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Board Agenda Item

TO: Air Pollution Control District Board

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SUBJECT: Overview of Voluntary Clean Air Funding Programs

RECOMMENDATION:

Receive a presentation on the status of the District's clean air funding programs.

BACKGROUND:

Since 1988, the District has successfully implemented a variety of grant and incentive programs to help clean the air in Santa Barbara County. These programs have creatively leveraged over \$32 million in state and local funds to secure several thousand tons of emission reductions in the county. They are completely voluntary, and are intended to generate air quality benefits from sources that are outside of the District's regulatory authority. The programs have a wide reach in the community, and achieve emission reductions from agricultural, marine, on-road mobile, and residential sources.

The sources of funding for these grant and incentive programs include:

- \$16.6M - local air quality mitigation fees;
- \$8.6M - California Air Resources Board Carl Moyer Program and Lower Emission School Bus Program
- \$6.8M - DMV surcharge revenue (AB2766 and AB923); and
- \$30K - District reserve funds.

Our voluntary incentive programs promote clean air solutions using proven technologies, achieve cost-effective emission reductions through public/private partnerships, and foster local business opportunities while providing long-term air quality benefits. Through these programs, the District collaborates with local stakeholders to incentivize emission reduction projects in

advance of regulatory deadlines or for sources outside our regulatory authority (e.g., mobile sources). These projects improve local and countywide air quality and in some cases can help grant applicants achieve early compliance with state regulations while reducing their compliance costs and infusing dollars into the local economy.

Incentive Program Descriptions:

Below is a summary of the incentive programs the District is currently implementing countywide:

- ***Carl Moyer Grant Program***

The District has participated in the California Air Resources Board's (CARB) Carl Moyer Program since its inception in Fiscal Year 1998-99. Over that time, the District has leveraged approximately \$8.2M of Carl Moyer grant funds along with \$5.3M of grantee funds into \$13.5M of total funds for 147 projects. These projects include agricultural diesel water pump repowers, marine vessel diesel engine repowers, on-road heavy-duty diesel engine repowers and retrofits, off-road heavy-duty diesel engine repowers, and off-road heavy-duty equipment replacements. The projects have reduced approximately 1,342 tons of emissions.

In October 2015, Senate Bill 513¹ was approved by the Governor. This bill established two pathways for changes to the Carl Moyer Program: 1) near-term procedural updates to incentive programs, which became effective on January 1, 2016, and 2) longer-term revisions to the Carl Moyer Program Guidelines on April 27, 2017. The near-term procedural updates streamlined the administrative process, increased administrative funds from 10% to 12.5%, provided allowances for leveraging funding, increased the ability to fund school buses, and updated cost-effectiveness factors to account for inflation. The guideline revisions made additional source categories such as fueling and energy infrastructure eligible for grants, allowed for projects to be co-funded from multiple grant programs, and revised the methodology for determining cost-effectiveness. The District will implement the 2017 Carl Moyer Program guidelines during the coming fiscal year.

In Fiscal Year 2016-2017, the District provided \$473,775 in grant funds towards the following projects:

- Five Off-Road Equipment Replacement projects:
 - Three agricultural tractors in Santa Maria
 - One agricultural tractor in Buellton
 - One agricultural tractor in Carpinteria
- Two Marine Diesel Engine Repower Projects in the Santa Barbara Harbor

During Fiscal Year 2017-18, the District will implement Year 19 Carl Moyer with approximately \$468,000 available for eligible projects and \$67,000 for program administration. For Year 19, the funds will be directed to two program areas: 1) Off-Road Equipment Replacement Program (i.e., agricultural and construction equipment) and 2) Marine Diesel Engine Repower Program. The Year 19 program will launch in the fall and applicants will have one month to apply. Completed applications are ranked and funded based on cost-effectiveness, and other factors such as regional location and project type. When allocating funds the District's goal is to ensure a balance between project type and countywide distribution.

