

APPENDIX B

DRAFT IMPLEMENTATION MANUAL FOR THE FY 2010-11 CALIFORNIA HYBRID TRUCK AND BUS VOUCHER INCENTIVE PROJECT (HVIP)



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EXECUTIVE SUMMARY

The purpose of the Hybrid Truck and Bus Voucher Incentive Project (HVIP) is to accelerate the California deployment of hybrid and zero-emission medium- and heavy-duty vehicles. This provides a public benefit by helping commercialize these technologies and support a critical ramp-up in production that is necessary to meeting California's clean air goals. The HVIP provides vouchers of up to \$40,000 on a first-come, first served basis for the purchase of an eligible new truck or bus. The HVIP will be administered and implemented through a partnership between ARB and a third-party Grantee, selected via a competitive ARB grant solicitation. Ninety-five percent of HVIP funds are for the purchase of new eligible vehicles. The Grantee may use no more than five percent of HVIP funds for outreach and to administer the program. Truck and bus manufacturers, dealers, and purchasers also play a key role in ensuring the success of the HVIP.

The HVIP Implementation Manual, in conjunction with the Air Quality Improvement Program (AQIP) Guidelines and AQIP Funding Plan for Fiscal Year 2010-11, identifies the minimum requirements for administration, implementation, and oversight of the HVIP. This Implementation Manual also incorporates zero-emission commercial vehicles – funded via the Clean Vehicle Rebate Project in FY 2009-10 – into the HVIP. Refinements may continue to be made to this manual as needed through the HVIP Grantee selection period (See Table 1 on Page 4 for the HVIP development timeline). The Grantee may also recommend periodic updates to the Implementation Manual as needed to clarify project requirements and improve project effectiveness. The HVIP Implementation Manual, including any updates, will be posted on the HVIP webpage at www.arb.ca.gov/msprog/aqip/hvip.htm.

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Appendices (pending)

- A. HVIP Eligible Vehicles (as of June 26, 2010)
- B. Vehicle Eligibility Application
- C. Lower-Emission School Bus Program Policy Advisory 08-006

1 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). AB 118 created the Air Quality Improvement Program (AQIP), a voluntary incentive program administered by ARB to fund clean vehicle and equipment projects, air quality research, and workforce training. ARB's funding, based on projected revenues for AQIP projects in the Fiscal Year (FY) 2010-11 State Budget, is \$40 million.

In April 2009, ARB adopted AQIP Guidelines that establish minimum program 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.

In June 2010, ARB also approved the AQIP Funding Plan for FY 2010-11 (Funding Plan), which provides continued funding for five streamlined and successful FY 2009-10 AQIP project categories. The Funding Plan identifies the HVIP as the cornerstone of the AQIP in FY 2010-11, with up to \$25 million in additional funding for hybrid and zero-emission truck and bus vouchers. The AQIP Guidelines and FY 2009-10 and FY 2010-11 Funding Plans are available at: www.arb.ca.gov/msprog/aqip/aqip.htm .

This document constitutes the ARB's Draft Implementation Manual for the FY 2010-11 HVIP (Implementation Manual). The HVIP provides vouchers of up to \$40,000 to qualified California-based fleets for the purchase of an eligible vehicle. The HVIP will be administered and implemented through a partnership between ARB and a Grantee selected via a competitive ARB grant solicitation. Hybrid truck and bus manufacturers, dealers, and purchasers also play a key role in ensuring the success of the HVIP.

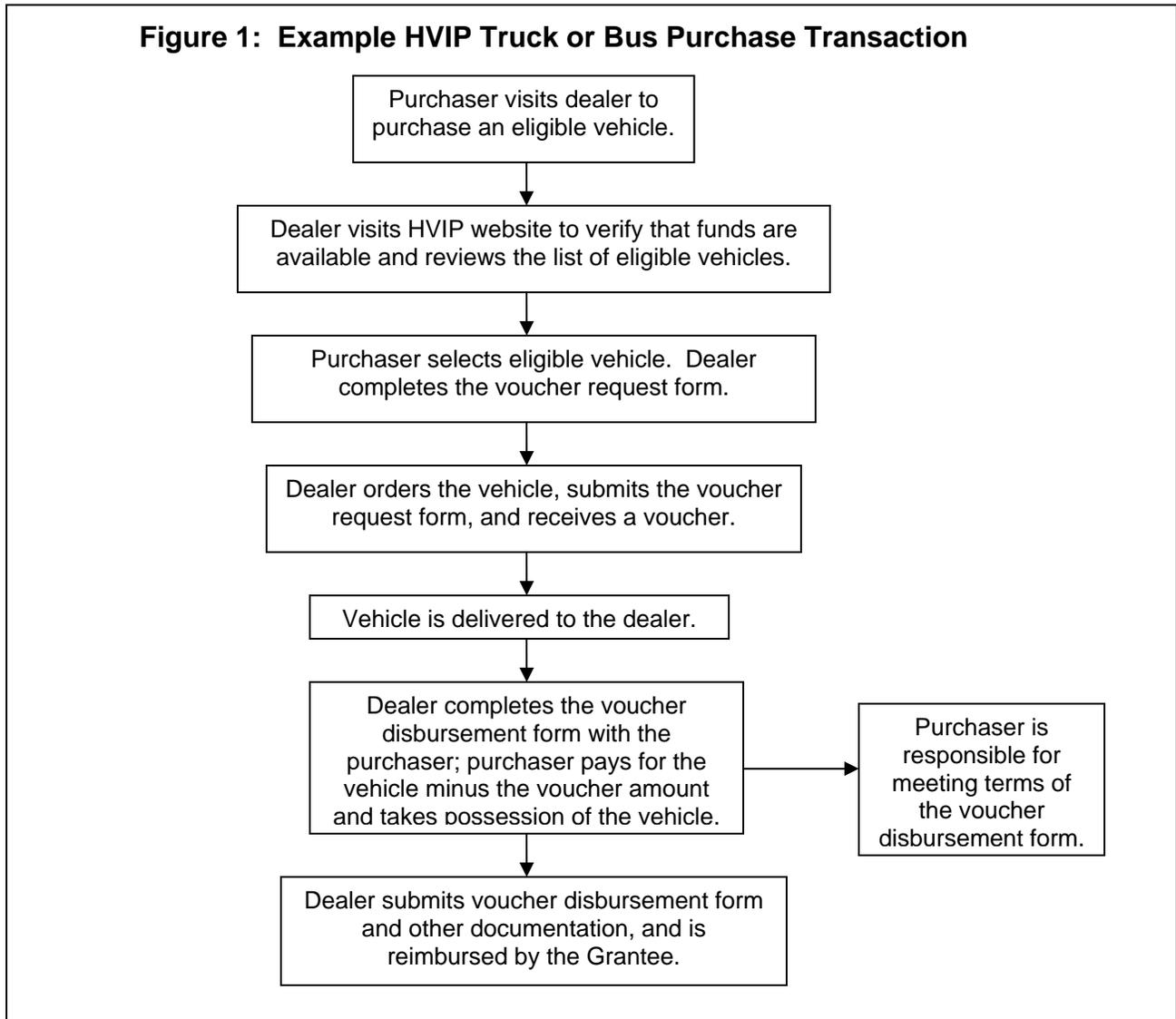
The Implementation Manual, the AQIP Guidelines, the AQIP Funding Plan, and the grant agreement between ARB and the Grantee identify the minimum requirements for administration, implementation, and oversight of the HVIP. Definitions of key program parameters are in Section 5 of this manual.

