



Highland Electric Fleets, Inc.

5299 DTC BLVD, Greenwood Village, CO
Tel.: 978-288-1105; Email: Info@highlandfleets.com

November 6

Clerk's Office, California Air Resources Board
1001 I Street
Sacramento, California 95814

Re. Fiscal Year 2023-24 Funding Plan for Clean Transportation Incentives

Highland Electric Fleets ("Highland") respectfully submits these comments to the California Air Resources Board (CARB) on the "Fiscal Year 2023-24 Funding Plan for Clean Transportation Incentives" that CARB staff released on October 6, 2023.

Highland is the largest buyer of electric school buses (ESBs) in the country and provides a comprehensive turnkey solution in the form of an electrification-as-a-service (EaaS) contract that delivers ESBs, charging infrastructure, and supporting services to school districts and third-party managed fleet providers. As of October 2023, we have over a million electric miles driven across our 20 plus projects across the country including two projects underway in California. Our model includes vehicle and charging infrastructure financing, infrastructure installation, charge management staff training, electricity purchasing, and maintenance cost coverage in an easily digestible, budget-neutral format that enables ESB acquisition at traditional diesel pricing. Our mission is to promote better student health and a cleaner environment through school bus electrification.

We applaud CARB's allocation of \$624 million for clean mobility and zero-emission transportation, including \$375 million for school bus electrification and would like to take the opportunity to comment on several components of this Funding Plan.

Overarching Comments

The state of California has made historic and nation-leading investments in both light-duty and medium- and heavy-duty (M/HD) zero-emission vehicle ZEV markets. These investments (driven primarily through incentive programs like and including those outlined within this funding proposal) have allowed the state to lead in ZEV deployments and zero emission fueling installations in the country – supporting the nations' ability to scale ZEV technology.

While the Governor's Administration, the state legislature, CARB, the California Energy Commission (CEC), and many other state agencies and stakeholders should be celebrated for their tremendous work in driving ZEV adoption, it is imperative that the state continue to update its programming to better fit the needs of a maturing market.

Within the last two years, there have been unprecedented investments in school bus electrification at both the state and Federal level. The Environmental Protection Agency (EPA)'s Clean School Bus program has now completed two rounds of funding bringing approximately \$1.5 billion worth of funding to school districts across the country with a total of five billion to be funded by 2026. Governor Newsom has dedicated \$375 million within the state's budget to electric school bus funding via Proposition 98 funds to be facilitated through the HVIP program and has outlined the same amount of funding for the next two years, adding up to a historic \$1.125 billion allocated to school bus electrification over the next



three years. This funding when paired with other events happening in the state including– 1) the passage of AB 579 (Ting) which set a mandate for 100% of newly purchased school buses to be electric by 2035, 2) the ban on new diesel buses within the state as of spring 2023, 3) the first in a generation reoccurring transportation funding from the California Department of Education, and 4) other state funding supporting school bus electrification across multiple state agencies and local air quality management districts (AQMDs) present a once in a generation opportunity to electrify school bus fleets at scale and in a way that will create a sustainable electric school bus market.

These short-term funding opportunities, once exhausted, have very little chance of being reauthorized at either the state or federal level. It is imperative that these funds are efficiently and effectively used to create a market for electric school buses for the state to meet its electric school bus mandate and fleet electrification goals. While programs like standard HVIP and the HVIP school bus set-aside were designed to encourage the development of smaller pilots of a very nascent technology, the electric school bus market has progressed beyond this nascent level and needs to be updated to meet the new needs of a rapidly maturing market that has the potential to scale in the near term. Many districts within the state now have experience with operating 1-5 electric school buses but have yet to deploy electric school buses at scale. Prioritizing funding towards districts that have a desire to try to electrify larger portions of their fleet will not only lead to a more cost-effective deployment of the technology but can also create opportunities for California districts to be leaders in showing not only their neighbors but also the country how to electrify fleets at scale.

To date, 1,708 ZEV transit and school buses have been delivered, 556 of which were school buses.¹ While the implementation of HVIP has been critical to the deployment of these buses, the incentive values and procurement process for these buses has limited the number of buses deployed given the amount of funding available within the state. As we outline in more detail below, creating incentive programs that enable the utilization of innovative financing models and allow for the use of public-private-partnerships with trusted entities will lead to a greater number of projects deployed at scale and in a timely and cost-effective manner.

We believe that, overall, incentive programs should have a declining incentive value over time to encourage early adoption. While it may be difficult to outline incentive values year over year given CARB's annual funding approval, CARB could consider deploying volumetric incentive blocks that decline overtime based on available funding. These blocks could be set annually when CARB's transportation funding is approved. We also believe CARB should continue to provide higher incentive values for disadvantaged or environmental justice communities including those that are within some of the larger AQMDs which have some of the state's worst air quality.

We respectfully submit the following recommendations to support the development of a sustainable market for M/HD ZEVs, particularly ESBs within the state. Several of our comments relate specifically to the administration of the Proposition 98 funds which have yet to be implemented into the HVIP

¹"2022 Medium and Heavy-Duty ZEV Dashboard," CEC. 2022. <https://www.energy.ca.gov/data-reports/energy-almanac/zero-emission-vehicle-and-infrastructure-statistics/medium-and-heavy>.



program. We look forward to a continued dialogue on the administration of these funds in the coming months.

1. Allow flexibility in ownership and partnership models to enable wide participation.

The school bus market has a wide variety of fleet ownership and leasing models. Some districts choose to own their fleets while others choose to contract out their fleets. These decisions are made at the district level and are often chosen based on the district's preferences for ownership, cost, and other factors that impact their existing fleet management model. Currently, the Standard HVIP program allows school districts that contract out their fleets to participate while the school bus set aside program requires district ownership. Several of the largest districts in the state—including Sacramento City, LAUSD, Compton, among others—are left out of the school bus set aside funding despite experiencing some of the worst air quality in the state and having a large population of low-income students.

