

**State of California
California Environmental Protection Agency**

AIR RESOURCES BOARD

**IMPLEMENTATION MANUAL
FOR THE HYBRID TRUCK AND BUS
VOUCHER INCENTIVE PROGRAM**

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**Working Group DRAFT
For Discussion Only
6/4/2009**

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EXECUTIVE SUMMARY

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IMPLEMENTATION MANUAL FOR THE HYBRID TRUCK AND BUS VOUCHER INCENTIVE PROJECT

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- C. Sample Quarterly HVIP Activity Reporting Form

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1.0 INTRODUCTION

In 2007, Governor Schwarzenegger signed into law the *California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007* (AB 118, Statutes of 2007, Chapter 750). The Act created the AQIP, a voluntary incentive program administered by ARB, to fund clean vehicle and equipment projects, air quality research, and workforce training. ARB's appropriation for AQIP projects in the fiscal year (FY) 2009-10 State Budget is \$XX million¹.

In April 2009, ARB adopted the [AQIP Guidelines](#) which establish minimum administrative and implementation requirements, providing the overarching rules for how ARB will run this incentive program. The AQIP Guidelines include the procedures for issuing project solicitations and selecting projects. The HVIP solicitation has been developed in accordance with the provisions of the AQIP Guidelines.

In April 2009, ARB also approved the [AB118 Air Quality Improvement Program Funding Plan for Fiscal Year 2009-10](#) (Funding Plan), which serves as the blueprint for expending FY 2009-10 AQIP funds. The Funding Plan establishes ARB's priorities for the funding cycle, describes the projects ARB will fund in FY2009-10, and sets funding targets for each project. Under the Funding Plan, AQIP funds will be focused on supporting development and deployment of the advanced technologies needed to meet California's longer-term, post 2020 air quality goals, complementing ARB's other incentive programs' focus on near-term emission reductions from fully commercialized emission control technologies. The Funding Plan establishes the HVIP as the cornerstone of the AQIP for FY 2009-10, accounting for about 60 percent of this year's funds.

This report constitutes the ARB's Implementation Manual for the HVIP (Implementation Manual). The purpose of this incentive program is to offset about half of the incremental additional cost of eligible hybrid medium- and heavy-duty vehicles. This in turn helps with commercialization of these technologies and supports a critical ramp-up in production that is necessary to meeting our clean air goals. The program provides grants of up to \$35 thousand to qualified individuals, businesses, public agencies and entities, and non-profit organizations for the purchase of an eligible hybrid vehicle between XX and June 30, 2012. Up to five percent of the program funds may be used for grant program administration. The HVIP will be administered and implemented through a partnership between ARB and a third-party Program Manager, selected by a via a competitive ARB solicitation. Hybrid truck and bus manufacturers, dealers, and purchasers will also play a key role in ensuring the success of the HVIP.

This Implementation Manual, in conjunction with the AQIP Guidelines and AQIP Funding Plan for Fiscal Year (FY) 2009-10, identifies the minimum requirements for administration, implementation, and oversight of the HVIP.

