

CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER ADOPTION OF PROPOSITION 1B PROGRAM FUNDING AWARDS FROM FISCAL YEAR 2013-14 (YEAR 4) FUNDS TO REDUCE EMISSIONS FROM GOODS MOVEMENT AND UPDATES TO THE PROGRAM GUIDELINES FOR IMPLEMENTATION

The Air Resources Board (ARB or Board) will conduct a public meeting at the time and place noted below to consider adoption of Proposition 1B: Goods Movement Emission Reduction Program (Program) funding awards from Fiscal Year (FY) 2013-14 (Year 4) funds and updates to the Program Guidelines for Implementation (Guidelines).

DATE: July 25, 2013

TIME: 9:00 a.m.

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

This item will be considered at a one-day meeting of the Board, which will commence at 9:00 a.m., July 25, 2013. Please consult the agenda for the meeting, which will be available at least 10 days before July 25, 2013, to determine the schedule on which this item will be considered.

BACKGROUND

The movement of freight (goods movement) throughout California results in emissions of diesel particulate matter (diesel PM), oxides of nitrogen (NOx), and other pollutants. Freight movement involves the use of a variety of mobile emission sources, such as heavy duty trucks, diesel locomotives, ocean-going cargo ships, harbor craft, and cargo handling equipment. ARB has identified diesel PM as a toxic air contaminant, and NOx contributes to regional ozone and PM levels that exceed State and federal air quality standards. The emissions from these mobile sources result in significant human health risks and adverse environmental effects, particularly when such sources release emissions near already heavily-impacted communities located in California's trade corridors where these sources operate.

Proposition 1B, approved by voters in 2006, authorizes \$1 billion in bond funding to ARB to quickly reduce air pollution emissions and health risk from freight movement along California's four priority trade corridors.

The Program is a partnership between ARB and local agencies (e.g., air districts and ports). ARB develops the Guidelines and awards Program funding to local agencies; those agencies then use a competitive process to provide incentives to equipment owners to upgrade to cleaner technology. On January 25, 2013, the Board approved updated Guidelines, including the previously-adopted funding targets for each trade corridor.

Out of the \$1 billion authorized for the Program, \$980 million is allocated for Program project implementation while the remaining \$20 million is allocated to cover bond issuance and oversight costs incurred by the control agencies. All funding is contingent on bond sales by the State and appropriation by the Legislature. To date, ARB has received and awarded approximately \$587 million to implement various projects. Currently, the Legislature has appropriated \$154 million of the remaining \$393 million balance.

On February 7, 2013, ARB released a Notice of Funding Availability (for the FY2013-14 (Year 4) funding allocation) to solicit applications from local agencies to administer emission reduction projects. Six qualified local agencies and one State agency submitted 15 project proposals, requesting over \$518.7 million. For a summary of the applications received, please see the Program website at: <http://www.arb.ca.gov/gmbond>.

STAFF PROPOSAL

ARB will hold a public meeting on July 25, 2013, to award up to the \$154 million current appropriation, contingent on funding availability. Staff is recommending up to \$4 million for ARB administrative costs associated with the Program, and up to \$150 million for eligible projects (as defined by the Guidelines), within each of California's four priority trade corridors. Staff's recommendations are shown in the table below, and are based on:

- Achieving the cumulative corridor funding targets for each region;
- Implementing the Board's top funding priority for trucks; and
- Responding to local agency requests for funding and their priorities within each trade corridor.

Of the project funding available, staff is recommending \$138.4 million for grants to local air districts to implement truck and harborcraft upgrades, and up to \$11.6 million for two additional programs to support the transition to cleaner trucks. Table 1 shows the proposed funding allocations by trade corridor and project type, as well as the additional multi-corridor truck programs.

Table 1: Recommendations for Allocating FY2013-14 (Year 4) Funds

| Trade Corridor | Funding Category | Funds (millions) |
|--------------------------------------|-----------------------|------------------|
| Los Angeles/Inland Empire | Trucks | \$ 78.5 |
| | Corridor Total | \$ 78.5 |
| Central Valley | Trucks | \$ 36.9 |
| | Corridor Total | \$ 36.9 |
| Bay Area | Trucks | \$ 9.9 |
| | Corridor Total | \$ 9.9 |
| San Diego/Border Region | Trucks | \$ 12.3 |
| | Harbor Craft | \$ 0.8 |
| | Corridor Total | \$ 13.1 |
| SUBTOTAL | | \$138.4 |
| <i>Multi-Corridor Truck Programs</i> | | |
| Loan Assistance (All) | Trucks | \$ 5.3 |
| | Total | \$ 5.3 |
| Filter Substrate Replacements (All) | Trucks | \$ 6.3 |
| | Total | \$ 6.3 |
| SUBTOTAL | | \$ 11.6 |
| ARB Administrative Costs* | Administrative Costs | \$ 4.0 |
| | Total | \$ 4.0 |
| TOTAL | | \$154.0 |

* Limited to actual costs. Remaining funds will be used to supplement other projects.