2 PROJECT IMPLEMENTATION

2.1 Project Framework

Figure 1 illustrates a hypothetical vehicle dealer sale and voucher reimbursement transaction. The HVIP provides a voucher for the incentive amount to a registered dealer, redeemable at the time of the vehicle purchase.

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



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

Table 1: HVIP Development and Implementation Timeline

Action Item	Date or Time Period
Solicitation for HVIP Grantee.	October 21, 2010
HVIP Grantee selected.	December 9, 2010
HVIP Grantee develops project webpage, conducts outreach and dealer training. Implementation Manual and voucher forms finalized.	TBD
Funding becomes available to redeem vouchers.	Early 2011 (until depleted)
Status Report to ARB Project Liaison.	Early 2011 – Project Completion

The timeline may be changed at ARB's sole discretion.

2.2 Eligible Vehicles

Hybrid Vehicles

Hybrid vehicles with a 2009 or older model year diesel engine are not eligible for the FY 2010-11 HVIP. The hybrid vehicle make/models identified in Appendix A which were eligible for the FY 2009-10 HVIP (and use a gasoline or 2010+ MY diesel engine) are automatically eligible for the 2010-11 HVIP. Any additional hybrid vehicle make/models must fall into one of the following categories to apply to ARB for HVIP eligibility.

- A plug-in hybrid vehicle between 8,500 and 10,000 lbs GVWR which is ARB-certified to be sold in California; or
- A hybrid vehicle over 10,000 lbs GVWR which is ARB-certified to be sold in California; or
- A hybrid vehicle over 14,000 lbs GVWR that is identified by the Internal Revenue Service (IRS) as eligible for a federal tax credit pursuant to the Energy Policy Act of 2005 (or its most current iteration). (For the purposes of the IRS list, a vehicle may be considered a carry-over with respect to a vehicle produced in an earlier model year if the vehicles are of the same make and model and the design of the vehicle, engine, and hybrid system have not substantially changed since such earlier model year); or
- A hybrid vehicle over 14,000 lbs GVWR not listed by the IRS list as eligible for a federal tax credit pursuant to the Energy Policy Act of 2005 (or its most current iteration). The hybrid vehicle's City Fuel Economy, determined in accordance with the requirements of Internal Revenue Bulletin 2007-23 (www.irs.gov/irb/2007-23_IRB/ar08.html), is at least thirty percent greater than that of the equivalent non-hybrid make/model vehicle.

Zero-Emission Commercial Vehicles

A zero-emission commercial vehicle make/model which was eligible for the FY 2009-10 Clean Vehicle Rebate Project is automatically eligible for the 2010-11 HVIP. Any additional vehicle make/models must fall into one of the following categories to apply to ARB for HVIP eligibility:

- A zero-emission commercial vehicle between 8,500 and 14,000 lbs GVWR which is ARB-certified to be sold in California
- A zero-emission commercial vehicle over 14,000 lbs GVWR which is ARB-approved.

Vehicles must also meet applicable eligibility requirements described in this Implementation Manual. The HVIP-eligibility applications may be found in Appendix B-1 and B-2. ARB is responsible for developing and updating the list of vehicles eligible for an HVIP voucher. Application submittal instructions and an updated list of eligible vehicles are found at http://www.arb.ca.gov/msprog/aqip/hvip_vehicle_eligibility.htm .

2.3 Vehicle Eligibility Criteria

The following requirements apply to both hybrid and zero-emission vehicles:

- The vehicle must have a GVWR of over 8,500 pounds.
- The vehicle must be a commercial, non-profit agency, or public fleet vehicle. Personal passenger vehicles are not eligible for HVIP funding.
- The chassis must be titled and licensed in California (if applicable), and the vehicle must be California-registered.
- The vehicle must be purchased from a participating dealer (see Section 3.3)
- The vehicle must be new and not yet have been registered with the DMV, delivered to the purchaser or paid for by the purchaser (other than a vehicle down payment) in order to receive a voucher. Used vehicles (including vehicles used by dealers, manufacturers, or other entities or for demonstration purposes) are not eligible for the HVIP
- The vehicle must have at least one California-based service provider affiliated with the vehicle manufacturer and capable of vehicle service and repair.
- No retrofits or other hardware or software modifications which significantly impact the vehicle's emissions characteristics are permitted for three years from the date the vehicle enters into service.

The following vehicle eligibility requirements apply to hybrid vehicles only:

- The vehicle must use an ARB-certified engine. The engine must be appropriately matched for the intended service class of the hybrid vehicle in which it is used. Diesel engines must meet the following criteria if used in vehicles not yet certified by ARB:
 - A light heavy-duty diesel engine may be used in a vehicle up to 23,000 GVWR
 - A medium heavy-duty diesel engine may be used in a vehicle up to 38,000 GVWR

- A heavy heavy-duty diesel engine may be used in a vehicle up to 80,000 GVWR

Diesel engines may be used in vehicles above these weight limits only with the prior written consent of the ARB Project Liaison.

- A vehicle must 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. This definition does not exclude plug-in hybrid vehicles.
- A hybrid vehicle engine must be new and be a 2010 or newer model year.
- Modifications to engine performance (including changes in horsepower), emissions characteristics, engine emission components (not including repairs with like-original equipment manufacturers replacement parts), or any other modifications to the engine's emission's control function is not allowed. (Violation, Vehicle Code 27156)
- Plug-in hybrid vehicles must meet a minimum ten mile all electric or equivalent all electric range (EAER), consistent with ARB zero-emission and hybrid electric vehicle test procedures.¹

The following requirements apply to zero-emission vehicles only:

- Zero-emission vehicles at or below 14,000 lbs GVWR must be certified as Type I, I.5, II or III zero-emission vehicles as defined in the California ZEV Regulation (Section 1962(d)(5)(A), Title 13, California Code of Regulations (CCR) for 2003-2008 model year vehicles and Section 1962.1(d)(5)(A), Title 13, CCR for 2009 and subsequent model years).
- Zero-emission vehicles greater than 14,000 lbs GVWR must be ARB-approved. The manufacturer must also certify that the vehicle model complies with all applicable federal safety standards for new motor vehicles and new motor vehicle equipment issued by the National Highway Traffic Safety Administration (NHTSA). The FMVSS are found in Title 49 of the Code of Federal Regulations (CFR) Part 571. If a written statement and documentation have been previously provided to ARB in the course of applying for ARB approval/certification of the vehicle model, no additional written statement is required.
- The vehicle must meet a minimum ten mile all electric or equivalent all electric range (EAER), consistent with ARB zero-emission and hybrid electric vehicle test procedures.
- The vehicle drive train, including applicable energy storage tanks or a battery pack, must be covered by a manufacturer warranty. Prior to approving a vehicle model for addition to the List of Eligible Vehicles, ARB may request that the manufacturer provide copies of representative vehicle and battery warranties and a description of the manufacturer's plans to provide warranty and routine vehicle

¹ EAER must be calculated in accordance with Section F.5.4 of ARB's *California Exhaust Emission Standards and Test Procedures for 2009 and Subsequent Model Zero-Emission Vehicles and Hybrid Electric Vehicles, in the Passenger Car, Light-duty Truck, and Medium-duty Vehicle Classes*; Amended December 2, 2009 (found at: www.arb.ca.gov/msprog/levprog/cleandoc/clean_2009_my_hev_tps_12-09.pdf). Plug-in hybrid vehicles greater than 14,000 lbs may demonstrate EAER using an alternative methodology approved in advance by ARB.

service. The warranty must provide protection for a minimum of 36 months or 50,000 miles, whichever comes first. The first 12 months of the coverage period shall be a full warranty covering at a minimum motor, drive train, battery, parts and labor. If the warranty for the remaining 24 months is prorated, the percentage of the battery pack's original value to be covered or refunded must be at least as high as the percentage of the prorated coverage period still remaining. For the purpose of this computation, the age of the battery pack must be expressed in intervals no larger than three months.

