

Low Carbon Transportation Investments and Air Quality Improvement Program (AQIP)

Public Workshop on the
Fiscal Year 2017-18 Funding Plan

Sacramento, California
February 10, 2017

California Environmental Protection Agency
 **Air Resources Board**



Today's Agenda

Kickoff presentation

- Background
- Governor's 2017-18 budget proposal
- Priorities for the year
- 2016-17 Funding Plan implementation status
- Initial funding need projections

Open discussion

Break

Presentation on 3-Year Plan for Heavy-Duty Vehicles and Off-Road Equipment

Open discussion

Auction Proceeds Investments for Low Carbon Transportation



- Annual budget appropriations consistent with Administration's 3-year Investment Plan
- Priorities in Administration's Investment Plan
 - Reduce greenhouse gases and benefit disadvantaged communities
 - Maximize health, environmental, economic co-benefits
 - Continue Low Carbon Transportation investments
- Assembly Bill (AB) 1550 (2016) adds new requirements

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AB 1550

- Revises disadvantaged community investment requirements
- Establishes new low-income household and low-income community investment requirements
- Guidance for State agencies under development
- 2017-18 Funding Plan will incorporate these new provisions

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Low Carbon Transportation Funding To Date

| Fiscal Year | Low Carbon Transportation Appropriations (million) |
|--------------|--|
| 2013-14 | \$30 |
| 2014-15 | \$197 |
| 2015-16 | \$90 |
| 2016-17 | \$363 |
| Total | \$680 |

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AQIP

- Created by AB 118 (2007); updated and reauthorized by AB 8 (2013)
- Provides foundation and framework for Low Carbon Transportation investments
 - Many projects initially funded under AQIP
- Annual funding plan guides investments
- Focus on criteria pollutant and toxics projects

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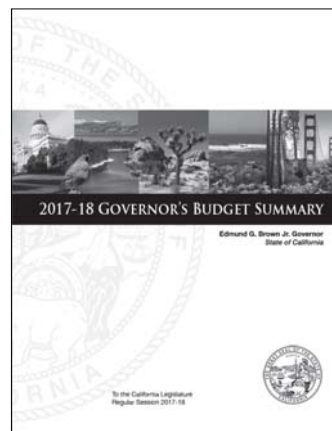
Governor's 2017-18 Low Carbon Transportation Proposal

- \$363 million to accelerate transition to low carbon passenger and freight transportation
 - Same project funding as final 2016-17 budget
 - Builds on previous years' investments
 - Identifies incentives for electric vehicles and in-state low carbon biofuel as possible investments
- Supports Governor's climate pillars
 - 50 percent reduction in petroleum use
 - Short-lived climate pollutant reductions

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Governor's 2017-18 AQIP Budget Proposal

- \$28.6 million proposed for AQIP
 - Based on revenue projections
 - Same funding level as 2016-17



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Key Issues for 2017-18 Funding Plan

- Demand significantly higher than proposed funding
- Addressing new disadvantaged community and low-income investments requirements (AB 1550)
- Developing 3-year plan for heavy-duty vehicle and off-road equipment investments
- Incorporating findings from SB 350 study on low-income barriers to clean transportation
- Coordinating investments with other funding sources including Volkswagen settlement funds

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Findings from SB 350 Barriers Study

- Long-term, permanent funding and consumer awareness are keys to overcoming barriers
 - Ensure funding for zero-emission and near zero-emission transportation and mobility options (cars, public transit, school buses, active transportation, etc.)
 - Continue to prioritize funding to low-income households and disadvantaged communities
- Continue studying transportation barriers by expanding community-based needs assessments

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Volkswagen California Investments

- \$800 million Volkswagen ZEV investment
 - Infrastructure, education/public awareness, ZEV access improvements, Green City initiative
- Over \$400 million NOx Mitigation Trust
 - Primarily heavy-duty vehicle/off-road equipment replacement
- \$25 million to ARB for:
 - “the ZEV-related aspects of the EFMP Plus Up Program or the ZEV-related aspects of similar vehicle replacement programs”

