June 20, 2016

Mary D. Nichols

Chair, California Air Resources Board

1001 “I” Street

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RE: Comments on Proposed FY 2016-17 Funding Plan for LCTP

**Introduction**

We, the undersigned organizations, provide the following comments to the “Proposed Fiscal Year 2016-17 Funding Plan for Low Carbon Transportation Investments and the Air Quality Improvement Program” released May 20, 2016 (the “Proposed Funding Plan”). We commend the California Air Resources Board (ARB) staff for their hard work in developing the Proposed Funding Plan and for opportunities to provide input and recommendations throughout its development. Generally, we believe the Proposed Funding Plan provides a good framework for balancing investments in low carbon transportation to meet California’s greenhouse gas, air quality, and petroleum reduction goals and mandates for these investments to benefit disadvantaged communities. The following comments provide recommendations which we think will improve the Proposed Funding Plan to ensure the state meets its environmental goals and social equity obligations.

**Funding**

In light of the failure of the Governor and Legislature to pass the Greenhouse Gas Reduction Fund (GGRF) budget in time, ARB staff has had a particularly difficult task of allocating limited funding to critical, low carbon transportation programs. Regrettably, the impact of these budget constraints has largely fallen on light-duty equity and heavy-duty pilot projects that provide significant benefits to disadvantaged communities where air pollution is most concentrated. Additionally, funding for heavy-duty pilot projects is critical to advancing zero-emission transportation technologies in this sector that can transform the goods movement industry as called for in Governor Brown’s Executive Order B-32-15 and the draft California Sustainable Freight Action Plan. 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. Therefore, we believe it is imperative to distribute appropriations in FY 2016-17 to each Low Carbon Transportation project in a manner that avoids prioritizing one project at the expense of another. We look forward to discussing this issue in more detail with ARB staff so that these investments provide direct, meaningful, and assured benefits to disadvantaged communities consistent with state laws (SB 1275, De León; SB 1204, Lara/Pavley; and SB 535, De León), while relieving pent-up demand for pilot project funding.

**Comments**

1. ***The Clean Vehicle Rebate Project (CVRP) – Limiting Eligibility Based on Income***

We support the enactment of an income cap for the Clean Vehicle Rebate Project (CVRP) as a step in the right direction and appreciate the work staff did to implement this requirement of SB 1275. However, we believe the current income cap levels are still too high and that they should be lowered based on analysis of CVRP consumer data and the level of funding that is eventually appropriated. Utilizing public funds for individuals and households unlikely to have their purchasing decision influenced by CVRP is a wasteful use of limited resources, especially when the same funds could be used to spur higher sales of advanced technology vehicles elsewhere.

1. ***The Clean Vehicle Rebate Project (CVRP) – Point-of-Sale and Pre-Qualification***

We strongly support ARB staff’s proposal to incorporate a pre-qualification mechanism into CVRP in the 2016-17 fiscal year, and develop guidelines for transitioning CVRP to a point-of-sale (POS) rebate after the program administrator has been selected in fall 2016. A POS rebate is more effective than CVRP’s current post-sale rebate at increasing the accessibility of electric vehicles (EVs) for lower-income consumers and thus advancing the goals of SB 1275, because POS addresses EVs’ high up-front cost at the outset rather than requiring consumers to wait for an incentive until after the purchase has been made. We support POS coupled with pre-qualification as a means to achieve this goal, understanding that staff believes the type of incentive should be consistent for all income groups and their concerns regarding enforcement of income eligibility requirements. We support pre-qualification and believe it will help protect CVRP against concerns about free ridership. Issues with implementation and enforcement notwithstanding, we urge ARB to adopt a POS with pre-qualification approach to CVRP and believe increased outreach to low- and moderate-income (LMI) consumers will be 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.

We support adopting point-of-sale coupled with pre-qualification regardless of whether there is a continuous appropriation. While a continuous appropriation is preferable, 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 zero- and near-zero emission vehicles.