2.4 Requesting a Voucher

An HVIP voucher shall only be provided for a specific vehicle on order or purchased by a specific customer. The dealer must work with the vehicle purchaser to complete the HVIP voucher request form – available on the HVIP webpage – for the hybrid or zero-emission vehicle. Only vehicles listed as eligible on the HVIP webpage may receive a voucher. The maximum voucher amount for each eligible vehicle will be provided on the HVIP webpage.

The Grantee shall, in coordination with ARB, develop/maintain a system for dealers to quickly, effectively, and transparently request and redeem vouchers. 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 will be accepted. The Grantee will review the voucher request form for eligibility and provide vouchers on a first-come, first served basis until HVIP funds are depleted.

Voucher requests can be made electronically by participating dealerships at www.californiahvip.org. Voucher funds are reserved at the time of the electronic voucher request. **Submittal of a voucher request not associated with a real and completed vehicle order is prohibited.** A completed voucher request form will be printed and signed by both the dealer and the vehicle purchaser. The dealer will then submit the voucher request form, along with a vehicle purchase order and copy of the purchaser's driver's license within a week of the electronic voucher request. The purchase order provided by the dealer must represent a real vehicle order. Dealers which provide false or misleading information may be barred from future participation in the HVIP or face other penalties.

Failure to provide this information within one week will nullify the electronic voucher request. It is The Grantee's responsibility to notify the dealer in writing within five business days of receipt of the signed voucher request form that the voucher request has been rejected. Any rejections will include the reason for a rejected voucher request. Voucher requests will be accepted into the queue in the order in which they are received from the online request system. The Grantee will maintain a contingency list of vouchers requested once the initial voucher project funding has been subscribed. The contingency list will be used if vouchers are rejected (and funding unobligated) or if additional project funding becomes available.

The dealer must also provide the vehicle identification number (VIN) or serial number and the expected delivery date of the vehicle within thirty calendar days of the electronic voucher request. This information confirms that the dealer has made an order with the manufacturer. The order should be placed prior to, or in conjunction with, making a voucher request. The dealer cannot wait for voucher confirmation prior to placing the order to the manufacturer. The Grantee has the right to reject the voucher at this point if the VIN or serial number does not match the vehicle identified on the voucher request. Once all voucher request forms and information are received by The Grantee, a voucher will be issued within five business days. A voucher may only be redeemed if the vehicle purchaser and delivered vehicle make/model and other defining information match that on the voucher request form.

Renewal of Voucher

An HVIP voucher will be valid for six months from the time it is issued by the Grantee. A voucher may be renewed by the participating dealership at any point within those six months if the vehicle identified on the voucher has not yet been delivered for purchase. Renewal of the voucher automatically reserves the eligible vehicle's and purchaser's voucher funding for an additional six months. A voucher which is not renewed within its six month reservation period will be deemed expired and the voucher funds will be allocated to the next eligible HVIP participant. A voucher for a vehicle that has not been delivered for purchase after one year (365 days) may be reserved again on a case-by-case basis at the request of the dealer. A decision regarding extension of the voucher reservation beyond one year shall be made by the Grantee in consultation with ARB, and shall be based upon factors such as the projected vehicle delivery date, demand from other participants for remaining available HVIP funding, and the good faith efforts of the purchaser, dealer and manufacturer to complete the purchase and place the vehicle into service. The Grantee must maintain written documentation regarding approval of voucher reservations beyond the one year period.

FY 2009-10 HVIP Vouchers

Vouchers provided as part of the FY 2009-10 HVIP may not be redeemed with FY 2010-11 HVIP funds. Vehicles on the waiting list for a voucher or rebate as part of the FY 2009-10 HVIP or Clean Vehicle Rebate Project have no preferential treatment to receive a FY 2010-11 HVIP voucher and must apply separately for a FY 2010-11 HVIP voucher once the new HVIP is publicly launched.

State law requires that FY 2010-11 HVIP funds be fully expended by June 30, 2013. All HVIP voucher reservations not redeemed by that date shall be null and void.

2.5 Voucher Redemption

Once a vehicle has been delivered, purchased, and is ready to be placed into service the dealer must submit the voucher and required documentation to the Grantee for redemption. A voucher will only be honored if the vehicle and purchaser listed on the voucher match that in the completed purchase transaction. HVIP voucher redemption requests must also meet the following criteria:

- An HVIP voucher can only be redeemed upon vehicle delivery, final payment by the purchaser, and registration of the vehicle in CA.
- A copy of the delivery Bill of Lading, final vehicle invoice, temporary DMV registration or DMV tags for the purchased vehicle must be provided to confirm delivery and purchase specifications, and a copy of vehicle Line Setting Ticket (otherwise known as the Factory Build Sheet) must be provided to confirm vehicle GVWR. All documents must contain the vehicle identification number.
- The final vehicle invoice must show that the voucher amount has been fully discounted from the vehicle purchase price.
- The vehicle GVWR as designated on the manufacturer Line Setting Ticket must be consistent with the vehicle's base vehicle incentive identified in Table 2 in Section 2.6.
- Financial documentation identifying the method and date of final payment to the dealer must be provided. If lease or financial arrangements involve a third party, they must also be identified with the title or lien-holder clearly indicated.
- Digital inspection photos of the vehicle once ready to be placed into service.
- HVIP Vehicle Inspection signed by authorized dealer or CALSTART representative – original of this document must be sent in the mail
- A signed copy of the voucher redemption form must be provided. Dealer and purchaser signatures are required. Original of this document must be sent in the mail.
- All documents that are submitted to The Grantee or its subcontractor for processing voucher redemption must clearly indicate the voucher number.

It is the goal of the HVIP to provide payment to the dealership within seven calendar days from the time the eligible voucher redemption form and associated documentation is received by the Grantee. If the voucher payment is delayed for more than 14 calendar days from the time the eligible voucher redemption form and associated documentation is received, the Grantee must notify the dealership by phone or e-mail at the earliest possible time of such delay.

Only completed and accurate voucher redemption forms will be accepted. A voucher shall only be redeemed if the vehicle and purchaser match that on the original voucher request form. ARB, the Grantee, and the HVIP are not responsible for payment of a voucher if the vehicle or purchaser do not match those described on the voucher request form. If the dealer has a new purchaser for a delivered vehicle and HVIP funds are still available, the dealer and new purchaser may request a new voucher.

If a voucher request or redemption is denied (and HVIP funds are not yet depleted), the Grantee shall provide the applicant with the reason for the denial in writing. Any applicants who feel that they have been unfairly denied a voucher may submit an appeal to the ARB Project Liaison. Such an appeal must be signed by the applicant and submitted in writing via postal mail within 30 days of the date shown on the written HVIP denial letter to:

ARB Project Liaison: Mr. Joe Calavita
 Air Quality Improvement Program Section
 P.O. Box 2815
 Sacramento, CA 95812
 Attn: HVIP Appeals

Appeals made by e-mail, fax or phone will not be considered. The appeal shall contain all facts and documentation upon which the appeal is based. Failure to supply this information shall be grounds for rejection of the appeal. A written response to the appeal will be provided by the ARB Project Liaison within 60 days of receipt. ARB's decision shall be final and binding.

