This status report provides an update on actions through December 2010 to implement the \$1 billion Proposition 1B: Goods Movement Emission Reduction Program (Program) to reduce emissions and health risk from freight operations in California's priority trade corridors through incentives. Consistent with State law, the Program Guidelines (updated in March 2010) and related documents detail the grant requirements for the Air Resources Board (ARB or Board), participating local agencies, and equipment owners (see Program website at http://www.arb.ca.gov/gmbond).

ARB adopts the Guidelines, and then solicits, awards, funds, and oversees grants to local agencies like air districts and seaports. The local agencies offer grants in a competitive process to diesel equipment owners to co-fund the upgrade to cleaner technologies, ahead of or beyond any regulatory requirements to do so. To ensure accountability and effective use of these public funds, the local agencies: solicit for eligible projects, review applications, inspect the old equipment, provide data to competitively rank each piece of equipment based on emission reductions and cost-effectiveness, sign contracts with equipment owners, inspect the upgraded equipment, make payment for the cleaner technology, and track/report on funded projects.

The tables following the narrative in this report describe the progress on each grant using Fiscal Year (FY) 2007-08 and FY2008-09 funds, including the grant amount, the number of trucks or other equipment being upgraded, and the expected emission reductions.

Available Funding

Each budget appropriation authorizes ARB to use a specific amount of bond funding for this Program, within statutory timeframes. But the appropriation does not provide any cash for this purpose. Currently, we depend on the receipt of proceeds from state bond sales for new projects. Based on a December 2008 memo from the Department of Finance (DOF), ARB must have the bond cash on deposit before we can award (obligate) Program funds to specific projects.

The entire \$1 billion has been appropriated in State budgets over the last four years, with \$980 million to ARB for this Program and \$20 million set aside by the control agencies to cover bond issuance and oversight costs. To date, ARB has received just over \$460 million in bond cash; the Board has allocated those funds under its FY2007-08 and FY2008-09 appropriation authority. This leaves a balance of roughly \$520 million that ARB needs concurrent appropriation(s) and new bond cash to implement.

DOF Budget Letter 10-09 (http://www.dof.ca.gov/budgeting/budget_letters/documents/BL10-09.pdf) and its attachment (http://www.dof.ca.gov/budgeting/budget_letters/documents/BL10-09Attachment.pdf) show a planned Spring 2011 bond sale, with this Program slated to receive over \$200 million. In June 2010, the Board made preliminary allocations for up to \$275 million in additional funding when it becomes available. As the State proceeds with bond sales and new cash is forthcoming to ARB for this Program, staff will return to the Board to finalize the funding awards.

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Implementation of FY2007-08 Funds

The first year (FY2007-08) funds are under contract between the local agencies and equipment owners for specific projects to upgrade trucks, locomotives, and ships at berth. All of these projects were suspended for 6 to 14 months due to the December 2008 "stop work" order on bond funded programs, which extended the statutory deadline for local agencies to complete the contracting process to the end of 2010. The bond freeze also resulted in a higher than usual rate of fallout due to equipment owners who applied in 2008 but were unable to complete the contracting process in 2010 (e.g., because they no longer own/operate the truck they applied to upgrade). ARB and the local agencies amended several grant agreements (as described under "Project Status" in the following tables) to shift funds from undersubscribed grants to oversubscribed grants. In most cases, these shifts were between grants administered by the same agency.

Truck Funds Temporarily Redirected from the San Diego Region. Unlike other areas, the demand for truck incentives in the San Diego/Border region was quite low, likely due to the California-only travel requirement applicable to FY2007-08 funds. The San Diego Air District proactively identified nearly \$3.6 million of its truck funding that needed to be temporarily redirected to other regions. The South Coast, San Joaquin Valley, and Sacramento Air Districts accepted these monies and signed contracts with truck owners to fund backup projects on the districts' existing, competitively ranked lists. The redirected funds are being returned to the San Diego District with the new FY2008-09 grants. The air districts in the border region expect incentive demand to be greater under the updated 2010 Guidelines that allow a Program-funded truck to travel up to 10 percent of its annual miles outside of California into other states or countries.