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Light-Duty Vehicles (SB 1275)

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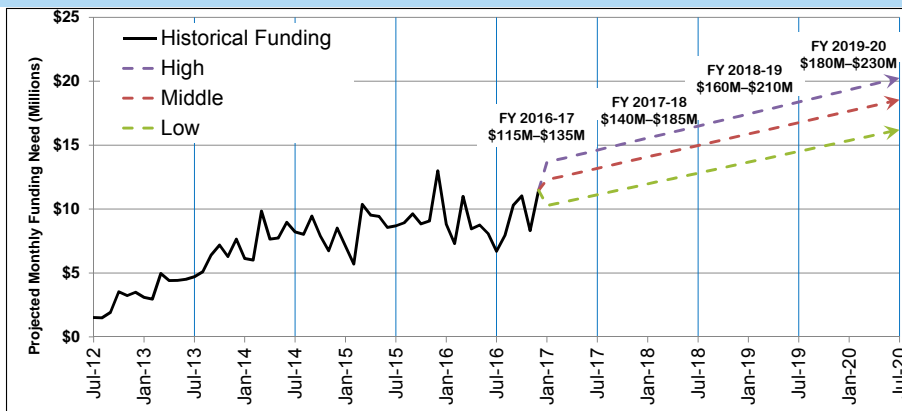
CVRP Status Update



- 175,000 rebates issued since 2010
- 2016-17 CVRP budget
 - \$133 million allocation, should last through June 2017
 - Legislature mandated lower income cap and increased rebates for low-income consumers
- Continuing to implement higher rebates for lower income consumers
- Prequalification mechanism under development
- Starting increased outreach effort with added equity focus

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CVRP Demand Projections



- Initial projection: 55,000–70,000 rebates / \$140-185 million for 2017-18 (assuming no project changes)

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CVRP Challenges for 2017-18

- Projected demand higher than available funding
- Public fleet pilot moving to CVRP for 2017-18
- Addressing AB 1550
 - Will evaluate whether CVRP changes needed
- Work groups to address these issues

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Initial CVRP Funding Recommendations for 2017-18

- \$120-130 million allocation
 - Compared to forecasted demand of \$140-185 million
 - Will consider changes to align demand with allocation
- Retain legislatively set income cap and rebate levels for low-income consumers
- Possible changes to consider
 - Reducing per-vehicle rebates (exempting low-income)
 - Limiting consumers to a single CVRP rebate
 - Request input on other potential changes

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Light-Duty Equity Projects

- Innovative strategies designed to increase access to clean vehicles and mobility options for lower income households and disadvantaged communities



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2016-17 Light-Duty Equity Projects: \$80 Million Allocated

| Category | Funding (million) | Status |
|--|-------------------|--|
| Scrap and replace (EFMP/EFMP Plus-up) | \$60 | <ul style="list-style-type: none"> • South Coast/San Joaquin program implementation ongoing • Working with new air districts |
| Car Sharing and Mobility Options | \$8 | <ul style="list-style-type: none"> • Solicitation under development, anticipate February 2017 release |
| Agricultural Worker Van Pools in SJV | \$3 | <ul style="list-style-type: none"> • Solicitation under development, anticipate March 2017 release |
| Increased Public Fleet CVRP Incentives | \$3 | <ul style="list-style-type: none"> • Grant in place, anticipate February 2017 relaunch |
| Low-Income Financing Assistance | \$6 | <ul style="list-style-type: none"> • Solicitation under development, anticipate February 2017 release |

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EFMP/EFMP Plus-up Current Status

- As of December 2016, 1,700 vehicles replaced in South Coast and San Joaquin Valley air districts
 - 1,700 used EFMP Plus-Up funds
 - \$6 million Plus-Up project funds spent
- First \$30 million of \$60 million the 2016-17 allocation awarded
- 3 new air districts developing implementation plans
 - Bay Area, Sacramento, and San Diego
 - Expected to launch programs in summer of 2017