2.6 Vehicle Voucher Amounts

Eligible hybrid and zero-emission vehicles may receive an HVIP 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 Truck and Bus Voucher Amounts

Gross Vehicle Weight in Pounds (lbs)		Base Incentive ¹
8,501 – 10,000 lbs ²	Plug-in Hybrid	\$10,000
	Zero-Emission	\$15,000
10,001 – 19,500 lbs		\$15,000 ³
19,501 – 33,000 lbs		\$20,000
33,001 – 38,000 lbs		\$25,000
> 38,000 lbs		\$30,000

¹The first HVIP-eligible vehicle purchased by a fleet and ARB-certified hybrid vehicles above 14,000 lbs are each eligible for an additional \$5,000 voucher.

²This weight category includes plug-in hybrid and zero-emission vehicles only.

³Zero-emission commercial vehicles in this weight category are eligible for \$20,000

Additional Incentive for ARB-Certified Hybrids

A heavy-duty hybrid vehicle (i.e. a vehicle above 14,000 lbs.) which has been ARB-certified 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 additional voucher amount will be reflected in the voucher received by the dealer when the hybrid vehicle is ordered. If a vehicle becomes ARB-certified while the vehicle is on order, but before the vehicle has been purchased, that vehicle will be eligible to receive the additional \$5,000 voucher amount if HVIP funding is still available. Zero-emission and hybrid vehicles between 8,500 and 14,000 lbs. GVW are not eligible for an additional \$5,000 incentive for ARB certification.

Additional Incentive for the First Vehicle Purchased

To further encourage participation by small fleets, the first HVIP-eligible truck or bus purchased or leased for more than three years by any single 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. To ensure that funds are not monopolized by one entity, no single fleet is eligible to receive more than 100 HVIP vouchers either via direct purchase or lease of three or more years (not including vehicles purchased with FY 2009-10 HVIP funds). The leasee is considered the vehicle purchaser for transactions in which the vehicle is purchased by a vehicle leasing agency and leased to an end-user for three or more years at the time of HVIP voucher redemption.

For the purposes of the HVIP, vehicles under common ownership or fiduciary control of a fleet -- including but not limited to entities sharing a common Taxpayer Identification Number (TIN) or California Carrier Identification Number (CA #) -- are considered part of a single fleet even if they are part of different subsidiaries, divisions, or other organizational structures of a company, government agency, or other entity. ARB or its designee may seek financial reimbursement and/or civil and criminal penalties from a vehicle purchaser for non-disclosure or inaccurate disclosure of its TIN, CA#, or other information relating to common ownership or fiduciary control of the purchasing entity. Questions regarding common ownership or fiduciary control of an organization should be directed to the ARB Project Liaison at jcalavit@arb.ca.gov. See Section 3.4 for more information regarding vehicle lease or rental agencies.

2.7 Opportunities for Additional Vehicle Cost Buy-Down

The HVIP is intended to allow vehicle purchasers to augment HVIP funds with other sources of public funding. Examples of program funds that may be combined with HVIP funds include Lower-Emission School Bus Program funds and local air district funding. HVIP funds may not be combined with Carl Moyer Program funds – including Carl Moyer Voucher Incentive Program (VIP) funds – due to the Carl Moyer Program’s enabling statute. A vehicle shall not be eligible to receive vouchers from both the HVIP and VIP.

The HVIP has no prohibition on combining funds from other programs to further buy-down a vehicle’s incremental cost; however, these combined funds must not exceed the vehicle’s incremental cost. School buses are an exception to this restriction, as illustrated in the school bus example below. For the purposes of simplicity, a hybrid vehicle’s incremental cost is assumed to be twice the HVIP base incentive (since the HVIP voucher amount reflects about half of a hybrid vehicle’s incremental cost), plus \$5,000 for an ARB-certified vehicle. The maximum allowable amount of HVIP funding plus any other public agency funding is therefore twice the HVIP base incentive, plus any additional \$5,000 incentive for ARB-certification and for the first voucher redeemed by a single fleet (see Table 3, below). For example, if the HVIP base incentive amount is \$25,000, the total HVIP voucher amount plus any other public incentive for that vehicle may not exceed \$50,000 for a non-ARB-certified vehicle or \$55,000 for an ARB-certified vehicle, plus \$5,000 for the first vehicle purchased. The incremental cost of a zero-emission commercial vehicle will be determined on a case-by-case basis.

Table 3: Assumed Hybrid Truck and Bus Incremental Cost

Vehicle Weight	Base Vehicle Incentive	Assumed Incremental Cost	
		Not ARB-Certified	ARB-Certified
8,501 – 10,000 lbs.	\$10,000	\$20,000	
10,001 – 19,500 lbs.	\$15,000	\$30,000	\$35,000
19,501 – 33,000 lbs.	\$20,000	\$40,000	\$45,000
33,001 – 38,000 lbs.	\$25,000	\$50,000	\$55,000
> 38,000 lbs	\$30,000	\$60,000	\$65,000

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

Example Calculations

This section provides example calculations of the maximum allowable HVIP voucher amount, based upon assumptions regarding other potential funding sources. These examples are for illustrative purposes only. The actual maximum voucher amount will depend upon each specific circumstance.

Air District Grant. A local air district grant of \$25,000 for a non-ARB certified hybrid utility truck of 30,000 lbs. GVWR would cover most of that vehicle’s assumed \$40,000 incremental cost (See Table 3). As a result, the maximum allowable HVIP voucher amount would be \$15,000.

$$\begin{aligned}
 & \$40,000 \text{ full incremental cost} \\
 & - \underline{\$25,000 \text{ air district grant}} \\
 & = \$15,000 \text{ maximum base HVIP voucher}
 \end{aligned}$$

The vehicle would be eligible for an additional \$5,000 voucher (or \$20,000 in HVIP funding) if the voucher is the first redeemed by the purchaser.

Federal Stimulus Funding. A federal grant of \$40,000 for an ARB-certified hybrid trash truck of 48,000 lbs. GVWR would cover most of that vehicle’s assumed \$65,000 incremental cost (see Table 3). As a result, the maximum allowable base HVIP voucher amount would be \$25,000:

$$\begin{aligned}
 & \$65,000 \text{ full incremental cost} \\
 & - \underline{\$40,000 \text{ federal grant}} \\
 & = \$25,000 \text{ maximum base HVIP voucher}
 \end{aligned}$$

The vehicle is eligible for an additional \$5,000 if the voucher is the first redeemed by the purchaser.

Federal Transportation Agency (FTA) Grant. Transit agencies receive an 80 percent grant from the FTA for most new vehicle purchases, including new hybrid vehicle purchases. The HVIP will pay for up to half of the new vehicle cost which is not covered by the FTA grant, up to the full voucher amount.

For example, a transit agency receives a \$240,000 FTA grant towards the purchase of a new \$300,000 transit bus of 45,000 lbs. GVWR. In this case, the HVIP base vehicle incentive cannot exceed half of the remaining vehicle cost. Therefore, the maximum allowable HVIP base vehicle incentive would be \$30,000.

$$\begin{aligned} & \$300,000 \text{ new bus cost} \\ & - \underline{\$240,000 \text{ FTA grant}} \\ & = \$60,000 \text{ remaining bus cost} \\ & \text{Half the remaining bus cost} = \$30,000 \end{aligned}$$

Lower-Emission School Bus Program. School buses purchased by public school districts eligible to receive LESBP new bus funding are not subject to incremental cost prohibition described in this section (see Appendix C for guidance regarding what qualifies as a public school district). For these public school district purchases, the HVIP and other total local, state, or federal public incentives may not exceed the total hybrid school bus purchase price. For example, if a new \$200,000 hybrid school bus receives \$140,000 in LESBP funding, and \$25,000 in school district LESBP match funding, the maximum allowable HVIP voucher amount is calculated as:

$$\begin{aligned} & \$200,000 \text{ full cost of new hybrid school bus} \\ & - \$140,000 \text{ LESB grant} \\ & - \underline{\$25,000 \text{ district match}} \\ & = \$35,000 \text{ maximum base HVIP voucher} \end{aligned}$$

The hybrid school bus could potentially receive an additional \$5,000 for ARB-certification and \$5,000 for the first bus purchased, for a total of \$45,000 in HVIP funding. However, since total grant funding may not exceed the total hybrid school bus purchase price (\$200,000 in this example), if the HVIP voucher exceeds \$35,000 the district match or LESB grant must be decreased accordingly. In other words, if the total HVIP voucher is \$45,000, the district would be able to decrease its match contribution towards the new bus purchase to \$15,000.

