



Air Resources Board



Matthew Rodriguez
Secretary for
Environmental Protection

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Edmund G. Brown Jr.
Governor

TO: Jack Kitowski, Chief
Mobile Source Control Division

FROM: Cynthia Marvin, Chief
Transportation and Toxics Division

DATE: September 14, 2016

SUBJECT: GREENHOUSE GAS REDUCTION FUND: AIR RESOURCES BOARD
EXPENDITURE RECORD FOR FISCAL YEAR 2016-17 – CLEAN VEHICLE REBATE
PROJECT

Thank you for submitting the final expenditure record (attached) on behalf of Air Resources Board's (ARB) Mobile Source Control Division on September 13, 2016 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). We appreciate the iterative consultation process with your staff on the development of this record to support expenditures from the Fund for the Clean Vehicle Rebate Project.

This memorandum documents that ARB's Transportation and Toxics staff concurred on September 14, 2016 that the attached record is consistent with the statutory requirements of Government Code Section 16428.9 and with ARB's expectations, as documented in the *Funding Guidelines for Agencies that Administer California Climate Investments*.

The ARB Expenditure Record for the Clean Vehicle Rebate Project for Fiscal Year 2016-17, along with this memorandum, will be published on the ARB Cap-and-Trade Auction Proceeds website at: www.arb.ca.gov/auctionproceeds.

If you have any questions concerning this memorandum, please contact me at (916) 324-0062 or via email at 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

Greenhouse Gas Reduction Fund: Expenditure Record

Fiscal Year: 2016-17

Air Resources Board
Clean Vehicle Rebate Project

Authorizing legislation: Item 3900-101-3228 of the Budget Act of 2016, SB 826, as amended by AB 1613 (Chapter 370, Statutes of 2016) appropriates \$133 million from the Greenhouse Gas Reduction Fund (GGRF) to the Air Resources Board (ARB) for the Clean Vehicle Rebate Project to reduce greenhouse gas (GHG) emissions.

This investment expands on an existing ARB clean transportation program that provides incentives for zero-emission and plug-in hybrid passenger vehicles, as well as clean transportation options for lower-income consumers and disadvantaged communities. CVRP is one component of a broader Low Carbon Transportation Program administered by ARB being implemented through the administrative framework established for ARB’s Air Quality Improvement Program. Other components of Low Carbon Transportation will be covered under a separate expenditure record.

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

<input type="checkbox"/> Agency that will administer funding	<ul style="list-style-type: none"> ▪ ARB
<input type="checkbox"/> Amount of proposed expenditure and appropriation reference	<ul style="list-style-type: none"> ▪ The total expenditure is \$133 million per Item 3900-101-3228 of the Budget Act of 2016, SB 826 as amended by AB 1613 (Chapter 370, Statutes of 2016).
<input type="checkbox"/> Estimated amount of expenditures for State agency administrative costs	<ul style="list-style-type: none"> ▪ \$5 million was appropriated to ARB for State Operations costs for the Low Carbon Transportation Program, including CVRP per Senate Bill 826, the Budget Act of 2016.
<input type="checkbox"/> If applicable, identify laws or regulations that govern how GGRF funds will be used	<ul style="list-style-type: none"> ▪ AB 1532 (Pérez, Chapter 807, Statutes of 2012), SB 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), and SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32. ▪ SB 1275 (De León, Chapter 530, Statutes of 2014) establishes the Charge Ahead California Initiative with the