Drayage Truck Funds in the Bay Area. The demand for incentives to upgrade drayage trucks serving the Port of Oakland exceeded the amount of first year funds allocated to the Bay Area District for this purpose, even with the additional funds transferred from the District's harbor craft and locomotive grants to port trucks. In early January 2010, ARB pledged up to \$8.7 million in supplemental monies to be advanced from FY2008-09 funds. This supplemental funding was available to assist the owners of up to 1,321 specific trucks who had applied for grants in 2008 and 2009, but were denied when the original funding ran out. After a subset of eligible owners followed up in early 2010 to indicate continued interest and proof of financing for the remainder of the upgrade cost, the District estimated that roughly \$3 million of these supplemental funds would be needed. However, due to fallout on the original ranked list of truck projects, the District was ultimately able to fund most of the new grants with first year funds and utilized only \$405,797 of the supplemental monies. The remainder of the supplemental funds will support the District's new truck grant to be implemented in 2011. (See Bay Area Grant G08GMBT1 under FY2008-09 Funds on the following tables)

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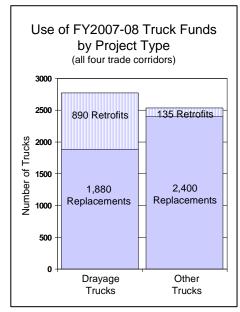
ARB Expenditures to Local Agencies. ARB has paid out just over \$229 million to local agencies for first year projects, primarily truck upgrades. The rest of the funds will be paid out over the next 1-2 years as the locomotive and shore power projects are completed.

Results. The local agencies have signed contracts with equipment owners to upgrade over 5,300 existing diesel trucks operating in the four trade corridors, install grid-based electrical power at three ship berths at the Port of Oakland, and upgrade 19 locomotives operating in the Central Valley and Los Angeles/Inland Empire.

The truck upgrades involve scrapping an old diesel truck and replacing it with a new diesel or natural gas model meeting 2007 or later emission standards, or retrofitting the existing truck with a diesel soot filter. Since retrofits had top priority, all eligible truck retrofit projects received funding. Drayage trucks in the Bay Area accounted for most of the retrofit projects. However, the majority of the truck owners applying for grants chose to compete for funding to replace their trucks. One third of the trucks receiving Program funding are in the hands of independent owner-operators and half of the funded trucks are in fleets of 20 or fewer trucks.

By the end of 2010, 3,140 of the upgraded trucks were in service with the remainder expected to be operational in 2011. The shore power project is slated for completion in Spring 2011, followed by the locomotive upgrades in 2011-2012.

We estimate that all of these projects funded with \$246 million in FY2007-08 monies will reduce over 3 million pounds or 1,500 tons of particulate matter (PM), plus 60 million pounds or 30,400 tons of nitrogen oxides (NOx), in California over the life of their grant contract (e.g., 2-5 years for trucks). The Program bond monies are leveraging substantial match funding from private, local, and federal sources – more than one match dollar for every Program dollar invested.



Implementation of FY2008-09 Funds

In March 2010, the Board adopted an update to the Program Guidelines for FY2008-09 and later funds. This update included modifications to the project specifications for all source categories to reflect changes in regulatory requirements and available emission reduction technology. In June 2010, the Board awarded \$200 million in available FY2008-09 funds primarily to ships at berth/cargo handling equipment projects (\$81 million) and truck projects (\$112 million), with smaller grants for locomotives and harbor craft.

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Ships at Berth/Cargo Handling Equipment. The Board directed ARB staff to develop supplemental procedures for ships at berth and cargo handling equipment projects to ensure that the funds set aside for these longer-term construction projects were used in a timely and effective manner. In December 2010, ARB staff completed these supplemental procedures in consultation with the South Coast and Bay Area Air Districts that are administering Program grants for these sources, executed the grant agreements with those districts, and sent project start letters to begin implementation. We expect these districts to issue solicitations for ships at berth and cargo handling equipment projects starting in January 2011.