2.8 Public Fleet Vehicle Set-Aside

To encourage greater public fleet participation, up to \$2 million in FY 2010-11 HVIP funds may be set aside specifically for public fleet vouchers for six months. The entire \$2 million would be available for public fleets beginning six months after HVIP launch. This is intended to provide public agencies the time needed to complete their vehicle procurement ordering process. These funds set aside for public agencies would be available to public fleets only on a first-come, first-served basis for a one month period. Any set aside funds not depleted after one month would then become accessible to private fleets as well. Local air districts and other entities are encouraged to augment this public fleet funding as a way to help these entities purchase hybrid trucks and buses in their regions.

3 DUTIES AND REQUIREMENTS

3.1 Air Resources Board

ARB is responsible for:

- Development of the Draft HVIP Implementation Manual (the Implementation Manual will be finalized by the selected Grantee in coordination with ARB).
- Selecting the Grantee.
- Evaluating and approving non-ARB certified vehicles for HVIP eligibility, and providing the Grantee an up-to-date list of eligible vehicles. ARB is responsible for working closely with vehicle manufacturers and TEMs to determine vehicle eligibility.
- Participating in regular meetings with the Grantee to discuss project refinements and guide project implementation.
- Review and approval of project elements provided by the Grantee, such as the HVIP webpage, voucher payment verification, and progress reports.
- Distribution of project funds to the Grantee.
- Project oversight and accountability (in conjunction with the Grantee).
- Meet all applicable requirements of statute, the AQIP Guidelines and Funding Plan, the HVIP solicitation, the grant agreement with the Grantee, and the HVIP Implementation Manual.

ARB shall also designate an ARB Project Liaison as the contact person for coordination with the Grantee. The ARB Project Liaison for the FY 2009-10 HVIP is Mr. Joe Calavita. Mr. Calavita can be reached by e-mail at jcalavit@arb.ca.gov or by telephone at (916) 445-4586.

3.2 Grantee

The Grantee responsibilities encompass three phases to ensure the efficient and proper distribution of voucher payments for eligible vehicles – project development, project implementation, and project activity reporting, including but not limited to, the following tasks:

- Conduct the statewide public outreach to vehicle dealers and fleets necessary for the project to be successful. Outreach could include on-site dealer trainings and public question and answer sessions. The following targeted outreach is also encouraged:
 - Outreach to geographic areas which may have been underrepresented in the FY 2009-10 HVIP, such as the San Joaquin Valley.
 - Outreach to public fleets.
 - Outreach to public and private school districts.
 - Outreach to vehicle rental agencies.
- Develop/maintain 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
- Ensure participating vehicle dealers and purchasers meet all applicable HVIP requirements.
- Use the criteria in this Implementation Manual to review and approve voucher requests.
- Distribute voucher payments to vehicle dealers for eligible vehicle purchases.
- Track reservation and expenditure of HVIP grant funding.
- Closely communicate with the ARB to ensure that the most current vehicle eligibility list is being used.
- Respond to public inquiries regarding the HVIP.
- Work with vehicle manufacturers to create a list of dealerships authorized to receive HVIP vouchers
- Provide ARB with a HVIP Final Report that summarizes and evaluates total fund expenditures (including match and in-kind funds), vehicles funded, outreach efforts, and implementation challenges, and recommends potential program improvements.
- Provide Status Reports to the ARB detailing vouchers awarded for ordered vehicles and redeemed for purchased vehicles. The grant agreement with the Grantee may specify an electronic format for quarterly reporting, as needed for transparent and effective data tracking.
- Provide ARB a mechanism for receiving three years of annual reports from vehicle purchasers.
- Provide ARB with all webpage(s), software or other intellectual property developed or purchased by the Grantee for the purposes of administering or implementing the HVIP (if requested).
- Ensure that it and its subcontractors meet all applicable requirements of statute, the AQIP Guidelines and Funding Plan, ARB's HVIP solicitation, the HVIP grant agreement with ARB, and this Implementation Manual.

Conflict of Interest

The Grantee may have no interest, and shall not acquire any interest, direct or indirect, which will conflict with its ability to impartially complete the project tasks described above. All applicants must disclose any direct or indirect financial interest or situation which may pose an actual, apparent, or potential conflict of interest with its duties at the time of the HVIP Grantee solicitation. Although applicants are not automatically disqualified due to a potential or appearance of a conflict of interest at the time of the HVIP Grantee solicitation, ARB may consider the nature and extent of any potential or apparent conflict of interest in evaluating the proposal. The HVIP Grantee must immediately advise ARB in writing of any potential new conflicts of interest throughout the grant term.

3.3 Vehicle Dealer

Truck and bus dealers play a central role in the HVIP's success. The Grantee will work with ARB to develop/maintain a list of dealerships eligible to participate in the HVIP, and to receive a written commitment from these dealers to comply with all applicable project

requirements. The eligible dealership list will be used to streamline project access while ensuring project transparency and accountability. The following entities are considered eligible vehicle dealers for the purposes of the HVIP:

- A truck or bus dealership which has a written agreement with a medium- or heavy-duty vehicle manufacturer, which has had a valid business license for the past two years, and which has an official dealer number.
- An original truck or bus vehicle manufacturer which manufactures HVIP-eligible vehicles and sells those vehicles directly to fleets.
- A truck or bus TEM which has a written agreement with a medium- or heavy-duty vehicle manufacturer and has had a valid business license for the past two years.

The Grantee will work with vehicle manufacturers to maintain a list of dealerships authorized to receive HVIP vouchers. Hybrid vehicle dealerships have an important role in ensuring the success of the HVIP. Dealer responsibilities include:

- Becoming familiar with all HVIP requirements.
- Participation in dealer training and registration.
- Providing accurate information to vehicle purchasers, the Grantee, and ARB.
- Completing voucher request and voucher redemption forms, with the assistance of the vehicle purchaser, and in supplying the necessary vehicle purchase documentation.
- Providing accurate and complete documentation of the vehicle purchase to the Grantee.
- Providing reasonable assistance to ARB or its designee to obtain updated purchaser information, inspect vehicles, and review HVIP-related records during the first three years after purchase.

The HVIP is intended to lower the vehicle price for the vehicle purchaser by the full voucher amount. Vehicle dealers must deduct the full voucher amount from the vehicle purchase price to be eligible for a voucher. Sales tax for the vehicle purchase shall be based upon the pre-voucher cost of the vehicle. The invoices provided by the dealer as proof of purchase for voucher redemption must itemize all vehicle charges (e.g., price of the vehicle, delivery fee, all applicable taxes, etc.) and must show the deduction of the voucher price.

The voucher request form and voucher redemption form both are legally binding and enforceable agreements to meet the requirements of the project. The dealer is responsible for ensuring the accuracy of the vehicle and dealership information on all voucher request or redemption forms it submits to the Grantee. Submission of false information on any of these forms may result in cancellation of the voucher, recapture of funds, and removal from the dealership list. In addition, ARB may seek other remedies available under law.

