

Agenda Date: May 17, 2018  
Agenda Placement: Regular  
Estimated Time: 20 minutes  
Continued Item: No

## **Board Agenda Item**

**TO:** Air Pollution Control District Board

**FROM:** Aeron Arlin Genet, Air Pollution Control Officer

**CONTACT:** Jim Fredrickson, Supervisor, Planning & Grants Programs (961-8892)

**SUBJECT:** Overview of Voluntary Clean Air Grant and Incentive Programs

---

### **RECOMMENDATION:**

Receive a presentation on the status of the District's clean air grants and incentive programs and discuss potential program changes to be proposed as part of the June 21, 2018 Board hearing.

### **BACKGROUND:**

Since 1988, the District has successfully implemented a variety of voluntary grant and incentive programs that have promoted clean air solutions using proven technologies, achieved cost-effective emission reductions through public and private partnerships, and fostered local business opportunities while providing long-term air quality benefits. Through these programs, the District has creatively leveraged almost \$34 million in state and local funds to secure several thousand tons of emission reductions in the county, and collaborated with community members to incentivize emission reduction projects in advance of regulatory deadlines or for sources outside our regulatory authority (e.g., mobile sources). These agricultural, marine, on-road mobile, and residential projects have improved local and countywide air quality and in some cases have helped grant applicants achieve early compliance with state regulations while reducing their compliance costs and infusing dollars into the local economy.

The funding sources for these programs include:

- \$16.7M – local air quality mitigation fees;
- \$10.2M – California Air Resources Board Carl Moyer Program and Lower-Emission School Bus Program;
- \$7.4M – Department of Motor Vehicles (DMV) surcharge revenue (AB2766 and AB923); and
- \$30K – District reserve funds.

## **DISCUSSION:**

### **Existing Programs**

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

#### *Carl Moyer 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 over \$8.7M of Carl Moyer grant funds along with \$5.8M of grantee funds into \$14.5M of total funds for 155 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 1,400 tons of emissions.

In Fiscal Year 2017-18, the District provided \$468,675 in grant funds towards the following projects:

- Seven Off-Road Equipment Replacement projects:
  - Four agricultural tractors in Santa Maria
  - One agricultural tractor in Buellton
  - One agricultural tractor in Los Alamos
  - One agricultural tractor in Los Olivos
- One Marine Diesel Engine Repower Project in the Santa Barbara Harbor

The District also received \$619,975 of Carl Moyer Program Year 19 State Reserve funds in Fiscal Year 2017-18 that were specifically earmarked for school bus projects. The District leveraged this funding toward approximately \$1,000,000 total cost to replace six old diesel-fueled school buses at Lompoc Unified School District with one new diesel-fueled school bus and five compressed natural gas-fueled (CNG) school buses.

The Carl Moyer grant funds also included \$144,292 of funding for administration of the grant projects, at a rate of 12.5% of the project totals.

During Fiscal Year 2018-19, the District will implement the Carl Moyer Year 20 Program with \$534,362 of grant funds. For Year 20, the funds will be primarily directed into two program areas: 1) Off-Road Equipment Replacement Program (i.e., agricultural and construction equipment) and 2) Marine Diesel Engine Repower Program. Other potential Carl Moyer projects may include alternative fuel infrastructure and school bus replacement. The Year 20 program will launch in the fall and applicants will have one month to apply. Completed applications will be ranked based on emission reductions and cost-effectiveness limits established under Board Resolution 18-03. When allocating funds staff also seeks a balance between project type and geographic distribution. The District also expects to receive approximately \$50,000 from the Year 20 Carl Moyer Program State Reserve in Fiscal Year 2018-19, with these funds specifically designated for Off-Road Equipment Replacement projects.

The Carl Moyer Program currently operates under the authority of Resolution 15-22, approved by your Board on August 20, 2015. This resolution was amended on May 18, 2017 to increase the fund acceptance limit to \$1,500,000 (Resolution 17-05).

#### Lower-Emission School Bus Program

In 2001, your Board approved participation in CARB's Lower-Emission School Bus Program. Since then, the District has awarded \$3.3M of grant funds into local school district transportation bus fleets. This has included the replacement of 33 older high-polluting diesel powered school buses with new clean low-emission school buses, the retrofit of 33 school buses with diesel particulate control filters to capture toxic exhaust, the replacement of CNG fuel tanks in four school buses, and the replacement of 17 CNG fueling hoses at a school district.

