

State of California  
Air Resources Board

Resolution 09-33

April 24, 2009

Agenda Item No.: 09-4-7

WHEREAS, Health and Safety Code section 44270 et seq. establishes the *California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007*(AB 118; Stats. 2007, ch. 750), which creates the Air Quality Improvement Program (AQIP), administered by the Air Resources Board (ARB or the Board), to fund air quality improvement projects related to fuel and vehicle technologies with the primary purpose to fund projects to reduce criteria air pollutants, improve air quality, and provide funding for research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies;

WHEREAS, the fiscal year 2009-10 State budget appropriates \$42.3 million to implement the AQIP;

WHEREAS, these funds are to be encumbered by June 30, 2010 and expended by June 30, 2012;

WHEREAS, California has an existing portfolio of ongoing air quality incentive programs including the Carl Moyer Program, the Goods Movement Emission Reduction Program, the Lower-Emission School Bus Program, the Enhanced Fleet Modernization Program, and the Alternative and Renewable Fuel and Vehicle Technology Program;

WHEREAS, Health and Safety Code sections 39600 and 39601 authorize ARB to adopt standards, rules, and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

WHEREAS, Governor Schwarzenegger's Executive Order S-03-05 established targets for the State to reduce greenhouse gas (GHG) emissions to the 2000 level by 2010; to the 1990 level by 2020; and to 80 percent below the 1990 level by 2050;

WHEREAS, AB 32 (Stats. 2006, ch. 488) directs ARB to conduct a number of activities to reduce GHG emissions and to ensure these activities do not interfere with efforts to attain ambient air quality standards and reduce toxic air contaminants;

WHEREAS, on November 15, 2007, the Board approved the State Alternative Fuels Plan, which directs staff to work with the California Energy Commission (Energy Commission) to ensure that funds expended pursuant to Assembly Bill (AB) 118 provide

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the maximum possible benefits in terms of air quality improvement and greenhouse gas reduction;

WHEREAS, on September 25, 2008, the Board approved Resolution 08-40 that:

- Directed the AQIP to provide the maximum possible air quality and greenhouse gas reductions in order to meet the California's State Implementation Plan (SIP) commitments and GHG reduction targets;
- Recognized that funding of emerging technologies is needed to achieve California's multiple policy goals of achieving GHG, ambient air quality, and toxic air contaminant reductions; and
- Recognized the importance for ARB and the Energy Commission to have continuing coordination to ensure the ongoing success of both the AQIP and the Alternative and Renewable Fuel and Vehicle Technology Program;

WHEREAS, Health and Safety Code section 44274(c) allows for AQIP funding mechanisms to include competitive grants, revolving loans, loan guarantees, loans, and other appropriate measures;

WHEREAS, the fiscal year 2008-09 State Budget directed fiscal year 2008-09 AQIP funds to be used for a new ARB Truck Loan Program to assist fleet owners affected by the Statewide In-Use Truck and Bus Regulation and the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Measure, and staff updated the Board on the status of these funds at the December 11, 2008, Board hearing;

WHEREAS, the proposed fiscal year 2009-10 Funding Plan is based upon the latest available information, including funds appropriated in the State budget, demand for potential technology, availability of potential technology, and availability of funds from other incentive programs;

WHEREAS, ARB Resolution 08-40 sets forth the Board's action to establish title 13, California Code of Regulations, § 2340 et seq. (AB 118 Air Quality Guidelines) which define the process for ensuring that the AQIP complements, and does not interfere with, California's existing air quality programs as required by Health and Safety Code section 44271(b);

**Deleted:** WHEREAS, the AB 118 Air Quality Guidelines (Cal. Code Reg., tit. 13, § 2340 et seq.), which define the process for ensuring that the AQIP complements, and does not interfere with, California's existing air quality programs as required by Health and Safety Code section 44271(b);¶

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WHEREAS, ARB staff conducted four public workshops in April, August, and November of 2008 and February 2009, released concepts for public review, and presented proposed priorities and guiding principles for the AQIP which include:

- Projects should accelerate the commercialization of advanced technologies needed to meet California's longer-term, post-2020 SIP goals;
- The AQIP should direct funds to projects types that cannot receive funding through California's other incentive programs;
- Deployment projects should be ready for immediate on-the-ground deployment, while demonstration projects should be near commercialization; and
- Projects should modify consumer choice, inducing purchases that would not have occurred otherwise;

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WHEREAS, ARB held 17 public working group meetings focused on the proposed project categories to refine the criteria for the proposed fiscal year 2009-10 Funding Plan;