Participating dealers must keep written records of sales transactions for vehicles funded with an HVIP voucher – including but not limited to the vehicle Bill of Lading, vehicle

invoice, and proof of purchase -- for three years after the vehicle purchase transaction. A vehicle dealer must provide ARB (or its designee) with all requested information related to compliance with HVIP requirements or any vehicle(s) purchased with an HVIP voucher within ten days of ARB's written request for such information. Requested information may include but is not limited to purchase orders or agreements, delivery Bill of Lading, and vehicle payment information and related bank records. Dealers that submit false information to the Grantee or inflate the price of a funded hybrid vehicle may be required to return the full voucher amount to the Grantee or ARB, and may be excluded from future participation in the HVIP. In addition, ARB may seek other remedies available under law.

3.4 Vehicle Purchaser

The truck or bus purchaser is responsible for completing the voucher request and redemption forms with the dealer and for paying the non-voucher portion of the vehicle cost. To receive an HVIP voucher, a vehicle purchaser must:

- Be an individual, business, non-profit, or government entity which is based in California or has a California-based affiliate. A truck or bus leasing/rental agency based outside of California is also eligible if the vehicle is leased/rented to an entity that will meet all HVIP operational, reporting, and other applicable requirements. (See Page c-18 for additional information regarding Vehicle Lease or Rental Agencies)
- Maintain insurance as required by law. If the purchased vehicle is destroyed or otherwise permanently inoperable due to an accident or for any other reason, the vehicle purchaser must notify the ARB Project Liaison in writing within two weeks after the vehicle becomes inoperable. (See Section 2.5 for ARB Project Liaison mailing address) The written notification must provide proof that the specific funded vehicle has become inoperable, including photographs of the inoperable vehicle with license plates or other identifying markings, as well as any applicable insurance or police documentation.
- Commit to operate the vehicle 100 percent within California for at least three years after the voucher redemption date. Vehicles registered in a California county that borders another state and emergency response vehicles may be granted permission to accrue up to 25 percent of their mileage each year for the three year reporting period outside of California if requested and approved by the ARB in writing prior to the vehicle being deployed out of state. Requests must be made in writing to the ARB Project Liaison.
- Not make or allow any modifications to the vehicle's emissions control systems, hardware, software calibrations, or hybrid system. (Vehicle Code Section 27156)
- Submit annual usage surveys for three years. Usage surveys will be provided by ARB for completion by the vehicle purchaser. ARB reserves the right to bar a fleet which does not provide timely and accurate usage surveys for vouchers redeemed as part of the FY 2009-10 HVIP from participating in the FY 2010-11 HVIP.
- Commit that any emission reductions generated by the purchased hybrid vehicle will not be used as marketable emission reduction credits, to offset any emission

reduction obligation of any person or entity, or to generate a compliance extension or extra credit for determining regulatory compliance.

- Allow ARB, the Grantee, or their designee to verify the vehicle registration with the California Department of Motor Vehicles (DMV).
- Be available for follow-up inspection if requested by the Grantee, ARB, or ARB's designee.

Vehicle purchasers participating in the HVIP are expected to keep the vehicle and meet all applicable project requirements for a minimum three year period after the vehicle purchase date. However, resale of a vehicle is allowed within this three year period if necessitated by unforeseen or unavoidable circumstances. Resale of an HVIP-funded vehicle must receive ARB written approval prior to resale. A vehicle purchased with an HVIP voucher may not be resold more than once within three years of the original purchase date.

For vehicles resold within three years of the original vehicle purchase date, the original vehicle purchaser must inform the new purchaser in writing about the voucher rebate amount and applicable voucher project requirements. The new vehicle purchaser must agree in writing to meet all applicable HVIP requirements of original vehicle purchasers.

The original vehicle purchaser must notify the ARB Project Liaison in writing of its intent to sell the vehicle at least seven calendar days prior to the vehicle resale. Within seven calendar days after the vehicle resale, the original vehicle purchaser must notify the ARB Project Liaison that the vehicle has been resold and provide the mailing address, phone number and e-mail (if any) of the purchaser as well as the vehicle resale price. Within thirty calendar days after the vehicle resale, the entity buying the vehicle from the original vehicle purchaser must also provide the ARB Project Liaison with: 1) their mailing address, phone number and e-mail (if any); 2) a copy of the new California DMV title documenting of the vehicle resale; 3) a written commitment to meet the terms and conditions identified on the original voucher; and 4) a written commitment to complete and return the annual usage survey as required by the original voucher. ARB reserves the right to pursue all remedies available under the law for noncompliance with these requirements.

The vehicle purchaser is responsible for ensuring the accuracy of the vehicle and vehicle purchaser information on the voucher request and redemption forms. Submission of false information on either of these forms may be considered a criminal offense and is punishable under penalty of perjury under the laws of the State of California.

Vehicle purchasers must keep written records of the vehicle purchase for vehicles funded with an HVIP voucher – including the vehicle invoice, proof of purchase, and DMV records-- for three years after the vehicle purchase transaction. A vehicle purchaser must provide ARB (or its designee) with all requested information related to any vehicle purchased with an HVIP voucher within ten days of ARB's written request for such information. Requested information may include but is not limited to purchase orders or agreements, vehicle payment information and related bank records, and

purchaser fleet information. Vehicle purchasers that submit false information to the Grantee or ARB may be required to return the full voucher amount to the Grantee or ARB, and may be excluded from future participation in the HVIP. In addition, ARB may pursue other remedies available under the law.

Vehicle Lease or Rental Agencies

For the purposes of the HVIP, any fleet that enters into a rental or lease agreement of three or more years with a vehicle leasing or rental agency within six months of when the VIP voucher is redeemed shall be considered the vehicle purchaser. Conversely, any vehicle lease or rental entity that receives an HVIP-funded vehicle but does not enter into such an agreement within six months of voucher redemption/vehicle purchase shall be considered the vehicle purchaser. Any vehicle lease or rental entity that leases or rents a vehicle purchased with an HVIP voucher within three years of the HVIP voucher redemption date must disclose the voucher amount and voucher terms to the vehicle renter or lessee. The lease or rental agreement must include all commitments needed from the lessee or renter to ensure that 1) the vehicle operates 100 percent in California as required by the voucher redemption form and 2) all required annual activity reports will be submitted to ARB.

ARB reserves the right to review lease or rental agreements to confirm appropriate disclosures are made regarding the HVIP voucher amount received and vehicle activity and reporting requirements. Vehicle purchasers must provide ARB (or its designee) all requested information related to any vehicle purchased with an HVIP voucher (including lease or rental agreements) within ten days of ARB's written request for such information. The vehicle purchaser (ie, the lessee for lease agreements of three or more years as described above) is responsible for ensuring annual activity reports are accurate and are submitted as required. An HVIP voucher can be provided at time of vehicle purchase only, and is not provided at the time a vehicle is leased or rented. See Section 2.6 (Additional Incentive for First Vehicle Purchased) for more information regarding vehicle lease or rental agencies.

4 PROJECT ADMINISTRATION

4.1 Background

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

4.2 Disbursement of Project Funding

4.2.1 Vehicle Funding

The success of the HVIP is contingent upon hybrid vehicle dealerships deducting the voucher amount from the vehicle purchase price at the time the purchaser makes the purchase. A dealership is more likely to accept the voucher's cash value at the time of purchase if the voucher is redeemed quickly. As such, the Grantee will receive ten percent of HVIP funding from ARB as seed money at project start-up in order to turn around voucher redemptions from dealers within one to two weeks. This seed funding includes up to fifty percent of the total allowable HVIP administration funding (See

Section 4.2.2), with the remainder of the ten percent of total HVIP funds to be used to redeem vehicle vouchers. ARB will provide adequate additional funds to the Grantee on a set schedule as needed to quickly and efficiently redeem vouchers. The Grantee must submit a Status Report to ARB to justify additional vehicle funding. The Grantee may request a funding amount up to that needed to pay off vouchers which have been assigned and not yet redeemed.