In Fiscal Year 2017-18, the District awarded \$140,000 in \$2 DMV surcharge funds for the replacement of an old diesel-fueled school bus at the Orcutt Union School District with a new diesel-fueled school bus.

The deployment of electric school buses throughout California is an emerging technology, and mainstream school bus manufacturers are now entering the market. Staff is currently investigating the practicality and cost-effectiveness of funding an electric-powered school bus project in our county in Fiscal Year 2018-19, especially now that state voucher incentive funds have increased for zero emission vehicles. In the Fiscal Year 2018-19 draft budget, staff has identified \$165,000 of \$2 DMV surcharge funds budgeted towards a school bus project, which can either be used for a diesel bus replacement or for an electric-powered school bus.

#### Old Car Buy Back Program

Over the past 24 years, the District has used \$7.9M of grant funds, primarily from DMV surcharge fees, along with mutual settlement 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 more than 6,836 vehicles and reduced an estimated 913 tons of emissions throughout the county. Table 1 provides a summary of these three scrap programs:

**Table 1: Summary of Voluntary Vehicle Retirement Programs**

<b>Old Car Buy Back Programs</b>	<b>Funding</b>	<b>Cars Retired</b>	<b>Emission Reductions (tons)</b>
1993-1996	\$930,000	1,214	231
1999-2002	\$410,000	497	112
2006-Present	\$6,348,500	5,125	570

Interested individuals receive an incentive to take their older vehicles off the road voluntarily. Participants with eligible vehicles work directly with licensed auto dismantlers who permanently destroy (i.e., crush) cars and trucks under this program.

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 implement the Old Car Buy Back Program on a daily basis following these five critical steps:

- 1) Interface with the vehicle owner;
- 2) Verify vehicle eligibility (registration history, smog check status, and title);
- 3) Inspect functionality of the vehicle;
- 4) Issue payment to the vehicle owner; and
- 5) Submit required documentation to the District.

This program provides broad community benefit and is an effective partnership between staff 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. In Fiscal Year 2017-18, the District purchased 241 old cars with \$558,500 of DMV surcharge fees. The District included \$685,000 in DMV surcharge fees for the Old Car Buy Back Program in the draft budget for Fiscal Year 2018-19 and staff will consider modifications to the program to increase participation such as increasing the model year eligibility.

#### *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, with Resolution 15-26, 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.

In Fiscal Year 2017-18, the District issued grants for the following publicly accessible EV charging stations:

- Two DC fast-charging stations in Santa Maria
- One Level 2 charging station in Santa Barbara
- One Level 2 charging station in unincorporated Goleta Valley

The draft budget for Fiscal Year 2018-19 includes \$135,000 toward additional EV charging infrastructure projects throughout the county. The District would like to continue the success this program has had in the public sector, while also allowing for grants at multi-unit dwellings that are either privately- or nonprofit-owned. At the June Board hearing, staff will propose an increase in funding for multi-unit dwellings specifically, since this type of charging infrastructure has been identified as a critical need for more widespread EV deployment.

#### *Woodsmoke Reduction Program*

The District's Woodsmoke Reduction Program was approved by your Board on March 16, 2017 with Resolution 17-04 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 may receive \$500 to remove an existing wood-burning device or \$1,000 to replace an existing wood-burning device with heat-rated gas-burning equipment. The \$1,000 does not cover the full cost of the replacement; projects typically cost \$4,000-\$5,000. A total of \$25,000 in District funds (from last fiscal year, and the current fiscal year) has been expended to date.

In February 2018, the California Air Pollution Control Officers Association (CAPCOA) signed an agreement with CARB to receive \$5 million in state funds for distribution to air districts for implementation of Woodsmoke Reduction Programs. The District expects to receive \$250,000 of the state funds upon signing of an agreement with CAPCOA. The state-funded program will be slightly different from the existing District program, and will include the ability to pay the full cost of the replacement for low-income individuals. At your June Board meeting, staff will bring the agreement and more information on the state-funded program to your Board for approval along with the rescinding and replacement of Resolution 17-04 with a new resolution to accept the funds from CAPCOA and implement the revised program.

## **New Programs**

The District also plans to implement the following new programs countywide in Fiscal Year 2018-19:

### **FARMER Program**

The FARMER Program (Funding Agricultural Replacement Measures for Emission Reductions) is a new one-time funding program that specifically targets reducing emissions from agricultural operations. The FARMER program guidelines were approved by the CARB Board on March 23, 2018 and the Fiscal Year 2018-2019 program funding for the District is set at a total of \$666,900. Similar to other CARB grant programs, the FARMER Program includes a budget of 12.5% of project funds to be used for administration of the program. If approved by your Board, the District will use these funds specifically in our Off-Road Equipment Replacement Program. At the June Board hearing, staff will request approval of a new resolution to implement the FARMER program.