As CARB begins to develop a HVIP set aside for the Proposition 98 funds, we would encourage greater flexibility in ownership models to ensure that all school districts are allowed to participate in this funding opportunity.² Districts should be allowed to choose whatever ownership model makes the most sense for them. CARB should not penalize districts for not choosing an ownership path and should instead use other tools implemented in other states and the Federal government to ensure that the buses remain in the same district for a designated period so that the district can receive the benefits of the cleaner technology.³

Chapter 52, Section 121 which originally allocated the Proposition 98 funding to be administered by CARB through HVIP does not require that a school district own the vehicle and instead offers the following definition of an eligible local educational agency:

- a) A school district, county office of education, or charter school, excluding a charter school classified as a non-classroom-based charter school as of the 2021–22 fiscal year second principal apportionment certification pursuant to Section 47612.5 of the Education Code, with ownership of title for a school bus or school buses.
- b) A school district or charter school, excluding a charter school classified as a non-classroom-based charter school as of the 2021–22 fiscal year second principal apportionment certification pursuant to Section 47612.5 of the Education Code, that

² EPA has enabled a broad ownership definition within their Clean School Bus Program. Eligible applicants within the program include public school districts, tribal communities and eligible contractors which are defined by the Infrastructure Investment and Jobs Act, Public Law 117-58 (42 U.S.C. 16091), as any for-profit, not-for-profit, or nonprofit entity that has the capacity (1) to sell, lease, license, or contract for service clean school buses, ZE school buses, charging or fueling infrastructure, or other equipment needed to charge, fuel, or maintain clean school buses or zero-emission school buses, to individuals or entities that own, lease, license, or contract for service a school bus or a fleet of school buses; or (2) to arrange financing for such a sale, lease, license, or contract for service. CARB could consider adopting a similar definition to EPA to give greater flexibility in ownership models within their program.

³ EPA requires that the electric school buses remain with the school district recipient for at least five years at which point the owner of the vehicle can choose to keep the vehicle within that district or move/sell the vehicle. Other programs, e.g. Colorado's Electric School Bus program, offer similar timelines to enable the benefits to be felt within a given community while still understanding that a school district or fleet operator may need to move a given vehicle at some point in the future.



contracts with a county office of education or private contractor for the maintenance and operation of its school buses.

- c) A county office of education that contracts with a private contractor for maintenance and operation of its school buses.

Given this definition, districts that contract out their fleets should be allowed to take advantage of this funding opportunity per the statutory requirements of this funding.

Within all school bus electrification funding opportunities, CARB should allow school districts to partner with third parties, like EaaS providers, to assist in the development of these projects. These verified entities should be allowed to request HVIP vouchers on behalf of the purchaser. CARB should not rely solely on school bus dealers to manage voucher submissions as it does in the current program. Enabling flexibility in ownership/innovative financing models will enable more school districts to participate. These types of public private partnerships can leverage additional funding streams (e.g., Inflation Reduction Act tax credits among other federal funding opportunities) which can lower the cost of electrification thereby enabling an increased number of school districts that are able to electrify and an increased number of vehicles electrified within a given fleet.

2. **Allow flexibility in scrappage requirements.** The current school bus set aside program requires that the applicant scrap a vehicle that they own to participate in the program. For many districts, having a rigid scrappage requirement limits their ability to participate in a program, especially at scale because they are concerned about the technology and would like to keep some remaining vehicles that they trust within their fleet while they adjust to the new vehicles. In recent years, several school bus programs have adopted more flexible scrappage requirements that meet districts where they are.⁴ The examples outlined in the footnote demonstrate measures that enable districts to feel more comfortable with the electrification process allowing them to electrify more of their fleet at a given time. In addition to these examples, CARB could consider evaluating regional boundaries within the state that could address emissions leakage concerns.
3. **Prioritize communities that are adversely impacted by poor air quality.** The current school bus set aside program was designed with the goal of supporting school districts within small and rural AQMDs throughout the state. As CARB creates or updates a school bus set aside for the Proposition 98 funds, it will be important to support all districts as they start to deploy or scale their electric fleets. CARB should expand their AQMD prioritization to include AQMDs that are disproportionately burdened by poor air quality and should not limit the prioritization of AQMDs to size.
4. **Modify voucher amounts and incentivize projects that scale.** As we described above, we believe that the state should evaluate and lower its school bus incentive voucher amounts as it has done for other eligible HVIP vehicle types and believe that it should consider utilizing volumetric blocks for encouraging early (and scaled) adoption of electric vehicles. We look

⁴ For example, EPA's Clean School Bus program allows districts to scrap vehicles that are not within the applicant's fleet but meet route and usage requirements. Colorado's Electric School Bus Program does not require districts to scrap buses for the first five buses they electrify and requires that a district retire or convert 20% of the vehicles requested per application. New York's new school bus program does not require that a vehicle is scrapped and instead offers a greater incentive amount for districts that choose to scrap a vehicle.



forward to participating in upcoming workshops on ways in which to create a new school bus set aside for the Proposition 98 Funds to encourage more scaled deployments within the state.

5. **Avoid incentive mechanisms that put price setting entities in control.** Explicitly allow for partnerships between different types of entities (e.g., schools, electrification companies, dealers, etc.) and signal that the applications satisfy public procurement requirements.

Highland appreciates the opportunity to submit these comments and looks forward to continuing to discuss these updates to electric school bus programming in the coming months.

Best Regards,
Jane Israel

Western Regional Manager, Market Development

Highland

Highlandfleets.com