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Board Agenda Item

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

CONTACT: Gary Hoffman, 961-8818

SUBJECT: Heavy-Duty Diesel Emission Reduction Grant Program-Call for Proposals

RECOMMENDATION:

Approve the Call for Proposals document (Attachment 1) for release on June 1, 2005 to solicit project proposals from public and private operators to implement the District's Heavy-Duty Emission Reduction Grant Programs.

SUMMARY

The District is slated to receive new incentive funding from the state's Carl Moyer Program, and from revenues provided by the AB923-\$2 motor vehicle fee surcharge increase approved by the Board in December, 2004. We will issue a Call for Proposals on June 1, 2005 to solicit projects over the next fiscal year from local heavy-duty diesel engine operators (e.g., on-and off-road vehicles, marine, agriculture, and school buses) that will receive incentive funding to replace their old polluting engines with new cleaner engines. Total grant funds available will be approximately \$950,000. This process will guide the District's voluntary heavy-duty emission reduction programs over the next several years and provide long term air quality benefits to Santa Barbara County.

DISCUSSION:

At the December 2004 Board meeting, staff expressed our intention to return to your Board to clarify the emission reduction programs we will fund with future incentive funds the District is slated to receive, specifically, the Year 7 Carl Moyer Program funding and the \$2 motor vehicle (DMV) fee surcharge revenues. An important component of our effort is a Call for Proposals (CFP) document that we will release on June 1, 2005 to solicit proposals from private and public entities in the county for projects to reduce air pollution from heavy-duty diesel engines.

Total grant funding available for the CFP is approximately \$950,000 for next fiscal year (July 1, 2005 to June 30, 2006). The CFP grant funding comes from the following three sources (shown with an approximate funding breakdown for next fiscal year):

1. Carl Moyer Program (\$300,000 in Year 7 funds from CARB)
2. \$2 DMV Fee Surcharge revenues (\$500,000)
 - \$200,000 – District’s Carl Moyer match
 - \$100,000 - Agriculture Assistance Program
 - \$200,000 - new school buses
3. Lower Emission School Bus Program
 - \$200,000 - new school buses (from \$2 DMV revenues)
 - \$150,000 - existing state funds for retrofits

The District will begin accepting CFP project proposals on July 1, 2005. Staff will evaluate each project on a first come, first served basis. All eligible projects must meet the respective funding program requirements and this CFP to qualify for funding. A fourth program to be funded using \$2 DMV revenues, an accelerated vehicle retirement program, will not be part of this CFP, but will be administered separately.

Equipment categories eligible for grant funding include on-and off-road vehicles, marine vessels, agricultural engines, forklift, airport ground support equipment, and locomotives. Typical projects include engine repowers, replacements, and retrofits for both diesel and alternative fueled equipment. Also eligible are the purchase of new school buses and installation of particulate matter (PM) control devices on existing school buses under the Lower Emission School Bus Program. Several of the above equipment categories have existing program allocations approved by your Board (e.g., on- and off-road vehicles, marine, agriculture, etc.). Table 1 (attached) provides a qualitative review of which program (heavy-duty equipment category) can receive grant funds from the three respective CFP funding sources. Staff will identify the appropriate funding source for eligible projects.

Table 2 (attached) provides a further breakdown of available funding sources (Carl Moyer Program and \$2 DMV revenues) for grants to eligible agriculture sources and the types of projects that can be funded. Under AB923, which took effect on January 1, 2005, funding for agricultural projects with \$2 DMV revenues can be done in two ways. The revenues can be used to fund agriculture projects eligible under the Carl Moyer Program (e.g. irrigation pumps, tractors) or they can be used to directly fund projects (e.g. irrigation pumps) under a new program CARB calls the “Agricultural Assistance Program” (AAP) for previously unregulated agriculture sources. AAP requirements are based on the statutory provisions of AB923, and outlined in recent CARB program advisory updates. As the CFP indicates, we will continue our incentive programs to agriculture, and staff will assist agricultural sources applying for grant funds under this CFP in making this determination and selecting the appropriate funding program. These incentives will continue to be available while Senate Bill 700 is being implemented to the agricultural community.

Staff recommends that your Board approve the CFP document for release to the public on June 1, 2005, for the purpose of soliciting project proposals from heavy-duty equipment operators to replace dirtier diesel engines with cleaner low-emission engines. This CFP will greatly facilitate

matching the proposed funding sources available to the District with eligible emission reduction projects over the next fiscal year. We anticipate bringing future CFPs to your Board on an annual basis.

Grant funds for this CFP will be taken from the District's Carl Moyer Program, the \$2 DMV fee revenues, and the Lower Emission School Bus Program. The funding and appropriation for Board-approved grants (including individual grant agreements executed by the Control Officer pursuant to delegation authority in Board Resolution No. 02-16) to be issued under this CFP process will be included in the FY 2005/2006 APCD budget.

Enclosures: Table 1: CFP Funding Sources vs. Equipment Category

Table 2: Agricultural Source Eligibility for Carl Moyer and \$2 DMV Incentive Funds

Attachment 1: Heavy-Duty Diesel Emission Reduction Grant Programs- Call for Proposals Document