State of California
AIR RESOURCES BOARD

CONSIDER MODIFICATIONS TO THE FISCAL YEAR 2016-17 FUNDING PLAN FOR LOW CARBON TRANSPORTATION AND FUELS INVESTMENTS AND THE AIR QUALITY IMPROVEMENT PROGRAM

Resolution 16-13

October 20, 2016

Agenda Item No.: 16-9-6

WHEREAS, Health and Safety Code sections 39600 and 39601 authorize the Air Resources Board (ARB 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, 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 ARB, 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 2353, requires that an AQIP funding plan must be submitted to the Board annually for approval;

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 ARB 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 greenhouse gas (GHG) emissions in California and, where applicable and to the extent feasible, achieve additional co-benefits;

WHEREAS, the Governor's proposed Fiscal Year (FY) 2016-17 State Budget appropriated $500 million from GGRF to ARB for Low Carbon Transportation and Fuels projects to accelerate the transition to low carbon freight and passenger transportation;

WHEREAS, Budget Act of 2016, Senate Bill (SB) 826 (Leno, Stats. 2016, ch. 23) appropriated $28.6 million to ARB for AQIP projects and appropriated $5 million to ARB from GGRF for State operations to support implementation of Low Carbon Transportation investments;

WHEREAS, $28.6 million in AQIP funding and proposed $500 million GGRF funding were joined into one funding plan: *Fiscal Year 2016-17 Funding Plan for Low Carbon Transportation and Fuels Investments and the Air Quality Improvement Program* (FY 2016-17 Funding Plan);

WHEREAS, the Board approved the FY 2016-17 Funding Plan on June 23, 2016, in Board Resolution 16-7;

WHEREAS, the Legislature had not appropriated GGRF funding to ARB at the time the Board approved the FY 2016-17 Funding Plan, so the GGRF funding for Low Carbon Transportation and Fuels remained contingent upon appropriation of funds;

WHEREAS, the Legislature added Item 3900-101-3228 to Section 2.00 of the Budget Act of 2016 which appropriates $363 million from GGRF to ARB for the Clean Vehicle Rebate Project (CVRP), Enhanced Fleet Modernization Program (EFMP) and Plus-up, other light-duty equity projects authorized pursuant to Chapter 530 of the Statutes of 2014, and heavy-duty vehicle and off-road equipment investments (which are collectively referred to as the "Low Carbon Transportation" appropriation), as part of Assembly Bill 1613 (Committee on Budget, Stats. 2016, ch. 370), approved by the Legislature on August 31, 2016, and signed into law by the Governor on September 14, 2016;

WHEREAS, Item 3900-101-3228 of Section 2.00 of the Budget Act of 2016 directs that the $363 million Low Carbon Transportation appropriation be allocated as follows: $133 million to the CVRP; $80 million to light-duty equity projects, with at least $60 million for the EFMP and EFMP Plus-up (car scrap and replace) and up to $20 million for other light-duty equity projects; $150 million to heavy-duty vehicle and off-road equipment projects; and no funding allocated for very low carbon fuel production incentives;

WHEREAS, the Legislature approved SB 859 (Committee on Budget and Fiscal Review, Stats. 2016, ch. 368) and signed into law by the Governor on September 14, 2016, which adds section 44274.3 to the Health and Safety Code directing ARB to implement several changes to CVRP including: a lower income eligibility cap for CVRP applicants; increased rebate payment for low-income applicants; limits on eligibility for plug-in hybrid electric vehicles; outreach to low-income households to increase consumer awareness; and prioritized rebate payments to low-income applicants;

WHEREAS, the Board-approved FY 2016-17 Funding Plan includes contingency provisions directing that staff return to the Board with modifications to the plan in the event that the Legislature appropriated less than $400 million to ARB from GGRF;

WHEREAS, staff proposed modifications to the FY 2016-17 Funding Plan, as set forth in the Notice of Public Meeting to Consider Modifications to the Fiscal Year 2016-17 Funding Plan for Low Carbon Transportation and Fuels Investments and the Air Quality Improvement Program, released to the public on September 21, 2016, Attachment A; and

WHEREAS, the Board finds that:

> The proposed modifications to FY 2016-17 Funding Plan incorporate the $363 million Low Carbon Transportation appropriation and the project allocations established in Item 3900-101-3228 of Section 2.00 of the Budget Act of 2016 and the new requirements for CVRP established in Health and Safety Code Section 44274.3.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the proposed modification to the FY 2016-17 Funding Plan as set forth in Attachment A.

I hereby certify that the above is a true and correct copy of Resolution 16-13 as adopted by the Air Resources Board.

Janice Harlan

Janice Harlan, Clerk of the Board

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Identification of Attachments to the Board Resolution

Attachment A: Notice of Public Meeting to Consider Modifications to the Fiscal Year 2016-17 Funding Plan for Low Carbon Transportation and Fuels Investments and the Air Quality Improvement Program, released September 22, 2016.