



# Air Resources Board



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Governor

TO: Erik White, Chief  
Mobile Source Control Division  
Air Resources Board

FROM: Cynthia Marvin, Chief  
Transportation and Toxics Division  
Air Resources Board

DATE: November 25, 2014

SUBJECT: GREENHOUSE GAS REDUCTION FUND: LOW CARBON  
TRANSPORTATION EXPENDITURE RECORD FOR FISCAL YEAR  
2013-14

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Thank you for submitting the final expenditure record (attached) for the Air Resources Board (ARB) Low-Carbon Transportation Program on November 24, 2014, to satisfy the requirements of Senate Bill 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012) for expenditures from the Greenhouse Gas Reduction Fund (Fund).

This memorandum documents that ARB staff concurred on November 25, 2014 that the record submitted on November 24, 2014 is consistent with the statutory requirements of Government Code Section 16428.9 and with ARB's expectations, as documented in the August 6, 2014 final ARB *Interim Guidance to Administering Agencies on Expenditure Record and Fiscal Procedures*.

The ARB Low-Carbon Transportation Expenditure Record for Fiscal Year 2013-14, along with this memorandum, will be published on the ARB Cap-and-Trade Auction Proceeds website at: [www.arb.ca.gov/auctionproceeds](http://www.arb.ca.gov/auctionproceeds).

If you have any questions concerning this memorandum, please call me at (916) 324-0062 or via email at [Cynthia.Marvin@arb.ca.gov](mailto:Cynthia.Marvin@arb.ca.gov).

Attachment

cc: See next page.

*The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.*

California Environmental Protection Agency

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cc: Lucina Negrete, Chief  
Innovative Strategies Branch  
Air Resources Board

**Greenhouse Gas Reduction Fund: Expenditure Record**

**Fiscal Year:** 2013-14

**Authorizing Legislation:**

Senate Bill (SB) 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) appropriated to the Air Resources Board (ARB) from the Greenhouse Gas Reduction Fund (GGRF) \$20 million for the Clean Vehicle Rebate Project (CVRP) and \$10 million for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP).

**Agency:** ARB

**Intended Recipients:** Consumers who purchase light-duty passenger vehicles; public and private truck and bus owners and fleets who purchase hybrid or zero-emission trucks and buses.

**Project Category:** Low Carbon Transportation

**Program Description:** These investments expand existing ARB clean transportation programs that provide incentives for zero-emission and plug-in hybrid passenger vehicles and hybrid and zero-emission trucks and buses, to achieve greenhouse gas (GHG) reductions along with criteria pollutant and air toxics co-benefits.

*Per Government Code §16428.9, prior to expending any moneys appropriated to it by the Legislature from the fund, a state agency shall prepare a record consisting of all of the following:*

**(1) A description of each expenditure proposed to be made by the state agency pursuant to the appropriation.**

SB 359 (Corbett, Chapter 415, Statutes of 2013), signed into law in September 2013, transferred \$30 million from the Vehicle Inspection and Repair Fund to the Air Quality Improvement Fund as a loan and appropriated that funding to ARB with \$20 million to be expended for CVRP and \$10 million be expended for HVIP. Both these projects are part of ARB's Air Quality Improvement Program (AQIP). This legislation addressed a funding shortfall created by strong consumer demand for clean, low carbon transportation incentives.

SB 862, one of the 2014 budget trailer bills signed into law in June 2014, amended Chapter 415 of the Statutes of 2013. SB 862, instead, appropriates \$30 million from GGRF for CVRP and HVIP.

The two projects covered by this expenditure record are described briefly below:

**CVRP:** This project provides consumer rebates, available on a first come first serve basis statewide, for the purchase of new zero-emission and plug-in hybrid passenger vehicles. CVRP has operated since 2010. The \$20 million augmentation from SB 359/SB 862 was intended to expand project funding to meet increasing consumer demand and further reduce GHGs. The \$20 million has been disbursed. This project provides additional GHG benefits because the eligible zero-emission and plug-in hybrid passenger vehicles emit less GHGs on a lifecycle basis than conventionally fueled models.

