FROM: Matt Rodriquez  
Secretary for Environmental Protection  
Richard W. Corey  
Executive Officer  
California Air Resources Board  

TO: Greenhouse Gas Reduction Fund (GGRF) Program File  

DATE: December 7, 2018  

SUBJECT: GREENHOUSE GAS REDUCTION FUND: CALIFORNIA AIR RESOURCES BOARD EXPENDITURE RECORD FOR FISCAL YEAR 2018-19 – COMMUNITY AIR PROTECTION FUNDS

This Attestation Memorandum documents that the California Environmental Protection Agency and California Air Resources Board (CARB) completed the attached Expenditure Record for Community Air Protection (CAP) funds on November 30, 2018. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 and with CARB's 2018 Funding Guidelines for Agencies that Administer California Climate Investments to support expenditures from the Greenhouse Gas Reduction Fund.

This Attestation Memorandum and Expenditure Record will be submitted to CARB for public posting on the CARB website at: www.arb.ca.gov/caclimateinvestments. Questions on this Attestation Memorandum or Expenditure Record may be directed to Mr. Kyle Goff, Air Pollution Specialist, at (916) 324-1988 or by email at kyle.goff@arb.ca.gov.

Attachment

cc: Kyle Goff  
Air Pollution Specialist  
California Air Resources Board
Greenhouse Gas Reduction Fund: Expenditure Record

California Air Resources Board (CARB)

Community Air Protection Funds Program

- **Authorizing legislation:** Item 3900-101-3228 of the Budget Act of 2018, as amended by Senate Bill (SB) 856 (Section 36) appropriates to CARB $265 million for early actions to support AB 617 (Garcia, Chapter 136, Statues of 2017). $245 million is to be used to implement projects pursuant to the Community Air Protection Funds Supplement to the Carl Moyer Memorial Air Quality Standards Attainment Program (Chapter 9 (commencing with Section 44275) of Part 5 of Division 26 of the Health and Safety Code), in accordance with the Board’s Proposition 1B guidelines relative to funding amounts and truck evaluations, or in accordance with Guidelines that will be developed for stationary sources and air district Community Emissions Reduction Programs. $20 million is to be made available for use by the local air districts to support overall implementation of AB 617.

**Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.**

- **Agency that will administer funding**
  - CARB will administer the funding and will provide guidance to air districts, who will implement projects at the local level in consultation with community organizations.

- **Amount of proposed expenditure and appropriation reference**
  - The expenditure is $265 million per Item 3900-101-3228 of the Budget Act of 2018, as amended by SB 856. Of this total, $245 million is for incentives, and the remaining $20 million is to be used for air district implementation of AB 617.
    - Per SB 856, the money will be distributed to the air districts following consultation with CARB.

- **Estimated amount of expenditures for administering agency administrative costs**
  - No funding was appropriated to CARB for State Operations. Of the $245 million appropriated for financial incentives, air districts are permitted to use up to 5 percent of funds received for project administration and outreach costs consistent with SB 856, the 2017 Moyer Program Guidelines, and forthcoming Guidelines developed for stationary sources and air district Community Emissions Reduction Programs. Under the guidelines, administrative costs include air district staff time, consultant fees, printing
Emission Reduction Program in the Health and Safety Code, commencing with section 39625 et seq. Each air district may allocate funds it receives to incentivize clean truck projects in accordance with the Proposition 1B Guidelines, relative to eligible projects, funding amounts, and truck evaluation.³

- **Continuation of existing Expenditure Record**
  - This is an update to an existing Expenditure Record. CARB's Expenditure Records for FY 2017-18 which included Community Air Protection Funds in support of AB 617. The Expenditure Record elements being updated include the following: amount of proposed expenditure and appropriation reference; estimated expenditure for administrative costs; the addition of more project types that will be eligible for funding; and the $20 million appropriation to be used by local air districts to implement all aspects of AB 617.

- **Project type(s)**
  - Low-carbon transportation
  - Mobile and stationary sources
  - Community Emissions Reduction Programs

- **Describe the projects and/or measures that will be eligible for funding**
  - **Mobile Sources.** Air districts may provide financial incentives to owners or vehicles and equipment eligible under Moyer Program and Proposition 1B criteria, with specific priority on zero-emission vehicles and equipment. Types of mobile source projects include replacement or repowering on-road and off-road heavy-duty diesel vehicles, marine vessels, locomotives, light-duty vehicle retirement, lawn and garden equipment, and electric charging or alternative fuel infrastructure. A full listing of eligible project types can be found in the 2017 Moyer Program Guidelines and the 2015 Proposition 1B Guidelines.

  - **Infrastructure.** Air districts may fund zero-emission charging infrastructure, prioritizing infrastructure that supports medium- and heavy-duty vehicles.

  - **Stationary sources.** Air districts may also use funds to assist owners of stationary source facilities that are not subject to the Cap-and-Trade Regulation, to help pay for equipment replacement with technologies that reduce criteria and toxic pollutants, including zero-emission technologies. CARB may also contract with the State Treasurer for loan programs.

³ **Goods Movement Emission Reduction Program.** [https://www.arb.ca.gov/bonds/gmbond/gmbond.htm](https://www.arb.ca.gov/bonds/gmbond/gmbond.htm)
Following consultation with air districts and the California Air Pollution Control Officers Association, CARB will distribute incentive funds to districts in a manner that considers district populations and pollution severity, as well as the opportunity to spend funds in and for the benefit of disadvantaged communities, including those selected by the Board in accordance with the Community Air Protection Program, to help meet AB 1550 investment targets.