Trucks. When the Board awarded funding for new truck projects in June 2010, it recognized that pending changes to ARB's truck rules would impact the truck incentives as well. In response, the Board delegated authority to the Executive Officer to make any necessary changes to the truck project specifications to align them with amendments to the Statewide Truck and Bus Rule and the Drayage Truck Rule. These amendments were originally planned for Board consideration in late Summer 2010, but were rescheduled to December 2010 to provide additional time to update the emissions inventory. To ensure that the terms and conditions of the incentives are clear and consistent, the Program needed to wait until the rule amendments were considered before launching the new truck grants.

The Board heard extensive public testimony on December 17, 2010 and directed the Executive Officer to proceed with amendments to both regulations. ARB staff is currently developing an Executive Order to modify the truck project specifications accordingly and will describe these modifications at a January 11, 2011 public workshop. ARB staff expects to sign new grant agreements for truck projects with six local air districts later in January 2011. The districts have agreed to solicit applications from truck owners for these new grants in the same two-month time period (March-April 2011), with ARB conducting expanded outreach to notify truckers operating in the four trade corridors.

Benefits. When implemented, we expect the projects funded with \$200 million in FY2008-09 monies will reduce about 1.7 million pounds or 850 tons of PM, plus about 67 million pounds or 33,500 tons of NOx, over the life of their grant contract (e.g., 2-5 years for trucks and 10 years for ships at berth). The balance of PM and NOx reductions per Program dollar is different from the truckdominated FY2007-08 statistics because of the 40 percent of funds going to ships at berth projects that achieve relatively more NOx reductions. For both funding years, the overall cost-effectiveness is nearly identical based on the weighted reductions of PM plus NOx emissions.

Project Status by Grant Agreement

The tables on the following pages present the most current information available for each grant as of late December 2010; this information may be updated in subsequent semi-annual reports. We begin with the grants using FY2007-08 funds that are well underway, and then cover the newer grants with FY2008-09 funds that are just beginning implementation.

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LOS ANGELES/INLAND EMPIRE TRADE CORRIDOR – FY2007-08 FUNDS

Local	Project Description	Grant		Reductions inds)	Current Project Status
Agency	. reject 2 cccp.iicii	Amount	PM	NOx	- Currona i Sposi Guardo
	Replace old dirty trucks serving the Ports of Los Angeles and Long Beach with new clean models. (G07GMLP1)	\$6,930,000	77,000	1,583,000	District has completed the Grant to scrap 132 old trucks and replace them with new natural gas trucks meeting the cleanest 2010 emission standards. All 132 trucks are operational.
	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMLT1)	\$6,877,500	106,000	1,847,000	District has completed the Grant to scrap 131 old trucks and replace them with much cleaner trucks. All 131 trucks are operational.
South Coast Air Quality	Retrofit trucks with soot filters and replace old dirty trucks with new clean models serving the rail yards. (G07GMLP2)	\$2,625,000	33,000	587,000	District has completed the Grant to retrofit 2 trucks with soot filters and to scrap 50 old trucks and replace them with much cleaner trucks. All 52 upgraded trucks are operational.
Management District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMLT2)	\$45,846,629	561,000	14,157,000	District has signed contracts with truck owners to retrofit 24 trucks and scrap/replace 870 trucks, and with an existing truck stop to install electric power for truckers to use instead of running their diesel engines. All upgraded trucks are expected to be operational in 2011. Grant amount reflects an increase in funds from three
					sources: \$24,912,700 transferred from District's Grant G07GMLP3-03; \$2,487,553 temporarily redirected from San Diego District's Grant G07GMST2; and \$123,876 temporarily redirected from San Diego District's Grant G07GMSP2.
	Replace old dirty locomotives at rail yards with new clean models. (G07GMLL1)	\$3,090,000	49,000	1,300,000	District has signed a contract with BNSF Railway to repower 4 switcher locomotives with much cleaner engines and expects them to be operational in 2012.