	<p>goals of placing one million zero-emission and near zero-emission vehicles in California by 2023 and increasing access to these vehicles for lower-income consumers and consumers in disadvantaged communities. SB 1275 provides direction to ARB on implementation of its light-duty vehicle incentive programs including those funded with Cap-and-Trade auction proceeds.</p>
<p><input type="checkbox"/> Continuation of existing Expenditure Record</p>	<p>▪ This fiscal year’s appropriation will support a continuing program that has already been funded under the Fiscal Year (FY) 2014-15 Expenditure Record and the Revised FY 2015-16 Expenditure Record.</p>
<p><input type="checkbox"/> Project category</p>	<p>▪ Low Carbon Transportation</p> <ul style="list-style-type: none"> • Clean Vehicle Rebate Project (CVRP)
<p><input type="checkbox"/> Type of projects that will be eligible for funding</p>	<p>▪ This project provides consumer rebates, available on a first-come, first-served basis statewide, for the purchase of new zero-emission and plug-in hybrid passenger vehicles. CVRP has operated since 2010. This project provides GHG benefits because the eligible zero-emission and plug-in hybrid passenger vehicles emit less GHG emissions on a lifecycle basis than conventionally fueled models.</p>
<p><input type="checkbox"/> Intended recipients</p>	<p>▪ Consumers, businesses, and public fleets that purchase passenger vehicles, with extra incentives available for lower-income consumers.</p>
<p><input type="checkbox"/> Process for selecting projects for funding</p>	<p>▪ For CVRP, a project administrator is selected via competitive solicitation, and rebates are then awarded to qualifying applicants on a first-come, first-served basis.</p>

(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.

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- How the expenditure is reflected in the three-year Investment Plan and the Scoping Plan
- 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 *Cap-and-Trade Auction Proceeds Second Investment Plan: Fiscal Years 2016-17 through 2018-19* identifies the following investment concepts for clean transportation: ¹
 - Support accelerated adoption and deployment of clean passenger vehicles.
- CVRP expenditures described in this record are consistent with these investment concepts.
- Implements Climate Change Scoping Plan Recommendation: The 2014 *First Update to the Climate Change Scoping Plan* 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.”²
 - CVRP expenditures described in the record will help implement this Scoping Plan recommendation.

¹<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/16-17-final-second-investment-planii.pdf> See Figure 12 for Investment Concepts for Transportation and Sustainable Communities.

² *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

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.

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| <input type="checkbox"/> Describe how expenditures will achieve GHG reductions or net GHG benefits | <ul style="list-style-type: none">▪ For CVRP, expenditures will achieve GHG reductions by funding the purchase of zero or near zero-emission vehicles which emit less GHG emissions than comparable conventionally fueled vehicles or equipment. |
| <hr/> | |
| <input type="checkbox"/> Expected time frame when reductions will be achieved and how expenditure will maintain GHG reductions or net GHG benefits | <ul style="list-style-type: none">▪ Projects will start providing benefits in 2016. The project life for this project is 15 years. |
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(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.

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| <input type="checkbox"/> Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency | <ul style="list-style-type: none">▪ In addition to providing GHG benefits, these expenditures will provide air quality, public health, and economic benefits.▪ <u>Air Quality and Public Health Benefits</u>: All clean vehicle projects will reduce criteria pollutant forming emissions of NOx, reactive organic gases (ROG), and particulate matter that contribute to ozone and particulate matter air pollution. By reducing NOx, ROG, and particulate matter emissions, these projects help California meet the health-based air quality standards.▪ <u>Economic Benefits</u>: CVRP financial incentives help reduce vehicle purchase costs and fuel costs for consumers, businesses, and public fleets. |
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| <p><input type="checkbox"/> How the project will support other AB 32 objectives</p> | <ul style="list-style-type: none">▪ As noted above, the clean vehicle technologies being funded have air quality and public health co-benefits.▪ CVRP also directs investment toward disadvantaged communities in California and provides economic benefits to consumers, businesses, and public fleets. |
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| <p><input type="checkbox"/> Percentage of total funding that will be expended for projects that are “located within” and “provide benefits to” disadvantaged communities, per the criteria in Volume 2 of ARB’s Funding Guidelines</p> | <ul style="list-style-type: none">▪ About 37 percent of funding for CVRP to date has provided benefits to disadvantaged communities, and about 6 percent of the funding has been spent in disadvantaged communities as reported in the March 2016 Annual Report to the Legislature on California Climate Investments Using Cap-and-Trade Auction Proceeds.³ Staff expects that a similar percentage of future CVRP rebates will benefit these communities and perhaps the fraction will increase with the higher rebates available for lower-income consumers. |
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³ http://arb.ca.gov/cc/capandtrade/auctionproceeds/ccl_annual_report_2016_final.pdf

