

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

This status report provides an update on actions through June 2011 to implement the \$1 billion Proposition 1B: Goods Movement Emission Reduction Program (Program) to reduce emissions and health risk from freight operations in California's priority trade corridors through incentives. Consistent with State law, the Program Guidelines (updated in March 2010) and related documents detail the grant requirements for the Air Resources Board (ARB or Board), participating local agencies, and equipment owners (see Program website at <http://www.arb.ca.gov/gmbond>).

ARB adopts the Guidelines, and then solicits, awards, funds, and oversees grants to local agencies like air districts and seaports. The local agencies offer grants in a competitive process to diesel equipment owners to co-fund the upgrade to cleaner technologies, ahead of or beyond any regulatory requirements to do so. To ensure accountability and effective use of these public funds, the local agencies: solicit for eligible projects, review applications, inspect the old equipment, provide data to competitively rank each piece of equipment based on emission reductions and cost-effectiveness, sign contracts with equipment owners, inspect the upgraded equipment, make payment for the cleaner technology, and track/report on funded projects.

The tables following the narrative in this report describe the progress on each grant using Fiscal Year (FY) 2008-09 and FY2007-08 funds, including the grant award, the number of trucks or other equipment being upgraded, and the expected emission reductions.

Available Funding

Each budget appropriation authorizes ARB to use a specific amount of bond funding for this Program, within statutory timeframes. But the appropriation does not provide any cash for this purpose. Therefore, we depend on the receipt of proceeds from state bond sales for new projects. Based on a December 2008 memo from the Department of Finance (DOF), ARB must have the bond cash on deposit before we can award (obligate) Program funds to specific projects.

The entire \$1 billion has been appropriated in State budgets over the last four years, with \$980 million to ARB for this Program and \$20 million set aside by the control agencies to cover bond issuance and oversight costs. To date, ARB has received over \$460 million in bond cash; the Board has allocated those funds under its FY2007-08 and FY2008-09 appropriation authority. This leaves a balance of roughly \$520 million that ARB needs concurrent appropriation(s) and new bond cash to implement.

Implementation of FY2008-09 Funds

In March 2010, the Board adopted an update to the Program Guidelines for FY2008-09 and later funds. This update included modifications to the project specifications for all source categories to reflect changes in regulatory requirements and available emission reduction technology. In June 2010, the Board awarded \$200 million in available FY2008-09 funds primarily to truck

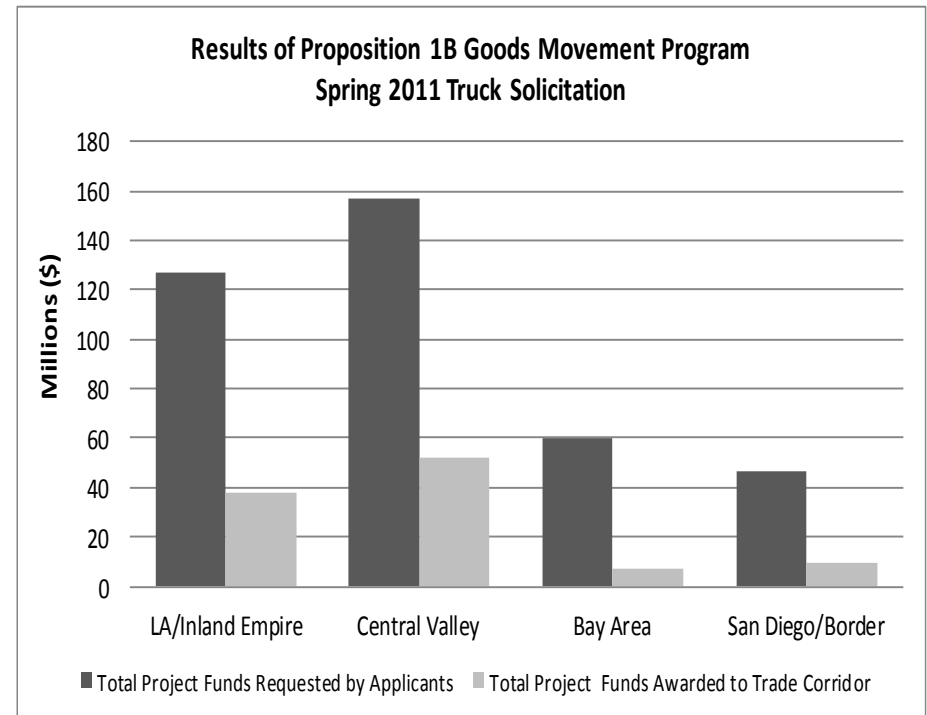
Proposition 1B: Goods Movement Emission Reduction Program
 JUNE 2011 SEMI-ANNUAL STATUS REPORT

