

**PROPOSITION 1B:
GOODS MOVEMENT EMISSION REDUCTION PROGRAM**

***2013 Funding Awards and Proposed Update to
Guidelines for Implementation***

STAFF REPORT

Board Meeting: July 25, 2013

California Environmental Protection Agency

 **Air Resources Board**

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DOCUMENT AVAILABILITY

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EXECUTIVE SUMMARY

The movement of freight (goods movement) throughout California results in emissions of diesel particulate matter (diesel PM) which is a major component of black carbon, oxides of nitrogen (NO_x), carbon dioxide (CO₂), and other pollutants. Freight movement involves the use of a variety of mobile emission sources, such as heavy duty trucks, diesel locomotives, ocean-going cargo ships, harbor craft, and cargo handling equipment. The Air Resources Board (ARB or Board) has identified diesel PM as a toxic air contaminant, and NO_x contributes to regional ozone and PM levels that exceed State and federal air quality standards. The emissions from these mobile sources result in significant human health risks and adverse environmental effects, particularly when such sources release emissions near already heavily-impacted communities located in California's trade corridors where these sources operate.

Proposition 1B, approved by voters in 2006, authorizes \$1 billion in bond funding to ARB to quickly reduce air pollution emissions and health risk from freight movement along California's four priority trade corridors. In addition, these emission reductions will also provide co-benefit reductions in greenhouse gas emissions, including short-lived climate pollutants like black carbon, helping California meet its climate change goals.

The Proposition 1B: Goods Movement Emission Reduction Program (Program) is a partnership between ARB and local agencies (e.g., air districts, State agencies, and ports). ARB develops the Program Guidelines for Implementation (Guidelines) and awards Program funding to local agencies; those agencies then use a competitive process to provide incentives to equipment owners to upgrade to cleaner technology. On January 25, 2013, the Board approved updated Guidelines, including the previously-adopted funding targets for each trade corridor.

Out of the \$1 billion authorized for the Program, \$980 million is allocated for Program project implementation while the remaining \$20 million is allocated to cover bond issuance and oversight costs incurred by the control agencies. All funding is contingent on bond sales by the State and appropriation by the Legislature. To date, ARB has received and awarded approximately \$587 million to implement various projects. Of the remaining \$393 million balance, the Legislature has appropriated \$154 million.

On February 7, 2013, ARB released a Notice of Funding Availability for the FY2013-14 (Year 4) funding allocation to solicit applications from local agencies to administer emission reduction projects. Six local agencies and one State agency (ARB) submitted 15 project proposals, requesting over \$550 million to upgrade more than 9,800 pieces of equipment. ARB staff evaluated each proposal to ensure they met the Program requirements and ranked any competing proposals within each corridor and funding category. There are proposals in each corridor that can successfully achieve the objectives of the Program, consistent with the Guidelines.

Staff is recommending up to \$138.4 million for eligible truck and harbor craft projects (as defined by the Guidelines) within each of California's four priority trade corridors. These recommended funding levels will return each corridor back to the target percentages adopted by the Board and reduce over 348,300 pounds of diesel particulate matter (PM) and 10,676,000 pounds of nitrogen oxides (NOx). This mix of projects would leverage approximately \$132 million in funding from equipment owners and upgrade approximately 3,300 trucks and 5 harbor crafts. Staff's recommendations are shown in Table 1 on the following page, and are based on:

- Achieving the cumulative corridor funding targets for each region;
- Implementing the Board's top funding priority for trucks; and
- Responding to local agency requests for funding and their priorities within each trade corridor.

Staff is also recommending up to \$11.6 million for two multi-corridor programs to support the transition to cleaner trucks and up to \$4 million for ARB administrative costs associated with the Program. For the first multi-corridor program, staff recommends up to \$5.3 million to support improved access to financing through the existing California Capital Access Program for truck owners receiving Proposition 1B funds. For the second multi-corridor program, staff recommends up to \$6.3 million to fund a limited truck filter substrate replacement program; a new concept to address roughly 1,600 trucks that meet the Program's eligibility criteria. Staff is also recommending that the Board approve a targeted revision to the Guidelines to fully fund the installation of a new substrate within the filter housing on this limited population of trucks as part of the existing trucks source category.

If the funds recommended for the truck loan assistance or the limited truck filter substrate replacement program are not fully utilized, staff recommends that the Board direct the Executive Officer to reallocate those funds according to the protocols established in the Guidelines.

In addition to awarding FY2013-14 (Year 4) funds, ARB staff will be seeking Board input on changes to the Guidelines that are under development to respond to new fiscal direction and that increase the efficiency of the Program by limiting the amount of time in which bond funds remain unused. ARB staff will outline these changes to the grant process at this Board meeting and propose that ARB's Executive Officer approve the specific changes to the Guidelines once ARB has completed the coordination work with the Department of Finance and local agencies.

Table 1 Summary of Recommendations by Trade Corridor and Recipient Agency

Trade Corridor	Target Corridor Percent	Corridor Percent Prior to Allocation	Funding Category	Local Agency	FY2013-14 (Year 4) Funds ¹ (millions)
LA/Inland Empire	55.0%	54.6%	Trucks	South Coast	\$ 78.5
			Corridor Total		
Central Valley	25.0%	24.6%	Trucks	San Joaquin Valley	\$ 29.5
				Sacramento Metro	\$ 7.4
			Corridor Total		
Bay Area	14.0%	15.7%	Trucks	Bay Area	\$ 9.9
			Corridor Total		
San Diego/ Border Region	6.0%	5.1%	Trucks	San Diego	\$ 6.15
				Imperial	\$ 6.15
			Harbor Craft	San Diego	\$ 0.80
			Corridor Total		
Subtotal					\$ 138.4
Multi-Corridor Truck Programs			Truck Loan Assistance	All	\$ 5.3
			Truck Filter Substrate Replacement		\$ 6.3
Subtotal					\$ 11.6
ARB Administration ²					\$ 4.0
Total					\$154.0

¹ Includes dollars for equipment projects, plus administration funds where permitted.

² Limited to actual costs. Remaining funds will be used to supplement other projects.

1. PROGRAM BACKGROUND

The movement of freight (goods movement) throughout California results in emissions of diesel particulate matter (diesel PM) which is a major component of black carbon, oxides of nitrogen (NO_x), carbon dioxide (CO₂), and other pollutants. Freight movement involves the use of a variety of mobile emission sources, such as heavy duty trucks, diesel locomotives, ocean-going cargo ships, harbor craft, and cargo handling equipment. The Air Resources Board (ARB or Board) has identified diesel PM as a toxic air contaminant, and NO_x contributes to regional ozone and PM levels that exceed State and federal air quality standards. In addition, these emission reductions will also provide co-benefit reductions in greenhouse gas emissions, including short-lived climate pollutants like black carbon, helping California meet its climate change goals

California residents face serious health impacts from freight-related diesel pollution, especially in communities near ports, railyards, roads with high truck traffic, and distribution centers. The diesel engines that move freight are also a major cause of high regional ozone and fine particle levels that harm millions of Californians today.

Freight-related emissions are a public health concern at both the regional and community levels because they contribute to serious health effects, such as cardiac and respiratory diseases, increased asthma and bronchitis episodes, increased risk of cancer, and premature death.

Program Authority and Scope

Proposition 1B, approved by voters in 2006, authorizes \$1 billion in bond funding to the ARB to cut freight emissions in California's four priority trade corridors. These corridors are: the Los Angeles/Inland Empire; the Central Valley; the Bay Area; and the San Diego/Border area. Health and Safety Code section 39625 et seq. establishes the Proposition 1B: Goods Movement Emission Reduction Program (Program) and directs the Air Resources Board (ARB or Board) to maximize the emission reduction benefits while achieving the earliest possible health risk reduction in communities heavily impacted by goods movement.

The Program is a partnership between ARB and local agencies (e.g., air districts, State agencies, and ports) to quickly reduce air pollution emissions and health risk from freight movement along California's priority trade corridors. ARB awards Program funding to local agencies; those agencies then use a competitive process to provide incentives to equipment owners to upgrade to cleaner technology. The Program supplements ARB's diesel regulations by funding early compliance or providing extra emission reductions beyond those required by applicable rules or specifically mandated by enforceable agreements.

Out of the \$1 billion authorized for the Program, \$980 million is allocated for Program project implementation while the remaining \$20 million is allocated to cover bond issuance and oversight costs incurred by the control agencies. All funding is contingent on bond

sales by the State and appropriation by the Legislature. To date, ARB has received and awarded \$587 million in funds under its FY2007-08 (Year 1) through FY2011-12 (Year 3) appropriation authority for local agency projects and ARB's administration costs over multiple years. Of the remaining \$393 million balance, the Legislature has appropriated \$154 million.

The Board adopted the first set of Proposition 1B: Goods Movement Emission Reduction Program Guidelines for Implementation (Guidelines) on February 28, 2008. The Board adopted updated Guidelines in March 2010 and January 2013, respectively. The previously-approved funding targets for each trade corridor and major source categories eligible for Program funds are shown below.

Trade Corridor Funding Targets

In February 2008, the Board adopted these funding targets for each trade corridor, to be achieved over the course of the \$1 billion Program:

<u>Percent</u>	<u>By Trade Corridor</u>
55%	Los Angeles/Inland Empire (South Coast Air Basin);
25%	Central Valley (San Joaquin Valley Air Basin and Sacramento Federal Nonattainment Area);
14%	Bay Area (San Francisco Bay Area Air Basin); and
6%	San Diego/Border (San Diego County and Imperial County).