CARB will also coordinate with the California Air Pollution Control Officer's Association to distribute implementation funds to districts in a manner that considers such things as district populations and pollution severity, as well as the opportunity to spend funds in and for the benefit of disadvantaged communities, including those selected by the Board in accordance with the Community Air Protection Program, to help meet AB 1550 investment targets.

Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

Consistent with Investment Plan: Health and Safety Code section 39718 requires that all Greenhouse Gas Reduction Fund moneys be appropriated in a manner that is consistent with the Administration’s three year Investment Plan. The Cap-and-Trade Auction Proceeds Second Investment Plan: Fiscal Years 2016-17 through 2018-19 identifies the following investment concepts for clean transportation:

- Support accelerated adoption and deployment of clean passenger vehicles and transit buses.
- Support demonstrations, pilot projects, and deployment of zero and near-zero emission heavy duty trucks, freight and non-freight equipment (e.g., forklifts, agricultural equipment, yard trucks, locomotives, ships, and other harbor craft), and airport equipment.
- Support further reductions in criteria pollutants, air toxics, and short-lived climate pollutants from the transportation sector.

Projects eligible under the Moyer Program and the Proposition 1B Program are consistent with these investment concepts.

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reductions in the State and railyards, thus displacing higher-emitting sources of GHG emissions in those sectors. Shore power and locomotive switcher electrification are examples of projects that may be selected by air districts.

- Other expenditures will achieve GHG emission reductions by accelerating the introduction of fuel efficiency improvements, particularly for heavy-duty trucks.
- Other expenditures will achieve GHG emission reductions by replacing equipment at stationary sources with more efficient and/or lower-emitting technologies, including zero-emission technologies.
- Other expenditures will facilitate current or future GHG reductions by accelerating the commercialization of advanced technologies that emit fewer GHG emissions compared to conventionally fueled vehicles or equipment.

Explain when GHG emission reductions and/or co-benefits are expected to occur and how they will be maintained

- Emissions reductions began in mid-2018 as the first round of projects were completed, and will continue as more projects are funded through the liquidation deadline of June 30, 2022. Each project is assigned a project life (three to 14 years), based on the remaining useful life of replaced engines and other factors. GHG emissions reductions will be estimated over each project life when the reductions are directly applicable to the project. Where GHG reductions are not directly attributable to projects, CARB staff will assess net GHG benefits quantitatively or qualitatively by project category, to show how the project set facilitates reductions.

Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

- Air Quality and Public Health Benefits: Community Air Protection Funds projects will reduce criteria pollutant forming emissions of nitrogen oxides (NOx), reactive organic gases (ROG), and particulate matter that contribute to ozone formation and increased exposure to air toxics. Elevated ambient levels of these pollutants have been linked to a variety of negative health effects, particularly in sensitive individuals such as the elderly, children, and people with compromised immune systems. By reducing NOx, ROG, and particulate matter emissions through replacement and scrappage of older, high-polluting vehicles and equipment, these projects help California meet health-based air quality
Percentage of total funding that will be expended for projects that are located in and benefit priority populations per CARB guidance

- At least 80 percent of funds must benefit residents of priority population communities. The investment targets for these funds are 70 percent spent in and benefiting disadvantaged communities, 5 percent spent in and benefiting low-income communities throughout the state, and an additional 5 percent spent in and benefiting low-income communities within half a mile of a disadvantaged community.

Describe the benefits to priority populations per CARB guidance

- These expenditures will reduce air pollution in priority population communities by providing incentives for cleaner vehicles and equipment registered in, domiciled in, or operating in a disadvantaged or low-income community. Projects located in and benefiting priority populations will meet the criteria listed in the CARB Funding Guidelines for Agencies that Administer California Climate Investments (Funding Guidelines), including addressing an important community need such as reducing exposure to local environmental contaminants and reducing health harms.

Explain strategies the administering agency will use to maximize benefits to disadvantaged communities

- Consistent with the objectives of AB 817, the administering agency will coordinate with local and regional entities to host workshops and meetings for public input on the projects that would be funded. Public outreach will be focused in disadvantaged communities. The program selection criteria will emphasize projects located within and providing benefits to disadvantaged communities in order to reach AB 1550 investment targets.

- Technical assistance grants to community-based organizations will help disadvantaged communities and populations participate in the development and implementation of the community emission reduction programs established pursuant to AB 617.

Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income

- CARB and air districts will consult directly with communities through various means including workshops and public comments on program guidelines to identify potential burdens. Under SB 856 all selected and funded projects must be consistent with priorities identified by the affected community in a transparent, meaningful public process. CARB will make programmatic adjustments to eligibility criteria, and ultimately funding decisions, as necessary to avoid potential substantial burdens to disadvantaged and low-income communities.

Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. See Section VII.B of the Funding Guidelines for more information on the definitions of priority populations.
CARB will provide regular updates on expenditures, project status, and benefits in reports prepared according to CARB’s Funding Guidelines. The reports will include expenditure amounts, current estimates of GHG emissions reductions, and assessment of other applicable co-benefits (e.g., criteria pollutant and air toxics emission reductions).