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LOS ANGELES/INLAND EMPIRE TRADE CORRIDOR - FY2007-08 FUNDS (continued)

Local	Project Description	Grant	Emission Reductions (pounds)		Current Project Status	
Agency	Agency		Amount	PM	NOx	·
South Coast Air Quality Management District	Replace old dirty trucks serving the Ports of Los Angeles and Long Beach with new clean models. (G07GMLP3-03)	\$69,537,300	551,000	11,095,000	District has signed contracts with truck owners to scrap 1,332 old trucks and replace them with much cleaner diesel or natural gas models. Over 1,240 trucks are operational, with the remainder expected in early 2011. Grant amount reflects a reduction in funds of \$24,912,700 transferred to the District's Grant G07GMLT2 because the port grant was undersubscribed despite multiple solicitations.	
Port of Long Beach	Replace old dirty trucks serving the Ports of Los Angeles and Long Beach with new clean models. (G07GMLP3)	\$3,550,000	62,000	609,000	Port has completed the Grant to scrap 67 old trucks and replace them with much cleaner trucks. All 67 trucks are operational. Although included in the grant amount, the Port returned \$203,026 of these monies to ARB for 4 projects that were not funded. These monies reverted and will be reallocated to new truck grants administered by the South Coast District. Note: In 2009, ARB approved the Ports' request to transfer administration of the Grant to the South Coast District, with the Port of Long Beach processing the remainder of the trucks from the combined ports' solicitation. ARB and the two ports amended the original Grant accordingly.	
	Corridor Total	\$138,456,429	1,439,000	31,178,000		

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CENTRAL VALLEY TRADE CORRIDOR – FY2007-08 FUNDS

Local		Grant		Reductions	
Agency	Project Description	Amount	(pot	unds) NO x	Current Project Status
San Joaquin	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMCT1)	\$4,935,000	120,000	1,319,000	District signed contracts with owners to retrofit 10 trucks and scrap/replace 93 trucks. All but one truck is operational. Grant amount reflects a reduction in funds of \$766,500 that was transferred to the District's main Grant G07GMCT3.
Valley Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMCT3)	\$42,069,197	645,000	14,911,000	District signed contracts with owners to retrofit 17 trucks and scrap/replace 812 trucks. 261 upgraded trucks are operational. District expects remaining 568 trucks to be operational by June 2011. Grant amount reflects an increase in funds from two sources: \$766,500 that was transferred from the District's early Grant G07GMCT1 and \$772,697 that was
	Replace old dirty trucks with new clean models. (G07GMCT2)	\$102,847	1,000	27,000	temporarily redirected from San Diego District's Grant G07GMST2. District signed contracts with owners to scrap/replace 2 trucks and expects them to be operational in early 2011.
	(50.55.2)				Grant amount reflects a reduction in funds of \$737,153 that was transferred to the District's Grant G07GMCT4.
Sacramento Metropolitan Air Quality	Retrofit trucks with soot filters and replace old dirty trucks with new clean totals.	\$5,392,827	45,000	1,044,000	District signed contracts to retrofit 16 trucks and scrap/replace 97 trucks in late 2010. These trucks will be operational in 2011.
Management District	(G07GMCT4)				Grant amount increased by \$930,327 from two sources: \$737,153 transferred from the District's Grant G07GMCT2 and \$193,174 temporarily redirected from San Diego District's Grant G07GMSP2.
	Replace old dirty long- haul locomotives with new clean models. (G07GMCL1)	\$10,300,000	491,000	5,000,000	District has signed a contract with Union Pacific Railroad to repower 15 line haul locomotives with much cleaner engines by 2012. They are expected to routinely travel between the Central Valley and the South Coast.
	Corridor Total	\$62,799,871	1,302,000	22,301,000	

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BAY AREA TRADE CORRIDOR - FY2007-08 FUNDS

