Bill Magavern
19-9-6

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Mary D. Nichols
Chair, California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

RE: Comments on Modifications to the FY 2016-17 Funding Plan for Low Carbon Transportation Investments

Introduction

We, the undersigned organizations, provide the following comments to the "Modifications to the Fiscal Year 2016-17 Funding Plan for Low Carbon Transportation and Fuels Investments and the Air Quality Improvement Program" released in September 2016. We commend the California Air Resources Board (ARB) staff for their hard work in crafting the FY 2016-17 Funding Plan over the course of 2016 and for opportunities to provide input and recommendations throughout its development. We also commend the Board's decision in June 2016 to signal its commitment to ensuring light-duty equity pilot projects receive adequate investment from the Greenhouse Gas Reduction Fund (GGRF). Generally, we believe the modified FY 2016-17 Funding Plan reflects the policy and investment goals articulated in the GGRF budget and trailer bills signed into law in September 2016 (AB 1613 and SB 859, respectively). The following comments provide recommendations we think will improve the modified FY 2016-17 Funding Plan to ensure investments in low carbon transportation continue to meet California's greenhouse gas, air quality, and petroleum reduction goals and mandates for benefits to disadvantaged communities.

Funding

ARB staff has had a particularly difficult task of allocating limited funding to critical, low carbon transportation programs – namely, to the light-duty equity and heavy-duty pilot projects – due to delays in the Governor and Legislature passing a GGRF budget and shortfalls in the level of appropriations. While more funding is needed, the Governor and Legislature via AB 1613 (Committee on Budget, Chapter 370) thankfully joined the ARB Board in ensuring funding this year to these grant-based pilot projects that provide significant benefits to disadvantaged communities where air pollution is most concentrated. Funding for heavy-duty pilot projects is also critical to advancing zero-emission transportation technologies that can transform the goods movement industry as called for in Governor Brown's Executive Order B-32-15 and the California Sustainable Freight Action Plan released in July 2016. Funding for heavy-duty projects, furthermore, can help bolster confidence among manufacturers, consumers and others, that public funds are available to support private investment in this emerging market that is not as developed as the light-duty electric vehicle (EV) market. We support ARB staff's modified allocations to low carbon transportation projects that are in line with the direction prescribed by AB 1613, and believe they represent a balanced approach to light-duty equity and heavy-duty investments that can relieve pent-up demand for pilot project funding. We look forward to working with ARB staff in the coming months to ensure investments are made in a timely manner and deliver the environmental, public health, and economic benefits they can provide.

Comments

(1) The Clean Vehicle Rebate Project (CVRP): Support for Changes to Program Eligibility

We appreciate the work of ARB staff to successfully implement an income cap for the Clean Vehicle Rebate Project (CVRP) and provide increased incentives for low-to-moderate income (LMI) consumers since the end of March 2016. We support the lowering of the cap as stipulated by SB 859 (Committee on Budget and Fiscal Review, Chapter 368) and recommend the reduced income cap levels be maintained beyond the July 2017 sunset date given the uncertain funding outlook for GGRF programs during the next fiscal year.

We also strongly support the establishment of a 20-mile minimum standard for the battery range of plug-in hybrid electric vehicles (PHEVs) eligible for CVRP funds. This standard will help encourage and support automakers to continue improving the fuel efficiency and zero-emission capability of PHEVs, while increasing the emission and cost-saving benefits of CVRP. We also recommend that ARB maintain the 20-mile battery standard beyond the July 2017 sunset date, and consider a tightening of the standard over time as battery technology advances, in order to ensure effective and appropriate use of limited public funds for this first-come, first-served incentive program.

(2) The Clean Vehicle Rebate Project (CVRP): Support for Changes to Increase Affordability and Accessibility for Low-to-Moderate Income Consumers

We agree with increasing the rebate amount from CVRP for low-to-moderate income (LMI) consumers to the levels called for in SB 859, and recommend that this change also be extended beyond the July 2017 sunset date. We would also like to take this opportunity to reiterate our support for plans to incorporate a pre-qualification mechanism into CVRP and develop guidelines for transitioning CVRP to a point-of-sale (POS) rebate during the current fiscal year. By addressing the high up-front cost of EVs at the outset, POS is more effective at increasing the accessibility of EVs for lower-income consumers and advancing the social equity goals of SB 1275 (De León, 2014) than CVRP's current model that forces consumers to wait for a rebate until after they have purchased a vehicle. Pre-qualification, we believe, will help protect CVRP against concerns about free ridership.

We urge ARB to adopt a POS with pre-qualification approach to CVRP, and support greater outreach to LMI consumers as necessary to raise awareness of such incentives and a pre-qualification requirement. To that end, we agree with staff's proposal to require applicants for CVRP program administration to submit plans for disadvantaged community (DAC) and LMI outreach, and to set a minimum requirement for outreach activities as a share of the overall program administration budget.

