

State of California
AIR RESOURCES BOARD

Proposition 1B: Goods Movement Emission Reduction Program Guidelines

Resolution 13-5

January 25, 2013

Agenda Item No: 13-2-4

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize the Air Resources Board (ARB or Board) 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, section 39003 of the Health and Safety Code charges the Board with coordinating efforts to attain and maintain ambient air quality standards, to conduct research into the causes of and solution to air pollution, and to systematically attack the serious problem caused by motor vehicles, which is the major source of air pollution in many areas of the State;

WHEREAS, sections 39666 and 39667 of the Health and Safety Code authorize the Board to adopt regulations and measures to reduce emissions of toxic air contaminants from vehicular and non-vehicular sources;

WHEREAS, sections 43013 and 43018 of the Health and Safety Code direct the Board to achieve the maximum degree of emission reduction possible from vehicular and other mobile sources, including marine vessels to the extent permitted by federal law, to attain State air quality standards by the earliest practicable date;

WHEREAS, the ships, harbor craft, trucks, locomotives, and equipment that move international and domestic goods ("goods movement" or "freight transport") to, from, and throughout California are substantial contributors to transportation-related emissions in the State;

WHEREAS, these emissions are a public health concern at both regional and community levels, and contribute to adverse health effects such as cardiac and respiratory diseases, a greater number of asthma and bronchitis episodes, increased risk of cancer, and premature death;

WHEREAS, chapter 3.2 commencing with section 39625, Division 26 of the Health and Safety Code established the Proposition 1B: Goods Movement Emission Reduction Program (Program) to implement the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, also known as Proposition 1B, which authorizes

one billion dollars (\$1,000,000,000) in bond-funded incentives for ARB to reduce emissions associated with the movement of freight along California's trade corridors;

WHEREAS, section 39625.5(b)(1) of the Health and Safety Code requires the Board to allocate funds in a manner that gives priority to emission reduction projects that achieve the earliest possible reduction of health risk in communities with the highest health risks from goods movement facilities;

WHEREAS, section 39626 of the Health and Safety Code requires the Board to develop guidelines, in consultation with stakeholders, to implement the Program;

WHEREAS, on May 28, 2009, the Board adopted Resolution 09-40, which amended the Guidelines to support effective Program implementation, affirmed the existing authority of ARB staff to interpret or clarify the Program Guidelines, and delegated to the Executive Officer, or his or her designee, the authority to adopt changes to the Program Guidelines that he or she deems necessary to enable effective implementation of the Program, provided that such changes are consistent with statute and the goals established by the Board. In order to keep the Board informed of these changes to the Program Guidelines, Resolution 09-40 directed staff to identify those changes when the Board considers the next comprehensive update to the Program Guidelines;

WHEREAS, in Resolution 08-12, the Board directed ARB staff, following each future appropriation of Program funds, to evaluate the adopted Program Guidelines, including but not limited to the project specifications, and to develop any necessary updates in a public process culminating in Board consideration at a noticed public hearing;

WHEREAS, in Resolution 11-40, the Board adopted the Staff Report accompanying that meeting item as an additional supplemental reference to aid in interpreting the Program Guidelines;

WHEREAS, in September 2012 in a veto message to SB 234, Governor Brown directed the Board to amend the Program Guidelines to allow quarterly reimbursement to equipment owners such as seaports for grid-based shore power projects in a manner that assures robust accountability;

WHEREAS, Governor Brown also directed the Board to work closely and cooperatively with small seaports of less than 10 berths to develop a path forward to ensure project success of grid-based shore power projects if the seaport experiences difficulty meeting the quarterly reimbursement conditions established in these Guidelines;

WHEREAS, on October 30, 2012, ARB staff released a Draft Concept Paper to share staff's preliminary ideas for changes to the Program, and subsequently conducted three public workshops throughout the State to receive and consider public comments;

WHEREAS, on January 14, 2013, ARB staff released the Proposed Update to the Proposition 1B: Goods Movement Emission Reduction Program Guidelines for

Implementation (Program Guidelines), and accompanying Staff Report that describes the basis for the proposed changes;

WHEREAS, the Program Guidelines reflects current State fiscal policy for bond programs, expands the project choices, increases access for truckers to grants and financing, aligns and simplifies truck incentive programs, and reduces paperwork;

WHEREAS, in order to ensure that bond monies can be expeditiously implemented to benefit air quality and the economy, the Executive Officer or his or her designee must have the ability to implement the process described in the January 14, 2013, Staff Report allowing approved local agencies to solicit truck projects in advance of Board award of funds;

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

1. Reflect the current state of technology and appropriate incentive levels to achieve early and/or extra emission reductions;
2. Expand options for hybrid and zero-emission transformative technologies;
3. Align with other truck incentive programs, including the Carl Moyer Program;
4. Reduce the administrative burden for equipment owners and local agencies implementing the Program; and
5. Maintain transparency and public accountability.

WHEREAS, the Board further finds that it is necessary to delegate to the ARB Executive Officer, or his or her designee, the ability to implement the process described in the January 14, 2013, Staff Report allowing approved local agencies to solicit truck projects in advance of Board award of funds;

WHEREAS, the Board further finds that it may be necessary to provide additional time for local agencies to execute contracts and liquidate FY2012-13 monies if there is a manufacturing delay for Tier 4 locomotive projects.

