CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER THE APPROVAL OF THE PROPOSED FISCAL YEAR 2015-16 FUNDING PLAN FOR LOW CARBON TRANSPORTATION INVESTMENTS AND THE AIR QUALITY IMPROVEMENT PROGRAM

The Air Resources Board (ARB or Board) will conduct a public meeting at the time and place noted below to consider the approval of the *Proposed Fiscal Year 2015-16 Funding Plan for Low Carbon Transportation Investments* and *the Air Quality Improvement Program* (FY 2015-16 Funding Plan).

DATE: June 25, 2015

TIME: 9:00 a.m.

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

This item may be considered at a two-day meeting of the Board, which will commence at 9:00 a.m., June 25, 2015, and may continue at 8:30 a.m., on June 26, 2015. This item may not be considered until June 26, 2015. Please consult the agenda for the meeting, which will be available at least 10 days before June 25, 2015, to determine the day on which this item will be considered.

Background

The Governor's proposed FY 2015-16 State Budget includes $350 million to ARB from the Greenhouse Gas Reduction Fund (GGRF) for Low Carbon Transportation investments. This funding would reduce greenhouse gas (GHG) emissions and further the purposes of Assembly Bill 32 (AB 32) (Núñez, Chapter 488, Statutes of 2006) with a priority on benefiting disadvantaged communities. The Governor's proposed State Budget also includes $23 million to ARB for the Air Quality Improvement Program (AQIP) which provides mobile source incentives to reduce criteria pollutant, air toxic, and GHG emissions. The Low Carbon Transportation investments build upon and greatly expand the technology advancing projects ARB has funded through AQIP since 2009. Accordingly, ARB staff has developed a joint proposed FY 2015-16 Funding Plan for both funding sources as it did for the FY 2014-15 budget cycle to ensure continued synergistic investments between the programs while also ensuring that statutory requirements applicable to each are met. The plan also addresses the requirements of new legislation guiding implementation of these programs. The investments proposed in this FY 2015-16 Funding Plan are predicated on the approval of the proposed State

Budget.

AQIP: ARB investments initiated under AQIP provide the foundation for the Low Carbon Transportation investments that now make up the vast majority of the proposed Funding Plan. AQIP is a voluntary, mobile source incentive program established through AB 118 (Núñez, Chapter 750, Statutes of 2007) to reduce criteria pollutant and toxics emissions with concurrent reductions in GHG emissions. ARB has focused AQIP investments on technology advancing projects that support California's long-term air quality and climate change goals in addition to providing immediate emission benefits. In recent years, funding has included rebates for zero and near-zero emission passenger vehicles through the Clean Vehicle Rebate Project (CVRP), vouchers for hybrid and zero-emission trucks and buses through the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), and the Truck Loan Assistance Program for small business truck owners in need of truck replacements or retrofits.

Low Carbon Transportation: Cap-and-Trade auction proceeds provide GHG reductions and disadvantaged community benefits by increasing the investment in the technology advancing projects ARB has funded through AQIP. The Administration's *Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16* identifies zero-emission passenger transportation and low carbon freight transport as investment priorities. Consistent with the investment plan, the FY 2014-15 State Budget appropriated $200 million to ARB for Low Carbon Transportation projects to reduce GHG emissions with an emphasis on benefiting disadvantaged communities. These investments are being used to expand CVRP and HVIP to meet demand and add new light-duty pilot projects to benefit disadvantaged communities, zero-emission truck and bus pilot deployment projects, and demonstration projects to accelerate the introduction of emission reduction technologies for the freight sector. The Governor's proposed FY 2015-16 State Budget provides ARB $350 million in funding to continue and expand these projects.

New Legislation: Two bills signed into law in 2014 further guide ARB's implementation of these incentive programs. Senate Bill 1275 (SB 1275) (De León, Chapter 530, Statutes of 2014) establishes the Charge Ahead California Initiative with the goals of placing one million zero-emission and near-zero emission vehicles in California by 2023 and increasing access to these vehicles for lower-income consumers and consumers in disadvantaged communities. SB 1275 requires changes to CVRP including limiting consumer eligibility by income and directs ARB to establish programs to increase access to electric transportation for disadvantaged communities.

SB 1204 (Lara, Chapter 524, Statutes of 2014) creates the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program to fund the development, demonstration, precommercial pilot, and early commercial deployment of zero- and near-zero emission technologies with priority given to projects that benefit disadvantaged communities. SB 1204 establishes specific requirements related to how ARB prioritizes project categories and selects projects.