projects (\$112 million) and ships at berth/cargo handling equipment projects (\$81 million) and with smaller grants for locomotives (\$6 million) and harbor craft (\$.5 million).

Trucks. In February 2011, ARB signed new grant agreements for truck projects with FY2008-09 funds with six local air districts in the four trade corridors. The truck upgrades involve scrapping an old diesel truck and replacing it with a new diesel or natural gas model meeting 2007 or later emission standards or retrofitting the existing truck with a diesel soot filter.

The local agencies held statewide solicitations for FY2008-09 truck funds from March to April 2011 in the four trade corridors. ARB, in coordination with the local agencies, targeted outreach and publicized the Program on a statewide level, including holding One-Stop Truck Events from January through March throughout the four trade corridors. The events provided funding education to truck owners as well as one-on-one assistance. In addition, ARB provided outreach in multiple languages and had over 800 fuel pump top placards installed at 85 different locations throughout the State.

This resulted in a significant demand for the Program as districts received applications to upgrade or replace over 8,800 trucks with grants requested in excess of \$390 million, more than three times the funds currently available. Over 10% of the applications are for grants to install soot filters, with the rest to replace an older truck with a newer model. Based on this demand, the local agencies are in the position to immediately start funding additional projects when ARB receives the next installment of bond funds.



Ships at Berth/Cargo Handling Equipment. In December 2010, ARB signed new grant agreements for shore power projects with FY2008-09 funds with the South Coast and Bay Area Air Districts. Both Districts held solicitations in the first quarter of 2011 and received applications for a total of 41 berths; 31 in the Los Angeles/Inland Empire corridor and 10 in Bay Area. Applicants withdrew 6 of the 31 applications in the Los Angeles/Inland Empire, and ARB staff approved the South Coast District's ranked list with 25 berths totaling \$58 million. The Program's Shore Power Supplemental Procedures allow unused project funds to remain in the Los Angeles/Inland Empire corridor. At the District's request and upon ARB staff's approval, any unused funds will be transferred to

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

the District's truck grant. ARB staff also approved the Bay Area District's primary ranked list with 8 berths totaling \$20 million. The remaining two berth project applications were placed on a backup list.

ARB Expenditures to Local Agencies. ARB has paid out approximately \$5 million to local agencies for administrative funds. The local agencies will be requesting project funds of approximately \$100 million for truck projects in late Summer/early Fall 2011 once they have completed the evaluation of applications and have approved ranked lists. The locomotive and shore power grants are long-term projects and we expect to expend the funds in 2013 once the projects are completed.

Results. The local agencies are in the process of evaluating the truck applications to upgrade over 2,000 existing diesel trucks and install grid-based electrical power for ships at berth. They will be signing contracts to install shore-side power at 33 ship berths at the Ports of Hueneme, Long Beach, Los Angeles, and Oakland. The Program bond monies are leveraging substantial match funding from private, local, and federal sources – more than one match dollar for every Program dollar invested.

Benefits. When implemented, we expect the projects funded with \$200 million in FY2008-09 monies will reduce about 1.5 million pounds or 750 tons of particulate matter (PM), plus about 55 million pounds or 27,500 tons of nitrogen oxides (NOx), over the life of their grant contract (e.g., 2-5 years for trucks and 10 years for ships at berth).

Implementation of FY2007-08 Funds

The first year (FY2007-08) funds are under contract between the local agencies and equipment owners for specific projects to upgrade trucks, locomotives, and ships at berth. All of these projects were suspended for 6 to 14 months due to the December 2008 "stop work" order on bond funded programs, which extended the statutory deadline for local agencies to complete the contracting process to the end of 2010. The bond freeze also resulted in a higher than usual rate of fallout due to equipment owners who applied in 2008 but were unable to complete the contracting process in 2010 (e.g., because they no longer own/operate the truck they applied to upgrade). ARB and the local agencies amended several grant agreements to shift funds from undersubscribed grants to oversubscribed grants. In most cases, these shifts were between grants administered by the same agency. The local agencies have reported some minor additional contract fallout as equipment owners are unable to complete their contracts. These funds will be transferred to the local agencies' FY2008-09 truck grants where the demand exceeds the funding available.

