

CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER ADOPTION OF PROPOSITION 1B GRANTS TO REDUCE EMISSIONS FROM GOODS MOVEMENT

The Air Resources Board (ARB or Board) will conduct a public meeting at the time and place noted below to consider adoption of Proposition 1B funding allocations based on monies received from the October 2011 bond sale, and any additional funds received in Spring 2012, to reduce emissions from goods movement.

DATE: December 16, 2011

TIME: 9:00 a.m.

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

This item will be considered at a one-day meeting on December 16, 2011, commencing at 9:00 a.m. Please consult the agenda for the meeting, which will be available at least 10 days before December 16, 2011, to determine the order of agenda items.

BACKGROUND

The movement of freight (goods movement) throughout California results in emissions of diesel particulate matter (diesel PM), oxides of nitrogen (NOx), and other pollutants. Goods movement involves a variety of mobile emission sources, such as heavy duty trucks, diesel locomotives, ocean-going cargo ships, harbor craft, and cargo handling equipment. ARB has identified diesel PM as a toxic air contaminant, and NOx contributes to regional ozone and PM levels that exceed State and federal air quality standards. The emissions from these mobile sources result in significant human health risks and adverse environmental effects, particularly when such sources release emissions near already heavily-impacted communities located in California's trade corridors where these sources operate.

The Proposition 1B: Goods Movement Emission Reduction Program (Program), approved by voters in 2006, authorizes \$1 billion in bond funding to the ARB to cut freight emissions and resulting health risks in four priority trade corridors. The Program is a partnership between ARB and local agencies (like air districts and ports). Based on funding authorization provided by the State budget and availability of cash from bond sales or other State financing mechanisms, ARB awards Program funding to the agencies and they in turn use a competitive process to provide incentives to equipment owners to upgrade to cleaner technology.

In June 2010, the Board allocated \$475 million in Program funds to local and State agencies in two phases. Phase 1 included final awards for the \$200 million in available cash. These projects are underway. Phase 2 included tentative allocations to local and State agencies for \$275 million, with specifics to be finalized based on cash from future bond sales. Of this Phase 2 total, \$216 million was earmarked for truck grants to be administered by local air districts and a truck financing assistance program to be administered through ARB staff. The remainder of the Phase 2 funding was recommended for locomotive and ships at berth/cargo handling equipment projects.

STAFF PROPOSAL

Summary of Proposal. Phase 2 awards need to be updated based on the assessment of the available funding - \$100 million from the Fall 2011 bond sale and additional funding possible in a Spring 2012 bond sale or other mechanism. Staff's proposal utilizes the Board's priorities to recommend that all the Fall 2011 and Spring 2012 monies be used to fund additional Phase 2 truck projects, including implementation of the priority reserve funding for drayage trucks established by the Board in the *Final 2010 Staff Report and Guidelines for Implementation* (March 25, 2010). This approach reflects the Board's priority for achieving diesel emission reductions in highly impacted communities around ports, rail yards, distribution centers, and freeways.

Drayage Truck Priority Reserve Funding. Under the 2010 Program Guidelines, drayage trucks that were both equipped with retrofits and registered in ARB's drayage truck registry as of June 2010 are eligible for the priority funding in the form of grants. To deliver the early or extra emission reductions required under the program, drayage trucks must be upgraded by the end of 2012 -- at least one year ahead of the December 31, 2013 deadline in the Drayage Truck Regulation. In addition, staff proposes that the Board allocate \$5 million to ARB to provide improved access to financing for eligible drayage truck owners via the California Pollution Control Financing Authority's California Capital Access Program.

Additional Funding for Truck Projects Currently on District Ranked Lists. Staff further proposes that any remaining funds from the \$100 million currently available, plus any new funds received in Spring 2012, be allocated to upgrade other trucks already on the ARB-approved, competitively ranked lists developed by the air districts from the Spring 2011 truck solicitation.

Regional Allocation of Funding. Unlike prior staff recommendations for Program funding allocations, this proposal focuses on the process for distributing funding to air districts (and to ARB for the truck financing assistance program), with the absolute dollar amounts of the grants to air districts in each trade corridor to be determined by ARB's Executive Officer based on the priorities adopted by the Board. If the Board supports drayage truck funding as the first priority for the \$100 million in current cash, staff would quickly notify eligible drayage truck owners in December 2011. Those owners would have about 6 weeks to submit applications and proof of financing for the remainder of the cost of a compliant truck. After screening the responses, ARB staff would determine the level of funding needed to implement the drayage reserve and execute grant

agreements with the Bay Area Air Quality Management District and the South Coast Air Quality Management District to administer the drayage truck funding.

