

CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER REVISIONS TO THE 2008 LOWER-EMISSION SCHOOL BUS PROGRAM GUIDELINES AND FUNDING ALLOCATIONS

The Air Resources Board (the Board or ARB) will conduct a public meeting at the time and place noted below to consider the approval of staff's proposed revisions to the Lower-Emission School Bus Program Guidelines (Guidelines) and proposed funding allocations to local air districts for distribution to participating local school districts. The Lower-Emission School Bus Program is an incentive program that pays all or most of the cost of new, clean, and safe school buses and retrofit devices. The current guidelines were amended and approved by the Board in February 2006 and need to be updated. The revised Guidelines will be used by the ARB and local air pollution control and air quality management districts (air districts) to implement the Lower-Emission School Bus Program, with nearly \$200 million in funding authorized by Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, and its enabling legislation, SB 88 (Stats 2007, Ch 181). The protocols in the guidelines also apply to certain other local funding mechanisms for lower-emission school bus projects. This funding will allow the replacement of all remaining pre-1977 model year buses (buses manufactured before federal safety standards). In addition, more than 1,000 additional high-polluting pre-1987 buses will also be replaced, and over 3,000 retrofit devices that significantly reduce toxic particulate emissions will be installed.

DATE: March 27, 2008

TIME: 9:00 a.m.

PLACE: California Environmental Protection Agency
Air Resources Board
Byron Sher Auditorium
1001 I Street, 2nd Floor
Sacramento, California 95814

This item will be considered at a one-day meeting of the Board, which will commence at 9:00 a.m. on Thursday, March 27, 2008. Please consult the agenda for the meeting which will be available at least 10 days before March 27, 2008 to determine when this item will be considered.

For individuals with sensory disabilities, this document is available in Braille, large print, audiocassette or computer disk. Please contact ARB's Disability Coordinator at (916) 323-4916 by voice or through the California Relay Services at 711, to place your request for disability services. If you are a person with limited English and would like to request interpreter services, please contact ARB's Bilingual Manager at (916) 323-7053.

BACKGROUND

Program History: The Lower-Emission School Bus Program is a grant program administered by the ARB that provides funds to purchase new buses for California's public schools, and to retrofit in-use diesel school buses with emission control devices to reduce their toxic particulate matter (PM) emissions. The primary goal of the Lower-Emission School Bus Program is to reduce the exposure of school children to both cancer-causing and smog-forming pollution. The program does not impose any regulatory requirements on school districts and their participation in the program is voluntary.

The Lower-Emission School Bus Program was initiated in the 2000-2001 fiscal year. The first Guidelines were issued in December 2000 and updated in May 2003 and June 2004 to incorporate necessary administrative and technical modifications. The program guidelines were revised again in March 2006 to facilitate the replacement of the oldest public school buses still in-use in California.

In its first seven years, the Lower-Emission School Bus Program has replaced about 600 pre-1987 school buses with new buses and equipped about 3,800 buses with diesel retrofit devices. Historically the program has funded about 75 to 95 percent of the cost of the new bus, and the full cost of purchase and installation of retrofit devices. The exception was the 2005-2006 fiscal year funding, which paid the full bus cost for pre-1977 bus replacements. The proposed Guideline revisions again allow full replacement cost for the remaining pre-1977 buses, but require school district match funds for all other replacement buses. Local air districts may use local funds, such as AB 923 and AB 2766 motor vehicle registration fee surcharge, to pay the school district match. The proposed Guidelines continue the policy of providing full funding for purchase and installation of diesel retrofit devices.

Funding and Legislative Direction: Since its inception and through the 2005-2006 fiscal year, funding for the Lower-Emission School Bus Program totaled slightly over \$100 million. In November 2006, California voters approved Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 which will provide an additional \$200 million for public school bus replacement and ARB-verified diesel retrofit device installation. Funding will be available to local air districts as early as May 2008 and must be fully expended by June 30, 2011. SB 88, the enabling legislation, includes the following legislative direction for expenditure of these funds:

- First, funding will be used to replace the remaining pre-1977 model year school buses in California.
- The remaining funding will be allocated to air districts based on each air district's share of the 1977 through 1986 model year school bus population.
- Air districts will have the discretion to determine how to allocate their funding between replacement of 1977-86 school buses and installation of ARB-verified

diesel PM retrofit devices. The Guidelines will require air districts to propose and commit to a retrofit funding target. ARB staff recommends a 25% funding goal for the retrofit activity.

In addition, SB 88 requires increased accountability for program expenditures. Implementing agencies are required to submit semiannual and final reports to the ARB and ARB is required to submit those reports to the Department of Finance. As required by the enabling legislation, the revised Guidelines include provisions for air district reports to ARB and the audit of project expenditures.

