CAPCOA List of
Carl Moyer Program Process Improvement Issues

District Time & Resource Issues

The issues below are listed in priority order.

Complexity of Guidelines
The Guidelines have become substantially more complex over time and the result is significant District staff time trying to understand them, trying to convey that understanding to applicants, and integrating new requirements into project contracts. It is very difficult to properly advise applicants how to apply for some project types due to the complexity of adopted or pending rules, the annual changes to eligibility and standards, and the continuously changing availability of verified technology. Applicant questions are often followed by the statement, "I will have to recheck the Guidelines and get back with you." This ultimately can drive up the cost of projects due to delays and uncertainty.

The delay and cost of revising CMP policies and procedures, not to mention program documentation every two years, in order to reflect Guideline changes is very time consuming and of marginal benefit. We suggest that ARB minimize biennial changes and allow projects to use prior guidelines for a grace period after adoption of new guidelines.

Increased Administrative Burden
Substantially increased administrative requirements in the guidelines have significantly increased staff time and use of District resources to implement the program. Examples include:

1. The Moyer Program is heavy with reports that must be submitted to ARB annually. The reporting forms are constantly changing and ARB staff frequently change the type and level of data they want reported.

2. ARB is implementing a new Moyer database that Districts will have to learn and populate. Most districts have created their own databases and are concerned with the potentially significant effort needed to transfer District data to the ARB database.

    a. The ARB database is not sufficient to address the needs of the large air districts that maintain their own databases and have more stringent requirements than the state. The current database is not equipped to handle all of the intricacies of the larger districts or accept batch project data. Until such time that the database is significantly upgraded, larger Districts will be forced to double enter project information, which will significantly affect productivity and increase the potential for keying errors. As currently conceived and developed, the database will further complicate the reporting process.

3. Certain elements of the newly enhanced audit requirements will place an undue burden on staff by requiring potentially hundreds of project audits per year, while providing minimal perceived benefit (e.g., the requirement that any engine working 30% higher than contracted usage is subject to a district audit).

4. Collecting Executive Orders and other documentation (cf., to determine emissions rates) from grant applicants is burdensome for the grant applicants and adds unnecessary time to the process.

5. Getting written approvals or waivers from ARB staff is very prolonged and cumbersome. Even after reaching a consensus, ARB staff is very hesitant to provide the decision in writing. In certain cases when ARB's decision is crucial, staff only refers to numerous non-specific e-mails, which may be difficult to locate rather than sending a written and signed letter.

6. Redundancy of some administrative requirements adds to the implementation burden (i.e.: required submission of policies and procedures manuals/implementation plans).

Program and Project Funding Issues

1. Tight schedules for obligating projects in order to fully participate in the next funding cycle: Starting with Year 10, before Districts can apply for more than the minimum award of $200,000 for a future Carl Moyer Program cycle, they have to have 70% of their funding for the previous cycle already obligated. That gives Districts only 10 months to obligate that 70%. If they do not have this quota met, then they can only apply for the minimum authorized award for the upcoming cycle and are not eligible for additional funds. This short window to obligate funds will be difficult for Districts to meet, particularly as future constraints to the Program result in fewer eligible projects. Historically, the District's have had informal requirement from ARB to spend the Moyer monies as quickly as possible, and at least within 2 years of the date issued by ARB. The new obligation requirement needs to be removed or modified to minimize the logistical complexity that it would create.

2. Funds Expended vs. Funds Encumbered: ARB has made the interpretation that Moyer funds must be "expended" within the 2 year time limit rather than "encumbered." This interpretation does not take into account situations when applicants fail to exercise contracts. In such situations, it is difficult to reprogram the funding with the original 2 year window for the grant year from which the funds came.

Retrofit and Repower Requirements

Requiring all repowers to have a retrofit increases district staff time needed to explain this rule to grant applicants, verify retrofit devices with engines and collect the necessary documentation. The Moyer Program should not be used to subsidize new technology at the expense of losing surplus emissions. Projects should be allowed to proceed without retrofits if reductions are surplus and within C/E limits. Most importantly, repowers are very cost-effective; adding a retrofit to these repowers provides a marginal additional benefit. It would be more cost-effective for Districts to fund additional repower projects than to spend additional funds retrofitting each repower project.

Surplus

ARB staff has indicated that the districts should conduct the eligibility evaluation for applications that are subject to ARB regulations. Such policy could result in ARB questioning

the eligibility evaluation during subsequent Moyer program audits and potentially requiring grant funds be returned to ARB, especially given the increasingly complex definition of “surplus” as ARB continues to pass fleet regulations. There should be a simple symbiotic relationship between ARB regulations and Moyer project eligibility. The "Green Charts" that are intended to identify eligibility are often too complex for District staff, let alone applicants, to understand. The result is more questions to ARB to try to understand or verify our thoughts about eligibility. Moyer eligibility should be addressed early in the rule development process, and ARB staff should be required to provide written eligibility determinations for all applications for Moyer projects that are subject to ARB regulations. Due to the complexities involved in funding these types of projects, if districts perform the surplus evaluations, having ARB pre-approve these projects in a timely manner is extremely important.

Applicant Disincentive Issues

The issues below are listed in priority order.

Confusion and Inequities Regarding Project Eligibility

1. ARB staff has advised CAPCOA that it is highly unlikely that medium and large fleets would be eligible for Moyer Program grants after the Off-Road ATCM is adopted. However, they also informed us that small fleets can continue to receive funding for engine repowers beyond the compliance date based solely on NOx reductions. The Off-road ATCM should include provisions to address Moyer eligibility by reducing required project life and adjusting the requirements for cost effectiveness for low use equipment.

2. Since ARB has stipulated that agricultural engine replacement projects require only one year of surplus emissions, the guidelines should be changed to allow the one year surplus standard to apply to all projects if they can still be demonstrated to be cost effective.