2.0 PROGRAM IMPLEMENTATION

2.1 Background

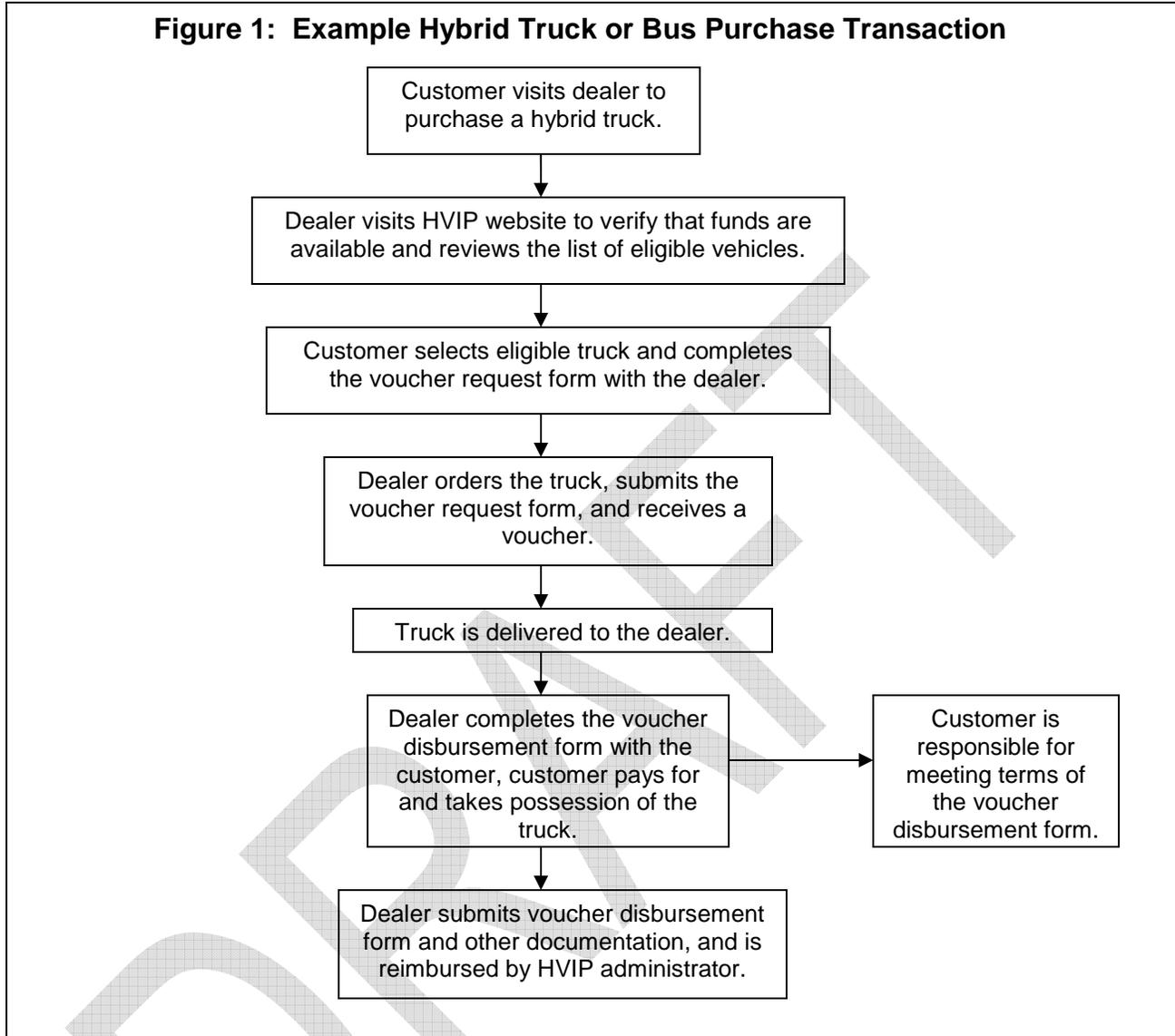
2.2 General Program Structure

Figure 2.1 describes a hypothetical truck dealer sale and voucher reimbursement transaction to illustrate how the HVIP will be implemented. The HVIP will enable the buyer of an eligible hybrid truck or bus to receive a voucher for the incentive amount, which will be redeemable at the time of the vehicle delivery and purchase.

The HVIP website will include a list of eligible hybrid trucks and buses, as well as the eligible voucher amount for each vehicle. The webpage will include a voucher request form for the dealer (in concert with the purchaser) to submit at the time a specific vehicle is ordered, with the voucher to be redeemable at the time the vehicle is delivered. A similar structure also applies for vehicles which are ordered directly from a hybrid truck manufacturer or a truck equipment manufacturer (TEM).

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Figure 1: Example Hybrid Truck or Bus Purchase Transaction



Key timelines for HVIP development and implementation are identified in Table 1 (below).

Table 1: Proposed HVIP Development and Implementation Timeline

Action Item	Date or Time Period
HVIP Program Manager selected, Implementation Manual and voucher forms finalized	September 2009
HVIP Program Manager develops program webpage, conducts outreach and dealer training	September - October 2009
Vehicle funding available	Late October 2009
Quarterly Status Report to ARB Program Contact	January 2010 – June 2012

2.3 ARB Responsibilities

ARB is responsible for:

- Development of the HVIP Implementation Manual
- Oversight of program implementation, including regular meetings with the Program Manager to guide program implementation
- Review and approval of program elements provided by the Program Manager, such as the HVIP webpage, voucher payment receipts, and progress reports
- Distribution of program funds to the Program Manager
- Program oversight and accountability

ARB shall also designate an ARB Program Contact as the contact person for coordination with the Program Manager.