ARB staff conducted two workshops in September 2007, in Sacramento and El Monte, and held a working group meeting in February 2008 to present the proposed Guideline revisions and to obtain comment on the proposed revisions.

Need for the Program: The Lower-Emission School Bus Program has focused on replacing pre-1987 model year buses because they emit high levels of oxides of nitrogen (NOx) and PM, both of which cause harmful health effects. Targeting funds to replace pre-1977 model year buses is a priority because these older buses are not only high-emitters, but also are not subject to federal motor vehicle safety standards for school buses, which first took effect in April 1977.

Limited transportation budgets on both local and state levels make it difficult to replace these older buses. Because of the low annual mileage typical of school buses they generally cannot meet cost-effectiveness qualifications of the Carl Moyer Program.

The Board is tentatively scheduled to consider a Proposed "Regulation to Reduce Emissions from Diesel Particulate Matter, and Other Pollutants from In-Use Heavy-Duty Diesel-Fueled Vehicles" in the fall of 2008. This proposed regulation is designed to reduce both NOx and PM emission from heavy-duty on-road private fleets, including, school buses in public and private fleets. As proposed, the in-use fleet of school buses will be required to be retrofitted with Level 3 particulate traps beginning December 31, 2010. This funding will significantly help school districts comply with the proposed rule, but will not be sufficient to cover the full need.

PROPOSED FUNDING ALLOCATION

Based on the legislative direction within SB 88, staff proposes to allocate funding as follows:

- Funding for replacement of pre-1977 buses will be allocated to air districts in accordance with the population of subject buses in the district.
- Remaining funding will be allocated to air districts based on each district's share of 1977-1986 school buses.
- Air districts may determine how to allocate their funding between replacement of 1977-86 school buses and installation of ARB-verified Level 3 diesel retrofit devices to reduce PM emissions from in-use school buses.

PROPOSED GUIDELINE REVISIONS

The proposed Guideline revisions include new program requirement protocols and criteria specific to the allocation of the \$200,000,000 in state funding. Additionally, the proposed Guidelines include modifications to provide greater funding and program accountability.

The proposed Guideline revisions are summarized below:

- Revised funding allocations to reflect replacement of pre-1977 model year buses first, followed by replacement of the next oldest group of school buses, model year 1977-86 buses.
- Air districts will have the option of allowing a larger air district or the ARB, with assistance from the California Air Pollution Control Officers Association, implement the program on their behalf.
- Strengthened administrative requirements, reporting requirements and added audit provisions to comply with bond accountability as reflected in the Governor's Executive Order S-02-07.
- New program timetable, including the date by which funds must be obligated and expended.
- Requirement for school district match funding for replacement school buses.
- Allow air districts to use 2 percent of its program funding for outreach and administration, and an additional 5 percent of its retrofit funding to support retrofit outreach to eligible school districts and implementation.

AVAILABILITY OF DOCUMENTS

The ARB staff will present the proposed revisions to the Guidelines and the proposed allocations of the 2007-2008 fiscal year State budget funds to the Board for consideration at the March 27, 2008 Board meeting. Copies of the proposed Guidelines, including a discussion of the environmental impacts of the proposal, may be obtained from the Board's Public Information Office, 1001 "I" Street, 1st Floor, Environmental Services Center, Sacramento, CA 95814, (916) 322-2990, prior to the scheduled meeting. These documents may also be obtained from ARB's internet site at <http://www.arb.ca.gov/bonds/schoolbus/schoolbus.htm>

SUBMITTAL OF PUBLIC COMMENTS AND AGENCY CONTACT PERSON

Interested members of the public may present comments orally or in writing at the meeting, and in writing or by e-mail before the meeting. To be considered by the Board, written submissions not physically submitted at the meeting must be received **no later than 12:00 noon, March 26, 2008**, 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/listpub/comm/bclist.php>

Facsimile: (916) 322-3928

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. Additionally, this information may become available via Google, Yahoo, and other search engines.

The Board requests but does not require that 30 copies of any written statement be submitted and that all written statements be filed at least 10 days prior to the hearing so that ARB staff and Board Members have time to fully consider each comment. The Board encourages members of the public to bring to the attention of staff in advance of the hearing any suggestions for modification of the proposed regulatory action. Further inquires regarding this matter should be directed to

CALIFORNIA AIR RESOURCES BOARD

/s/

James N. Goldstene
Executive Officer

Date: February 28, 2008

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 Web-site at www.arb.ca.gov.