In addition, ARB should facilitate greater coordination between CVRP and the Enhanced Fleet Modernization Program Plus-Up Project (EFMP Plus-Up), which focuses on providing clean transportation and mobility options to low-income Californians living in disadvantaged communities. An additional $500 from CVRP, together with a POS rebate model with pre-qualification and greater coordination with EFMP Plus-Up, will help make *new* EVs more affordable and accessible to LMI consumers.

As we stated in June 2016, ARB should adopt POS with pre-qualification regardless of whether there is a continuous appropriation for CVRP. A continuous appropriation is preferable, but its attainment is uncertain and there are ways ARB could provide dealers with sufficient notice if available funding declines sooner than projected. Therefore, this concern should not stand in the way of adopting a POS with pre-qualification approach that could significantly increase LMI consumers' access to new zero- and near-zero emission vehicles.

(3) Light-Duty Equity Pilot Projects: Support for a Flexible Approach to Funding Allocations

We support ARB staff's modified funding allocations to light-duty equity pilot projects pursuant to AB 1613. Specifically, we agree with the modified plan for the distribution of and timetable for releasing EFMP Plus-Up funds between the air districts currently operating the vehicle scrap-and-replace program (South Coast and San Joaquin Valley) and those interested in launching a program this fiscal year (Bay Area and Sacramento).

We are also pleased to see the maximum allowable funding allocated to the other light-duty equity pilot projects, which did not receive any funding in FY 2015-16. At the same time, we encourage ARB to continue being flexible and adjust these allocations based on each program or project's readiness and interest or demand generated. In particular, we think it may be challenging to launch the proposed $5 million *statewide* financing assistance program without legislation enabling the California Pollution Control Financing Authority (CPCFA) to administer such a program for residential consumers. If a competitive solicitation process fails to generate interest in a statewide financing assistance program from private financial institution(s), then the allocated funds should be made available to other light-duty equity pilot projects.

(4) Heavy-Duty Vehicle and Off-Road Equipment Projects: Support for Modified Allocations

We believe staff's modified funding plan for truck, bus, and off-road equipment projects continues to represent a faithful interpretation of the legislative mandates of SB 1204 (Lara/Pavley) that we strongly supported in 2014. Incentive funding in this sector is especially important given that many of the zero-emission technologies remain in the early stages of development.

It is unfortunate that the Legislature appropriated $25 million less than the proposed amount for heavy-duty vehicle and off-road equipment investments. Nonetheless, we support ARB staff's modified proposal to reduce the allocation for Advanced Technology Demonstration Projects from $59 million to $34 million, while maintaining funding for the other projects in this sector at the levels originally proposed. We also concur with staff's assessment that several worthwhile heavy-duty demonstration projects can still be funded with $34 million, and with the plan to direct most of this funding to projects that address the freight industry's significant contribution to California's air pollution and greenhouse gas emissions. Additional funding is required to meet the target of deploying 100,000 zero- and near-zero emission freight vehicles and equipment by 2030 (as per the California Sustainable Freight Action Plan), and this year's allocation to Advanced Technology Demonstration Projects can help lay the foundation for future investments at the least.

We are excited to see $60 million available to zero-emission truck and bus pilot commercial deployments, and applaud staff's work to solicit applications and preliminarily select projects for funding already. These funding awards will greatly complement ARB's regulatory efforts to control emissions from transit buses and last-mile delivery trucks that are well-suited to full electrification. We agree with staff's decision to increase the maximum incentive amount available under the Low NOx Engine with Renewable Fuel project from $18,000 to $25,000 per engine. At the same time, ARB should closely monitor and adjust the incentive amount if the incremental cost of low-NOx engines declines over time in order to fund a greater number of engine replacements and new purchases.

While the movement of goods is a major driver of California's economy, the burdens of the industry's emissions are not distributed equally; rather, they fall disproportionately on low-income communities of color. Therefore, we would like to reiterate our appreciation for ARB staff's commitment to direct the bulk of these heavy-duty investments to projects located within disadvantaged communities (DACs) or to projects that benefit DACs, and we encourage striving to well exceed those commitments. Increased incentives for heavy-duty projects located within or benefitting disadvantaged communities exemplifies how ARB's Proposed Funding Plan provides such encouragement, and we support extending this increased incentive to heavy-duty projects that do not yet offer higher rebates on this basis.

Conclusion

We commend ARB staff for the considerable effort required to develop and modify the FY 2016-17 Funding Plan for Low Carbon Transportation Investments. We look forward to continuing to work with ARB staff to refine and improve funding allocations and low carbon transportation projects to sustain the state's progress toward the goals codified in SB 1275, SB 1204, and SB 859.

Sincerely,

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