Consistent with the Board's direction, remaining funds, and any new funds received in Spring 2012, would be allocated by ARB staff to grants for other truck projects and (potentially) truck loan assistance. The allocations to air districts for other truck grants would consider: the trade corridor funding targets; the total Program funding allocated to each trade corridor to date; the demonstrated demand for additional truck funding based on existing, approved ranked lists; and the district resources available to quickly implement additional funds.

The Program Guidelines note that the allocations made in each individual funding cycle are responsive to the priorities established by the Board and may not be directly proportional to the trade corridor funding targets. The Board directed staff to recommend funding levels for local (and State) agency projects that are designed to reach the trade corridor funding targets over the course of the entire \$1 billion Program.

In the next cycle of funding awards (Fall 2012 or later), ARB staff would issue a new Notice of Funding Availability to solicit agency proposals and seek to recommend funding allocations that restore the balance in each corridor, subject to the other criteria in the Program.

Reuse of Drayage Trucks Equipped with Particulate Matter (PM) Filters. Typically, trucks that are replaced in this Program are scrapped to ensure the emissions benefits are achieved. However, the Program Guidelines allow re-use of certain trucks being replaced if the reuse meets defined criteria and is approved by ARB's Executive Officer. Using Program funds to aid replacement of drayage trucks that are already equipped with PM filters presents a unique opportunity. Staff believes that some of these drayage trucks with filters should be reused to replace the oldest trucks used in agriculture or other applications that are not required to upgrade until 2020 or later under ARB's Truck and Bus Regulation. Scrapping the very oldest trucks and replacing them with filter-equipped trucks could provide substantial health benefits in communities impacted by diesel emissions.

The current and proposed commitment of Program funding to upgrade drayage trucks is providing the greatest benefits in the Los Angeles/Inland Empire and Bay Area trade corridors where the major ports are located. Recognizing the environmental justice concerns in low-income and minority communities in the Central Valley as well, ARB staff is recommending that this truck reuse program be focused on the Valley. Given that there would be no Program funds available to support the administrative costs for truck reuse, staff believes that a single program run by the San Joaquin Valley Air Pollution Control District would be the most efficient way to achieve the objective. This District has expressed a strong interest in developing the concept with ARB staff that meets the Guideline requirements.

AVAILABILITY OF DOCUMENTS

The Final 2010 Staff Report and Guidelines (March 25, 2010) discuss the drayage priority reserve funding concept. The Staff Report on 2010 Funding Awards (June 24, 2010) details the public process to develop recommendations for Phase 1 and Phase 2 funding, as well as staff's evaluation of the original agency proposals. A Staff Draft Concept Paper on 2011 Funding Awards (November 10, 2011) and associated workshop slides describe staff's preliminary thoughts on how to update the Phase 2 funding recommendations in response to the lower dollar amounts likely to be available.

All of the materials listed above are currently available on the Program website at <http://www.arb.ca.gov/gmbond>.

ARB staff expects to release its formal recommendations in a Staff Report on 2011 Funding Awards on or before December 5, 2011. Copies of the new Staff Report may be obtained from ARB's Public Information Office, 1001 I Street, First Floor, Environmental Services Center, Sacramento, California, 95814, (916) 322-2990, starting December 5, 2011. The report may also be obtained from the Program website listed above.

SUBMITTAL OF PUBLIC COMMENTS AND AGENCY CONTACTS

Interested members of the public may present comments orally or in writing at the meeting and may be submitted by postal mail or by electronic submittal before the meeting. To be considered by the Board, written comments not physically submitted at the meeting must be received **no later than 12:00 noon, Thursday, December 15, 2011**, 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/lispub/comm/bclist.php>

You can sign up online in advance to speak at the Board meeting when you submit an electronic board item comment. For more information go to: <http://www.arb.ca.gov/board/online-signup.htm>.

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.

ARB requests that written and email statements on this item be filed prior to the meeting so that ARB staff and Board members have time to consider each comment. Further inquiries regarding this matter should be directed to Ms. Monique Davis, Staff Air Pollution Specialist, at (916) 322-7304 or Ms. Barbara Van Gee, Manager, Goods Movement Program Section at (916) 324-9949.

SPECIAL ACCOMMODATION REQUEST

Special accommodation or language needs can be provided for any of the following:

- An interpreter to be available at the hearing.
- Documents made available in an alternate format or another language.
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than ten (10) business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Comodidad especial o necesidad de otro idioma puede ser proveído para alguna de las siguientes:

- Un intérprete que esté disponible en la audiencia.
- Documentos disponibles en un formato alternativo u otro idioma.
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al (916) 322-5594 o envíe un fax a (916) 322-3928 lo más pronto posible, pero no menos de diez (10) días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

CALIFORNIA AIR RESOURCES BOARD

/s/

James N. Goldstene
Executive Officer

Date: November 21, 2011

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 website at www.arb.ca.gov.