Overview of FY 2015-16 Funding Plan

The proposed FY 2015-16 Funding Plan describes how the $350 million Low Carbon Transportation and $23 million AQIP appropriations will be spent. The plan describes ARB's policy drivers and vision for advanced technology mobile source investments, eligible project categories and criteria, funding allocations, and implementation details.

ARB is using these incentives to accelerate development and deployment of advanced mobile source technologies to meet California's air quality and climate change goals. ARB's *2014 Climate Change Scoping Plan Update* and 2012 *Vision for Clean Air* conclude that many of the same actions are needed to meet GHG, smog forming, and toxic pollutant emission reduction goals – specifically, a transition to zero-emission and near-zero emission technologies and use of the cleanest, lowest carbon fuels and energy across all vehicle and equipment categories. More recently, ARB's 2015 *Sustainable Freight: Pathways to Zero and Near-Zero Emission* discussion draft reiterates the need for this transition as well as a coordinated strategy to address California's multiple air quality and climate change goals. This coordinated approach is reflected in ARB's proposed Low Carbon Transportation and AQIP investments. Table 1 shows staff's proposed project funding allocations.

Table 1: Proposed FY 2015-16 Project Allocations [1]

Project Category	AQIP (millions)	Low Carbon Transportation (millions or %)	
		Total	Minimum % To Benefit Disadvantaged Communities
Light-Duty Vehicle Projects			
CVRP	$3	$160	≥25%
Light-Duty Pilot Projects to Benefit Disadvantaged Communities	-	$37	100%
Heavy-Duty Vehicle and Equipment Projects			
HVIP	$2	$10	≥50%
Low NOx Truck Incentives	$2	$5	≥50%
Zero-Emission Truck Pilot Commercial Deployment Projects	-	$20	≥50%
Zero-Emission Bus Pilot Commercial Deployment Projects	-	$45	≥50%
Advanced Technology Demonstration Projects	-	$59	100%
Zero-Emission Freight Equipment Pilot Commercial Deployment Projects		$9	≥50%
Truck Loan Assistance Program	$15	-	N/A
Reserve for AQIP Revenue Uncertainty	$1		
State Operations for Low Carbon Transportation	-	$5	
Total	**$23**	**$350**	≥50% (≥$180)

[1] Final allocations predicated on the approval of the proposed FY 2015-16 State Budget.

Light-Duty Vehicle Investments: For FY 2015-16, staff proposes a total of $200 million for light-duty vehicle projects. These investments are aimed at supporting the long-term transformation of the light-duty fleet to one that is largely zero-emission by 2050 (and fueled by low carbon, renewable energy sources) while also providing immediate emission benefits. ARB's light-duty investment strategy includes two distinct, but complementary elements. CVRP supports increasing the number of zero-emission vehicles (ZEVs) on California's roadways to meet deployment goals established by regulation, statute, and policy – including the Governor's goal for 1.5 million ZEVs by 2025. CVRP is complemented by a suite of pilot projects designed to increase access to these clean vehicles for disadvantaged communities and lower-income households. SB 1275 reaffirms both elements of the strategy by directing ARB to continue investing in each with refinements to CVRP.

Staff's proposed $163 million CVRP allocation would meet the expected growth in demand projected for the upcoming year. Staff proposes to address the SB 1275 requirement to limit CVRP eligibility by income with a two pronged approach: (1) an income eligibility cap that would exclude the higher-income consumers most likely to purchase a ZEV without a CVRP rebate coupled with (2) higher rebate levels for lower income consumers most in need of financial incentives to purchase a CVRP eligible vehicle. Staff believes this approach would improve CVRP's effectiveness by targeting rebates where they are likely to have the greatest impact.

For light-duty vehicle pilot projects to benefit disadvantaged communities, staff proposes a $37 million allocation to build upon last year's investments and fulfill statutory direction from SB 1275 to establish these types of programs. This would expand each of the four pilot projects currently being launched and add a new project targeting turnover of the agricultural worker vanpool fleet in the San Joaquin Valley. The four existing projects are: increased incentives for public fleets to purchase CVRP-eligible vehicles; advanced technology car sharing and mobility options; increased vehicle replacement incentives through the Enhanced Fleet Modernization Program; and financing assistance.

Heavy-Duty Vehicle and Equipment Investments: Staff proposes a total of $167 million for heavy-duty vehicle and equipment projects as shown in Table 1. These investments would support the demonstration and deployment of the zero-emission and near-zero emission heavy-duty freight and transportation technologies needed to meet GHG emission reduction targets and air quality goals. Investments would support the transformational changes called for in ARB's 2015 *Sustainable Freight: Pathways to Zero and Near Zero Emissions* discussion draft. These investments continue, expand, and add to projects started in previous funding cycles.