### **Community Air Protection Program**

The Community Air Protection Program is a new funding program established by AB 617, signed by the Governor on July 26, 2017, and officially launched by CARB in August 2017. The program will offer a total of \$655,000 of grant funding in Fiscal Year 2018-19. This CARB grant program will include a budget of 6.25% of project funds to be used for administration of the program. AB 617 requires air districts to expend these funds on Carl Moyer-type projects in disadvantaged and low-income areas of the county. Targeted outreach was conducted in April and May, and is also planned for June, at community events in Lompoc, Santa Maria, Guadalupe, and Santa Barbara. During these events the District sought input on potential emission-reduction projects to directly improve the air quality in these impacted regions. At the June Board hearing, staff will request approval to implement the AB 617 Community Air Protection Program.

## **Program Marketing and 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 to secure viable emission-reduction projects. Communication tools include the District's website, news 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. With the addition of new grant programs, and changes to

existing ones, the District plans to conduct additional outreach utilizing all of the tools listed above, with focused efforts as appropriate for each type of program.

## **FISCAL IMPACTS:**

Table 2 summarizes the anticipated incentive program funding allocation and expenditures for Fiscal Year 2017-18 as of April 24, 2018. The table includes the program name, funding source, program budget including project and administrative funds, and program expenditures committed to date.

**Table 2: Summary of Incentive Program Funding, FY 2017-2018**

<b>Program</b>	<b>Funding Source</b>	<b>Program Budget</b>	<b>Program Expenditures</b>	<b>Program Administration</b>
Year 18 Moyer	Carl Moyer Program	\$539,303	\$471,890	\$67,413
Year 19 Moyer	Carl Moyer Program	\$542,755	\$474,911	\$67,844
Year 19 Moyer	Carl Moyer Program State Reserve	\$619,975	\$542,478	\$77,497
School Bus	DMV fees	\$800,000	\$140,000	\$50,000
Old Car Buy Back			\$558,500	
Electric Vehicle Charging Stations	Guadalupe Dunes Mitigation	\$135,000	\$24,000	\$3,120
Wood Smoke	Reserves	\$30,000	\$25,000	\$0
<b>TOTAL FUNDS</b>		<b>\$2,667,033</b>	<b>\$2,236,779</b>	<b>\$265,874</b>

As reflected in the draft Fiscal Year 2018-19 budget, 29% or \$3.3 million dollars of the District's revenue is designated for grant programs as pass-through funds. These grant programs also result in \$387,237 of administrative funds to cover a portion of staff time to oversee project implementation and grant management. Each of these grant programs have requirements to encumber the grants funds with grant agreements in less than one year. The programs also may include requirements to develop work plans/policy and procedures, prepare regular reports, develop agreements with contractors, and perform regular inspections and audits. Table 3 below illustrates the general process for implementing our grant programs:

**Table 3: Administration and Operation of Grant Programs**

1. District submittal of application to the state for program funds
2. Annual development of a Policy and Procedure manual to operate grant programs
3. Public outreach efforts related to grant funding opportunities
4. Solicitation of grant project applications
5. Completeness review of applications and input of project details into the state database
6. Emission calculation and cost-effectiveness analysis
7. Project ranking analysis and project selection
8. Pre-inspection of existing equipment or engine for each selected project
9. Offer of grant funds to successful project applicants
10. Develop project scope of work
11. Develop and execute grant agreement and related documents

12. Post-inspection of new equipment/engine
13. Salvage-inspection of old equipment/engine
14. Financial document review and expenditure of grant funds to grantee
15. Grantee annual reporting
16. Annual audit-inspections of a subset of grant projects
17. Fiscal tracking of grant program revenue and expenditures
18. Input of fiscal and program information into state database, including match funds and earned interest
19. Annual reporting to the state and periodic state audits of our programs

Throughout the next fiscal year, the District will implement the following seven programs: Carl Moyer Program, Lower Emission School Bus Program, Electric Vehicle Charging Station Infrastructure, Old Car Buy Back, Wood Smoke Reduction, FARMER, and AB 617 Community Air Protection. Page 21 of the draft Fiscal Year 2018-19 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.