4.2.2 Administration Funding

The Grantee may use up to five percent of HVIP funds for project administration and outreach (costs associated with the overhead of promoting, issuing, and redeeming rebates). The Grantee shall receive funding for project overhead on the following schedule:

- 50 percent of project administration funds at the time the Grant Agreement is signed for outreach, dealer training, and other project start-up costs
- 20 percent of administration funding after one-third of voucher funding committed via vouchers issued, and the complete and accurate Status Reports demonstrating fund expenditure for these vehicles have been supplied to ARB
- 20 percent of administration funding after all of voucher funding committed via vouchers issued and two-thirds vehicle funding is expended, complete and accurate Status Reports demonstrating fund expenditure for these vehicles have been supplied to ARB.
- 10 percent of administration funding after ARB has received and approved the Grantee's mechanism for receiving vehicle annual activity reports, ARB has received all intellectual property and data needed to ensure continued smooth implementation of the HVIP (if requested, see Sections 4.4 and 4.5, below), the Grantee provides documentation describing expenditure of all match funding and in-kind services committed to in the project application and ARB has received a Final Report documenting vehicles paid for by the program and fulfillment of all project commitments.

With the exception of the initial 50 percent of administrative funding provided for project start-up, all administrative funding provided to the Grantee shall be on a reimbursement basis and requires administrative cost summaries approved by ARB for completed tasks and/or eligible expenses. The Grantee must provide cost summaries for the first 50 percent of administration funding before additional administration funding will be provided.

Administrative cost summaries used to justify an additional increment of administration funding from ARB must describe costs for work completed in the following categories: 1) labor expenses (including total staff time and labor costs); 2) external consultant fees for completed work (if applicable); 3) printing, mailing, travel, and other outreach expenses; and 4) indirect costs. Additional administrative cost category summaries may be provided to ARB if warranted. Documentation substantiating these costs must be maintained by the Grantee and provided to ARB upon request, as described in Sections 4.6 of this Implementation Manual.

4.3 Accounting of State Funds

The Grantee must provide ARB with documentation accounting for the proper expenditure of State funds. The documentation must be provided in Status Reports submitted at least every three months to ARB and a Final Report submitted after all vehicle funding has been expended and prior to the Grantee receiving their last disbursement of administrative funding.

Status Report

The Grantee must submit a Status Report to ARB detailing the vehicles and associated voucher amounts assigned and redeemed to date. The Status Report must include at a minimum the following information:

- Number of voucher request forms received
- Number and amount of vouchers awarded broken out by GVWR, vehicle type, fleet type (public or private), and California air basin
- Administrative cost summaries
- Remaining grant funding available
- Identified problems or concerns

The Status Report provides a mechanism for the Grantee to justify a need for an additional HVIP funding increment from ARB. The Status Report must be submitted at least every three months, but may be provided on a monthly or bi-monthly basis if needed to justify additional funding from ARB. The first Status Report must be submitted three months after the grant agreement is fully executed or when requesting additional disbursement of funds, whichever is sooner.

4.3.1 Final Report

The Grantee must submit a Final Report to ARB after all vehicle funding has been expended. This report must document all vehicles paid for by the program (which may be provided as summaries of previously submitted Status Reports) and fulfillment of all project commitments.

4.4 Intellectual Property

The Grantee is responsible for implementation of the HVIP project approved by the Board as part of the AQIP Funding Plan for FY 2010-11. Should the HVIP receive additional funding in FY 2011-12, the ARB is required to select a Grantee for these future year funds via another competitive solicitation. The Grantee selected to administer FY 2010-11 HVIP funding is encouraged to apply to manage the HVIP in subsequent funding years.

Any webpage(s), software or other intellectual property developed or purchased by the Grantee for the purposes of administering or implementing the HVIP are the property of ARB. Should a different Grantee be selected to manage the HVIP in subsequent funding years, it will be the Grantee's responsibility to turn over this property and information to the new Grantee and provide all reasonable and necessary assistance needed to ensure a smooth transition. It is ARB's intention that access to and

redemption of vouchers be seamless to vehicle dealers and purchasers as HVIP funding transitions to each new fiscal year.

4.5 Vehicle Activity Reporting

The purchasers of hybrid vehicles that receive a HVIP voucher must report annually for three years regarding vehicle miles travelled, fleet location, and compliance with the 100 percent operation in California requirement. The Grantee is responsible for providing ARB with a simple and effective mechanism for requesting and receiving this information from vehicle purchasers. These mechanisms could include U.S. Mail packages with the reporting form and return envelope to be sent by ARB to the vehicle purchaser annually, an internet-based system for the vehicle purchaser to annually report activity, or some other mechanism. ARB will work with the Grantee to determine the most simple and effective mechanism for ensuring receipt of annual reports.

4.6 Documentation of Administrative Costs

Administrative funds shall only be used for costs associated with project implementation related tasks outlined in the AQIP Funding Plan, the project solicitation, the Implementation Manual, or grant agreement with the Grantee. Administrative funds shall be used for HVIP administration and outreach including: Grantee 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 Grantee 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 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.
- Any reimbursement for necessary travel and per diem shall be at rates not to exceed those amounts paid to the State's represented employees. No travel outside the State of California shall be reimbursed unless prior written authorization is obtained from ARB. The State's travel and per diem reimbursement amounts may be found online at <http://www.dpa.ca.gov/personnel-policies/travel/hr-staff.htm> . Reimbursement will be at the State travel and per diem amounts that are current as of the date costs are incurred by the Grantee.
- If indirect costs are used to document project administrative costs funded by the HVIP, the Grantee must have an official written policy regarding calculation of

these costs. The Project 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 its designee, monitoring visits and audits. These records must be retained for a minimum of three years after submittal of the final HVIP invoice to ARB.

4.7 In-Kind Services

The Grantee 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 4.6 of this Implementation Manual and must be documented in the HVIP Final Report to ARB.

4.8 Match Funding

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 (up to the vehicle's full incremental cost). All HVIP match funding or vehicles funded with match funds must meet the following criteria:

- Funding from other state or federal revenue sources, such as the Carl Moyer Program or other AB 118 programs, may not be counted as match.
- The combination of HVIP and match funding may not exceed a vehicle's incremental cost (See Section 2.7 for guidance regarding incremental cost).
- 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.

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.

4.9 Earned Interest

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

The Grantee 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 Grantee's other fiscal programs.
- Earned interest must be fully expended by June 30, 2013.

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.

4.10 Fidelity Bond Insurance

ARB encourages the Grantee to maintain Fidelity Bond/Crime Insurance coverage for state-owned property or funding in the care, custody, or control of the Grantee. The policy should include as loss payee the California Air Resources Board and provide insurance against loss of HVIP funding or property due to employee misconduct. Public entities and non-profit agencies may provide either proof of insurance or bond or a letter of self-insurance.

4.11 Records

Without limitation of the requirement to maintain project accounts in accordance with generally accepted accounting principles, the Grantee must:

- Establish an official file for the HVIP which shall adequately document all significant actions relative to the project.
- Establish separate accounts which will adequately and accurately depict all amounts received and expended on the HVIP.
- Establish separate accounts which will adequately and accurately depict all income received which is attributable to the HVIP.
- Establish an accounting system which will adequately depict final total costs of the HVIP, including both direct and indirect costs.