¹ Beall. Carl Moyer Memorial Air Quality Standards Attainment Program: Fees

- ***Lower-Emission School Bus Program***

In 2001, the District Board approved participation in the California Air Resources Board's (CARB) Lower-Emission School Bus Program. Since that time, the District has awarded \$2.5M of grant funds into local school district transportation bus fleets, which have helped fund the replacement of 25 older high-polluting diesel powered school buses with new clean low-emission school buses, the retrofit of 34 school buses with diesel particulate control filters to capture toxic exhaust, the replacement of compressed natural gas (CNG) fuel tanks in four school buses, and the replacement of 17 CNG fueling hoses at a school district.

In Fiscal Year 2016-2017, the District provided \$17,500 in grant funds for the replacement of compressed natural gas fuel tanks in a Lompoc Unified School District school bus.

The deployment of electric school buses throughout California is an emerging technology. The District is currently investigating the practicality and cost-effectiveness of funding electric powered school bus projects in our county. In March 2017, the District helped facilitate a workshop and demonstration of electric school bus technology sponsored by First Priority GreenFleet. The event was held at the Santa Maria Joint Union High School District office and was attended by transportation officials from several different school districts. The District will continue to assess the deployment of alternative-fueled bus technology such as electrification, hydrogen, biofuels, and hybrids as opportunities for potential grant funding projects in the future.

In Fiscal Year 2017-2018, the District plans to implement grant projects with the Lompoc Unified School District by providing approximately \$542,000 of Carl Moyer Program Year 19 State Reserve funds towards the total cost of six school bus replacements. In addition, the District has budgeted \$300,000 from DMV surcharge fees for the Lower Emission School Bus Program. Both the Santa Ynez Valley Union High School and the Orcutt Union School District have diesel school buses that may be eligible for replacement, and the District will pursue using our local DMV surcharge funds towards school bus replacement projects with these two school districts over the next few fiscal years.

- ***Old Car Buy Back Program***

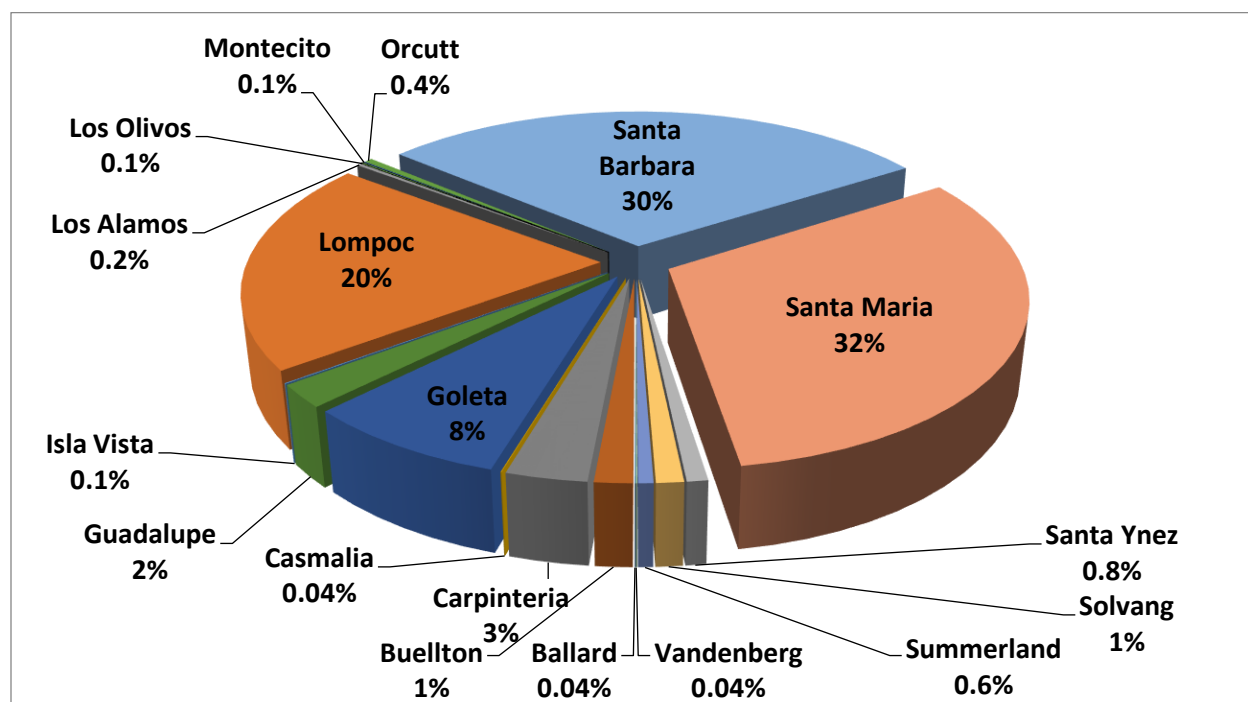
Over the past 24 years, the District has used \$7.1M of grant funds, primarily from DMV surcharge fees, along with Notice of Violation penalty fees and local air quality mitigation fees, to implement three separate light-duty vehicle retirement programs. These three scrap programs have cost-effectively retired and repaired over 6,600 vehicles and reduced an estimated 885 tons of emissions throughout the county. Table 1 provides a summary of these three scrap programs:

Table 1: Summary of Voluntary Vehicle Retirement Programs

Old Car Buy Back Programs	Funding	Cars Retired	Emission Reductions (tons)
1993-1996	\$930,000	1,214	231
1999-2002	\$410,000	497	112
2006-Present	\$5,790,000	4,885	542

Interested individuals, receive an incentive to voluntarily take their older vehicles off the road. Participants with eligible vehicles work directly with licensed auto dismantlers who permanently destroy (i.e. crush) cars and trucks under this program. As demonstrated in Figure 1 below, this program provides wide array of participation countywide.

Figure 1: Old Car Buy Back Vehicle Owner Location²



In 2011, the District updated the Old Car Buy Back program to offer \$1,000 to individuals who wish to retire model year 1993 and older vehicles. The District signed five-year contracts with dismantlers including Steelhead Recyclers in Goleta, Perry's Auto Wrecking and Salvage in Lompoc, and Black Road Auto and Tow in Santa Maria.

These three dismantlers operate the Old Car Buy Back Program on a daily basis by implementing five critical steps in the process:

- 1) Interfacing with the vehicle owner;
- 2) Determining vehicle eligibility by verifying registration history, smog check status, and title;
- 3) Inspecting the functionality of the vehicle;
- 4) Paying the vehicle owner; and
- 5) Submitting all documentation to the District.

This program provides broad community benefit and is an effective partnership between the District and dismantlers. In October 2016, the District Board authorized contract amendments with all three of the regional dismantlers allowing operation of the program until October 20, 2021.

The District has \$500,000 in DMV surcharge fees budgeted for the Old Car Buy Back Program in Fiscal Year 2017-18.

² Figure 1 illustrates participation in the Old Car Buy Back Program since 2006. During which time \$5,790,000 was awarded for projects and 4,885 vehicles were retired.

- ***Electric Vehicle Charging Station Infrastructure Grant Program***

The District has worked collectively with neighboring air districts and other groups for several years to advance publicly available electric vehicle (EV) charging infrastructure. In 2011, the District launched a grant program with \$100,000 in funds from local air quality mitigation fees for the purchase and installation of public EV charging stations. In 2015, your Board approved an additional \$200,000 in the program's lifetime spending limit to fund public, nonprofit, and privately owned charging stations from local air quality mitigation fees. See Table 2 for a list of funded projects. The District has \$135,000 budgeted for the Electric Vehicle Charging Station Infrastructure Program in the draft Fiscal Year 2017-18 budget. In Fiscal Year 2017-18, we plan to use \$10,000 towards a Santa Maria project to install two Level-3 charging stations at a private auto dealership located near Highway 101, area shops and restaurants. Approximately \$100,000 remains to fund publicly owned projects under the program's lifetime spending limit. The program funds primarily come from the Guadalupe Dunes Oil Field air quality mitigation fees.