Category Funding Targets

In February 2008, the Board also adopted the following overall funding targets by source category. These funding splits are not intended to be directly applied in each funding cycle; the Board retains the discretion to fund the mix of projects that best meets the Program needs:

<u>Dollars</u>	<u>By Funding Category</u>
\$700 million	Heavy duty diesel trucks that haul goods, plus any truck electrification infrastructure projects;
\$100 million	Diesel freight locomotives and railyards;
\$160 million	Cargo ships at berth, plus cargo handling equipment used at a port or intermodal railyards; and
\$ 40 million	Commercial harbor craft.

Priorities for FY2013-14 (Year 4) Funds

Trucks are the largest source of diesel PM and NOx emissions compared to the other goods movement categories. In January 2013, the Board adopted the following priorities for FY2013-14 (Year 4) funds, including funding targets that prioritized truck projects to ensure the greatest reductions in emissions and health risk:

- Truck upgrade projects to lower the health risk and provide emission reductions to help meet federal air quality standards for regional air pollutants;
- Locomotive projects to reduce the elevated, excess cancer risks in neighborhoods near railyards as identified in ARB's health risk assessments; and
- Enhanced funding for zero-emission equipment to provide an added incentive to applicants to encourage transition to the cleanest zero-emission technology for future projects.

Leverage Funding

Consistent with clear directives in the implementing legislation, the Program uses State bond funding to leverage other monies to achieve the greatest emission reductions per State dollar. By limiting the amount of Program funds available for each project, we maximize the number of individuals, businesses, and ports able to access those funds, as well as the resulting air quality benefits.

While the Guidelines cap the maximum amount of bond funding for each project type, they do not require a fixed leverage ratio and they do not specify who must pay the remainder of the project cost. The local agencies implementing the Program are not required to contribute any of their own monies. To provide flexibility, projects can be co-funded through a combination of private, federal, other State, and/or local sources.

Accountability and Transparency

In January 2007, Executive Order S-02-07 was issued highlighting the importance of transparency and accountability in administering the over \$40 billion in bond funding approved by voters in 2006. ARB staff conducted the solicitation and review of applications consistent with the Guidelines and three-part accountability structure required by the Executive Order. This accountability structure was approved by the Department of Finance on February 27, 2008, and is available on the Program website.

ARB staff has made Program materials available on the website, including:

- The Guidelines and Board Resolutions;
- Each Notice of Funding Availability and application instructions;
- Complete applications submitted by local and State agencies;
- Tables summarizing those applications received;
- Preliminary recommendations for funding;
- Materials for the public workshops to discuss those recommendations; and
- Copies of existing grant agreements and related documents.

Availability of Funds

In previous years, ARB had access to funds before funds were awarded to the local agencies. In response to efforts by the Department of Finance to increase fiscal efficiency, ARB and other State agencies have increased the efficiency of their programs by limiting the amount of time in which bond funds remain unused by ARB and the local agencies. ARB and the local agencies have already taken steps to reduce the time between when bond funds are received by ARB and when they are distributed to the local agencies. Additional streamlining of the grant process is desired to further decrease the time between when the local agencies receive funds and when projects are completed, while still ensuring that the local agencies have funds prior to signing contracts with equipment owners. These changes only impact the transaction of funds between the State and local agencies, and do not impact the availability or timing of funding to the equipment owners (see Section 3. “Summary of Guidelines Revisions” for additional information).

Next Steps

Following the Board’s approval of funding for specific local and State agency projects, ARB will enter into grant agreements with local agencies this summer. Local agencies will also begin implementing the Program and are expected to hold public solicitations for truck projects this summer, as these projects have an operational deadline of December 31, 2014. ARB staff will work with local agencies to coordinate outreach efforts to ensure that all interested parties have the opportunity to compete for funding.

2. EVALUATION OF APPLICATIONS

On February 7, 2013, ARB staff released the Notice of Funding Availability (Appendix A) announcing the application period for \$150 million in FY2013-14 (Year 4) funds, consistent with the Guidelines. This Notice and supplemental materials described the process to register as a qualifying local public entity and to submit applications for Program funding. The final due date for applications was March 15, 2013.

Registration

The first part of the application process was on-line registration (or re-registration for previous applicants) – applicants submitted evidence that they are a local or State public entity involved in goods movement or air quality, with the ability to run a regional scale incentive program. All the local air districts and State agencies that participated in administering FY2008-09 (Year 2) and FY2011-12 (Year 3) funds re-registered for the new round of funding.

Application Content and Submittal

Once ARB staff verified that a local or State agency was eligible to participate in the Program, the agency submitted an application that included a project narrative document explaining how the proposed project would be administered, plus data on the project details.

The project narrative document included:

- A proposal for how the agency would implement the project to meet each of the requirements of the Guidelines, including any permitted project alternatives (like geographic restrictions, use of consultants, or allowance for lease-to-own truck replacement projects);
- A description of how the proposed project is consistent with air quality and goods movement plans for the region;
- The agency's experience with incentive programs, including the ratio of staff to the number of equipment projects funded, inspected, and monitored;
- Highlights on planned project outreach, as well as project schedules and milestones;
- Documentation of the required community consultation meeting; and
- A resolution from the governing board or commission of the agency authorizing that agency to participate in the Program.

In the project details part of the application, local agencies used ARB's Goods Movement On-Line Database (Database) to enter information on the funding category, the bond funds requested (for both equipment upgrades and administration), the leverage funds, and source of those funds. This information was used to calculate emission reductions, bond cost-effectiveness, and an estimate of the number of pieces of equipment that could be funded under each category.

Applications Received

As shown in Table 2 below, ARB received 15 proposals from six local agencies and one State agency (ARB). Appendix B provides an expanded summary with additional detail on the leverage funding source(s), anticipated emission reductions, and bond cost-effectiveness for each of the proposals.

Table 2 Summary of Local and State Agency Applications

Trade Corridor	Local Agency	Funding Category	Estimated Number of Equipment	Bond \$ Requested ¹ (millions)	Total Corridor \$ (millions)
LA/Inland Empire	South Coast	Trucks	5,007	\$210.0	\$229.6
		Locomotive	6	\$ 9.3	
		Ships/Equipment	6	\$ 10.3	
Central Valley	San Joaquin Valley	Trucks	2,885	\$121.2	\$207.0
		Locomotive	14	\$ 28.8	
	Sacramento Metro	Trucks	375	\$ 15.8	
		Locomotive	21	\$ 41.2	
Bay Area	Bay Area	Trucks	905	\$ 38.0	\$ 55.0
		Locomotive	8	\$ 17.0	
San Diego/ Border	San Diego	Trucks	425	\$ 15.8	\$ 27.1
		Locomotive	1	\$ 1.0	
		Ships/Equipment	1	\$ 1.0	
		Harbor Craft	5	\$ 0.8	
	Imperial	Trucks	200	\$ 8.4	
All Trade Corridors	ARB ²	Truck Loan Assistance	--- ³	\$ 31.5	\$ 31.5
TOTAL			9,858³	\$550.2	\$550.2

¹ Includes dollars for equipment projects, plus administration funds where permitted.

² State agency.

³ Estimated number of equipment for the truck loan assistance program is 750 trucks; however it is not reflected in the summed total number because these projects are combined with local agency truck projects.

ARB Staff Evaluation

ARB staff evaluated each application for completeness and consistency with Program requirements.

ARB staff contacted local agencies in accordance with the Guidelines, to discuss any missing elements and any conflicts with the requirements of the Guidelines. As a part of this communication (e-mail/phone), we asked the local agencies to confirm, correct, clarify, or replace the information in question.

The next step included an assessment of each proposal for such requirements as:

- The capacity of existing staff and any proposed additions to complete the number of projects proposed, and to do so within the schedules identified in the Guidelines;
- The proposed use of acceptable project alternatives, such as geographic restrictions or use of contractors to help run the program; and
- The experience and ability of the agency to administer the proposed projects based upon past performance.

Where local agencies proposed projects in the same funding category and the same trade corridor, ARB staff completed the competitive scoring process described in the Guidelines. The competition was based on two primary factors – emission reductions and a measure of cost-effectiveness. Appendix C summarizes the inputs and the final score for each proposed project subject to this competitive process.

Process for Developing Funding Recommendations

ARB staff used the process and Board priorities described in the Guidelines to develop recommendations for funding local and State agency proposals, including:

- The availability of bond funds;
- Trade corridor and source category funding targets;
- Results of a competitive process;
- The Board’s funding priorities for the cycle;
- Regulatory compliance deadlines;
- Local and State agency readiness; and
- Public input.

The Guidelines direct ARB staff to recommend whether the most competitive local agency project in each corridor and funding category should be funded in whole, in part, or not at all in that funding cycle. The Guidelines provide ARB with the option to pro-rate the requested Program funding and the estimated performance measures (pieces of equipment, emission reductions, etc.) based on the available dollars and funding priorities.

3. ARB STAFF RECOMMENDATIONS

ARB received proposals from local agencies in each of California's four priority trade corridors that exceeded the corridor's target funding level, and one application from ARB for a truck loan assistance program. The applicants demonstrated the capability to implement the Program at some significant funding level.