If the Grantee charges unallowable costs for project 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.

4.12 Oversight and Accountability

Through its administration of longstanding incentive programs such as the Carl Moyer Program, ARB has found that project evaluations and program reviews are essential to ensure that incentive program funds are run in accordance with statutory requirements and that State funds are spent transparently and efficiently. The Grantee is responsible for working closely with vehicle manufacturers, dealerships and ARB to safeguard HVIP funds from misuse as it implements the HVIP. The Grantee will work with ARB to develop and implement a protocol to detect fraud and to deter misuse of project funds. Vehicle dealers and purchasers participating in the HVIP must provide ARB or its designee and the Grantee access to all requested files and relevant information related to vehicle purchases involving an HVIP voucher.

ARB holds the overarching responsibility for HVIP fund oversight and project accountability and has final authority regarding vehicle eligibility and other program parameters. As such, ARB is responsible for monitoring and reviewing the Grantee's implementation of the HVIP. The Grantee shall allow ARB, the Bureau of State Audits, or their designated representative the right to review and to copy any records and supporting documentation pertaining to its development or implementation of the HVIP. The Grantee must maintain such records for a possible audit for a minimum of three years after final payment from ARB. The Grantee must allow ARB or its designee access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records.

Responsibilities for HVIP oversight are as follows:

- ARB has primary oversight responsibility for the HVIP to ensure transparent and efficient implementation, and that AQIP funds are spent consistent with the requirements of statute, the AQIP Guidelines and Funding Plan, the HVIP solicitation and grant agreement with the Grantee, and this Implementation Manual. ARB reserves the right to conduct a site visit, evaluation, review, or audit the HVIP for the life of the project grant.
- If the Grantee detects any potentially fraudulent activity by a vehicle dealer or purchaser, they shall notify the ARB Project Liaison as soon as possible and work with ARB to determine an appropriate course of action.
- ARB staff or its designees have primary responsibility for conducting project reviews and/or fiscal audits of HVIP administration and implementation.
- Voucher recipients and the Grantee and its subcontractors shall allow ARB, the California Department of Finance, the California Bureau of State Audits, or any authorized designee access, during normal business hours, to conduct HVIP reviews and fiscal audits or other evaluations. Granting of access includes, but is not limited to, reviewing project records, site visits, and other evaluations as needed. Project evaluations or site visits may occur unannounced as ARB staff or its designee deems necessary.

Project Non-Performance

ARB or its designee has the authority to recoup HVIP funds which were received based upon misinformation or fraud, or for which the Grantee or its subcontractors, a dealership, manufacturer, or vehicle purchaser is in significant or continual non-compliance with this Implementation Manual or State law. ARB also retains the authority to prohibit any entity from participating in the HVIP due to non-compliance with project requirements.

5 DEFINITIONS

“ARB-Certified” for the purposes of the HVIP means a vehicle that has been certified and issued an Executive Order by ARB in accordance with the provisions of *California Interim Certification Procedures for 2004 and Subsequent Model Hybrid-Electric Vehicles, in the Urban Bus and Heavy-Duty Vehicle Classes*, adopted by ARB on October 24, 2002 or subsequent revisions (<http://www.arb.ca.gov/regact/bus02/ip.pdf>)

“ARB Project Liaison” for the purposes of this program is the ARB staff person named in this Implementation Manual that serves as the point of contact for coordination with the HVIP Grantee.

“Commercial vehicle” for the purposes of this program means any vehicle or combination of vehicles defined in Vehicle Code Section 15210(b).

“Dealer” for the purposes of the HVIP includes dealerships, manufacturers, and TEMs that sell new medium- or heavy-duty vehicles directly to a vehicle purchaser (see Section 3.3 for dealer eligibility requirements).

“Earned interest” for the purposes of this program means any interest generated from State AQIP funds provided to the Grantee and held in an interest-bearing account.

“Expend” for the purpose of this program means the payment of funds on an invoice for an eligible vehicle.

“Fleet” is defined for purposes of determining eligibility for extra \$5,000 HVIP voucher for first vehicle purchased by a single fleet and limit of 100 vouchers for a single fleet. Fleet means vehicles traveling in California owned by a person, business, non-profit or government agency and consists of one or more vehicles. Vehicles under common ownership or control that share a common Tax Identification Number or California Carrier Identification Number (CA #) are considered part of a single fleet even if they are part of different subsidiaries, divisions, or other organizational structures of a company or government agency.

“Grantee” for the purposes of this program means the entity selected by ARB via competitive solicitation to administer the HVIP. The HVIP Grantee for the FY 2009-10 Air Quality Improvement Program is the Grantee. The responsibilities of the Grantee are described in Section 3.2 of this Implementation Manual and in the grant agreement between ARB and the Grantee. The Grantee is responsible for ensuring it and its HVIP subcontractors meet all project requirements.

“Gross vehicle weight rating (GVWR)” for the purposes of this program means the vehicle weight described on the original manufacturer Line Setting Ticket provided to the vehicle dealer.

“Hybrid vehicle” for the purposes of this program 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” for the purposes of this program means the difference in cost between the new hybrid or zero-emission vehicle and the comparable new gasoline or diesel fueled vehicle that would be purchased to perform the same function. For the purposes of the HVIP, a hybrid vehicle incremental cost is assumed to be the amount identified in Table 3 of this Implementation Manual.

“In-kind services” for the purposes of this program means payments or contributions made in the form of goods and services, rather than direct monetary contributions.

“Line Setting Ticket” for the purposes of this program means the factory build or construction sheet created when the vehicle order is sent to the vehicle manufacturer. The Line Setting Ticket typically includes the new vehicle’s identification number (VIN), all the codes for standard equipment and options the salesman used to create this vehicle for his purchaser. After the factory assembles the vehicle and the vehicle is shipped and sold, the Line Setting Ticket identifies such things as the gross vehicle weight rating, engine type, transmission type, drive line, paint codes, gear ratio, and standard and optional equipment, specific to that vehicle.

“Match funding” for the purposes of this program means those funds contributed by the Grantee directly to the HVIP for the sole purposes of funding additional vehicles or increasing the vehicle voucher amount.

“Non-profit agency” for the purposes of this program means an agency or corporation that does not distribute corporate income to shareholders and is exempt from federal income taxes under Section 501 of the Internal Revenue Code (26 U.S.C.A. § 501).

“Plug-in hybrid electric vehicle” (PHEV), (also known as a Grid-connected HEV or GHEV) means a hybrid electric vehicle which has:

- zero emission vehicle range capability,
- on-board electrical energy storage device with useful capacity equivalent to greater than or equal to ten miles of Urban Dynamometer Driving Schedule (UDDS) range on electricity alone,
- is equipped with an on-board charger, and is
- rechargeable from an external connection to an off-board electrical source.

Note: A light-duty PHEV must be ARB enhanced AT-PZEV certified.

“Public fleet” for the purposes of this program includes all federal, state, city and government fleets plus public universities, public airports, public school districts, California public ports and special districts such as water, utility, and irrigation districts.

“Truck Equipment Manufacturer (TEM)” for the purposes of this program means a company that installs equipment on a truck or bus chassis. The TEM bears full

responsibility for any vehicle defects under federal law and is responsible for certifying that the vehicle meets all applicable federal safety standards.

“UDDS” means urban dynamometer driving schedule as set forth Appendix I of title 40, Code of Federal Regulations, Part 86.

“Zero-Emission Vehicle (ZEV)” means a vehicle that itself produces no emissions of pollutants (including carbon dioxide, carbon monoxide, hydrocarbons, oxides of nitrogen, and particulates) when stationary or operating.

