CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER THE APPROVAL OF THE PROPOSED ASSEMBLY BILL 118 AIR QUALITY IMPROVEMENT PROGRAM FUNDING PLAN FOR FISCAL YEAR 2013-14

The Air Resources Board (ARB or Board) will conduct a public meeting at the time and place noted below to consider approval of the *Proposed Assembly Bill 118 Air Quality Improvement Program Funding Plan for Fiscal Year 2013-14* (Funding Plan).

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 ten days before July 25, 2013, to determine the order of agenda items.

Background:

The Air Quality Improvement Program (AQIP), administered by ARB, is a voluntary incentive program created under the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (Assembly Bill (AB) 118; Núñez, Chapter 720, Statutes of 2007). Through AQIP, ARB invests in clean vehicle and equipment projects that reduce criteria pollutant and air toxic emissions, often with concurrent climate change benefits. Funding for AQIP is provided through a dedicated revenue stream of fees that expire at the end of 2015, including smog abatement fees, vessel registration fees, and equipment identification plate fees.

AQIP provides funding for projects not covered by other ARB incentive programs. AQIP is ARB's only incentive program structured to enable investments in technology advancing projects that also provide immediate emission reductions. AQIP investments to date support the initial deployment of hybrid and zero-emission trucks, zero-emission and plug-in hybrid passenger cars, and other advanced technology demonstrations critical to meeting California's long-term air quality and climate change goals. AQIP investments are an important first step in the fundamental transformation of the California vehicle fleet to one with widespread use of near-zero and zero-emission vehicles.

The Governor's proposed fiscal year 2013-14 State Budget authorizes, dependent upon revenues, up to $35 million in funding for AQIP projects. ARB's regulatory guidelines governing implementation of AQIP require that the Board approve an annual funding plan describing how AQIP funds will be spent each fiscal year.

Overview of Fiscal Year 2013-14 Funding Plan:

For the fiscal year 2013-14 funding cycle, ARB staff proposes to focus most of AQIP funding on the two largest project categories from previous years – the Clean Vehicle Rebate Project and the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project. There has been strong demand for funding in these areas, and both electric vehicle and hybrid truck technologies are at a key point where public incentives can help them penetrate the California marketplace and become mainstream choices. Staff also proposes to continue an allocation for advanced technology demonstrations and testing, which are an important part of the program because successful demonstration projects can potentially lead to deployment project opportunities in the future. Additionally, staff proposes to provide an allocation of funding to the Truck Loan Assistance Program, which aids smaller fleets in obtaining private financing for clean truck upgrades ahead of regulatory compliance schedules.

In recent years, Board approved plans contained two separate funding targets: one that reflected funding allocations based on the total proposed budget authority, and one that reflected a more "realistic" estimate of expected available funding based on anticipated revenue and administrative costs. Several times in recent years revenues have come in below even the "realistic" estimate. This year, to manage the uncertainty regarding available revenues that will ultimately be available for AQIP projects, ARB staff is proposing a more flexible approach that establishes minimum funding targets that balance the needs of all four projects, while holding in reserve a portion of anticipated revenue that can be directed to these projects throughout the year as they demonstrate a need for additional funding. Staff believes that this approach would allow ARB to be more responsive to changes in market demand, while committing to minimum funding levels for stakeholder planning purposes. Solicitations would be issued for the minimum funding levels shown in Table 1 with provisions to scale up funding as project demand grows.

Table 1: Proposed Fiscal Year 2013-14 Project Category Funding Levels

Project Category		Proposed Minimum Allocations
Deployment Projects	Clean Vehicle Rebate Project	$10 M
	Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project	$5 M
	Truck Loan Assistance Program	$2 M
Advanced Technology Demonstration/Testing		$3 M
Additional Expected Revenue/Reserve		$5 M
	Total	**$25 M**

ARB staff proposes establishing a minimum funding allocation of $10 million for the Clean Vehicle Rebate Project. In addition, the California Energy Commission (CEC) has approved $5 million from the Alternative and Renewable Fuel and Vehicle Technology Program for fiscal year 2013-14, bringing the minimum allocation for the Clean Vehicle Rebate Project to $15 million.