**HVIP:** This project provides vouchers, available on a first come first serve basis statewide, to help California fleets offset the higher up-front cost of purchasing medium- and heavy-duty hybrid and zero-emission trucks and buses. The \$10 million augmentation from SB 359/SB 862 was intended to expand project funding to meet increasing demand and further reduce GHGs. The \$10 million is in the process of being expended. This project provides additional GHG benefits because the eligible zero-emission and hybrid trucks and buses emit less GHGs on a lifecycle basis than conventional diesel-fueled models.

**(2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.**

Direct GHG Emission Reductions: CVRP and HVIP further the purposes of AB 32 by directly reducing GHG emissions. Each project provides funding for the purchase of zero- or near zero-emission vehicles which emit less GHG emissions than comparable conventionally fueled vehicles or equipment. Additional information on the methodology for estimating emission benefits for these projects can be found in the *Fiscal Year 2014-15 Funding Plan for the Air Quality Improvement Program and Low Carbon Transportation Greenhouse Gas Reduction Fund Investments*, Appendix A.<sup>1</sup>

Consistent with Investment Plan: Health and Safety Code section 39718 requires that all GGRF moneys be appropriated in a manner that is consistent with the Administration's three year Investment Plan. The 2013 *Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16*<sup>2</sup> (Investment Plan) identified clean transportation as a priority investment category because the transportation sector is the largest source of both GHG emissions and criteria pollutant precursor emissions (i.e., the emissions that form ozone and particulate matter air pollution). Appendix B of the Investment Plan describes the recommended types of projects that could be funded in the Low Carbon Transportation category. These include rebates for zero- and near zero-emission passenger vehicles and vouchers for the deployment of zero-emission and near zero-emission heavy-duty trucks and buses among other categories. The Investment Plan also identified ARB's AQIP as a program that could serve as a model or mechanism to implement these incentives. Therefore, the expenditures described in this record are consistent with the Investment Plan and align with the priorities presented in the Plan.

<sup>1</sup> *Fiscal Year 2014-15 Funding Plan for the Air Quality Improvement Program and Low Carbon Transportation Greenhouse Gas Reduction Fund Investments*;

<http://www.arb.ca.gov/msprog/aqip/fundplan/fundplan.htm>

<sup>2</sup> *Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16*, Release Date: May 14, 2013 [http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/final\\_investment\\_plan.pdf](http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/final_investment_plan.pdf)

Implements Climate Change Scoping Plan Recommendation: The *First Update to the Climate Change Scoping Plan*, released in May 2014, identified key strategies and recommendations to continue reducing GHG emissions and achieve the goals and purposes of AB 32. One of the key recommended actions for the transportation system is:

“ARB, CEC, CPUC, and CDFA will support growing markets for clean passenger transportation, advanced technology trucks and equipment, and low-carbon transportation fuels and energy, including any necessary infrastructure.”<sup>3</sup>

The Low Carbon Transportation expenditures described in the record will help implement this Scoping Plan recommendation.

**(3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.**

These expenditures will provide both immediate and longer-term GHG emission reductions. Information on the methodology for estimating emission benefits for these projects can be found in the *Fiscal Year 2014-15 Funding Plan for the Air Quality Improvement Program and Low Carbon Transportation Greenhouse Gas Reduction Fund Investments*, Appendix A. ARB will develop GGRF calculation and reporting guidance over the next year. Once that guidance is complete, the emission benefits of the Low Carbon Transportation investments will be calculated and reported in accordance with the guidance.

The \$20 million for CVRP covered in this expenditure record has been disbursed. It is already yielding GHG reductions via rebates for clean cars and will maintain these benefits for the estimated 15 year life of the vehicles funded. The \$10 million for HVIP covered in this expenditure record is in the process of being disbursed. It is already yielding GHG reductions via vouchers for clean trucks and buses and will maintain these benefits for the estimated 15 year life of the trucks and buses funded.