2.4 Program Manager Responsibilities

The Program Manager is responsible for on-the-ground project implementation, including:

- Conduct the outreach necessary for the program to be successful.
- Develop a user-friendly public webpage to:
 - Include a list of eligible vehicles and each vehicle's eligible voucher amount
 - Provide voucher request and voucher redemption forms
 - Track total HVIP funds available and expended in real time
- Use the criteria in this Implementation Manual to review and approve voucher request forms
- Distribute voucher payments to eligible vehicle purchasers and/or vehicle dealers and vehicle/equipment manufacturers
- Track HVIP grant funding
- Closely communicate with the ARB to ensure that they are using the most current vehicle eligibility list

- Provide a quarterly report to the ARB detailing grant awards and monies spent. The grant agreement with the Program Manager may specify an electronic format for project reporting, as needed for transparent and effective data tracking.
- Meet all applicable requirements of the AQIP Guidelines, adopted by the Board on April 24, 2009. The AQIP Guidelines are available at: www.arb.ca.gov/regact/2009/aqip09/aqip09.htm .

These responsibilities encompass three phases of project implementation – project development, project implementation, and project activity reporting (for three years after vehicle purchase).

2.5 Vehicle Dealer Role

Hybrid truck and bus dealers play a central role in the HVIP's success. For the purposes of this Implementation Manual, a vehicle dealer includes dealers of new eligible hybrid trucks or buses, hybrid truck or bus vehicle manufacturers, and truck equipment manufacturers (TEMs). The dealer is responsible for ensuring the accuracy of the vehicle and dealership information all voucher request or redemption forms it submits.

The HVIP is intended to lower the vehicle price for the vehicle purchaser by the full voucher amount. Vehicle dealers are required to deduct the full voucher amount from the vehicle purchase price, and self-certify on the voucher request form that the vehicle price is not increased as a result of the HVIP voucher.

Additional language to help deter fraud...

2.6 Vehicle Purchaser Role

To receive an HVIP voucher, a vehicle purchaser must:

- Be a California-based business, non-profit, or government entity. A business, non-profit, or government entity based outside of California is eligible for funding if has operated in California for at least two years prior to the vehicle purchase order.
- Commit to keep the new vehicle for at least three years after the vehicle delivery date.
- Commit to operate the vehicle 100 percent within California for at least three years after the vehicle purchase date. Emergency response vehicles or vehicles with a home address(?) in counties that border on another state may be granted permission to operate up to 25 percent of the time outside of California if requested and justified by the vehicle purchaser on the voucher request form.

A vehicle purchaser which leases a vehicle partially funded with an HVIP voucher within three years of the purchase date must disclose the voucher amount and voucher terms

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to the vehicle leasee. The lease agreement must include a commitment from the leasee to meet the vehicle purchaser and activity reporting requirements identified in the voucher request and redemption forms.

The vehicle purchaser is responsible for ensuring the accuracy of the vehicle and vehicle purchaser information its voucher request and redemption form.

Additional language to help deter fraud...

2.7 Requesting a Voucher

An HVIP voucher is only provided for a specific vehicle which has been ordered for purchase by a customer. The dealer is responsible for working with the vehicle purchaser to complete the HVIP voucher request form, available on the HVIP webpage, for the specific ordered hybrid vehicle. Only vehicles listed as eligible on the HVIP webpage may receive a voucher. The maximum voucher amount for each eligible vehicle is also provided on the HVIP webpage.

The HVIP webpage shall include all the information necessary for the dealer, in conjunction with the vehicle purchaser, to complete and submit the voucher request. Only completed and accurate voucher request forms from official(?) vehicle dealers shall be accepted by the Program Administrator. The Program Manager will review the voucher request form for eligibility. If sufficient HVIP funds are available, a voucher will be provided to the dealer. The HVIP voucher will be valid for 60 days from the time it is issued. A voucher which is not redeemed within 60 days is no longer valid. Vouchers which expire may be renewed for an additional 60 days if HVIP funds are available. The voucher can only be redeemed upon vehicle delivery and final payment.

2.8 Voucher Redemption

2.9 Qualifying Vehicles

Hybrid trucks and buses eligible for the federal hybrid medium- and heavy-duty vehicle tax credit may also receive HVIP funding, if the vehicle meets additional ARB requirements (described in ...) to ensure the California-certified engine and after-treatment devices shall continue to function as required. A vehicle must also draw propulsion energy from onboard sources of stored energy that are both an internal combustion or heat engine using consumable fuel, and a rechargeable energy storage system.