ARB staff is recommending that the Board award up to \$154 million in FY2013-14 (Year 4) funds at the July 2013 Board meeting.

Approach

There are proposals in each trade corridor that can successfully achieve the objectives of the Program, consistent with the Guidelines. Staff is recommending up to \$150 million for eligible projects (as defined by the Guidelines), within each of California's four priority trade corridors and up to \$4 million for ARB administrative costs associated with the Program. Staff's recommendations are based on:

- Achieving the cumulative corridor funding targets for each region;
- Implementing the Board's top funding priority for trucks; and
- Responding to local agency requests for funding and their priorities within each trade corridor.

Program funds must be used to achieve early or extra emission reductions. Projects in the truck category would be considered a priority for the available FY2013-14 (Year 4) funds because the window to achieve early emission reductions through the replacement/repower of older trucks closes at the end of 2014, ahead of the January 1, 2015, compliance deadline in ARB's Statewide Truck and Bus Rule. For truck owners to take advantage of Program funding and get the newer trucks in operation by December 2014, the Program needs to make the grants and financing assistance available in 2013. ARB staff recommends that the FY2013-14 (Year 4) funding awards focus on truck projects. However, if a local agency experiences insufficient demand for truck projects, staff recommends that the Board direct the Executive Officer to reallocate those funds according to the protocols established in the Guidelines.

When the Board approved priority funding for drayage trucks during the FY2011-12 (Year 3) funding awards, it created a temporary imbalance in the proportion of funding administered by local agencies. ARB staff recommends that the FY2013-14 (Year 4) funding awards be distributed so as to return each corridor back to the target percentages adopted by the Board.

Staff is recommending up to \$138.4 million for eligible truck and harbor craft projects (as defined by the Guidelines) to be divided between the priority trade corridors based on the funding targets adopted by the Board. These proposed projects would reduce over 348,300 pounds of diesel particulate matter (PM) and 10,676,000 pounds of nitrogen oxides (NOx). This mix of projects would leverage approximately \$132 million in funding from equipment owners and upgrade approximately 3,300 trucks and 5 harbor crafts.

Staff is recommending up to \$11.6 million for two additional programs. First, staff is recommending up to \$5.3 million for the ARB Loan Assistance Program. This is an existing program that provides improved access to financing through the California Capital Access Program for trucks receiving grants under the Program. Second, staff is recommending up to \$6.3 million for a limited truck filter substrate replacement program. This program would assist in replacing the metal substrates of specific recalled diesel particulate filters that are on trucks meeting the eligibility requirements of the Program and have been authorized to receive funding by ARB staff. If the funds recommended for the truck loan assistance or the limited truck filter substrate replacement program are not fully utilized, staff recommends that the Board direct the Executive Officer to reallocate those funds according to the protocols established in the Guidelines.

Public Outreach

ARB staff conducted a series of three workshops around the State between July 11-15, 2013, to receive public input on preliminary recommendations to distribute these funds among the eligible projects, as defined by the Guidelines, within each of California's four priority trade corridors. The workshops were held in Sacramento, Fresno, and Los Angeles to cover Northern, Central, and Southern California communities as required by State law. In addition, local agencies held at least one community meeting to solicit public comments on their proposed projects prior to application submittal.

ARB Administrative Costs

State law allows ARB to reserve up to 5 percent of the funds for administration of the Program, which will cover several years' costs. These costs cover Program development, implementation assistance for local agencies and equipment owners, oversight and audits, and outreach/marketing.

ARB staff is recommending to award up to \$4 million from the \$154 million appropriation for ARB administrative costs.

Summary of Funding Recommendations

Table 3 on the following page summarizes the recommended distribution of the \$154 million in FY2013-14 (Year 4) funds for each recipient agency.

A description of the rationale for each decision to recommend particular projects at specific funding amounts in each trade corridor is also provided.

Table 3 Summary of Recommendations by Trade Corridor and Recipient Agency

Trade Corridor	Target Corridor Percent	Corridor Percent Prior to Allocation	Funding Category	Local Agency	FY2013-14 (Year 4) Funds ¹ (millions)
LA/Inland Empire	55.0%	54.6%	Trucks	South Coast	\$ 78.5
			Corridor Total		
Central Valley	25.0%	24.6%	Trucks	San Joaquin Valley	\$ 29.5
				Sacramento Metro	\$ 7.4
			Corridor Total		
Bay Area	14.0%	15.7%	Trucks	Bay Area	\$ 9.9
			Corridor Total		
San Diego/ Border Region	6.0%	5.1%	Trucks	San Diego	\$ 6.15
				Imperial	\$ 6.15
			Harbor Craft	San Diego	\$ 0.80
			Corridor Total		
Subtotal					\$ 138.4
Multi-Corridor Truck Programs			Truck Loan Assistance	All	\$ 5.3
			Truck Filter Substrate Replacement		\$ 6.3
Subtotal					\$ 11.6
ARB Administration ²					\$ 4.0
Total					\$154.0

¹ Includes dollars for equipment projects, plus administration funds where permitted.

² Limited to actual costs. Remaining funds will be used to supplement other projects.

Los Angeles/Inland Empire Trade Corridor

The South Coast Air Quality Management District (South Coast District) was the only applicant in this trade corridor. There is up to \$78.5 million in funding available to award to local agencies in this trade corridor. The total funding request from the South Coast District was \$229.6 million for truck, locomotive, and ships/equipment projects.

After consultation with the South Coast District, ARB staff is recommending that the Board award up to \$78.5 million for truck projects.

Table 4 below identifies the key details of the projects proposed for funding that would be implemented by the South Coast District in the Los Angeles/Inland Empire Trade Corridor.

Table 4 Funding Details for the Los Angeles/Inland Empire Trade Corridor

Local Agency	Funding Category	Bond Funding Recommended ¹	Project Alternatives
South Coast	Trucks	\$78,500,000	- Option for contractor(s). - Option to require truck stops and distribution centers be located within the Los Angeles/Inland Empire Trade Corridor.

¹ Includes dollars for equipment projects, plus administration funds where permitted.

Central Valley Trade Corridor

ARB received applications for projects from the San Joaquin Valley Air Pollution Control District (San Joaquin Valley District) and the Sacramento Metropolitan Air Quality Management District (Sacramento Metro District). There is up to \$36.9 million in funding available to award to local agencies in this trade corridor. The total funding requested from both the San Joaquin Valley District and the Sacramento Metro District combined was \$207.0 million for truck and locomotive projects.

Both local agencies submitted applications for truck and locomotive projects, which triggered the competitive ranking process. The San Joaquin Valley District proposal requested funding for more projects overall, resulting in greater overall emission reductions (and thus a higher overall score). Consistent with the division of funds from previous funding awards, the San Joaquin Valley District would administer up to \$29.5 million of this trade corridor's share of funding, with the Sacramento Metro District administering up to \$7.4 million.

After consultation with both local agencies, ARB staff is recommending that the Board award up to \$29.5 million for truck projects in the San Joaquin Valley District and up to \$7.4 million for truck projects in the Sacramento Metro District. Both local agencies will solicit applications and use the same competitive ranking process to award funds to truck owners.

Table 6 below identifies the key details of the projects proposed for funding that would be implemented by the San Joaquin Valley District and the Sacramento Metro District in the Central Valley Trade Corridor.

Table 6 Funding Details for the Central Valley Trade Corridor

Local Agency	Funding Category	Bond Funding Recommended ¹	Project Alternatives
San Joaquin Valley	Trucks	\$29,500,000	<ul style="list-style-type: none"> - Option for contractor(s). - Option to operate a lease-to-own program. - Option to require that the old truck travel at least 10% of its annual miles within the Central Valley Trade Corridor.
Sacramento Metro	Trucks	\$7,400,000	<ul style="list-style-type: none"> - Option for contractor(s).

¹ Includes dollars for equipment projects, plus administration funds where permitted.

Bay Area Trade Corridor

The Bay Area Air Quality Management District (Bay Area District) was the only applicant in this trade corridor. There is up to \$9.9 million in funding available to award to local agencies in this trade corridor. The total funding request from the Bay Area District was \$55.0 million for truck and locomotive projects.

After initial consultation with the Bay Area District, ARB staff is recommending that the Board award up to \$9.9 million for truck projects.

Table 7 below identifies the key details of the projects proposed for funding that would be implemented by the Bay Area District in the Bay Area Trade Corridor.

Table 7 Funding Details for the Bay Area Trade Corridor

Local Agency	Funding Category	Bond Funding Recommended ¹	Project Alternatives
Bay Area	Trucks	\$9,900,000	<ul style="list-style-type: none"> - Option for contractor(s). - Option to operate a lease-to-own program. - Option to require that the old truck travel at least 10% of its annual miles within the Bay Area Trade Corridor.

¹ Includes dollars for equipment projects, plus administration funds where permitted.

San Diego/Border Trade Corridor

ARB received applications for projects from the San Diego Air Pollution Control District (San Diego District) and the Imperial County Air Pollution Control District (Imperial District). There is up to \$13.1 million in funding available to award to local agencies in this trade corridor. The total funding requested from both San Diego District and the Imperial District combined was \$27.1 million for truck, locomotive, ships/equipment, and harbor craft projects.

Both local agencies submitted applications for truck projects, which triggered the competitive ranking process. The San Diego District proposal requested funding for more projects overall, resulting in greater overall emission reductions (and thus a higher overall score). Consistent with the division of funds from previous funding awards, the San Diego District would administer up to \$6.15 million of this trade corridor's share of truck funding, with the Imperial District administering up to \$6.15 million.