Table 2: Summary of Electric Vehicle Charging Station Projects Funded

Grant #	Entity	Entity Name	Charger Type	Funds
EVCS-001	Public	City of Santa Barbara (Harbor)	Two (2) Level-2	\$7,949
EVCS-002	Public	City of Buellton (Marriott Hotel)	One (1) Level-2	Terminated
EVCS-003	Public	UC Santa Barbara (Lot #18/Lot #22)	Four (4) Level-2	\$16,344
EVCS-004	Public	Peabody Charter School (Santa Barbara)	One (1) Level-2	\$7,949
EVCS-005	Public	City of Goleta (Camino Real Center)	One (1) Level-3	\$17,283
EVCS-006	Public	UC Santa Barbara (Lot #10)	Four (4) Level-2	\$34,364
EVCS-007	Public	City of Guadalupe (City Parking Lot)	One (1) Level-2	\$6,293
EVCS-008	Nonprofit	US Green Vehicle Council (Buellton Sideways Inn)	One (1) Level-2 One (1) Level-3	\$30,000
EVCS-009	Nonprofit	US Green Vehicle Council (Lompoc Embassy Suites)	One (1) Level-2 One (1) Level-3	\$30,000
EVCS-010	Nonprofit	US Green Vehicle Council (Santa Maria TraveLodge)	One (1) Level-2 One (1) Level-3	\$30,000
			Total	\$191,528

- ***Wood Smoke Reduction Program***

The Wood Smoke Reduction Program was approved by your Board on March 16, 2017 and officially launched on April 5, 2017. The Program offers incentives to residential property owners to help them voluntarily remove a wood-burning device, such as a stove or fireplace, or to replace the device with a cleaner heating alternative that uses gas or electricity. Qualified applicants receive incentive funding in the amount of \$500 to remove an existing wood-burning device or \$1,000 to replace an existing wood-burning device. As of May 30, 2017 the District has approved nine replacement projects for incentive funding in the amount of \$1,000 each. District staff has been conducting limited district-wide outreach and has been working with local dealers to promote the program.

Outreach:

Public outreach is a vital component of administering all grant programs. The District implements a variety of outreach strategies to raise community awareness of available grant funding and secure viable emission reduction projects. Communication tools include the District's website, press releases, newsletters, advertisements, direct correspondence, presentations, and social media coverage with interested public entities, trade organizations, advisory committees, private businesses, school districts, local government television, local publications, and the general public.

FISCAL IMPACTS:

Table 3 summarizes the incentive program funding allocation and expenditures for Fiscal Year 2016-17 as of May 30, 2017. The table includes program name, funding source and total funds. In addition to providing significant pass-through grant funding to secure voluntary emission reductions over the two fiscal years, these programs have also secured administrative costs to cover a portion of the District staff time for project implementation. The administrative fund allocation is specified legislatively for both the Carl Moyer Program and DMV surcharge fees as an overall percentage from the total grant award to the District.

Table 3: Summary of Incentive Program Funding, FY 2016-2017

Program	Funding Source	Program Budget	Program Expenditures	Administrative Funds	Total Program Expenditures
Year 17 Moyer	Carl Moyer Program	\$528,031	\$474,542	\$52,967	\$527,509
Year 18 Moyer	Carl Moyer Program	\$539,303	\$62,475	\$20,742	\$83,217
School Bus	DMV fees	\$300,000	\$17,505	\$1,094	\$18,599
Electric Vehicle Charging Stations	Guadalupe Dunes Oil Field Mitigation	\$135,000	\$6,292	\$0	\$6,292
Old Car Buy Back	DMV fees	\$500,000	\$497,000	\$31,063	\$528,063
Wood Smoke	Reserves	\$30,000	\$0*	\$0	\$0
TOTAL FUNDS		\$2,032,334	\$1,057,814	\$105,866	\$1,163,680

*\$9,000 has been committed but not expended.

As reflected in the draft Fiscal Year 2017-18 budget, twenty-three percent or \$2.4 million dollars of the District's revenue is slated for grant programs as pass-through funds. These grant programs also result in \$191,350 of administrative funds to cover a portion of the District staff time to oversee project implementation and grant management. Throughout the next fiscal year, the District will implement the following programs: Carl Moyer Program, Lower Emission School Bus Program, Electric Vehicle Charging Station Infrastructure, Old Car Buy Back and Wood Smoke Reduction. Page 22 of the draft Fiscal Year 2017-18 budget shows detailed funding allocations of pass-through funds. In addition, the District continues to seek out other grant funding opportunities to assist with voluntary emission reductions countywide.