WHEREAS, ARB staff conducted monthly coordination meetings with the Energy Commission to develop the proposed Funding Plan;

WHEREAS, ARB coordinated development of the proposed Funding Plan with local air districts to ensure the Funding Plan complements existing incentive programs;

WHEREAS, in consideration of the Staff Report, staff presentation, and public testimony and comments, the Board finds that:

1. The proposed funding categories and funding targets are appropriate for spurring commercialization of advanced technologies and the emission reductions resulting from these advanced technologies are critical for enabling ARB and the local air districts to fulfill their longer-term, post 2020 SIP goals.
2. The recommended implementation priorities and guiding principles are consistent with the goals of the AQIP and are needed to meet California's air quality goals.
3. ARB staff has met the requirements set forth in the AQIP Guidelines for consideration and adoption of the fiscal year 2009-10 Funding Plan.
4. The proposed Funding Plan properly directs funding to project categories that may not be funded through existing incentive programs but are necessary for ARB to meet California's multiple policy goals of achieving GHG, ambient air quality, and toxic air contaminant reductions.
5. The proposed voucher and rebate projects are important for accelerating technology development through a streamlined and transparent process.
6. The proposed funding categories strike an appropriate balance for achieving long-term benefits with regards to reducing production costs, and accelerating technology transfer and consumer acceptance of advanced technologies, while also achieving short-term criteria pollutant emission benefits.
7. The proposed fiscal year 2009-10 Funding Plan establishes a framework for achieving greenhouse gas emission reductions through accelerating fleet turnover and reducing California's dependence on foreign oil.
8. The proposed contingency plans are necessary to ensure that AQIP funds are spent expeditiously and efficiently.

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~~NOW, THEREFORE, BE IT RESOLVED that the Board approves the proposed AB 118 Air Quality Improvement Program Funding Plan for Fiscal Year 2009-10.~~

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BE IT FURTHER RESOLVED that the following project category and funding targets are established for the purposes described in the approved fiscal year 2009-10 Funding Plan:

Deployment/Commercialization Projects

- \$25 million for the Hybrid Truck and Bus Voucher Incentive Project;
- \$5 million for the Zero-Emission and Plug-In Hybrid Light-Duty Vehicle Rebate Project;
- \$2 million for the Lawn and Garden Equipment Replacement Project; and
- \$1.3 million for the Zero-Emission All-Terrain Agricultural Work Vehicle Rebate Project;

Advanced Technology Demonstration Projects

- \$2 million for locomotives;
- \$1 million for marine vessels;
- \$3 million for transit and school buses;
- \$2 million for off-road equipment; and
- \$1 million for agricultural equipment.

BE IT FURTHER RESOLVED that the Executive Officer may modify approved project criteria where necessary to coordinate with other incentive funds or ARB regulations and to reflect changes in the available technology.

BE IT FURTHER RESOLVED that the Board directs to the Executive Officer to modify the approved funding targets as specified in the contingency plans set forth in the approved fiscal year 2009-10 Funding Plan.

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BE IT FURTHER RESOLVED that the Executive Officer may resolicit a project or redirect funding from one project category to another if applications in a project category fail to meet minimum project scores set in the project solicitations.

BE IT FURTHER RESOLVED that the Executive Officer may advance the implementing agency up to ten percent of project funding at project inception for voucher and rebate projects.

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BE IT FURTHER RESOLVED that the Board directs the Executive Officer to conduct the analysis required under the AB 118 Air Quality Guidelines for the projects approved in this funding plan once that regulation is effective.

BE IT FURTHER RESOLVED that the Board approves the use of fiscal year 2008-09 AQIP funds as loans to assist on-road heavy-duty vehicle fleets affected by the Statewide In-Use Truck and Bus Regulation and the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Regulation.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to identify additional funding opportunities to augment or complement AQIP funds, and to look for opportunities to leverage State funds with federal stimulus funds.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to conduct working group meetings or other outreach, as necessary, for development of project solicitations.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to work with the Energy Commission on further coordination of the AQIP and the Alternative and Renewable Fuel and Vehicle Technology Program.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to provide an update to the Board on implementation of the fiscal year 2009-10 AQIP program when presenting the proposed fiscal year 2010-11 Funding Plan for approval.

BE IT FURTHER RESOLVED that the Board extends its appreciation to the Energy Commission, the local air districts, environmental groups, industry groups, and other interested parties for their cooperation and efforts in developing this Funding Plan.

I hereby certify that the above is a true and correct copy of Resolution 09-33, as adopted by the Air Resources Board.

/s/

Monica Vejar, Clerk of the Board