To be eligible for a voucher, the vehicle must meet the following requirements:

1. The vehicle must have a gross vehicle weight rating (GVWR) of at least 10,000 pounds, and must be a commercial or public fleet vehicle.
2. The chassis must be titled and licensed in California, and the vehicle must be California-registered.

2.10 Vehicle Voucher Amounts

Eligible hybrid vehicles may receive a voucher for up to the funding amounts identified in Table 2. These voucher amounts correspond to approximately one-half of the incremental cost of a hybrid truck or bus.

Table 2: Eligible Hybrid Truck and Bus Vehicle Incentive Amounts

Vehicle Weight	Base Vehicle Incentive ¹	Additional Incentive for ARB Vehicle Certification
10,001 – 14,000 lbs.	\$10,000	
14,001 – 26,000 lbs.	\$20,000	\$5,000
26,001 – 33,000 lbs.	\$25,000	
> 33,000 lbs.	\$35,000	

¹The first HVIP-eligible hybrid truck or bus purchased by a fleet is eligible for an additional \$5,000 voucher.

Additional Incentive for ARB-Certified Hybrids

An ARB-certified hybrid heavy-duty vehicle (i.e. a vehicle above 14,000 lbs.) is eligible for an additional \$5,000 voucher amount, since ARB-certified vehicles' criteria pollutant emission reductions have been verified, and these vehicles are demonstrated to meet ARB durability requirements. This flexible approach is intended to ensure availability of eligible vehicles that achieve real emission reductions in the HVIP's first year while encouraging voluntary vehicle certification. If the HVIP continues to receive AQIP funding in FY 2010-11, only ARB-certified trucks and buses may be eligible for HVIP funds as part of the FY 2010-11 Funding Plan. Hybrid medium-duty vehicles (weighing between 10,000 and 14,000 lbs.) are not eligible for an additional \$5,000 incentive for ARB certification, since medium-duty vehicles are required to be ARB-certified.

Additional Incentive for the First Vehicle Purchased

To further encourage participation by small fleets, the first HVIP-eligible hybrid truck or bus purchased by any fleet is eligible for an additional \$5,000 voucher. For example, a truck owner-operator purchasing just one truck would be eligible for an additional \$5,000 voucher for that vehicle, while a larger fleet buying several trucks would also receive one \$5,000 voucher for the first vehicle purchased. This approach is intended to encourage purchase and acceptance of hybrids across more fleets and ultimately help the market for these vehicles grow. To ensure that funds are not monopolized by a single fleet, no single fleet may receive more than 100 hybrid vehicle vouchers.

Definition of fleet for 1st vehicle purchased

Timing of receipt of additional \$5,000 if vehicle certified during ordering process

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Add-on of Local or Federal Funds
Urban Transit Bus – fed funding

3.0 PROGRAM ADMINISTRATION

3.1 Background

This section defines the respective roles of the ARB and the Program Manager in administering the HVIP.

3.2 Vehicle Funding Disbursement to the Program Manager

The Project Manager shall receive ten percent of HVIP voucher funding once the first vouchers are set to be redeemed. Adequate additional funds will be provided to the Project Manager on a set schedule as needed to quickly and efficiently redeem vouchers. The voucher assignment to vehicle purchasers will serve as the justification for the Project Manager to request additional funds from ARB.

Add detail...

3.3 Schedule for Disbursement of Administration Funding

The Program Manager may use up to \$X, or the amount committed to in its HVIP funding application, whichever is less, for program administration and outreach. The Program Manager shall receive funding for program administration on the following schedule:

- \$X (30 percent of program administration funds) at the time the Grant Agreement is signed for outreach, to develop the webpage, and other program start-up costs
- \$Y (30 percent of administration funding) after half of vehicle funding is expended, and the complete and accurate reports demonstrating fund expenditure for these vehicles have been supplied to ARB
- \$Z (30 percent of administration funding) after all vehicle funding is expended, and the complete and accurate reports demonstrating fund expenditure for these vehicles have been supplied to ARB
- \$Q (the final 10 percent of administration funding) after all reports, including all final vehicle activity reports, have been submitted to ARB.

3.4 Documentation of Administrative Costs

Administrative funds shall only be used for costs associated with the program implementation related tasks outlined in the AQIP Funding Plan, the Implementation Manual, or grant agreement with the Program Manager. Administrative funds shall be

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used for HVIP administration and outreach including: Program Manager staff time; consultant fees (if pre-approved by ARB); printing, mailing, and travel costs; project monitoring and compliance expenses; and indirect costs such as general administrative services, office space, and telephone services.