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

ARB Expenditures to Local Agencies. ARB has paid out over \$230 million to local agencies for first year projects, primarily truck upgrades and an early grant project for shore power. The rest of the funds will be paid out over the next year and a half as projects are completed.

Results. The local agencies are implementing contracts with equipment owners to upgrade over 5,100 existing diesel trucks operating in the four trade corridors, install grid-based electrical power at three ship berths at the Port of Oakland, and upgrade 19 locomotives operating in the Central Valley and Los Angeles/Inland Empire. The December 2010 report includes a profile of the truck projects funded, including drayage versus other trucks, and retrofits versus replacements.

The local agencies will have completed all truck projects by the end of 2011; over 4,100 of the upgraded trucks are in service. The shore power project was completed in May 2011, and the locomotive upgrades will be completed in 2012.

Benefits. We estimate that all of these projects funded with \$246 million in FY2007-08 monies will reduce over 3 million pounds or 1,500 tons of PM, plus 59 million pounds or 29,500 tons of NOx, in California over the life of their grant contract (e.g., 2-5 years for trucks).

Project Status by Grant Agreement

The tables on the following pages present the most current information available for each grant as of June 2011; this information may be updated in subsequent semi-annual reports. We begin with the grants using FY2008-09 funds that are in the early stages of implementation, and then cover the projects using FY2007-08 funds that are nearly all implemented.

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

LOS ANGELES/INLAND EMPIRE TRADE CORRIDOR – FY2008-09 FUNDS

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
South Coast Air Quality Management District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMLT1)	\$39,888,571	286,000	8,798,000	District received applications for over 3,200 trucks requesting approximately \$127 million. District is reviewing applications and expects to start signing contracts by the end of 2011.
	Eliminate or reduce emissions from ships at berth and/or cargo equipment at ports and intermodal railyards. (G08GMLS1)	\$61,300,000	373,000	21,841,000	ARB approved a ranked list for 25 berths for approximately \$58 million. The unused funds will be redirected to supplement the District's truck grant G08GMLT1. Contracts are expected to be signed in Summer 2011.
	Replace old dirty locomotives with new clean models. (G08GMLL1)	\$6,200,000	205,000	2,848,000	District received one application for 6 switchers totaling \$4.5 million. District expects to hold an additional locomotive solicitation, or request the unused funds be transferred to the District's truck grant G08GMLT1.
Corridor Total		\$107,388,571	864,000	33,487,000	

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

CENTRAL VALLEY TRADE CORRIDOR – FY2008-09 FUNDS

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
San Joaquin Valley Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMCT1)	\$44,727,303	320,000	9,865,000	District received applications for over 2,800 trucks requesting approximately \$143 million. District is reviewing applications and expects to start signing contracts by the end of 2011.
Sacramento Metropolitan Air Quality Management District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMCT2)	\$9,806,826	70,000	2,163,000	District received applications for over 350 trucks requesting approximately \$14 million. District is reviewing applications and expects to start signing contracts by the end of 2011.
Corridor Total		\$54,534,129	390,000	12,028,000	

BAY AREA TRADE CORRIDOR – FY2008-09 FUNDS

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
Bay Area Air Quality Management District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMBT1)	\$7,594,203	54,000	1,675,000	District received applications for over 1,300 trucks requesting approximately \$60 million. District is reviewing applications and expects to start signing contracts by the end of 2011.
	Eliminate or reduce emissions from ships at berth and/or cargo equipment at ports and intermodal railyards. (G08GMBS1)	\$20,000,000	97,000	5,660,000	ARB approved a ranked list with 8 berths as primary projects for \$20 million and 2 alternative berth projects for \$5 million. The latter may be funded if primary projects fall out. District expects to sign contracts in Summer 2011.
Corridor Total		\$27,594,203	151,000	7,335,000	