1. ***Enhanced Fleet Modernization Program (EFMP) Plus-Up***

We strongly support the proposed expansion of the Enhanced Fleet Modernization Program (EFMP) Plus-Up to air districts beyond extreme non-attainment regions of California. We also back the proposal to incorporate a flexible funding approach for program expansion in order to account for the extensive amount of time air districts need to develop and finalize their guidelines while ensuring the full $30 million allocated to EFMP Plus-Up is spent by the end of FY 2016-17. While we recognize the importance of reserving funding for newly-participating air districts, $5 million may be too high an amount to leave unspent if those districts were not ready to begin implementing the program until the end of FY 2016-17 or at all in the fiscal year; a reserve of $2.5 million may be more appropriate.

1. ***Car Sharing and Mobility Options Pilot***

We recommend increasing funding for this pilot project given the strong demand for funding during the previous grant solicitation. In addition, we concur with the following proposed changes to this pilot project: requiring an increased focus on outreach and public education, allowing successful existing programs to apply for additional funds, and establishing a goal that ensures greater regional balance of funding to awarded projects.

We also support the eligibility for electric bike-sharing within this pilot and recommend staff consider how the inclusion of e-bikes could also help expand traditional bike-share systems. A broader bike-sharing offering would better align this program with the majority of municipal bike-share systems operating currently or planned in California that do not yet incorporate electric bicycles. In addition, we encourage this pilot program to offer incentives to existing bike-share systems to expand service into disadvantaged communities.

1. ***Financing Assistance***

We support expansion of the Financing Assistance pilot project for low-income consumers statewide, and agree with some of ARB staff’s other proposed changes. Generally, we concur with staff proposals that would better align financing assistance with other light-duty incentive projects such as increasing the minimum ownership requirements to match those for CVRP and EFMP Plus-Up. We also agree with proposals that would enhance the affordability of EVs for low-income consumers (e.g., increasing the vehicle buy-down amount and lowering the interest rate cap).

We respectfully disagree with staff proposals that we believe would make it more challenging for low-income consumers to finance an EV. Specifically, we do not support instituting a minimum investment requirement for low-income consumers. We also disagree with limiting the vintage of cars eligible for financing and believe there are more effective mechanisms for addressing concerns about the durability of pre-owned, or used, EVs. Concerns regarding battery reliability could be addressed separately through battery replacement incentives. Additionally, many EVs have 10-year or 150,000-mile powertrain warranties that can protect consumers from having to incur significant maintenance costs.

1. ***Heavy-Duty Vehicle and Off-Road Equipment Projects***

We believe staff’s recommendations for truck, bus, and off-road equipment projects represent a faithful interpretation of the legislative mandates of SB 1204 (Lara/Pavley), which 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.

The demonstration and pilot projects in this sector are vitally important, given the significant contribution of the freight industry to California’s air pollution and greenhouse gas emissions. Governor Brown has recognized the importance of transforming the goods movement industry with his Executive Order (B-32-15), which is being operationalized via the draft California Sustainable Freight Action Plan (CSFAP). The draft freight plan calls for the deployment of 100,000 zero- and near-zero emission vehicles and equipment by 2030. Achieving the clean vehicle target and goals of that Executive Order will require robust incentive funding coupled with vigorous regulatory measures and improved planning processes. Furthermore, substantial incentive funds will be required to meet the requirements of the State Implementation Plan and ZEV Action Plan, as well as to meet the Governor’s goal of a 50% reduction in petroleum use by 2030.

Unfortunately, the failure to complete the budget process for the Greenhouse Gas Reduction Fund for FY 2015-16 left the vast majority of the truck, bus, and off-road equipment projects in that fiscal year’s spending plan unfunded, creating pent-up demand for these funds. The pilot and demonstration grant projects that went completely unfunded in FY 2015-16 are no less important than the voucher and rebate projects that received partial funding.

We emphasize that, 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 applaud ARB staff’s commitment to direct the bulk of these investments to projects located within disadvantaged communities 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 the Proposed Funding Plan. 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 and SB 1204.

Sincerely,

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