CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER THE APPROVAL OF THE PROPOSED FISCAL YEAR 2014-15 FUNDING PLAN FOR THE AIR QUALITY IMPROVEMENT PROGRAM AND LOW CARBON TRANSPORTATION GREENHOUSE GAS REDUCTION FUND INVESTMENTS

The Air Resources Board (ARB or Board) will conduct a public meeting at the time and place noted below to consider the approval of the Proposed Funding Plan for the Assembly Bill 118 Air Quality Improvement Program and Low Carbon Transportation Greenhouse Gas Reduction Fund Investments for Fiscal Year 2014-15 (Funding Plan).

DATE: June 26, 2014

TIME: 9:00 a.m.

PLACE: California Environmental Protection Agency
Air Resources Board
Byron Sher Auditorium
1001 I Street
Sacramento, California 95814

This item may be considered at a two-day meeting of the Board, which will commence at 9:00 a.m., June 26, 2014. Please consult the agenda for the meeting, which will be available at least 10 days before June 26, 2014, to determine the day on which this item will be considered.

Background

Established through the Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (AB 118; Núñez, Chapter 750, Statutes of 2007), the Air Quality Improvement Program (AQIP) focuses on reducing criteria pollutant and diesel particulate pollution with concurrent reductions in greenhouse gas (GHG) emissions. Originally funded at around $30 million per year, the program almost tripled in funding last year to about $90 million dollars, with nearly $60 million of that to support the Clean Vehicle Rebate Project (CVRP), which provides incentives for the purchases of zero and near-zero emissions passenger vehicles. Because of the program's success, AQIP continues to expand.

The Governor's FY 2014-15 proposed budget identifies $200 million from the State's share of auction proceeds under ARB's Cap and Trade program to be spent on Low Carbon Transportation projects that reduce GHG emissions primarily in disadvantaged communities. Because the Governor's goals for the investment of Cap and Trade proceeds are consistent with the established objectives of the AQIP program, and because of the past success of the AQIP program structure, this year staff is combining the two funding sources (AQIP and Low Carbon Transportation Investments) into one

Funding Plan.

Overview of Fiscal Year 2014-15 Funding Plan:

In developing this year's Funding Plan, ARB staff continues to recognize the need for a long-term vision to guide the AQIP, the importance of developing and refining metrics to gauge AQIP success, and determining the most valuable methods of providing incentive funding to achieve programmatic objectives. Achieving a transition from current technologies to zero and near-zero technologies is a challenge economically and technologically. Incentive programs help bridge gaps economically by increasing advanced technology production volumes to drive down costs and demonstrating projects to foster consumer acceptance of these new technologies, and technologically by supporting the private sector in the development and refinement of the technologies. AQIP supports all of these long-term objectives.

Staff is proposing three broad categories for funding: light duty incentives, heavy-duty incentives, and loan programs. Table 1 below outlines the specific funding allocations for projects identified under these three categories.

Table 1. FY 2014-15 Proposed Funding Plan Allocations (in millions) from both AQIP and Low Carbon Transportation Funding

	AQIP Allocation	Low Carbon Transportation Allocation	
		Total	*Percentage of Total Proposed to Benefit Disadvantaged Communities*
Light-Duty Vehicle Projects – up to $125			
• Classic Clean Vehicle Rebate Project (CVRP)	$5	$111	*10% = $11*
• Pilot Projects in Disadvantaged Communities	-	$9	*100% = $9*
Heavy-Duty Vehicle and Equipment Projects – up to $85			
• Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP)	$5	$5-$10	*100% = $10*
• Zero-Emission Truck and Bus Pilots		$20-$25	*100% = $20*
• Advanced Technology Freight Demonstrations	-	$50	*100% = $50*
Loan Assistance Programs – up to $10			
• Truck Loan Assistance Program	$10	-	
Reserve for Revenue Uncertainty	***$2***		
Total	**$22**	**$200**	*50% = $100*

For FY 2014-15, staff is proposing a total of $125 million on light-duty vehicle projects. The vast majority of this funding would be spent through the current CVRP model of offering financial rebates to consumers who purchase zero- and near-zero passenger

cars. But, as discussed below, staff is proposing some important adjustments to the Clean Vehicle Rebate Project (CVRP) based on lessons learned. Over the past several years the CVRP has greatly expanded as the market for zero-emission vehicles has expanded. To date funding has been focused on battery-electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV), and today production volumes are increasing and prices are decreasing while consumer demand continues to grow. However, because it is necessary to ensure the CVRP has sufficient funding throughout the course of the year, staff is proposing to reduce the amount of incentive funding for BEV and PHEV vehicles by $500 per vehicle. Proposed rebate levels would be $1,000 for PHEVs and $2,000 for BEVs. Fuel Cell Electric Vehicles would newly be eligible for $5,000 per vehicle under staff's proposal due to their new introduction in the California market. While these revisions are necessary to stay within the CVRP budget, they also recognize the declining costs for batteries, and increasing consumer acceptance of BEV and PHEV vehicles. Staff is also proposing contingency measures to ensure that the CVRP can operate uninterrupted throughout the fiscal year. Finally, staff is proposing new light-duty vehicle pilot projects to help consumers in disadvantaged communities access these new technologies, and to provide emissions benefits in areas where they are most needed.