The Program Manager must maintain documentation of HVIP funds used for administration and outreach, including:

- Personnel documentation must make use of timesheets or other labor tracking software. Duty statements or other documentation may also be used to verify the number of staff and actual hours or percent of time staff is devoted to HVIP administration and outreach.
- Fees for external consultants must be documented with copies of the consultant contract and invoices. All external consultant fees must be pre-approved by ARB.
- Printing, mailing, and travel expenses must be documented with receipts and/or invoices.
- If travel and per diem expenses are used to document program administrative costs funded by the HVIP, the Program Manager must have an official written policy regarding calculation of these costs. The Program Manager's travel cost calculation criteria must be consistent with its written travel policy.
- If indirect costs are used to document program administrative costs funded by the HVIP, the Program Manager must have an official written policy regarding calculation of these costs. The Program Administrator must maintain documentation for all costs referenced in the indirect cost calculation formula.

The above documentation, records, and referenced materials must be made available for review during ARB or other State agency monitoring visits and audits. These records must be retained for a minimum of two years after submittal of the final HVIP invoice to ARB.

If the Program Manager charges unallowable costs for program administration or outreach, it shall be required to substitute eligible administration and outreach expenses equal to the dollar amount found ineligible, or return the funds for the unallowable cost to the ARB.

3.5 In-Kind Services

The Program Manager is encouraged to contribute in-kind services to improve the HVIP's effectiveness, or match funding to increase the number of vehicles funded. Funds expended on in-kind services must meet all the requirements of Section 3.4 of this Implementation Manual.

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3.6 Match Funding

For the purposes of the HVIP, match funding shall include only those funds contributed by the Program Manager directly to the HVIP for the purposes of funding eligible hybrid vehicles. Match funding can only be used in two ways – to increase the number of eligible vehicles funded, or to increase the voucher amount provided to eligible vehicles. Match funding must meet the same requirements applicable to HVIP non-match funds, and vehicles purchased wholly or in part with match funding must meet the same requirements as vehicles funded with non-match HVIP funds. *(Should there be a limit on what can be used as match, such as federal or State funds? If so, how should it be structured?)*

Documentation of match funding expended on eligible vehicles must be retained for a minimum of three years after the match-funded voucher has been redeemed.

3.7 Earned Interest

Interest earned by the Program Administrator or its designee on HVIP funds must be reported to ARB. All interest income on HVIP funds, including both hybrid vehicle funding and program administration/outreach funding, must be reinvested in the HVIP to fund additional hybrids trucks or buses. The Program Manager is responsible for reporting to ARB on all vehicles funded with interest earned on HVIP funds.

The Program Manager must maintain accounting records (e.g. general ledger) that tracks interest earned and expended on HVIP funds, as follows:

- The calculation of interest must be based on an average daily balance or some other reasonable and demonstrable method of allocating the proceeds from the interest-generating account back into the program.
- The methodology for tracking earned interest must ensure that it is separately identifiable from interest earned on non-HVIP funds.
- The methodology for calculating earned interest must be consistent with how it is calculated for the Program Manager's other fiscal programs.
- Earned interest must be fully expended by June 30, 2012.

Documentation of interest earned on HVIP funds must be retained for a minimum of three years after it is generated. Documentation of interest expended on eligible vehicles must be retained for a minimum of three years after the interest-funded voucher has been redeemed.

3.8 Reporting and Progress Tracking

Report schedule...

4.0 PROGRAM OVERSIGHT

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4.1 Background

4.2 Program Manager Reporting

4.3 ARB Reporting

4.4 Program Non-Performance

4.5 Program Oversight

5.0 DEFINITIONS

“ARB-certification”

“ARB Program Contact”

“California-based”(for businesses, non-profits, etc...potentially purchasing vehicles – Section 2)

“Commercial vehicle”

“Dealer” (includes dealers, manufacturers, and TEMs -- see Section 2.5)

“Earned interest”

“Federal Heavy-duty Vehicle Tax Credit”

“Fleet” (for purposes of determining “first vehicle purchased by a single fleet” and “no single fleet can purchase > 100 vehicles”)

“Heavy-duty vehicle”

“Hybrid vehicle” means any vehicle that can draw propulsion energy from both of the following on-vehicle sources of stored energy: 1) consumable fuel, and 2) a rechargeable energy storage system.

“Incremental cost”

“In-kind services”

“Match funding”

“Medium-duty vehicle”

“Program Manager”

“Public fleet”

“Voucher”

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