After consultation with the both local agencies, ARB staff is recommending that the Board award up to \$6.15 million for truck projects and up to \$0.8 million for harbor craft projects in the San Diego District and up to \$6.15 million for truck projects in the Imperial District. Both local agencies will solicit applications and use the same competitive ranking process to award funds to truck owners.

Table 5 on the following page identifies the key details of the projects proposed for funding that would be implemented by the San Diego District and the Imperial District in the San Diego/Border Trade Corridor.

Table 5 Funding Details for the San Diego/Border Trade Corridor

Local Agency	Funding Category	Bond Funding Recommended ¹	Project Alternatives
San Diego	Trucks	\$6,150,000	<ul style="list-style-type: none"> - Option for contractor(s). - Option to require truck stops and distribution centers be located within the San Diego/Border Trade Corridor. - Option to require that the old truck travel at least 10% of its annual miles within the San Diego/Border Trade Corridor. - Option to customize internal operational deadlines to be shorter than what is stipulated in the Guidelines.
	Harbor Craft	\$832,000	<ul style="list-style-type: none"> - Option for contractor(s). - Option to require that the new/upgraded equipment and/or engines be home-ported in the San Diego/Border Trade Corridor. - Option to require 90% future operation in California for new/upgraded equipment. - Option to customize internal operational deadlines to be shorter than what is stipulated in the Guidelines.
Imperial	Trucks	\$6,150,000	<ul style="list-style-type: none"> - Option for contractor(s). - Option to require that the old truck travel at least 10% of its annual miles within the San Diego/Border Trade Corridor. - Option to customize internal operational deadlines to be shorter than what is stipulated in the Guidelines.

¹ Includes dollars for equipment projects, plus administration funds where permitted.

Multi-Corridor Truck Programs

Truck loan assistance: ARB is the only State agency that applied to administer a loan assistance program for truck projects. The ARB Loan Assistance Program is an existing program that provides access to financing for trucks receiving grants through the Program. The intent of offering bond funds for loan projects is to provide financial assistance and expand financing opportunities for owners of smaller truck fleets who are experiencing difficulty in obtaining financing to upgrade or replace their vehicles with cleaner technology. This type of loan portfolio insurance reduces the financial risk to

lenders and creates opportunities for small business truck owners that fall below normal lending criteria and may not qualify for any financing. It also provides an inherent benefit of fund leveraging to significantly increase the overall amount of financing available to truck owners.

Local agencies provide grants that cover part of the cost for truck owners to upgrade their vehicles ahead of, or beyond, the regulatory requirements. Truck owners must typically pay the remainder of the cost of new equipment. Obtaining financing to supplement these grants has proven to be a barrier for independent owner-operators and smaller trucking fleets that have less access to capital.

The owners of the eligible trucks could apply for loan assistance through the California Pollution Control Financing Authority's (CPCFA) California Capital Access Program (CalCAP). CalCAP encourages banks and other financial institutions to make loans to small businesses that fall just outside of their conventional underwriting standards. Equipment owners would apply for loans with participating lenders who, in turn, would base their approval on utilizing CalCAP. This is intended to improve access to loans provided by lenders and is not a guarantee that a truck owner will get a loan.

ARB would provide funding directly to CPCFA to be used for a loan loss reserve account which provides funds to lenders if the equipment owner defaults on the loan. Consistent with the existing truck loan guarantee program established by ARB's Providing Loan Assistance for California Equipment program, truck owners must have fleets of 40 or fewer trucks, employ 100 or fewer employees, and have annual revenue of \$10 million or less. The loan monies would be used to supplement bond funded replacement projects for these smaller fleets. The program requires that each truck owner contribute some cash to the project.

ARB staff is recommending that the Board award up to \$5.3 million for the ARB Loan Assistance Program.

Truck filter substrate replacement: The second proposal for multi-corridor truck funding is a new limited truck filter substrate replacement program affecting roughly 1,600 trucks that meet the Proposition 1B-eligibility criteria regarding hauling of goods primarily within the four priority trade corridors. Owners of these trucks previously invested private funds, or a combination of private and public funds, to install a specific model of verified diesel particulate filter that used a metal substrate to achieve the diesel particulate control.

In response to safety concerns with just this model, ARB rescinded the verification and the manufacturer initiated a voluntary recall. The filter manufacturer has since gone out of business. In many cases, the filter core or substrate was removed from the housing on each truck (or other equipment). Today, these trucks have the filter housing, but without the desired diesel particulate matter control. Because the truck owners installed verified filters in good faith, ARB is allowing vehicles that are impacted by the recall to remain in compliance with the in-use fleet rules, with appropriate documentation.

Staff is proposing that the Board award up to \$6.3 million to fund the substrate replacement in these recalled diesel particulate filters on Proposition 1B-eligible trucks. If funding is awarded, ARB staff will evaluate the physical locations of the affected trucks and determine which local agency(s) might be best positioned to manage this specialized replacement program. ARB would offer the opportunity to administer the resulting grant program to that local agency(s).

Staff is proposing to revise the Guidelines to establish this as a limited one-time option within the existing trucks source category (see Appendix D for detailed revisions). In addition, staff believes that the utilization of a single contractor to perform all of these substrate replacements may be a cost effective option for implementing this program.

Table 8 below identifies the key details of the project proposed for multi-corridor truck programs.

Table 8 Funding Details for Multi-Corridor Truck Programs

State Agency	Funding Category	Bond Funding Recommended ¹	Project Alternatives
Air Resources Board	Truck Loan Assistance	\$5,300,000	<ul style="list-style-type: none"> - Option for contractor(s), including CPCFA. - Option to target smaller fleets. - Option to customize loan projects, consistent with the Board's priorities or direction.
	Truck Filter Substrate Replacement	\$6,300,000	<ul style="list-style-type: none"> - Option for contractor(s)

¹ Includes dollars for equipment projects, plus administration funds where permitted.

If the funds are not needed by either of the above mentioned programs, staff is recommending that the funds be reallocated for eligible projects within the trade corridors in a manner consistent with maintaining the corridor funding targets for each region.

Cumulative Program Funding

Based on ARB staff recommendations in this report, Table 9 on the following page shows cumulative Program allocations for the approximately \$741 million in funds that have been appropriated.

Table 9 Cumulative Program Funding

Funding Category	Trade Corridor (funding in millions) ¹					Total
	Los Angeles/ Inland Empire	Central Valley	Bay Area	San Diego/ Border	All Trade Corridors	
Trucks	\$318.8	\$165.3	\$ 75.9	\$ 41.2	\$ 16.6	\$617.8
Locomotives	\$ 7.7	\$ 10.3	---	---	---	\$ 18.0
Ships/Equipment	\$ 60.0	---	\$ 22.4	---	---	\$ 82.4
Harbor Craft	---	---	---	\$ 0.9	---	\$ 0.9
ARB Admin	---	---	---	---	---	\$ 21.4
Total	\$386.5	\$175.6	\$ 98.3	\$ 42.1	\$ 16.6	\$740.5

¹ Includes dollars for equipment projects, plus administration funds where permitted.

Table 10 on the following page provides the estimated number of equipment that would be upgraded and the associated emission reductions.

Summary of Guidelines Revisions

In addition to funding awards for FY2013-14 (Year 4) funds, ARB staff is:

- Proposing to revise the Guidelines to include limited truck filter substrate replacements in the existing truck source category;
- Outlining future changes to the Guidelines (that would be approved by the Executive Officer) related to the grant process; and
- Providing a summary of revisions made via Executive Order since adoption of the January 2013 Guidelines.

Staff is proposing a targeted revision to the Guidelines to establish a limited one-time program that will fully fund the installation of new filter substrates as part of the existing truck source category, as described above (see Section 3. “Truck filter substrate replacement” for more details). Projects selected for funding shall meet the intent of the Program, eligibility requirements, and achieve particulate matter benefits that are “extra” relative to the current situation. Staff’s proposed revisions to the Guidelines are located in Appendix D.

Staff is seeking Board input on revisions to the Guidelines that are under development to respond to new fiscal direction and that increase the efficiency of the Program by limiting the amount of time in which bond funds remain unused. Staff will outline these changes to the grant process at this Board meeting and propose that ARB’s Executive Officer approve the specific changes to the Guidelines once ARB has completed the coordination work with the Department of Finance and local agencies.

Lastly, since the adoption of the January 2013 Guidelines, the Executive Officer has approved changes to the truck-reuse option of the Guidelines. Appendix E contains a summary of those changes made via Executive Order G-13-050.

Table 10 Estimated Emission Reductions from Recommended Projects

Trade Corridor	Funding Category	Local Agency	FY2013-14 (Year 4) Funds (millions)		
			Total Funds ¹	PM (lbs)	NOx (lbs)
LA/Inland Empire	Trucks	South Coast	\$ 78.5	169,900	6,016,000
	Corridor Total		\$ 78.5	169,900	6,016,000
Central Valley	Trucks	San Joaquin Valley	\$ 29.5	64,000	2,266,000
	Trucks	Sacramento Metro	\$ 7.4	16,000	566,000
	Corridor Total		\$ 36.9	80,000	2,832,000
Bay Area	Trucks	Bay Area	\$ 9.9	21,500	762,000
	Corridor Total		\$ 9.9	21,500	762,000
San Diego/ Border	Trucks	San Diego	\$ 6.15	13,300	470,000
		Imperial	\$ 6.15	13,300	470,000
	Harbor Craft	San Diego	\$ 0.8	4,600	125,000
	Corridor Total		\$ 13.1	31,200	1,065,000
All Trade Corridors	Truck Loan Assistance	ARB	\$ 5.3	---	---
	Truck Filter Substrate Replacement		\$ 6.3	45,700	---
	Corridor Total		\$ 11.0	45,700	---
Local and State Agency Totals			\$150.0	348,300	10,676,000

¹ Includes dollars for equipment projects, plus administration funds where permitted.