In addition to the direct GHG emission reductions from the vehicles funded in each of these projects, these expenditures set the stage for greater, indirect reductions in the future by accelerating large-scale market penetration of advanced lower GHG-emitting transportation technologies. These longer-term program benefits accrue primarily from overcoming deployment barriers, reducing production costs, promoting consumer acceptance, and accelerating technology transfer to other sectors.

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<sup>3</sup> *First Update to the Climate Change Scoping Plan: Building on the Framework Pursuant to AB 32 The California Global Warming Solutions Act of 2006*, May 2014  
[http://www.arb.ca.gov/cc/scopingplan/2013\\_update/first\\_update\\_climate\\_change\\_scoping\\_plan.pdf](http://www.arb.ca.gov/cc/scopingplan/2013_update/first_update_climate_change_scoping_plan.pdf) (see page 56)

**(4) A description of how the state agency considered the applicability and feasibility of other nongreenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.**

In addition to reducing GHG benefits, these expenditures will provide air quality, public health, disadvantaged community, and economic benefits.

Air Quality and Public Health Benefits: CVRP and HVIP both will reduce criteria pollutant forming emissions that contribute to ozone and particulate matter air pollution. By reducing these emissions, CVRP and HVIP help California meet the health-based air quality standards. In addition, HVIP also reduces emissions of diesel particulate matter, a toxic air contaminant, thereby reducing toxic risk to Californians.

Disadvantaged Communities Benefits: Both the CVRP and HVIP operate on a first come first serve basis statewide, meaning funds are expended where there is demand from vehicle purchasers. Accordingly, a specific target for funding to benefit disadvantaged communities for these projects cannot be definitively established up front. However, based on historical data from both projects, a portion of the rebates and vouchers issued do benefit disadvantaged communities.

After this funding is expended, ARB will evaluate the rebates and vouchers issued and calculate the amount of funding spent in disadvantaged communities and the amount of funding benefiting disadvantaged in accordance with ARB's disadvantaged community investment guidance.<sup>4</sup> This information will be provided in reports prepared according to forthcoming GGRF reporting guidelines being developed over the next year by ARB staff.

Economic Benefits: Several companies that manufacture vehicles eligible for CVRP and HVIP are located in California. The incentives which encourage the purchase of these vehicles provide an economic benefit to these companies and support California jobs. For example, Electric Vehicles International (EVI) manufactures zero-emission trucks eligible for HVIP vouchers at a facility in Stockton, located within one of the census tracts identified as a disadvantaged community by the California Environmental Protection Agency. Tesla Motors manufactures zero-emission passenger vehicles eligible for CVRP rebates at a facility in Fremont.

**(5) A description of how the state agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.**

ARB will provide regular updates on its Low Carbon Transportation expenditures, project status, and benefits in reports prepared according to forthcoming GGRF reporting guidelines. At a minimum, these reports will include expenditure amounts, current estimates of GHG emission reductions, and quantification of co-benefits including criteria pollutant emission reductions, calculated using the consistent GGRF calculation guidance being developed over the next year by ARB staff.

<sup>4</sup> Cap-and-Trade Auction Proceeds website, including ARB guidance: [www.arb.ca.gov/auctionproceeds](http://www.arb.ca.gov/auctionproceeds)

Air Resources Board Expenditure Record for Fiscal Year 2013-14 Low Carbon Transportation Investments

In addition, CVRP and HVIP already have project websites which provide information about available funding and eligibility requirements for potential vehicle purchasers as well as demographic information about the vehicles funded to document results to the public.<sup>5</sup> This provides a mechanism for the public to see project status and results on an ongoing basis.

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<sup>5</sup> CVRP website: [http://energycenter.org/programs/clean\\_vehicle\\_rebate\\_project](http://energycenter.org/programs/clean_vehicle_rebate_project)  
CVRP statistics website: <http://energycenter.org/clean-vehicle-rebate-project/cvrp-project-statistics>  
HVIP website: <http://www.californiahvip.org/>  
HVIP statistics website: <https://mapsengine.google.com/map/edit?mid=zMdBRupU80tU.klc6gde8l48k>