Staff proposes $12 million for HVIP in total to continue encouraging commercial deployment of hybrid and zero-emission trucks and buses. As a complement to HVIP, ARB is launching new pilot projects to support larger-scale commercial deployments of

zero-emission trucks and buses. For FY 2015-16, staff proposes $20 million for pilot deployment of zero-emission trucks and $45 million for pilot deployment of zero-emission buses, augmenting the $25 million for these types of projects from last year's appropriation. Funding at this level is needed to increase vehicle production levels to the point where initial economies of scale can start to be realized.

As a new project category, staff proposes $7 million in total for incentives to truck owners for the purchase of trucks certified to the optional low NOx standards adopted by the Board in 2013. These incentives would encourage engine manufacturers to bring these cleaner trucks to market and truck purchasers to buy them once they are commercially available. The vehicle incentive would be coupled with additional incentives for use of low carbon, renewable fuels to maximize GHG benefits.

Staff proposes allocating $59 million for advanced technology demonstration projects building on the demonstrations being funded with last year's appropriation. These demonstrations support key technology development identified in ARB's *Sustainable Freight: Pathways to Zero and Near Zero Emissions* document. Priority demonstration categories include on-road trucks, freight locomotives, off-road freight equipment, agricultural and construction equipment, and off-road passenger transportation.

Staff proposes $9 million for a second new project, incentives for zero emission off-road freight equipment, to accelerate deployment and drive consumer acceptance of this equipment in the early stages of commercialization. Possible eligible equipment includes zero emission forklifts, transport refrigeration units, yard trucks, airport ground support, and cargo handling equipment. It is envisioned that this pilot will evolve into a first-come, first-served voucher project, like HVIP, in future years.

Finally, staff proposes $15 million in AQIP funding to continue the Truck Loan Assistance Program. This program helps small business truckers to secure financing for newer trucks or diesel exhaust retrofits in advance of compliance deadlines for ARB's in-use truck and bus regulation. Participation in the program has increased in recent years, and the proposed allocation is needed to meet expected demand over the upcoming year.

<u>*Disadvantaged Community Investment Targets*</u>: ARB is targeting at least 50 percent of the Low Carbon Transportation funds to benefit disadvantaged communities consistent with the direction in the Administration's *Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16*. Table 1 shows how ARB's proposed funding allocations meet this target.

ARB is also targeting at least 10 percent of the Low Carbon Transportation funds to be invested in disadvantaged communities. To meet this target, staff proposes placing conditions in the solicitations and grant agreements for several of projects listed in Table 1 to ensure that at least $38 million (nearly 11 percent of total funding) is invested within disadvantaged community census tracts. Projects subject to this additional requirement include:

- Zero-Emission Bus Pilot Commercial Deployment Projects – at least $22.5 million (half the project funding) would be directed to fund buses that provide service in disadvantaged community census tracts.

- Advanced Technology Demonstration Projects – at least $10 million would fund equipment to be operated in disadvantaged community census tracts.

- Light-Duty Pilot Projects to Benefit Disadvantaged Communities – the full $3 million Agricultural Worker Vanpool in the San Joaquin Valley Project and at least $2.5 million of the Increased Incentives for Public Fleets Project funds would be invested in disadvantaged community census tracts.

Staff expects that at least a portion of funding for every project category will ultimately be spent in disadvantaged communities, which will be calculated and reported after project funding is awarded and spent as part of ARB's annual reporting requirements. When those funding totals are reported, ARB expects to exceed the 10 percent target by a considerable margin.

Document Availability

ARB staff will present the *Proposed FY 2015-16 Funding Plan for Low Carbon Transportation Investments and AQIP* 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 June 25, 2015. The report may also be obtained from ARB's website at http://www.arb.ca.gov/aqip/

Submittal of Comments and Agency Contact Persons

Interested members of the public may present comments orally or in writing at the meeting and may provide comments 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 5:00 pm, June 22, 2015,** 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

Please note that under the California Public Records Act (Government Code section 6250 et seq.), your written and verbal 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 Mr. Andrew Panson, Air Pollution Specialist, at (916) 323-2809, or Mr. Ali Koohestani, Air Resources Technician, at (916) 324-1590.

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 meeting;
- 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 10 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 alterno 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 envié 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: May 21, 2015

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.