² Estimated emission reductions from the truck loan assistance program are not reflected because the emission reductions from these projects are combined with local agency truck projects.

Recommendation for Board Action

ARB staff recommends that the Board adopt Resolution 13-34 that includes:

- The Program's funding awards for the \$154 million in FY2013-14 (Year 4) funds;
- The revisions to the Guidelines to include a limited truck filter substrate replacement program as part of the existing trucks source category; and
- The outline for changing the grant process in the Guidelines.

Benefits of Proposed Recommendations for Funding

- The proposed allocation of funding would direct the majority of the total dollars to cleaner trucks that may travel in multiple trade corridors, and less than one percent to harbor craft equipment projects in the San Diego/Border trade corridor.
- The recommended projects would reduce over 348,300 pounds of PM and over 10,676,000 pounds of NOx that form ozone and fine particles.
- The \$154 million from Proposition 1B would leverage over \$132 million from equipment owners.

APPENDIX A

NOTICE OF FUNDING AVAILABILITY – FEBRUARY 2013

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Notice of Funding Availability

Proposition 1B: Goods Movement Emission Reduction Program

NOTICE OF FUNDING AVAILABILITY – FEBRUARY 2013

The California Air Resources Board (ARB or Board) is soliciting applications from eligible local and State agencies to administer funding to reduce emissions and health impacts from diesel equipment used to move freight in California's four priority trade corridors—the Los Angeles/Inland Empire, the Central Valley, the Bay Area, and the San Diego/Border region. The applications must include proposals to implement incentive projects in one of four categories: heavy-duty diesel trucks (including truck loan and/or loan guarantee programs), freight locomotives and railyards, cargo ships at berth and cargo handling equipment used at a port or intermodal railyard, or commercial harbor craft. This Notice describes the types of agencies eligible to apply and the two-step application process that includes online registration and proposal submittal.

Applications are due to ARB by March 15, 2013.

Proposition 1B authorized a total of \$1 billion to ARB for the Goods Movement Emission Reduction Program (Program), with \$980 million allocated for Program project implementation and \$20 million to cover bond issuance and oversight costs incurred by the control agencies. All funding is contingent on bond sales by the State and appropriation by the Legislature.

To date, ARB has received approximately \$587 million from bond sales for the Program which has already been awarded to implement various projects. The balance of \$393 million will require future bond sales; the Legislature has appropriated \$150 million of the \$393 million balance. The State anticipates future bond funding in the Spring of 2013 for this purpose.

The Board will consider awards for the \$150 million current appropriation when funding is received. As ARB receives additional appropriation and funding, the Board will consider further awards. ARB may rely on the applications received in response to this Notice of Funding Availability or may issue a subsequent Notice, depending on the time elapsed since submittal of applications.

As required by State law, the Board adopted the initial Program Guidelines in February 2008 and approved two subsequent updates most recently, in January 2013. The Guidelines define the responsibilities of ARB, local agencies, and equipment owners, as well as the technical specifications and funding amounts for eligible projects. In the event of a conflict between this Notice and the Guidelines, the Guidelines shall control. The Guidelines are available on the Program website at <http://www.arb.ca.gov/gmbond>.

FUNDING PRIORITIES

To select local/State agency project proposals for funding, ARB considers the following factors: the availability of Program funds, the trade corridor and category funding targets, priorities established by the Board for each funding cycle, the emission reductions and cost-effectiveness of each proposed project, and public input.

ARB has established the following funding allocations for the trade corridors:

<u>Percent</u>	<u>By Trade Corridor</u>
55%	Los Angeles/Inland Empire
25%	Central Valley
14%	Bay Area
6%	San Diego/Border region

The Board has also set targets for each funding category over the course of the Program. While ARB maintains the allocations by trade corridor, it does not rely on a formula to calculate the specific funding by category within each trade corridor. The awards are determined based on the competitiveness of the proposals submitted by agencies for each corridor, along with other factors described in this section.

<u>Amount</u>	<u>By Funding Category</u>
\$700 million:	Heavy duty diesel trucks that haul goods, plus any truck electrification infrastructure.
\$100 million:	Diesel freight locomotives and railyards.
\$160 million:	Cargo ships at berth, plus cargo handling equipment used at a port or intermodal railyard.
\$ 40 million:	Commercial harbor craft.

The Board adopted these priorities for the FY2012-13 (Year 4) and later funds:

- Truck upgrade projects to lower the health risk and provide emission reductions to help meet federal air quality standards for regional air pollutants. This is consistent with statutory direction to give priority to projects that achieve the earliest possible health risk reduction in heavily impacted communities.
- Locomotive projects to reduce the elevated, excess cancer risks in neighborhoods near railyards as identified in ARB's health risk assessments. The California State Implementation Plan relies on incentives and other mechanisms to accelerate the implementation of cleaner locomotives and/or engines to attain federal PM2.5 and ozone standards in the South Coast and San Joaquin Valley air basins.
- Enhanced funding for zero-emission equipment to provide an added incentive to applicants to encourage transition to the cleanest zero-emission technology for future projects. A broader deployment of these zero-emission technologies will be needed in the South Coast and San Joaquin Valley air basins to attain health-based air quality standards and to achieve long-term greenhouse gas reduction goals.

AGENCY AND PROJECT ELIGIBILITY

Local Public Entities

Applicants must satisfy three criteria to be considered a local agency eligible for funding in this Program. First, applicants must be a “local public entity”, which is defined to include a county, city, district, public authority created by statute, public agency, and any other political subdivision in the State. Second, local public entities must be involved in the movement of freight through trade corridors or involved in air quality improvements associated with goods movement. Third, local public entities must have the legal authority and resources to run a regional scale incentive program that includes sources outside their geographic jurisdiction.

State Agencies

California State agencies interested in and capable of implementing a large scale truck loan or loan guarantee program to finance truck upgrade projects are also eligible to apply for funding.

Project Eligibility

Appendices A-E of the Guidelines detail the equipment project options within each category for FY2012-13 (Year 4) and later funds, including upgrade specifications, funding caps, minimum project life, and key operating conditions. Local agencies can choose to propose projects for one or more funding categories, and must offer all of the equipment project options within that category. Local agencies may also choose to propose allowable project alternatives as specified in Chapter III - Section C of the Guidelines which are available on the Program website at <http://www.arb.ca.gov/gmbond>.

APPLICATION PROCESS

Local Public Entities

The application process requires two steps: registration as a local public entity **and** submission of the project proposal. Information for each step is provided below. More detailed information can be found in Chapter III - Sections A and E of the Guidelines which are available on Program website at <http://www.arb.ca.gov/gmbond>.

Registration

The application process begins with e-mail registration to gain access to ARB’s Goods Movement Online Database (Database).

Notice of Funding Availability

Local public entities must complete a user account registration form, as specified below, and e-mail this form to gmbond@arb.ca.gov no later than 5:00 p.m., **February 22, 2013** to receive a username and password to access the Database.

Previous Applicants

Local public entities that have previously successfully registered as local agencies may use an abbreviated set of registration instructions which can be found on the Program website at <http://www.arb.ca.gov/gmbond>.

New Applicants

Local public entities that are new applicants to the Program must submit information described in the new applicant registration instructions which can be found on the Program website at <http://www.arb.ca.gov/gmbond>.

Project Proposals

After having successfully registered as a local agency, both new and previous applicants must complete the application process by submitting a project proposal which includes information submitted to the Database and a separate proposal narrative as described below.

The data to be entered by the applicant into the Database must include:

- Local agency contact information
- Project details (project funds requested)
- Funding demonstration
- Air quality benefits (emission benefits)
- Project schedule

The proposal narrative must include:

- General information
- Project description
- Provisions to customize proposal
- Staff resources
- Local agency pre-application meeting information
- Certification to comply with Program requirements
- Board/commission resolution

For detailed descriptions of the elements listed above, please consult the Guidelines or contact ARB staff for assistance. (See page 6 of this Notice for contact information.)

State Agencies

The application process requires two steps: qualification as an eligible State agency and the project proposal. Information for each step is provided below. More detailed information can be found in Chapter III - Section A of the Guidelines which are available on the Program website at <http://www.arb.ca.gov/gmbond>.

Qualification

State agencies applying to administer a loan or loan guarantee program for truck projects do not need to register for Database access but need to submit qualifying information to determine eligibility in the Program.

This information must be emailed to gmbond@arb.ca.gov no later than 5:00 p.m., **February 22, 2013** and should include:

- Type of State agency
- Mission statement or purpose
- General information
- Description of how the State agency is involved in providing financial assistance, such as grants, loans or loan guarantee programs. This description shall include the agency's specific roles, authorities, responsibilities, and annual budget for these programs.
- State agency contact information

ARB staff will contact State agencies within five business days after receipt of information to discuss the results of qualification information.