- Describe the disadvantaged community benefits and explain strategies the agency will use to maximize benefits
 - This expenditure will improve public health by reducing emissions from vehicles operating in or near disadvantaged communities. In addition, some of this expenditure directly increases disadvantaged community residents' access to cleaner vehicles and transportation and provide an economic benefit to those lower-income Californians that receive funding. These benefits are explained in more detail in Chapter 6 of the FY 2016-17 Funding Plan, Maximizing Disadvantaged Community Benefits for Low Carbon Transportation and Fuels Investments.⁴
 - The ARB Funding Guidelines require that investments counted as benefitting disadvantaged communities must meaningfully address an important community need. Table 2-2 of the ARB Funding Guidelines identifies some common needs of disadvantaged communities, as identified by community advocates. CVRP meets several of these needs as shown in Table 2 below:

Table 2: Common Needs of Disadvantaged Communities Addressed by CVRP

Public Health and Safety, Need 1	Reduce health harms suffered disproportionately by low-income residents/communities due to air pollutants.
Economic, Need 5	Reduce transportation costs and improve access to public transportation.
Environmental, Need 1	Reduce exposure to local environmental contaminants, such as toxic air contaminants, criteria air pollutants, and drinking water contaminants.

- ARB is pursuing a number of strategies to maximize disadvantaged community benefits. These include, among others: providing higher incentives for lower-income consumers or vehicles that operate in disadvantaged communities for some project categories; and increasing outreach to disadvantaged communities. These approaches are discussed more fully in Chapter 6 of the FY 2016-17 Funding Plan.

⁴ ARB, "Proposed Fiscal Year 2016-17 Funding Plan for Low Carbon Transportation and Fuels Investments and the Air Quality Improvement Program", Release Date May 20, 2016, available at: <https://www.arb.ca.gov/msprog/aqip/fundplan/fundplan.htm>

(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.

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| <p><input type="checkbox"/> How the agency will track and report progress to make sure projects are implemented per GGRF requirements</p> | <ul style="list-style-type: none">▪ Through its grant agreements, ARB will require CVRP Program Administrators to maintain records and submit regular status reports. In addition, ARB will conduct periodic reviews. If an Administrator does not perform in accordance with program requirements, the Administrator will be subject to the remedies for non-performance. |
| <p><input type="checkbox"/> Approach that will be used to document net GHG reductions before and after project completion. Include citations for references that support methodology</p> | <ul style="list-style-type: none">▪ ARB will use several mechanisms to both prospectively estimate project GHG benefits and retrospectively document the results achieved from its expenditures.▪ ARB has provided preliminary estimates of potential GHG benefits of proposed projects and described its quantification methodology as part of the FY 2016-17 Funding Plan, Appendix A. These GHG benefit estimates are consistent with ARB's FY 2014-15 Quantification Methodologies for CVRP. Additional information on the methods for estimating emission benefits are available on ARB's Quantification Materials website.⁵▪ In addition to these prospective benefits estimates, ARB will collect all data necessary to document the emission reductions achieved. ARB will include data collection and reporting requirements for CVRP Program Administrators as part of its solicitations and grant agreements. This will include all information necessary to document the benefits for disadvantaged communities, consistent with the ARB Funding Guidelines. |
| <p><input type="checkbox"/> Type of information that will be collected to document project results, as described in ARB guidelines</p> | <ul style="list-style-type: none">▪ As noted above, ARB will collect all data necessary to document the emission reductions achieved and will include data collection and reporting requirements for CVRP Program Administrators as part of its project solicitations and grant agreements. This includes location data, the technology funded, and the dollar amount of each rebate. |
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⁵ Quantification Materials website:
<https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm>

<input type="checkbox"/> How the agency will report on program status	<ul style="list-style-type: none">▪ ARB will provide regular updates on its CVRP expenditures, project status, and benefits in future annual reports to the Legislature prepared according to ARB Funding 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.
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