NOW, THEREFORE, BE IT RESOLVED that the Board adopts the Program Guidelines including changes to the project specifications and additional modifications outlined in Appendix A and Appendix B.

BE IT FURTHER RESOLVED that the Staff Report released January 14, 2013, shall serve as an additional supplemental reference to aid in interpreting the Program Guidelines.

BE IT FURTHER RESOLVED that the Program Guidelines are comprehensive and replace the initial Guidelines adopted on February 28, 2008, but the Staff Report released in January 2008 remains in effect as a supplemental reference that describes the basis for the Program structure and requirements.

BE IT FURTHER RESOLVED that the Program Guidelines are comprehensive and replace the updated Guidelines adopted on March 25, 2010, but the Staff Report released in March 2010 remains in effect as a supplemental reference that describes the basis for the Program structure and requirements.

BE IT FURTHER RESOLVED that the Board adopts the following funding priorities for FY2012-13 and later funds as shown in the Program Guidelines:

1. Truck upgrade projects to reduce the health risk and also provide reductions to help meet federal air quality standards for regional air pollutants. This is consistent with statutory direction to give priority to projects that achieve the earliest possible reduction of health risk in heavily impacted communities.
2. Locomotive projects to cut the elevated, excess cancer risks in neighborhoods near rail yards, as identified in ARB's health risk assessments. The California State Implementation Plan relies on incentives and other mechanisms to accelerate the introduction of cleaner locomotives and/or engines to attain federal particulate matter and ozone standards in the South Coast and San Joaquin Valley Air Basins.
3. Enhanced funding for zero-emission trucks to provide an added incentive to applicants and to promote transition to the cleanest zero-emission technology for future projects. A broader deployment of these zero-emission technologies will be needed in the South Coast and San Joaquin Valley Air Basins to attain health-based air quality standards as well as attain future long-term greenhouse gas reduction goals.

BE IT FURTHER RESOLVED that the Board delegates to the Executive Officer, or his or her designee, the authority to modify the grid-based shore power quarterly reimbursement procedures included in the Program Guidelines in a manner that achieves accountability and ensures project success if a small seaport of less than 10 berths experiences difficulty meeting the established reimbursement conditions.

BE IT FURTHER RESOLVED that the Board delegates to the ARB Executive Officer or his or her designee, the authority to require local agencies to conduct simultaneous solicitations for truck projects as described in the January 14, 2013, Staff Report.

BE IT FURTHER RESOLVED that the Board delegates to the ARB Executive Officer or his or her designee, the authority to implement the process described in the January 14, 2013, Staff Report to provide additional time for local agencies to execute contracts and liquidate FY2012-13 monies if there is a manufacturing delay for Tier 4 locomotive projects.

BE IT FURTHER RESOLVED that the Board finds that the Program Guidelines will ensure that funds are allocated in a manner that gives priority to emission reduction

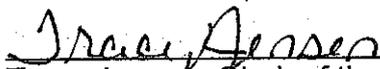
projects that achieve the earliest possible reduction of health risk in communities with the highest health risks from goods movement facilities.

BE IT FURTHER RESOLVED that the Board finds that the Program Guidelines will ensure Proposition 1B funds are supplemented and matched with funds from federal, local, and private sources to the maximum extent feasible.

BE IT FURTHER RESOLVED that in the next funding action considered by the Board, that the Board directs staff to recommend trade corridor allocations that would restore each area to the overall corridor funding targets established by the Board February 28, 2008, in Resolution 08-12.

BE IT FURTHER RESOLVED that the Board directs ARB staff to continue fostering involvement with all interested parties – public and private – to gain input and to ensure continuing program transparency and accountability.

I hereby certify that the above is a true and correct copy of Resolution 13-5, as adopted by the Air Resources Board.



Tracy Jensen, Clerk of the Board

Resolution 13-5

January 25, 2013

Identification of Attachments to the Board Resolution

Attachment A: Proposition 1B: Goods Movement Emission Reduction Program, Proposed Guidelines for Implementation, dated January 2013. (Program Guidelines)

Attachment B: Staff's Suggested Modifications to the Original Proposal

ATTACHMENT B
STAFF'S SUGGESTED MODIFICATIONS TO THE ORIGINAL PROPOSAL

Presented at the January 25, 2013 Hearing of the Air Resources Board

Public Hearing to Consider Adopting the Update for
Proposition 1B: Goods Movement Emission Reduction Program:
Guidelines for Implementation

Shown below are the staff's suggested modifications to the original proposal in the Proposition 1B: Goods Movement Emission Reduction Program, Proposed Guidelines for Implementation, released January 14, 2013 ("proposed Program Guidelines"). Staff will release a final version of the Updated Program Guidelines that reflects all modifications made by staff pursuant to the Board's direction.

Compliance checks, page 84

Change: applicants are no longer eligible for Program funds if the compliance check indicates that any ARB regulation has been violated (other than a correctable violation described in the same section of the Guidelines).

Truck equipment project specifications, page A-4

Change: funding levels are based on the weight classification of the existing truck to be replaced.

Locomotive equipment project specifications, page B-4

Change: for Option (3) line-haul locomotives, the equipment owner shall scrap or ban the old (uncontrolled through Tier 1+) engine/locomotive from California operation.

Truck equipment project specifications, page F-1

Change: partial year registration language to reflect the same partial year registration language found on page F-10.

General corrections

Change: minor corrections and modifications to ensure internal consistency, and fix any spelling or grammatical errors.