

State of California
Air Resources Board

**AB 118 AIR QUALITY IMPROVEMENT PROGRAM FUNDING PLAN FOR
FISCAL YEAR 2012-2013**

Resolution 13-9

March 21, 2013

Agenda Item No.: 13-3-6

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 Board), to fund air quality improvement projects related to fuel and vehicle technologies with the primary purpose of funding projects to reduce criteria air pollutants, improve air quality, and provide funds for research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies;

WHEREAS, the Fiscal Year 2008-09 State Budget permitted Fiscal Year 2008-09 AQIP funds to be used for a new ARB loan program to assist fleet owners affected by the Statewide In-Use Truck and Bus Regulation and the Tractor-Trailer Greenhouse Gas Regulation;

WHEREAS, the Truck Loan Assistance Program, implemented in partnership with the California Pollution Control Financing Authority, was launched in April 2009 to utilize AQIP funds to guarantee loans provided by participating commercial lenders to eligible truck owners;

WHEREAS, Title 13, California Code of Regulations, section 2350 et seq. establishes the AB 118 Air Quality Improvement Program Guidelines (AB 118 Guidelines) which define the overall administrative requirements as well as the program structure of the AQIP;

WHEREAS, the AB 118 Guidelines require that a Funding Plan must be submitted to the Board annually for approval;

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, 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, Health and Safety Code section 44274(c)(6) allows for AQIP to provide incentives for medium- and heavy-duty vehicles and equipment mitigation;

WHEREAS, the Board adopted Funding Plans for Fiscal Years 2009-10, 2010-11, and 2011-12, which established project categories, three of which continue investments in the Board adopted AB 118 AQIP Funding Plan for Fiscal Year 2012-13:

- Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP);
- Clean Vehicle Rebate Project (CVRP);
- Advanced Technology Demonstration Projects;

WHEREAS, the voucher and rebate projects in AQIP Funding Plans for Fiscal Years 2009-10, 2010-11, 2011-12, and 2012-13 enabled California to effectively accelerate deployment of advanced technology vehicles and equipment while ensuring robust program oversight and accountability;

WHEREAS, the Clean Vehicle Rebate Project has continued to increase in popularity since the project's inception, such that demand for rebates hit a record high in the fall of 2012, with close to 2,000 rebates issued each month from October through December;

WHEREAS, the Clean Vehicle Rebate Project will deplete remaining funds before the start of the next Fiscal Year due to increased demand;

WHEREAS, contingency plans were included in the AQIP Funding Plan for Fiscal Year 2012-13 to address uncertain revenues into the Air Quality Improvement Fund, funding received from new sources to augment proposed projects, and the redirection of funding among projects to address program demand;

WHEREAS, the AQIP Funding Plan for Fiscal Year 2012-13 allows up to half of the allocated funding for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project to be redirected by the Executive Officer to other Fiscal Year 2012-13 AQIP projects if remaining Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project funds exceed remaining Clean Vehicle Rebate Project funds as of November 1, 2012;

WHEREAS, the AQIP Funding Plan for Fiscal Year 2012-13 allows additional funds to be redirected by the Executive Officer to other Fiscal Year 2012-13 AQIP projects if remaining Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project funding exceeds \$10 million as of January 1, 2013;

WHEREAS, voucher demand for hybrid and zero-emission trucks slowed significantly in the past two years, leaving the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project with a surplus of funds exceeding \$10 million as of January 1, 2013;

WHEREAS, to stimulate near term demand for hybrid and zero-emission trucks, the Board approved several program refinements to the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project as part of the AQIP Funding Plan for Fiscal Year 2012-13;

WHEREAS, voucher demand is beginning to increase as a result of changes made to Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project in the AQIP Funding Plan for Fiscal Year 2012-13;

WHEREAS, in allocating available funding from the AQIP Funding Plan for Fiscal Year 2012-13, the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project will still be able to meet expected demand;

WHEREAS, the Executive Officer reallocated up to \$6 million in unused funds from the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project to close the funding gap between fiscal cycles for the Clean Vehicle Rebate Project;

WHEREAS, up to \$4 million remains available for reallocation from the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project for Fiscal Year 2012-13;

WHEREAS, the Truck Loan Assistance Program has provided 2,200 loans as of January 29, 2013, which leveraged over \$148 million in loans based on \$22.7 million in loan guarantees from the ARB for small business and minority truck owners;

WHEREAS, the Truck Loan Assistance Program has grown rapidly, issuing over half of the total loans offered over the course of the program in just this past year and is in need of additional funds;

WHEREAS, the Truck Loan Assistance Program will deplete available funds prior to the start of Fiscal Year 2013-14;

WHEREAS, the interruption of funding to the Truck Loan Assistance Program prior to Board approval of the 2013-14 Fiscal Year Funding Plan would be disruptive to participants, both borrowers and lenders;

WHEREAS, the Truck Loan Assistance Program was not one of the projects funded under AQIP Funding Plan for Fiscal Year 2012-13;

WHEREAS, the Executive Officer cannot reallocate AQIP funds to the Truck Loan Assistance Program under AQIP Funding Plan for Fiscal Year 2012-13;

WHEREAS, the Board finds that:

1. The Truck Loan Assistance Program was launched in April 2009 to more than half of the total loans issued by the program occurred within the last year;
2. Increased Truck Loan Assistance Program activity is expected to continue throughout 2013, which will deplete available funding prior to the start of Fiscal Year 2013-14;
3. Interruption of funding for the Truck Loan Assistance Program prior to Board approval of the 2013-14 Fiscal Year Funding Plan would be disruptive to participants, both borrowers and lenders;

4. The demand for Hybrid and Zero-Emission Truck and Bus Incentive Project vouchers did not materialize quickly, leaving over \$10 million as of January 1, 2013;
5. Because the Truck Loan Assistance Program is not one of the projects funded under AQIP Funding Plan for Fiscal Year 2012-13, the Executive Officer currently does not have the authority to direct available Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project funding from Fiscal Year 2012-2013 to the Truck Loan Assistance Program; and
6. Voucher demand is expected to increase for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project in the AQIP Funding Plan for Fiscal Year 2012-13, but remaining funds are expected to be sufficient to meet the demand.

NOW, THEREFORE, BE IT RESOLVED that the Executive Officer may redirect up to \$4 million available from the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project for Fiscal Year 2012-13 to the Truck Loan Assistance Program, as needed, to address increased loan demand.

BE IT FURTHER RESOLVED that the additional funds are intended to allow the Truck Loan Program to continue uninterrupted past June 2013 and continue to support project participants.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to continue to identify additional funding opportunities to assist the Truck Loan Assistance Program.

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 and local air quality incentive funds.

I hereby certify that the above is a true and correct copy of Resolution 13-9, as adopted by the Air Resources Board.

/s/

Tracy Jensen, Clerk of the Board