For FY 2014-15, staff is proposing a total of $85 million in incentives focused on advanced technology heavy-duty vehicle and equipment deployments and demonstrations in disadvantaged communities. Investments in this area will support Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP, the first-come first-served voucher project that provides incentives for the purchase of heavy-duty hybrid and electric vehicles), several larger strategic pilot projects targeting freight and transit, and Advanced Technology Freight Demonstration Projects that provide funding to develop and demonstrate advanced technology heavy-duty vehicles. All of these Heavy-Duty Vehicle and Equipment Projects are proposed to focus on hybrid, zero- and near-zero trucks and buses that are just now becoming commercially available.

Staff is proposing to spend between $10 and $15 million on HVIP. Requirements would be strengthened to allow funding for cleaner certified hybrids or vehicles where testing has been conducted to demonstrate the emissions benefits of the hybrid technology. The HVIP would also provide larger funding amounts for zero-emission heavy-duty vehicles. As a complementary investment, staff is proposing to spend between $20 and $25 million on pilot projects for zero-emission trucks and buses. These projects would fund larger projects to provide a robust demonstration of zero emissions technologies in the freight transit sectors. Finally, staff is proposing to spend up to $50 million on large advanced technology freight demonstration projects, potentially including zero-emission drayage trucks and other projects. All of this funding for Heavy-Duty Vehicle and Equipment Projects is designed to encourage commercialization of zero- and near-zero emissions heavy-duty vehicles that are just now beginning to come to market, and to focus early deployment of these technologies in disadvantaged communities where the emissions reductions are most needed.

For the final component of AQIP in FY 2014-15, staff is proposing to spend up to $10 million for continued funding of the Truck Loan Assistance Program. This program is designed to move current best available technology trucks into smaller fleets that have difficulty financing vehicle upgrades. This program is highly effective, leveraging a modest amount of money into high value loans that allow fleet owners to access these technologies.

Together the incentive funding projects embodied by the Funding Plan will provide important support to nascent technologies, accelerating the development and commercialization of these technologies, reducing costs, and deploying these technologies into disadvantaged communities where the benefits are most needed. The funding plan establishes and follows a longer-term vision for the AQIP, which will evolve as the new technology landscape matures. Finally, the Funding Plan calls for the development of metrics to measure success of AQIP, which is important to help staff identify when funding structures should shift amongst technologies to ensure maximum effectiveness of each incentive dollar spent, and to ensure money is appropriately targeted to achieve AQIP goals and agency objectives.

Availability of Documents and Agency Contact Persons

ARB staff will present the Proposed Funding Plan for Fiscal Year 2014-15 at the meeting. Copies of the Funding Plan may be obtained from ARB's Public Information Office, 1001 I Street, First Floor, Environmental Services Center, Sacramento, California, 95814, (916) 322-2990, at least 30 days prior to the scheduled meeting on June 26, 2014. The Funding Plan may also be obtained from ARB's website at http://www.arb.ca.gov/msprog/aqip/aqip.htm.

Submittal of Comments

Interested members of the public may present comments orally or in writing at the meeting and may provide comments by postal mail or by electronic submittal before the meeting. To be considered by the Board, written comments not physically submitted at the meeting, must be received **no later than 5:00 pm, June 23, 2014,** and addressed to the following:

Postal mail: Clerk of the Board, Air Resources Board
1001 I Street, Sacramento, California 95814

Electronic submittal: http://www.arb.ca.gov/lispub/comm/bclist.php

Please note that under the California Public Records Act (Government Code section 6250 et seq.), your written and verbal comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request.

ARB requests that written and email statements on this item be filed at least 10 days prior to the meeting so that ARB staff and Board members have additional time to consider each comment. Further inquiries regarding this matter should be directed to Ms. Lisa Macumber, Air Pollution Specialist, at (916) 323-2881, or Ms. Graciela Garcia, Air Pollution Specialist, at (916) 323-2781.

SPECIAL ACCOMMODATION REQUEST

Consistent with California Government Code Section 7296.2, special accommodation or language needs may be provided for any of the following:

- An interpreter to be available at the meeting;
- Documents made available in an alternate format or another language;
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than 10 business days before the scheduled Board meeting. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Consecuente con la sección 7296.2 del Código de Gobierno de California, una acomodación especial o necesidades lingüísticas pueden ser suministradas para cualquiera de los siguientes:

- Un intérprete que esté disponible en la audiencia;
- Documentos disponibles en un formato alterno u otro idioma;
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al (916) 322-5594 o envié un fax a (916) 322-3928 lo más pronto posible, pero no menos de 10 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

CALIFORNIA AIR RESOURCES BOARD

Richard W. Corey
Executive Officer

Date: May 23, 2014