Project Proposals

After a State agency has successfully qualified as an applicant, they must complete that application process by submitting a project proposal. This proposal must include the following elements:

- Project description
- Provisions to customize proposal
- Funding demonstration
- Air quality benefits
- Staff resources
- Project schedule
- Certification to comply with Program requirements
- State agency board/commission resolution or similar document, if applicable

Notice of Funding Availability

APPLICATION DEADLINE AND SUBMITTAL

Two completed paper copies of each local agency's or State application along with completion of the electronic submittal as described in this notice **must be received by ARB no later than 5:00 p.m. on March 15, 2013.**

Applications postmarked or received after 5:00 p.m. on **March 15, 2013** will not be accepted and will be returned to the applicant. Only mailed or hand-delivered applications and supplemental information will be accepted. No faxed or emailed applications will be considered.

Please mail hardcopy applications and supplemental information to:

Ms. Barbara J. Van Gee
Goods Movement Emission Reduction Program
Stationary Source Division
Air Resources Board
Standard U.S. Mail: P.O. Box 2815, Sacramento, CA 95812
Other Delivery Services: 1001 I Street, Sacramento, CA 95814

All application information shall be provided or the application shall be considered incomplete. Updates to any application information after the submittal deadline shall only be allowed on a case-by-case basis, at the sole discretion of ARB.

FOR ASSISTANCE AND CONTACT INFORMATION

ARB staff is available to assist applicants as needed. Please contact staff by e-mail or phone as described below.

E-mail question(s) to gmbond@arb.ca.gov. In the subject line, write "Local or State agency application question", and in the body of the e-mail identify the:

- Local agency or State agency name;
- Trade corridor and funding category identified; and
- Question(s).

By phone, please contact: (916) 44-GOODS (444-6637).

TENTATIVE SCHEDULE OF PROPOSAL:

Notice of Funding Availability	February 7, 2013
Last Day to Register/Qualify as an Applicant	February 22, 2013
Deadline to Submit Proposals	March 15, 2013

APPENDIX B

EXPANDED SUMMARY OF LOCAL AGENCY APPLICATIONS FOR FY2013-14 (YEAR 4) FUNDS

*(Includes links to the project narrative and details
for each application on ARB's Program website)*

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**Proposition 1B: Goods Movement Emission Reduction Program
Expanded Summary of Local and State Agency Applications for Fiscal Year 2013-14 (Year 4) Funds**

LOCAL AGENCY APPLICATIONS

LOS ANGELES/INLAND EMPIRE CORRIDOR

Links to Project Application	Funding Category	# of Equipment	Bond Funds Requested (millions)	Leverage Funding: private unless noted (millions)	NOx Reductions (pounds)	PM Reductions (pounds)	Bond C/E*
<i>South Coast Air Quality Management District</i>							
<u>Project Application</u>	Heavy Duty Diesel Trucks	5,007	\$210.0	\$200.0	16,100,000	454,600	0.12
<u>Project Application</u>	Locomotives and Railyards	6	\$9.3	\$9.0	1,313,730	79,200	0.31
<u>Project Application</u>	Ships at Berth and Cargo Handling Equipment	6	\$10.3	\$10.0	826,370	8,600	0.10
Agency Total			\$229.6	\$219.0			

* "Bond C/E" means cost-effectiveness expressed as the total pollutant-weighted emission reductions over the project life, per dollar of State funding invested, as calculated by ARB staff.

**Proposition 1B: Goods Movement Emission Reduction Program
Expanded Summary of Local and State Agency Applications for Fiscal Year 2013-14 (Year 4) Funds**

CENTRAL VALLEY CORRIDOR

Links to Project Application	Funding Category	# of Equipment	Bond Funds Requested (millions)	Leverage Funding: private unless noted (millions)	NOx Reductions (pounds)	PM Reductions (pounds)	Bond C/E*
<i>San Joaquin Valley Air Pollution Control District</i>							
Project Application	Heavy Duty Diesel Trucks	2,885	\$121.2	\$115.4	9,289,700	262,304	0.12
Project Application	Locomotives and Railyards	14	\$28.8	\$28.0	4,087,160	246,400	0.31
Agency Total			\$150.0	\$143.4			
<i>Sacramento Metropolitan Air Quality Management District</i>							
Project Application	Heavy Duty Diesel Trucks	375	\$15.8	\$15.0	1,207,500	34,095	0.12
Project Application	Locomotives and Railyards	21	\$41.2	\$40.0	5,838,800	352,000	0.31
Agency Total			\$57.0	\$55.0			

* "Bond C/E" means cost-effectiveness expressed as the total pollutant-weighted emission reductions over the project life, per dollar of State funding invested, as calculated by ARB staff.

**Proposition 1B: Goods Movement Emission Reduction Program
Expanded Summary of Local and State Agency Applications for Fiscal Year 2013-14 (Year 4) Funds**

BAY AREA CORRIDOR

Links to Project Application	Funding Category	# of Equipment	Bond Funds Requested (millions)	Leverage Funding: private unless noted (millions)	NOx Reductions (pounds)	PM Reductions (pounds)	Bond C/E*
<i>Bay Area Air Quality Management District</i>							
Project Application	Heavy Duty Diesel Trucks	905	\$38.0	\$36.2	2,915,250	82,315	0.12
Project Application	Locomotives and Railyards	8	\$17.0	\$16.5	2,408,505	145,200	0.31
Agency Total			\$55.0	\$52.7			

* "Bond C/E" means cost-effectiveness expressed as the total pollutant-weighted emission reductions over the project life, per dollar of State funding invested, as calculated by ARB staff.

**Proposition 1B: Goods Movement Emission Reduction Program
Expanded Summary of Local and State Agency Applications for Fiscal Year 2013-14 (Year 4) Funds**

SAN DIEGO/BORDER CORRIDOR

Links to Project Application	Funding Category	# of Equipment	Bond Funds Requested (millions)	Leverage Funding: private unless noted (millions)	NOx Reductions (pounds)	PM Reductions (pounds)	Bond C/E*
<i>San Diego Air Pollution Control District</i>							
Project Application	Heavy Duty Diesel Trucks	425	\$15.8	\$15.0	1,368,500	38,641	0.12
Project Application	Locomotives and Railyards	1	\$1.0	\$1.0	145,970	8,800	0.31
Project Application	Ships at Berth and Cargo Handling Equipment	1	\$1.0	\$1.0	82,637	860	0.10
Project Application	Commercial Harbor Craft	5	\$0.8	\$0.8	124,800	4,640	0.26
Agency Total			\$18.7	\$17.8			
<i>Imperial County Air Pollution Control District</i>							
Project Application	Heavy Duty Diesel Trucks	200	\$8.4	\$8.0	644,000	18,184	0.12
Agency Total			\$8.4	\$8.0			

* "Bond C/E" means cost-effectiveness expressed as the total pollutant-weighted emission reductions over the project life, per dollar of State funding invested, as calculated by ARB staff.

**Proposition 1B: Goods Movement Emission Reduction Program
Expanded Summary of Local and State Agency Applications for Fiscal Year 2013-14 (Year 4) Funds**

STATE AGENCY APPLICATIONS

ALL TRADE CORRIDORS

Links to Project Application	Funding Category	Type of Programs	# of Equipment	Bond Funds Requested (millions)	Leverage Funding: private unless noted (millions)
<i>California Air Resources Board</i>					
<u>Project Application</u>	Heavy Duty Diesel Trucks	Truck Loans	750	\$31.5	\$195.0
Agency Total				\$31.5	\$195.0

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APPENDIX C

**SCORING OF
COMPETING LOCAL AGENCY PROPOSALS
FOR FY2013-14 (YEAR 4) FUNDS**

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**Scoring of Competing Local Agency Proposals
(Multiple Proposals in the Same Trade Corridor and Funding Category)**

Trade Corridor	Funding Category	Administering Local Agency (District)	Weighted Emission Reductions NOx + (PM*20) lbs	Calculated C/E (lbs/State \$)	Emissions Reductions (points)	Cost Effectiveness (points)	Total Points
Central Valley	Trucks	San Joaquin Valley	14,535,784	0.12	2	1	3
		Sacramento Metro	1,889,400	0.12	1	1	2
	Locomotives	San Joaquin Valley	9,015,160	0.31	1	1	2
		Sacramento Metro	12,878,800	0.31	2	1	3
San Diego/Border	Trucks	San Diego	1,889,400	0.12	2	1	3
		Imperial	1,007,680	0.12	1	1	2

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APPENDIX D

REVISIONS TO GUIDELINES

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Shown below are staff's revisions to the Proposition 1B: Goods Movement Emission Reduction Program Final 2013 Guidelines for Implementation to include a limited truck filter substrate replacement program as part of the existing trucks source category. Revisions are shown in underline to indicate additions, and ~~strikeout~~ to indicate deletions.

