation, and public testimony and comments, the Board finds that:

1. ARB staff has met the requirements set forth in the AQIP Guidelines for consideration and adoption of the fiscal year 2011-12 AQIP Funding Plan;

2. The proposed project categories are critical for enabling ARB and the local air districts to fulfill their longer-term, post 2020 SIP goals;

3. The proposed AQIP Funding Plan properly directs funding to project categories that may not be funded through existing incentive programs but are necessary for ARB to meet California's multiple policy goals of improving ambient air quality, and achieving GHG toxic air contaminant reductions;

4. The implementation priorities and guiding principles approved for the fiscal year 2009-10 AQIP Funding Plan and the Fiscal Year 2010-11 AQIP Funding Plan continue to be appropriate for identifying project categories for fiscal year 2011-12;

5. The funding targets are appropriate for continuing ARB's investment in those advanced technologies approved for AQIP funding in fiscal years 2009-10 and 2010-11;

6. The voucher and rebate projects in the Fiscal Year 2009-10 AQIP Funding Plan and the Fiscal Year 2010-11 AQIP Funding Plan enabled California to effectively accelerate deployment of advanced technology vehicles and equipment while ensuring robust program oversight and accountability;

7. The AQIP implementation has been a success, the demand for funding exceeds available funds, and seeking additional funding is appropriate;

8. It is necessary and appropriate to advance grantees up to ten percent of clean vehicle, equipment, or technology funding and up to half of project administration funding at project inception to ensure continued effective implementation of streamlined AQIP projects;

9. The proposed funding categories strike an appropriate balance for achieving long-term benefits with regards to reducing production costs and accelerating technology transfer and consumer acceptance of advanced technologies, while also achieving short-term criteria pollutant emission benefits;

10. The proposed fiscal year 2011-12 AQIP Funding Plan establishes a framework for achieving GHG emission reductions through accelerating development and deployment of more efficient, advanced technologies, and for reducing California's dependence on foreign oil;

11. The proposed contingency plans are necessary to address uncertainties regarding fiscal year 2011-12 revenues into the Air Quality Improvement Fund (AQIF); the contingency provisions in previous Funding Plans were triggered because revenues into AQIF were 25-30 percent lower than the State budget appropriation for AQIP in in fiscal years 2009-10 and 2010-11; and

12. The use of interagency agreements with the Energy Commission is an effective and efficient mechanism for jointly funding projects that further the goals of both the AQIP and the Alternative and Renewable Fuel and Vehicle Technology Program.

NOW, THEREFORE, BE IT RESOLVED that the Board approves the proposed AB 118 Air Quality Improvement Program Funding Plan for fiscal year 2011-12.

BE IT FURTHER RESOLVED that the following minimum funding targets totaling $28 million are established for the purposes described in the approved fiscal year 2011-12 AQIP Funding Plan in the event that fiscal year 2011-12 revenues into the AQIF are lower than the $40 million total appropriated in the 2011-12 State budget:

- $15 million for the Clean Vehicle Rebate Project;
- $11 million for the Hybrid Truck and Bus Voucher Incentive Project; and
- $2 million for Advanced Technology Demonstration Projects.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to issue grant solicitations for these minimum funding targets, and include provisions in the grant solicitations and grant agreements to increase grant funding up to a total of $40 million based on available AQIF revenues, as specified in the contingency plans set forth in the approved fiscal year 2011-12 AQIP Funding Plan.

BE IT FURTHER RESOLVED that the Executive Officer may modify approved project criteria where necessary to coordinate with other incentive funds or ARB regulations and to reflect changes in the available technology.
BE IT FURTHER RESOLVED that the Executive Officer may modify the approved funding targets as specified in the contingency plans set forth in the approved fiscal year 2011-12 AQIP Funding Plan.

BE IT FURTHER RESOLVED that the Executive Officer may resolicit a project or redirect funding from one project category to another if applications in a project category fail to meet minimum project scores set in the project solicitations, or when demand for funds in one project category exceeds the demand for funds in another project category.

BE IT FURTHER RESOLVED that the Executive Officer may advance the grantee up to ten percent of vehicle/technology funding and half of administration funding once a grant agreement has been fully executed.

BE IT FURTHER RESOLVED that the Executive Officer may enter into a contract with the U.S. Department of Energy National Renewable Energy Laboratory to conduct the hybrid truck testing project established in the approved fiscal year 2011-12 AQIP Funding Plan.

BE IT FURTHER RESOLVED that the Executive Officer may redirect any disencumbered fiscal year 2008-09 PLACE funds to the direct loan component of PLACE or to the AQIP project categories established in the approved fiscal year 2011-12 AQIP Funding Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to conduct the analysis required under the AB 118 Air Quality Guidelines for the projects approved in 2011-12 AQIP Funding Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to identify additional funding opportunities to augment or complement AQIP funds, and to look for opportunities to leverage State funds with federal air quality incentive funds.

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

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to transfer the light-duty zero-emission commercial delivery vehicle category from the CVRP to the HVIP, continue evaluating the appropriate incentive level for these vehicles, and take the appropriate action to implement these changes.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to work with the Energy Commission on further coordination of the AQIP and the Alternative and Renewable Fuel and Vehicle Technology Program, including entering into interagency agreements with the Energy Commission as the Executive Officer deems appropriate to administer funds that the Energy Commission may direct to project categories established in the approved fiscal year 2011-12 AQIP Funding Plan.

BE IT FURTHER RESOLVED that the Board directs staff to consider ways to ensure rebates are available for zero-emission vehicles from a diverse number of manufacturers over the course of each funding cycle when developing proposed revisions to the CVRP as part of the fiscal year 2012-13 Funding Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to provide an update to the Board on implementation of the AQIP when presenting the proposed fiscal year 2012-13 Funding Plan for approval, including:

- A status report on the continuing efforts by ARB and the San Joaquin Valley Air Pollution Control District to encourage zero-emission vehicle deployment in the San Joaquin Valley; and
- Assessment of how the HVIP is strategically stimulating investment in hybrid truck technology.

BE IT FURTHER RESOLVED that the Board extends its appreciation to the Energy Commission, the local air districts, environmental groups, industry groups, and other stakeholders for their cooperation and efforts in developing this Funding Plan.

I hereby certify that the above is a true and correct copy of Resolution 11-26, as adopted by the Air Resources Board.

Mary Alice Morency, Clerk of the Board