Local	Project Description	Grant	Emission Reductions (pounds)		Current Project Status
Agency	. 10,001 2 000 1,piloti	Amount	PM	NOx	Guironi rojest status
	Install grid-based shoreside electrical power at 3 ship berths at the Port of Oakland so ships can plug in and turn off their engines while docked. (G07GMBS1)	\$2,856,000	16,000	1,604,000	Construction is near completion and District expects shore power to be operational at 3 ship berths by Spring 2011.
Bay Area Air Quality	Retrofit drayage trucks serving the Port of Oakland or replace them with new clean models. (G07GMBP1)	\$14,526,891*	196,000	1,690,000	District signed and funded contracts with owners to retrofit 889 trucks and scrap/replace 203 trucks. All 1,092 upgraded trucks were operational by July 2010. *The District utilized \$405,797 of supplemental funds from FY2008-09 monies.
Management District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMBT1)	\$17,377,500	131,000	2,582,000	District has signed contracts with owners to retrofit 35 trucks and scrap/replace 299 trucks in late 2010.
	Replace old dirty engines in harbor craft with new clean engines. (G07GMBH1)	\$0	0	0	Grant terminated and funds transferred to the existing port truck Grant (G07GMBP1), at the District's request.
	Replace old dirty locomotives at rail yards with new clean models. (G07GMBL1)	\$0	0	0	Grant terminated and funds transferred to the existing port truck Grant (G07GMBP1), at the District's request.
	Corridor Total		343,000	5,876,000	

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SAN DIEGO/BORDER TRADE CORRIDOR - FY2007-08 FUNDS

Local	Project Description	Grant	Emission Reductions (pounds)		Current Project Status
Agency	Project Description	Amount	PM	NOx	Current Project Status
	Retrofit or replace trucks serving the Port of San Diego. (G07GMSP1)	\$0	0	0	Grant terminated and funds transferred to the existing port truck Grant (G07GMSP2), at the District's request.
	Replace old dirty trucks serving the Port of San Diego with new clean models.	\$5,196,450	31,000	685,000	District has signed contracts with owners to scrap/replace 99 trucks. 61 new trucks are in service; the remaining trucks will be operational in early 2011.
San Diego Air Pollution Control District	(G07GMSP2)				At the District's request, Grant amount reflects a reduction in funds of \$317,050 that was temporarily redirected as follows: \$193,174 to Sacramento District's Grant G07GMCT4 and \$123,876 to South Coast District's Grant G07GMLT2.
District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMST2)	\$2,042,250	16,000	360,000	District has signed contracts with owners to retrofit 5 trucks and scrap/replace 38 trucks. All are expected to be operational in 2011. At the District's request, Grant amount reflects a reduction in funds of \$3,260,250 that was temporarily redirected as follows: \$772,697 to San Joaquin District's Grant G07GMCT3 and \$2,487,553 to South
Port of San Diego	Install grid-based shore power at the Port of San Diego. (G07GMSS1)	\$0	0	0	Coast District's Grant G07GMLT2. Grant terminated at the Port's request, and funds transferred to the San Diego District's existing port truck Grant (G07GMSP2).
Imperial County Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMST3)	\$3,748,500	34,000	516,000	District has signed contracts with owners to retrofit 28 trucks and scrap/replace 59 trucks. All are expected to be operational in 2011. Although included in the grant amount, the District returned \$634,998 of these monies to ARB for projects that were not funded. These monies reverted and will be reallocated to new truck grants administered by the Imperial District.
	Corridor Total	\$10,987,200	81,000	1,561,000	

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TOTALS - FY2007-08 FUNDS

	Grant Amount	Emission Reductions over Project Life		
	Oranic / milounic	PM	NOx	
Total Grants to Local Agencies	\$247,003,891*	3,165,000 lbs or 1,582 tons	60,916,000 lbs or 30,458 tons	
ARB administration costs	\$3.4 million			
Total FY2007-08 Funds	\$250 million			

^{*}Includes \$0.4 million from FY2008-09 funds used to supplement the Bay Area District's Grant G07GMBP1 for port trucks.