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Challenges for 2017-18

- Incorporating SB 350 study findings
- Refining equity projects to incorporate AB 1550 requirements
- Scaling up projects beyond initial pilot phase
- Incorporating \$25 million in Volkswagen funds into equity projects

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Equity Projects: Funding Needs Identified in 2016-17 Funding Plan

| Project Category | 2016-17 Long-Term Plan Funding Need Projections | | | 2016-17 Budget | Remaining Need 2017-18 |
|------------------------------|---|------------------|-------------------|----------------|------------------------|
| | 2016-17 | 2017-18 | 2-Yr Total | | |
| EFMP/EFMP Plus-up | \$30 | \$30-50 | \$60-80 | \$60 | \$0-20 |
| Car Sharing/Mobility Options | \$8 | \$20-25 | \$28-33 | \$8 | \$20-25 |
| Public Fleet CVRP Incentives | \$3 | - | \$3 | \$3 | - |
| Ag Worker Vanpools | \$3 | \$3 | \$6 | \$3 | \$3 |
| Financing Assistance | \$6 | \$20-25 | \$26-31 | \$6 | \$20-25 |
| Potential New Projects | - | \$0-5 | \$0-5 | - | \$0-5 |
| TOTAL | \$50 | \$70-110+ | \$120-160+ | \$80 | \$40-\$80+ |

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Initial EFMP Plus-Up Recommendations for 2017-18

- Roll over \$20 million reserve funding from 2016-17
 - Unless there is demand prior to June 2017
- Staff estimates \$40-50 million need for 2017-18
 - Also continue carrying \$20 million reserve
- Concepts to develop in work groups
 - Funding for program oversight and assessment (data management and/or independent auditor)
 - Incorporating Volkswagen consent decree funds
 - Opportunity for further program expansion

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Initial Equity Project Recommendations for 2017-18

- Evaluate best ways to support used ZEV market
 - Including need for used ZEV battery assurance strategy
- Financing assistance
 - Evaluate how to grow project and best coordinate with CVRP and EFMP Plus-up
- Car sharing and mobility options
 - Increase focus on mobility options
 - Consider statewide administrator for small projects
- Consider new project concepts

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Initial Equity Project Funding Recommendation for 2017-18

- \$60-80 million Low Carbon Transportation allocation
- Additional \$25 million in Volkswagen funds to integrate into EFMP Plus-up, financing assistance, or other programs consistent with consent decree
- Work groups to develop project level allocations and project details

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Heavy-Duty Vehicle, Freight, and Off-Road Equipment (SB 1204 & AQIP)

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2016-17 Heavy-Duty Vehicle, Freight, and Off-Road Equipment Projects

| 2016-17 Project Category – Low Carbon Transportation/AQIP | Funding (million) |
|--|-------------------|
| Advanced Technology Freight Demonstrations | \$34 |
| Zero-Emission Freight Equipment Pilot Commercial Deployments | \$5 |
| Zero-Emission Truck Pilot Commercial Deployments | \$18 |
| Zero-Emission Bus Pilot Commercial Deployments | \$42 |
| Rural School Bus Pilot | \$10 |
| Low NOx Engine Incentives with Renewable Fuel Use | \$23 |
| HVIP | \$18 |
| Truck Loans (AQIP) | \$22 |
| Agricultural Equipment Trade-up in San Joaquin Valley (AQIP) | \$3 |
| TOTAL (\$150M Low Carbon Transportation/\$25M AQIP) | \$175 |

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Status of 2016-17 Heavy-Duty Projects

- Advanced Technology Freight Demonstrations
 - Solicitations under development, anticipate February or March release
- Zero-Emission Freight Equipment Pilot
 - Solicitation under development, anticipate Summer release
- Zero-Emission Truck and Bus Pilots
 - Funding awarded, grant agreements in progress
- Rural School Bus Pilot
 - Funding available, applications from school districts will be accepted March 1-30

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Status of 2016-17 Heavy-Duty Projects (continued)