APPENDIX A Heavy Duty Diesel Trucks

A. Equipment Project Specifications

<p>Eligible Equipment</p>	<p>Heavy duty diesel trucks used to move goods (a majority of the time) for the past 2 years, with an original manufacturer's gross vehicle weight rating (GVWR) of 19,501 lbs or greater listed on the application and verified at pre-inspection.</p> <p>Equipment owner must demonstrate:</p> <ul style="list-style-type: none"> • Fleet compliance with the Statewide Truck and Bus Rule. • California operation: <ul style="list-style-type: none"> ○ At least 75% operation within California for the past 2 years. ○ Annual vehicle miles traveled (VMT) in California each year for the past 2 years: <ul style="list-style-type: none"> ▪ At least 20,000 miles for Class 8 trucks (33,001 lbs GVWR or greater). ▪ At least 20,000 miles for Class 7 trucks (26,001 - 33,000 lbs GVWR). ▪ At least 10,000 miles for Class 6 trucks (19,501 - 26,000 lbs GVWR). • California registration: <ul style="list-style-type: none"> ○ Current registration and prior registration for the past 2 years¹. Eligible registration types include: <ul style="list-style-type: none"> ▪ California base-plated registration, OR ▪ California International Registration Plan (California IRP), OR ▪ Dual-plated registration (California based-plated/California IRP and Mexico only) for trucks carrying goods across the California-Mexico border, as they are required to be dual-plated. <p>¹Note: The past 2 years means the current year (1-12 months prior to application date) and prior year (13-24 months prior to application date).</p>
<p>Ineligible Equipment</p>	<ul style="list-style-type: none"> • Trucks subject to ARB's Drayage Truck Rule (see Chapter I, Table I.4). • Trucks subject to ARB's Public and Utility Fleet Rule. • Trucks subject to ARB's Solid Waste Collection Vehicle Rule. • Trucks subject to ARB's Diesel Cargo Handling Equipment Rule. • Trucks not in compliance with the Statewide Truck and Bus Rule. • Trucks registered outside the State of California, including dual-plated registration, except for trucks that carry goods across the California-Mexico border, as they are required to be dual-plated, as described above. • Trucks which are a salvage vehicle (see Chapter I, Table I.4). • Trucks constructed from a glider kit, unless allowed by the local agency for an old, existing truck to be replaced. Glider kit trucks may not be repowered or utilized as a replacement truck. • Repowered trucks when used as a replacement truck.

Heavy Duty Diesel Trucks (cont.)

<p>General Requirements Applicable to All Truck and Truck Electrification Infrastructure Project Options</p>	<p>Equipment owner shall:</p> <ul style="list-style-type: none"> • Commit to the project life specified with the applicable equipment project option. • Sign a legally binding contract with the local agency including project milestone and completion deadlines. • Demonstrate proof of equipment warranty on the Program-funded equipment, <u>as applicable</u>. • Certify that there are no outstanding ARB violations or non-compliance with ARB regulations associated with the equipment or the owner. <p>For the duration of the project life, the equipment owner shall:</p> <ul style="list-style-type: none"> • Adhere to all Program requirements. • Agree to equipment inspections. • Comply with record-keeping, reporting, and Program review or fiscal audit requirements. • Properly maintain new or upgraded equipment in good operating condition and according to manufacturer's recommendations.
<p>General Requirements Applicable to All Truck Project Options</p>	<p>The equipment owner shall:</p> <ul style="list-style-type: none"> • Maintain fleet compliance with the Statewide Truck and Bus Rule without utilizing Program-funded equipment until the specified timeframe. ARB will post and update information on the Program website describing operational deadlines and when the Program-funded vehicle will become eligible to be included in the equipment owner's fleet compliance strategy for the applicable project option. <p>For the duration of the project life, the equipment owner shall:</p> <ul style="list-style-type: none"> • Commit to move goods a majority of the time. • Maintain California base-plated registration or California IRP, except as described in Eligible Equipment previously listed including no out-of-state and non-California IRP registration. • Commit to 100% California-only operation (or 90% California operation as selected by the equipment owner). • Commit to at least 50% of travel within the four California trade corridors. • Agree to accept an on-board electronic monitoring device at any time. • Maintain collision/comprehensive insurance on the replacement truck for replacement projects.
<p>General Requirements Applicable to All Engines for Repower or Replacement Project Options</p>	<p>Program requirements for engines for repower or replacement projects must be certified by an ARB Executive Order for on-road use with the following:</p> <ul style="list-style-type: none"> • 2010 emissions - 0.20 grams per brake-horsepower hour (g/bhp-hr) or less NOx (FEL and CERT values) and 0.01 g/bhp-hr or less PM (CERT value). • Class 8 truck - intended service of Heavy Heavy Duty (HHD) for diesel engines or Heavy Duty Otto (HDO) for applicable alternative fuel vehicles. • Class 7 truck - intended service of Medium Heavy Duty (MHD) or HHD for diesel engines or HDO for applicable alternative fuel vehicles. • Class 6 truck - intended service of MHD for diesel engines or HDO for applicable alternative fuel vehicles. • Class 6-8 trucks - all heavy duty hybrid or electric vehicles shall follow ARB's Heavy Duty Hybrid Electric Vehicle Certification Procedure.

Heavy Duty Diesel Trucks (cont.)

<p>General Requirements Applicable to All Trucks Replacement (New or Used) Project Options</p>	<p>Program requirements for trucks (new or used) purchased for replacement projects must meet the following:</p> <ul style="list-style-type: none"> • Original manufacturer's GVWR: <ul style="list-style-type: none"> ○ Class 8 (33,001 lbs or greater). ○ Class 7 (26,001 - 33,000 lbs). ○ Class 6 (19,501 - 26,000 lbs). • Same weight classification range (Class 8, Class 7, or Class 6) as the existing truck, except under the following conditions: <ul style="list-style-type: none"> ○ Replacement of 2 eligible trucks for 1 new truck under Option (2) and the funding amount is based on the highest weight classification of the two existing trucks, or the weight classification of the new truck, whichever is less. ○ Replacement required by the equipment owner in order to meet a vocational need, as approved by the local agency, and the funding amount is based on the weight classification of the existing or new truck, whichever is less. ○ Replacement of a Class 7 truck with a Class 8 truck, or a Class 8 truck with a Class 7 truck, as long as both trucks have a HHD engine, and the funding amount is based on the weight classification of the existing or new truck, whichever is less. • Maximum truck VMT, with odometer verification during post-inspection: <ul style="list-style-type: none"> ○ Class 8 (less than 500,000 miles). ○ Class 7 (less than 250,000 miles). ○ Class 6 (less than 250,000 miles). <p>Original equipment manufacturer engine installed in a chassis of the same model year, make, and configuration as was originally provided from the truck manufacturer when the chassis and engine were both new.</p>
<p>Modifying an Application (applicable to truck projects only)</p>	<p>Equipment owners may change the equipment project option (replacement, repower, or three-way truck transaction) or lease-to-own program participation after the local agency solicitation period has closed if permitted by the local agency and subject to the following requirements:</p> <ul style="list-style-type: none"> • The change must result in a funding amount equal to or less than the amount that was requested in the original application. • The change must result in a calculated project cost-effectiveness equal to or greater than the project listed in the original application. • The change must result in the project remaining above the funding line on the ranked list. <p>Notes: Unless specifically allowed in these Guidelines, equipment owners cannot substitute a different vehicle or change the ownership of the existing vehicle identified on the application after the local agency solicitation period has closed.</p>

Heavy Duty Diesel Trucks (cont.)

Option (1) Repower	Partial funding (see options below) to repower a truck equipped with an eligible heavy duty diesel engine with a new MY2013 or newer engine that meets 2010 emissions.
Funding Options	<p>Eligible projects include:</p> <ul style="list-style-type: none"> • Class 8 or Class 7 truck with a MY1994-2006 engine. • Class 6 truck with a MY1996-2006 engine. <ol style="list-style-type: none"> 1. \$20,000/truck to repower a Class 8 or Class 7 truck with a new MY2013 or newer HHD engine that meets 2010 emissions. 2. \$10,000/truck to repower a Class 7 or Class 6 truck with a new MY2013 or newer MHD engine that meets 2010 emissions.
Requirements	<p>Program-funded engine shall be installed and operational (post-inspection completed, except scrappage) prior to a regulatory requirement for that technology or level of emissions control under applicable provisions of any adopted rule for in-use trucks. ARB will post and update information on the Program website describing operational deadlines for the applicable project option.</p> <p>In addition to the General Requirements listed previously, equipment owner shall:</p> <ul style="list-style-type: none"> • Commit to a project life of 5 years or 500,000 miles, whichever comes first. • Scrap the old engine. • Purchase a minimum of a 1-year or 100,000-mile major component engine warranty that covers parts and labor (if the truck is no longer under warranty or has less than 1 year of warranty). • Provide a copy of ARB Executive Order documenting that the new engine meets 2010 emissions.