LOS ANGELES/INLAND EMPIRE TRADE CORRIDOR - FY2008-09 FUNDS

Local	Project Description	Grant	Emission Reductions (pounds)		Current Project Status
Agency	,,	Amount	PM	NOx	.,
South Coost	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMLT1)	\$39,888,571	286,000	8,798,000	Grant agreement and start letter to be sent to District in January 2011. Grant amount reflects the Board award of \$42,500,000 minus the extra \$2,611,429 that was advanced to the District in 2010 (temporarily redirected from San Diego District).
South Coast Air Quality Management District	Eliminate or reduce emissions from ships at berth and/or cargo equipment at ports and intermodal railyards. (G08GMLS1)	\$61,300,000	600,000	34,000,000	Grant agreement signed by ARB and sent with ARB start letter to District in December 2010.
	Replace old dirty locomotives with new clean models. (G08GMLL1)	\$6,200,000	205,000	2,848,000	Grant agreement and start letter to be sent to District in January 2011.
	Corridor Total		1,091,000	45,646,000	

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CENTRAL VALLEY TRADE CORRIDOR – FY2008-09 FUNDS

Local	Project Description	Grant	Emission Reductions (pounds)		Current Project Status
Agency		Amount	PM	NOx	
San Joaquin Valley Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMCT1)	\$44,727,303	320,000	9,865,000	Grant agreement and start letter to be sent to District in January 2011. Grant amount reflects the Board award of \$45,500,000 minus the extra \$772,697 that was advanced to the
Sacramento Metropolitan Air Quality Management District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMCT2)	\$9,806,826	70,000	2,163,000	District in 2010 (temporarily redirected from San Diego). Grant agreement and start letter to be sent to District in January 2011. Grant amount reflects the Board award of \$10,000,000 minus the extra \$193,174 that was advanced to the District in 2010 (temporarily redirected from San Diego).
	Corridor Total		390,000	12,028,000	

BAY AREA TRADE CORRIDOR - FY2008-09 FUNDS

Local	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
Agency			PM	NOx	,
Bay Area Air Quality	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMBT1)	\$7,594,203	54,000	1,675,000	Grant agreement and start letter to be sent to District in January 2011. Grant amount reflects the Board award of \$8,000,000 minus the extra \$405,797 in FY2008-09 funds that was advanced to the District in 2010 for port trucks.
Management District	Eliminate or reduce emissions from ships at berth and/or cargo equipment at ports and intermodal railyards. (G08GMBS1)	\$20,000,000	95,000	5,500,000	Grant agreement executed by ARB and District; ARB start letter sent to District in December 2010.
	Corridor Total		149,000	7,175,000	

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SAN DIEGO/BORDER TRADE CORRIDOR - FY2008-09 FUNDS

Local	Project Description	Grant	Emission Reductions (pounds)		Current Project Status
Agency		Amount	PM	NOx	
San Diego Air Pollution	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMST2)	\$6,577,300	47,000	1,450,000	Grant agreement and start letter to be sent to District in January 2011. Grant amount reflects the addition of \$3,577,300 that was temporarily redirected from San Diego District's
Control District	Replace old dirty engines in harbor craft with new clean engines. (G0GMSH1)	\$500,000	18,000	214,000	FY2007-08 Grants G07GMST2 and G07GMSP2. Grant agreement and start letter to be sent to District in January 2011.
Imperial County Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G0GMST1)	\$3,000,000	21,000	661,000	Grant agreement and start letter to be sent to District in January 2011.
	Corridor Total	\$10,077,300	86,000	2,325,000	

TOTALS - FY2008-09 FUNDS

	Grant Amount	Emission Reductions over Project Life		
	Oranic / milounic	PM	NOx	
Total Grants to Local Agencies	\$199,594,203*	1,716,000 lbs or 858 tons	67,174,000 lbs or 33,587 tons	
ARB administration costs	\$10.9 million**			
Total FY2008-09 Funds	\$210.5 million			

^{*} Excludes the \$0.4 million in FY2008-09 funds used to supplement the Bay Area District's Grant for port trucks in 2010.

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^{**} Funds held for ARB administration costs cover multiple years.