Truck Loan Assistance. The first proposal for multi-corridor truck funding is up to \$5.3 million to ARB to support improved access to financing for truck owners receiving Proposition 1B grants. ARB would make the funds available through the California Capital Access Program, which is run by the California Pollution Control Financing Authority. This existing program encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing.

Filter Substrate Replacement. The second proposal for multi-corridor truck funding is a new concept to address a unique situation with roughly 1,600 trucks that meet the Proposition 1B-eligibility criteria regarding hauling of goods primarily within the four trade corridors. Owners of these trucks previously invested private funds, or a combination of private and public funds, to install a specific model of verified diesel particulate filter that used a metal substrate to achieve the diesel particulate control.

In response to safety concerns with just this model, ARB rescinded the verification and the manufacturer initiated a voluntary recall. The filter manufacturer has since gone out of business. In many cases, the filter core or substrate was removed from the housing on each truck (or other equipment). Today, these trucks have the filter housing, but without the desired diesel particulate matter control. Because the truck owners installed verified filters in good faith, ARB is allowing vehicles that are impacted by the recall to remain in compliance with the in-use fleet rules, with appropriate documentation.

Staff is recommending that the Board approve a targeted revision to the Guidelines to establish an eligible project in the truck category to fully fund the installation of a new ceramic substrate within the filter housing on this limited population of trucks. All of the particulate matter benefits are "extra" relative to the current situation. In addition, staff is proposing that the Board allocate up to \$6.3 million to fund the substrate replacement in these recalled diesel particulate filters on Proposition 1B-eligible trucks. If the Board adopts the Guideline revision and the funding allocation, ARB staff would evaluate the physical locations of the affected trucks and determine which air district(s) might be best positioned to manage this specialized replacement program. ARB would offer the opportunity to administer the resulting grant program to that district or districts.

If the funds recommended for the loan assistance or the filter substrate replacement programs are not fully utilized, staff recommends that the Board direct the Executive Officer to reallocate those funds according to the protocols established in the Guidelines.

Administrative Changes. In addition to awarding FY2013-14 (Year 4) funds, ARB staff will be seeking Board input on changes to the Guidelines that are under development to respond to new fiscal direction. In general, State agencies that receive bond funds have been striving to increase the efficiency of these programs by limiting the amount of time in which bond funds remain unused. ARB and the local agencies have already taken steps to reduce the time between when bond funds are received by ARB, and when they are distributed to the local agencies participating in the Program. However, additional streamlining of the grant process is desired to further decrease the time between when the local agencies receive funds and when projects are completed. ARB staff will outline these general changes to the grant process at this Board meeting, and propose that the Executive Officer approve the changes to the Guidelines once ARB has completed the coordination work with the Department of Finance and local agencies.

AVAILABILITY OF DOCUMENTS

ARB is conducting a series of public workshops July 11-15, 2013, to receive public input on the recommendations shown above. More information on these workshops is available on the Program website at: www.arb.ca.gov/gmbond.

ARB staff will release a formal Staff Report with a more detailed discussion of the award recommendations. Paper copies of the Staff Report may be obtained from the Public Information Office, Air Resources Board, 1001 I Street, Visitors and Environmental Services Center, First Floor, Sacramento, California, 95814, (916) 322-2990, before the July 25, 2013 Board meeting. The Staff Report may also be obtained from the Program website at: www.arb.ca.gov/gmbond.

The complete applications submitted by the local and State agencies for FY2013-14 (Year 4) funding and tables summarizing those applications are available on the Program website at: www.arb.ca.gov/gmbond, along with the Guidelines and other relevant documents.

SUBMITTAL OF PUBLIC COMMENTS AND AGENCY CONTACTS

Interested members of the public may present comments orally or in writing at the meeting, and may be submitted by postal mail or by electronic submittal before the meeting. To be considered by the Board, written comments not physically submitted at the meeting must be received **no later than 12:00 noon, July 24, 2013**, and addressed to the following:

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

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

You can sign up online in advance to speak at the Board meeting when you submit an electronic board item comment. For more information go to:
<http://www.arb.ca.gov/board/online-signup.htm>.

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

Further inquiries regarding this matter should be directed to Ms. Melissa Niederreiter, Air Pollution Specialist at (916) 323-6576, or Ms. Elizabeth Yura, Manager, Goods Movement Program Section at (916) 327-2953.

SPECIAL ACCOMMODATION REQUEST

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

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

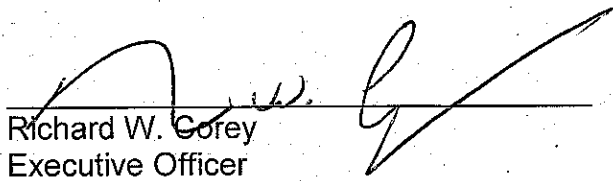
To request these special accommodations or language needs, please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than 7 business days before the scheduled Board meeting. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

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

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

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al (916) 322-5594 o envíe un fax a (916) 322-3928 lo más pronto posible, pero no menos de 7 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

CALIFORNIA AIR RESOURCES BOARD


Richard W. Corey
Executive Officer

Date: July 15, 2013

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website at: www.arb.ca.gov.