- HVIP
 - 2016-17 funds already spent; waiting list open
- Low NOx Engines incentives
 - Funds available
- Truck Loan Assistance Program
 - Ongoing funding available
- Ag Equipment Trade-Up for San Joaquin Valley
 - 2015-16 funds spent, 2016-17 solicitation under development

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Priorities and Challenges for 2017-18

- Demand greater than available funding
- Developing a 3 year heavy-duty plan to help guide our investments
- Continue and expand funding for early commercial deployments
- Prioritize demonstration funding to achieve long-term goals
- Support key investments from the California Sustainable Freight Action Plan

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Initial Recommendations for 2017-18: Heavy-Duty Low Carbon Transportation

- \$140-150 million allocation

| Heavy-Duty Vehicle and Equipment Project Category | Funding (million) |
|---|-------------------|
| Clean Truck and Bus Vouchers <ul style="list-style-type: none"> • Hybrid • Zero-emission • Low NOx with Renewable Fuel | \$45-75* |
| Freight Focused Pilot Commercial Deployment and Rural School Bus Pilot | \$20-60 |
| Freight Focused Advanced Technology Demonstrations | \$35-65 |

*Combined with \$10-15 million AQIP funding for overall Clean Truck and Bus Voucher allocation of \$55-90 million

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Initial Recommendations for 2017-18: AQIP

- \$28.6 million available for AQIP

| AQIP Project Category | Funding (million) |
|---|-------------------|
| Truck Loans | \$10-15 |
| Clean Truck and Bus Vouchers <ul style="list-style-type: none"> • Hybrid • Zero-emission • Low NOx with Renewable Fuel | \$10-15* |
| Agricultural Equipment Trade-Up in San Joaquin Valley | \$3 |
| Other Ideas | ? |
| Reserve for Revenue Uncertainty | \$0-1 |

*Combined with \$45-75 million Low Carbon Transportation funding for overall Clean Truck and Bus Voucher allocation of \$55-90 million

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Development of In-State Low Carbon Biofuels

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Low Carbon Biofuel Incentives

- 2016-17 Funding Plan included \$40 million very low carbon fuels production incentives
 - Based on Governor's budget proposal
- Legislature did not approve fuels funding in 2016-17 budget
- Governor's 2017-18 Budget proposal identifies in-state low carbon biofuels for potential funding

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Initial Recommendations for 2017-18

- \$15-30 million Low Carbon Transportation allocation for in-state low carbon biofuels
- Will discuss possible approaches at work groups

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Summary and Next Steps

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\$363M Low Carbon Transportation: Potential Project Category Allocations

| | 2016-17 Allocation (million) | 2017-18 Initial Range (million) |
|--|------------------------------------|---------------------------------------|
| CVRP | \$133 | \$120-130 |
| Light-Duty Equity Projects* | \$80 | \$60-80* |
| Heavy-Duty Vehicles, Freight, and Off-Road Equipment (+\$28 million AQIP funding) | \$150 | \$140-150 |
| Low Carbon Biofuels Incentives | \$0 | \$15-30 |
| Low Carbon Transportation Funding | \$363 | \$363 |

**The \$25 million in Volkswagen funds for ZEV-related elements of vehicle replacement will also be integrated into Funding Plan development.*

Volkswagen NOx Mitigation Trust funds will also be invested in heavy-duty sector.

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Funding Plan Development Schedule

| Milestone | Date |
|---|-------------------------------------|
| Category specific work group meetings* | Feb – April 2017 |
| Final Workshop <ul style="list-style-type: none"> • Discussion document with draft project allocations, project details, and draft long-term heavy-duty plan | April 2017 (tentatively April 6) |
| Release proposed Funding Plan | May 19, 2017 |
| Board consideration of proposed Funding Plan | June 22, 2017 |
| Start implementing 2017-18 projects | July 2016 |

*Handout lists preliminary work group meeting schedule

Additional information available at:

<http://www.arb.ca.gov/aqip/>

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

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Comments and Discussion

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