Despite this significant investment of AQIP funding, rebate demand is expected to outstrip available funding in the project as early as the fall of 2013. As part of the public process for developing this year's Funding Plan, staff engaged stakeholders and the public on options for modifications to the Clean Vehicle Rebate Project that could potentially extend funding beyond this date. While there was general agreement that changes to the project were needed to help ensure its long-term sustainability, stakeholders were concerned that near-term changes (such as lower rebate amounts) could have unintended market consequences, and that any changes should be analyzed before being implemented. Based on this feedback, while recognizing the need to have a 2013-2014 AQIP funding plan in place at the beginning of the fiscal year, at this time staff is only proposing a few minor administrative changes to the Clean Vehicle Rebate Project that include standardizing zero-emission vehicle rebates, maintaining a set-aside for public fleets, and adjusting maximum rebates per consumer type. Because available funding is expected to be exhausted no later than midway into fiscal year 2013-14, staff is not proposing a waiting list provision. However, pending any funding changes in the State Budget after the release date of the proposed Funding Plan, ARB staff may propose further modifications at the Board meeting.

While significant program changes are not being initially proposed as part of this year's funding plan, staff is intending to immediately undertake focused discussions with stakeholders to develop a sustainable long-term vision for the program. This effort will include the discussion of options to better align the Clean Vehicle Rebate Project with the near-term deployment needs of current technologies that are in the process of transitioning into mainstream consumer choices (such as battery electric vehicles), the identification of metrics for when these technologies no longer need public incentives in the marketplace, and on the long-term needs for newer technologies where public investment may be needed for years to come (such as hydrogen fuel cell vehicles).

Staff is proposing to return to the Board by the end of 2013 to provide a status update on the progress made with stakeholders to develop a sustainable vision for the Clean Vehicle Rebate Project, and to present recommendations for program changes.

Correspondingly, staff is proposing a $5 million minimum allocation for the Hybrid and Zero Emission Truck and Bus Voucher Incentive Project, which could potentially fund approximately 150 vehicles. Staff is also proposing a $2 million minimum allocation for the Truck Loan Assistance Program and a $3 million minimum allocation for advanced technology demonstrations, of which $1 million is intended to fund the Zero Emission Transit Demonstration Project that was not funded in fiscal year 2012-13 due to insufficient revenues.

The Proposed Funding Plan will also outline: (1) ARB priorities for the funding cycle; (2) funding allocations by project category; (3) project category descriptions, including refinements based on public input and evaluation of previous years' project implementation; and (4) contingency provisions to address uncertainties in available funding levels.

AVAILABILITY OF DOCUMENTS AND AGENCY CONTACT PERSONS

ARB staff will present the *Proposed AB 118 Air Quality Improvement Program Funding Plan for Fiscal Year 2013-14* at the meeting. Copies of the report may be obtained from ARB's Public Information Office, 1001 I Street, First Floor, Environmental Services Center, Sacramento, California, 95814, (916) 322-2990 at least 30 days prior to the scheduled meeting on July 25, 2013. The report may also be obtained from ARB's website at http://www.arb.ca.gov/msprog/aqip/aqip.htm.

SUBMITTAL OF COMMENTS

Interested members of the public may present comments orally or in writing at the meeting and may 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.

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

SPECIAL ACCOMMODATION REQUEST

Special accommodation or language needs can be provided for any of the following:

- An interpreter to be available at the hearing;
- Documents made available in an alternate format (i.e., Braille, large print, etc.) or another language;
- A disability-related reasonable accommodation.

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

Comodidad especial o necesidad de otro idioma puede ser proveído para alguna de las siguientes:

- Un intérprete que esté disponible en la audiencia.
- Documentos disponibles en un formato alterno (por decir, sistema Braille, o en impresión grande) 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 10 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

CALIFORNIA AIR RESOURCES BOARD

Richard W. Corey
Executive Officer

Date: June 25, 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.