<p>Option (2) Replacement</p>	<p>Partial funding (see options below) to replace 1 or 2 truck(s) equipped with an eligible heavy duty diesel engine(s) with a diesel, alternative fuel, or zero-emission truck. Funding amounts are based on the same weight classification range (Class 8, Class 7, or Class 6) as the existing truck, except as described in the “General Requirements Applicable to All Trucks Replacement (New or Used) Project Options” section above.</p> <p>Eligible projects include:</p> <ul style="list-style-type: none"> • Class 8 or Class 7 truck(s) with a MY1994-2006 engine. • Class 6 truck(s) with a MY1996-2006 engine.
<p>Funding Options</p>	<p>Class 8 truck:</p> <ol style="list-style-type: none"> 1. \$50,000/truck for a new replacement truck with a MY2013 or newer engine that meets 2010 emissions. AB 118 funds, if available, may be added for projects utilizing a zero-emission engine. 2. \$40,000/truck for a used replacement truck with a MY2010 or newer HHD engine that meets 2010 emissions. <p>Notes: The maximum grant amount will be reduced by the amount received if the Program previously funded the installation of a diesel particulate filter.</p> <p>Class 7 truck:</p> <ol style="list-style-type: none"> 1. \$35,000/truck for a new or used replacement truck with a MY2010 or newer engine that meets 2010 emissions. AB 118 funds, if available, may be added for projects utilizing a zero-emission engine. <p>Notes: The maximum grant amount will be reduced by the amount received if the Program previously funded the installation of a diesel particulate filter.</p> <p>Class 6 truck:</p> <ol style="list-style-type: none"> 1. \$25,000/truck for a new replacement truck with a MY2013 or newer engine that meets 2010 emissions. AB 118 funds, if available, may be added for projects utilizing a zero-emission engine.
<p>Requirements</p>	<p>Program-funded replacement projects shall be purchased and operational (post-inspection completed, except scrappage) prior to a regulatory requirement for that technology or level of emissions control under applicable provisions of any adopted rule for in-use trucks. ARB will post and update information on the Program website describing operational deadlines for the applicable project option.</p> <p>In addition to the General Requirements listed previously, equipment owner shall:</p> <ul style="list-style-type: none"> • Commit to a project life of at least 5 years or 500,000 miles, whichever comes first. • Scrap the old truck(s). • Purchase a minimum of a 1-year or 100,000-mile major component engine warranty for the replacement vehicle that covers parts and labor (if the truck is no longer under warranty or has less than 1 year of warranty). • Provide a copy of ARB Executive Order documenting that the replacement truck engine meets 2010 emissions.

Heavy Duty Diesel Trucks (cont.)

<p>Option (3) Three-Way Truck Transaction</p>	<ol style="list-style-type: none"> 1. Replace an eligible truck that has a MY1998-2006 engine and Level 3 PM retrofit (Truck A) with a diesel or alternative fuel truck (Truck C) with an engine that meets 2010 emissions. 2. Scrap a MY1993 or older diesel truck (Truck B) and replace with Truck A.
	<p>Truck A: Heavy duty diesel truck with MY1998-2006 engine and Level 3 PM retrofit. Truck B: Heavy duty diesel truck with MY1993 or older engine that has demonstrated compliance with the Statewide Truck and Bus Rule until 12/31/2015 or later. Truck C: Heavy duty truck (diesel or alternative) that meets 2010 emissions.</p>
	<p>Notes:</p> <ul style="list-style-type: none"> • Truck C must be the same class as Truck A. • Truck C must have less than 500,000 miles if Class 8 (250,000 miles if Class 7 or 6), with odometer verification at the post-inspection. • Truck B may be Class 8, Class 7, or Class 6. • Truck A shall be equipped with an operational diesel particulate filter.
<p>Funding Options</p>	<ol style="list-style-type: none"> 1. \$50,000 for new Truck C if Truck A is Class 8. 2. \$40,000 for used Truck C if Truck A is Class 8. 3. \$35,000 for new or used Truck C if Truck A is Class 7. 4. \$25,000 for new Truck C if Truck A is Class 6.
<p>Requirements</p>	<p>Truck C shall be purchased and operational (post-inspection completed, except scrappage) prior to a regulatory requirement for that technology or level of emissions control under applicable provisions of any adopted rule for in-use trucks. ARB will post and update information on the Program website describing deadlines for the applicable project option.</p> <p>In addition to the applicable General Requirements listed previously, the original owner of Truck A and new owner of new Truck C shall:</p> <ul style="list-style-type: none"> • Transfer ownership (if applicable) of Truck A to the owner of old Truck B. • Commit to a project life of 5 years or 500,000 miles, whichever comes first, on Truck C. • Commit to 90% or 100% California-only operation for the duration of the project life. • Purchase a minimum of a 1-year or 100,000-mile major component engine warranty for Truck C that covers parts and labor (if Truck C is no longer under warranty or has less than 1 year of warranty). • Provide a copy of ARB Executive Order documenting that the new truck engine in Truck C meets 2010 emissions. • Demonstrate that any mid-1990s engine subject to the software upgrades for diesel trucks (i.e., chip reflash) has completed the upgrade on Truck A. <p>In addition to the applicable General Requirements listed previously, the original owner of old Truck B must scrap Truck B.</p>

Heavy Duty Diesel Trucks (cont.)

<p>Option (4) Truck Electrification Infrastructure</p>	<p>Truck stops, intermodal facilities, distribution centers, and other places where heavy duty diesel trucks congregate within the four California trade corridors.</p>
<p>Funding Option</p>	<p>Landside truck electrification infrastructure to reduce diesel engine idling and use of diesel-fueled internal combustion auxiliary power systems may be funded at the lower of 50% of eligible project costs or a level commensurate with a cost-effectiveness of 0.10 pounds of weighted emissions reduced per State dollar invested. Projects shall be eligible to compete for funding only if the cost-effectiveness is equal to or greater than 0.10 pounds of weighted emissions reduced per State dollar invested.</p> <p>Eligible costs include purchase and installation of electrical infrastructure or equipment to: enable heating, cooling, and the use of cab power for parked trucks at truck stops; and enable the use of power for transport refrigeration units (TRUs) and auxiliary power systems at distribution centers, intermodal facilities, and other places where trucks congregate.</p> <p>Total reimbursement of eligible costs shall be based on demonstrated use over the first year of operation. If the actual usage for the first year of operation is less than the projected usage, the maximum allowable reimbursement payment shall be pro-rated based on the following formula:</p> $\text{Maximum Reimbursement (\$)} = \left(\text{Original Maximum Reimbursement (\$)} \times \frac{\text{Actual Usage (\# of hours)}}{\text{Projected Usage (\# of hours)}} \right)$ <p>Ineligible costs include on-board auxiliary power units and other equipment installed on trucks, equipment, and services unrelated to heating and cooling (e.g., telephone, internet, television, etc.); TRUs; electricity costs; and operation and maintenance costs.</p>
<p>Requirements</p>	<p>In addition to the General Requirements listed previously, equipment owner shall:</p> <ul style="list-style-type: none"> • Commit to 10 years of operation. • Comply with all local permitting requirements.

APPENDIX E

INTERIM CHANGES TO GUIDELINES VIA EXECUTIVE ORDER

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May 2013

In Resolution 08-12 adopting the Proposition 1B Goods Movement Emission Reduction Program (Program) Guidelines for Implementation (Guidelines) on February 28, 2008, the Air Resources Board (ARB or Board) delegated to the ARB Executive Officer the authority to adopt limited modifications to those Guidelines.

In Resolution 09-40 on May 28, 2009, the Board found that the ARB Executive Officer needed broader authority to respond to both extraordinary circumstances (such as fiscal crises) and practical issues that arise during Program implementation to ensure that the goals of the Program are achieved. In response, the Board authorized the ARB Executive Officer to adopt changes to the Guidelines that he deems necessary to enable effective implementation of the Program, provided that such changes are consistent with statute and the goals established by the Board. The Resolution further directs ARB staff to identify changes made via Executive Order when the Board considers the next comprehensive update to the Guidelines.

The following is a summary of the changes made via Executive Order since the Board adopted revised Guidelines in January 2013. Final Executive Orders are posted on the Program website at: <http://www.arb.ca.gov/gmbond>.

EXECUTIVE ORDER G-13-050 *(May 21, 2013)*

Truck Projects, All Local Agencies

- **Reuse of Trucks without PM Filters.** Allow for the approval of a truck reuse pilot project or truck reuse program, consistent with the objectives of the Program, where a PM filter would not be required on the reused truck, if:
 - (a) other significant emission reduction benefits can be achieved in California; or
 - (b) the trucks will be used in a vocational program for the purposes of education but not operated on California roads.

Shown below are staff's modifications to the Proposition 1B: Goods Movement Emission Reduction Program Final 2013 Guidelines for Implementation, as described in Executive Order G-13-050. Modifications are shown in underline to indicate additions, and ~~strikeout~~ to indicate deletions.

Chapter IV.A.15. (page 98):

15. Reuse of trucks/limited alternative to scrappage for trucks

ARB may require or allow the local agency to make existing trucks being replaced under this Program available for limited reuse under specific programs approved by ARB. Trucks that are selected for reuse will not be subject to the scrappage requirements. Trucks that are not selected for reuse, and the older trucks being replaced by reused trucks, must be scrapped (see Appendix A). The ARB Executive Officer or his or her designee may approve truck reuse proposals that meet all of these criteria:

- Deliver an equivalent or greater air quality benefit in California (compared to scrappage of the middle-aged truck).
- Require any truck reused in California to be retrofit with a PM filter to ensure a localized health benefit.
- Require any truck reused outside of California to be prevented from re-entering the State.
- Are consistent with the principles and goals of this Program.
- Do not increase Program cost and do not substantially increase the Program administration workload.

In addition, the ARB Executive Officer or his or her designee may approve truck reuse proposals where a PM filter would not be required on the reused truck, if: (a) other significant emission reduction benefits can be achieved in California; or (b) the trucks will be used in a vocational program for the purposes of education but not operated on California roads.

ARB staff shall notify local agencies implementing truck projects of any new requirements to implement this provision, including reporting on the number of trucks made available for reuse as part of the semi-annual report.