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

SAN DIEGO/BORDER TRADE CORRIDOR – FY2008-09 FUNDS

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
San Diego Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G08GMST2)	\$6,577,300	47,000	1,450,000	District received applications for over 600 trucks requesting approximately \$26 million. District is reviewing applications and expects to start signing contracts by the end of 2011.
	Replace old dirty engines in harbor craft with new clean engines. (G0GMSH1)	\$500,000	18,000	214,000	District is currently soliciting applications from equipment owners with applications due by August 2011.
Imperial County Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G0GMST1)	\$3,000,000	21,000	661,000	District received applications for over 400 trucks requesting approximately \$20 million. District is reviewing applications and expects to start signing contracts by the end of 2011.
Corridor Total		\$10,077,300	86,000	2,325,000	

TOTALS – FY2008-09 FUNDS

	Grant Amount	Emission Reductions over Project Life	
		PM	NOx
Total Grants to Local Agencies	\$199,594,203*	1,491,000 lbs or 746 tons	55,175,000 lbs or 27,588 tons
ARB administration costs	\$10.9 million**		
Total FY2008-09 Funds	\$210.5 million		

* Excludes the \$0.4 million in FY2008-09 funds used to supplement the Bay Area District's Grant for port trucks in 2010.

** Funds held for ARB administration costs cover multiple years.

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

LOS ANGELES/INLAND EMPIRE TRADE CORRIDOR – FY2007-08 FUNDS

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
South Coast Air Quality Management District	Replace old dirty trucks serving the Ports of Los Angeles and Long Beach with new clean models. (G07GMLP1)	\$6,930,000	71,000	1,196,000	District has completed the Grant to scrap 132 old trucks and replace them with new natural gas trucks meeting the cleanest 2010 emission standards. All 132 trucks are operational.
	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMLT1)	\$6,877,500	104,000	1,636,000	District has completed the Grant to scrap 131 old trucks and replace them with much cleaner trucks. All 131 trucks are operational.
	Retrofit trucks with soot filters and replace old dirty trucks with new clean models serving the rail yards. (G07GMLP2)	\$2,625,000	33,000	581,000	District has completed the Grant to retrofit 2 trucks with soot filters and to scrap 50 old trucks and replace them with much cleaner trucks. All 52 upgraded trucks are operational.
	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMLT2)	\$45,846,629	561,000	14,157,000	District is in process of completing this project with 528 upgraded trucks operational. District expects remaining 380 projects to be operational by the end of 2011.
	Replace old dirty locomotives at rail yards with new clean models. (G07GMLL1)	\$3,090,000	49,000	1,300,000	District has signed a contract with BNSF Railway to repower 4 switcher locomotives with much cleaner engines and expects them to be operational in 2012.

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

LOS ANGELES/INLAND EMPIRE TRADE CORRIDOR – FY2007-08 FUNDS (continued)

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
South Coast Air Quality Management District	Replace old dirty trucks serving the Ports of Los Angeles and Long Beach with new clean models. (G07GMLP3-03)	\$69,537,300	551,000	11,095,000	District is in process of completing this project with 1,313 upgraded trucks operational. District expects the remaining projects that get funded to be operational by August 2011.
Port of Long Beach	Replace old dirty trucks serving the Ports of Los Angeles and Long Beach with new clean models. (G07GMLP3)	\$3,550,000	62,000	609,000	Port has completed the Grant to scrap 67 old trucks and replace them with much cleaner trucks. All 67 trucks are operational. Note: In 2009, ARB approved the Ports' request to transfer administration of the Grant to the South Coast District, with the Port of Long Beach processing the remainder of the trucks from the combined ports' solicitation. ARB and the two ports amended the original Grant accordingly.
Corridor Total		\$138,456,429	1,431,000	30,574,000	