Contract Obligations and Complexity

1. While the reporting period or District monitoring phase of particular projects can be limited to 5 years, many potential applicants find it difficult or impossible to sign a contract for new vehicle purchases for which they have contract terms that extend as far out as 20 years. It is very difficult to convince small businesses that their situations will remain static enough to fulfill the contractual obligations that Moyer participation requires. Few potential applicants can predict that far into the future.

2. In its efforts to standardize the Moyer Program, ARB has removed much of the flexibility that helped make the program a success. Issues that were once left to District discretion have now been too clearly defined in the guidelines, making contracts more complex and applicants apprehensive. For example: Applicants are now required to contract their usage with repercussions for underperformance. Applicants are reluctant to accept these requirements. ARB requires that usage be within +/-30% of usage values on which the cost effectiveness of the project was based. However, situations change, especially for small businesses; annual performance requirements should be left to District discretion provided they meet the minimum cost effectiveness criteria. There is a lot of old dirty equipment out

there that will continue to be patched and used as long as it can limp along. If grantees are forced to limit their usage of cleaner, funded equipment they will likely employ one of their older dirtier pieces of equipment in its place.

Application Process

Many applicants find the application process burdensome and intimidating. Too much information needs to be understood in order to provide complete grant applications. Examples of some of the more burdensome elements of the process include: Disclosure statements, auditing and reporting requirements, the new insurance requirements, the new usage requirements, and paybacks for under/over performance. Also, the application forms themselves have more than doubled in length under the current Guidelines.

This is adversely affecting small operators that do not have the staff to prepare the applications. The result is that large operators that can dedicate staff to the lengthy and complex application process are getting the Moyer funds and small operators are getting frustrated.

Retrofits, Repowers and Availability

1. That fact that retrofits are required on repower projects deters potential applicants due to the perception that retrofits decrease performance, increase fuel usage, and decrease engine/equipment reliability.

2. The cost-effectiveness/funding cap for off-road vehicle Tier I repower projects in many cases prevents the repower of Tier 0 engines with Tier I engines. A significant amount of emission reductions can be achieved by replacing Tier 0 engines in older uncontrolled engines with Tier I engines. There are many old pieces of equipment for which a Tier I repower is the only cleaner choice. Often, this equipment will not accept Tier II or Tier III engines. Without funding levels beyond the 6,000/ton limit, equipment owners will continue to operate old, high polluting equipment.

3. There are numerous Tier 0 and Tier 1 pieces of equipment in California that have no option for the installation of a cleaner engine. When ARB's proposed In-Use Off-road Regulation goes into effect, this will in many cases eliminate these pieces from service in California. At recent off-road rule workshops, the manufacturers have told the ARB that they will be unable to meet the resulting demand for new engines and equipment. We anticipate that this will affect the availability of new engines for Moyer repower project and could eliminate the eligibility of projects that have to wait for ordered engines beyond their surplus window.

4. Allowing a transition period for implementation and completion of projects is imperative. During a funding cycle certain rules may not be applicable when projects are evaluated and approved, but they may be required during the time the vehicles/equipment are ready to be delivered and placed into service according to the funding cycle of that specific year. An example is the on-road category where Year 8 applications were evaluated and approved in 2006, but the vehicles are to be delivered in 2007, where the standards are different. Without allowing a transition period, no on-road new purchases can be done.

Insurance Requirements

The new general Moyer requirement that applicants must procure insurance for their equipment in order to be eligible for grant funds has decreased the number of eligible projects. Marine insurance (hull and machinery coverage), which is not required in the commercial fishing industry, can cost about $5,000 per year. Over the 3 to 5 year project life, the $15,000 to $25,000 in insurance costs could negate any incentive to apply for grant funding. Many commercial fishermen simply cannot afford the insurance.

Marine engine replacements are not the only projects to be affected by the insurance requirement. Many agricultural and off-road applicants could find the new insurance requirement puts the cost of the project out of reach. Furthermore, since their livelihood depends on diligent maintenance of their vessels and engines, CMP-funded engines are not likely to be lost through negligence. Processing projects only to have the applicant back out due to this requirement results in wasted effort by District staff and applicant frustration. The risk is low and air quality benefit is minimal for this high impact new requirement. As such, this requirement should be removed for all categories.

Fleet Modernization

1. The fleet modernization strategy does not work well for small districts. Currently, only South Coast and Sacramento Metro AQMDs do fleet modernization as it is very complex to implement.

2. ARB's approach on the Fleet Modernization Program's two-tiered methodology doesn't make sense and it doesn't help applicants take advantage of it. For comparison, the one-tiered approach allows emission reductions between a pre-1990 truck (to be crushed) and a new truck. The two-tiered approach however, doesn't allow that. It only allows the emission difference between a pre-1990 truck and a newer truck (say model year 1997 to be donated), plus the emission difference between the new truck to be purchased at optional level standard compared to the same year's standard. For model years 2006 and newer trucks that difference is very small and it doesn't help provide adequate funding. The two-tiered approach should also calculate the difference between a pre-1990 truck and the new purchased truck, since the new truck ultimately replaces a pre-1990 truck in the two-tiered approach.

3. Currently the Fleet Modernization program allows replacement of pre-1990 trucks with newer trucks with a project life of maximum five years in the same vocation. It is proposed that if a fleet operator doesn't have pre-1990 trucks, then pre-1997 trucks be allowed to participate. In this case they will be replaced with new trucks; to be conservative, the project life should be prolonged by increments of one year for every two-year increase in the model year of the replaced truck. For example, if a 1989 truck is anticipated to have a five year life left, then a 1991 truck should have at least six years life left, and a 1993 truck should have at least seven years life left.