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

CENTRAL VALLEY TRADE CORRIDOR – FY2007-08 FUNDS

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
San Joaquin Valley Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMCT1)	\$4,935,000	113,000	1,364,000	District has completed the Grant to retrofit 10 trucks with soot filters and to scrap 93 old trucks and replace them with much cleaner trucks. All 103 trucks are operational.
	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMCT3)	\$42,069,197	624,000	14,481,000	District is in process of completing this project with 552 upgraded trucks operational. District expects remaining 272 projects to be operational by the end of 2011.
Sacramento Metropolitan Air Quality Management District	Replace old dirty trucks with new clean models. (G07GMCT2)	\$102,847	1,000	27,000	District has completed the Grant to scrap 2 old trucks and replace them with much cleaner trucks. Both trucks are operational.
	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMCT4)	\$5,392,827	45,000	1,044,000	District is in process of completing this project with 19 upgraded trucks operational. District expects remaining 64 projects to be operational by the end of 2011.
	Replace old dirty long-haul locomotives with new clean models. (G07GMCL1)	\$10,300,000	491,000	5,000,000	District has signed a contract with Union Pacific Railroad to repower 15 line haul locomotives with much cleaner engines by 2012. They are expected to routinely travel between the Central Valley and the South Coast.
Corridor Total		\$62,799,871	1,274,000	21,916,000	

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

BAY AREA TRADE CORRIDOR – FY2007-08 FUNDS

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
Bay Area Air Quality Management District	Install grid-based shoreside electrical power at 3 ship berths at the Port of Oakland so ships can plug in and turn off their engines while docked. (G07GMBS1)	\$2,856,000	20,000	1,164,000	District has completed the grant to provide shore power at 3 berths with the first ship plugging into the grid in May 2011.
	Retrofit drayage trucks serving the Port of Oakland or replace them with new clean models. (G07GMBP1)	\$14,526,891*	189,000	1,860,000	District has completed the Grant to retrofit 867 trucks and scrap/replace 202 trucks. All 1,069 trucks are operational.
	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMBT1)	\$17,377,500	129,000	2,539,000	District is in process of completing this project with 25 upgraded trucks operational. District expects remaining 263 projects to be operational by the end of 2011.
	Replace old dirty engines in harbor craft with new clean engines. (G07GMBH1)	\$0	0	0	Grant terminated and funds transferred to the existing port truck Grant (G07GMBP1), at the District's request.
	Replace old dirty locomotives at rail yards with new clean models. (G07GMBL1)	\$0	0	0	Grant terminated and funds transferred to the existing port truck Grant (G07GMBP1), at the District's request.
	Corridor Total		\$34,760,391	338,000	5,563,000

Proposition 1B: Goods Movement Emission Reduction Program
JUNE 2011 SEMI-ANNUAL STATUS REPORT

SAN DIEGO/BORDER TRADE CORRIDOR – FY2007-08 FUNDS

Local Agency	Project Description	Grant Amount	Emission Reductions (pounds)		Current Project Status
			PM	NOx	
San Diego Air Pollution Control District	Retrofit or replace trucks serving the Port of San Diego. (G07GMSP1)	\$0	0	0	Grant terminated and funds transferred to the existing port truck Grant (G07GMSP2), at the District's request.
	Replace old dirty trucks serving the Port of San Diego with new clean models. (G07GMSP2)	\$5,196,450	31,000	684,000	District has completed the Grant to scrap 98 trucks and replace them with much cleaner trucks. All 98 trucks are operational.
	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMST2)	\$2,042,250	13,000	332,000	District is in process of completing this project with 17 upgraded trucks operational. District expects remaining 15 projects to be operational by the end of 2011.
Port of San Diego	Install grid-based shore power at the Port of San Diego. (G07GMSS1)	\$0	0	0	Grant terminated at the Port's request, and funds transferred to the San Diego District's existing port truck Grant (G07GMSP2).
Imperial County Air Pollution Control District	Retrofit trucks with soot filters and replace old dirty trucks with new clean models. (G07GMST3)	\$3,748,500	31,000	457,000	District is in process of completing this project with 33 upgraded trucks operational. District expects remaining 39 projects to be operational by the end of 2011.
Corridor Total		\$10,987,200	75,000	1,473,000	

Proposition 1B: Goods Movement Emission Reduction Program
 JUNE 2011 SEMI-ANNUAL STATUS REPORT

TOTALS – FY2007-08 FUNDS

	Grant Amount	Emission Reductions over Project Life	
		PM	NOx
Total Grants to Local Agencies	\$247,003,891*	3,118,000 lbs or 1,559 tons	59,526,000 lbs or 29,763 tons
ARB administration costs	\$3.4 million		
Total FY2007-08 Funds	\$250 million		

* Includes \$0.4 million from FY2008-09 funds used to supplement the Bay Area District's Grant G07GMBP1 for port trucks.