




Agenda Item: G-1
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Board Agenda Item

TO: Air Pollution Control District Board

FROM: Aeron Arlin Genet, Air Pollution Control Officer 

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SUBJECT: Overview of Voluntary Clean Air Grant and Incentive Programs

RECOMMENDATION:

Receive and file a presentation on the status of the District's clean air grant and incentive programs.

BACKGROUND:

Since 1988, the District has successfully implemented a variety of voluntary grant and incentive programs that have promoted clean air solutions using proven new 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 grant and incentive programs, the District has leveraged over \$42.7 million in state and local funds to secure several thousand tons of emission reductions in the county. We have collaborated with community members to incentivize emission reduction projects in advance of regulatory deadlines and for sources outside our regulatory authority, such as agricultural, infrastructure, marine, landscaping, on-road mobile, off-road mobile, and residential projects. These projects have improved local and countywide air quality and have helped grant applicants achieve early compliance with state regulations while reducing their compliance and operational costs, and infusing dollars into the local economy.

The funding sources for these programs include:

- \$16.9 million - local air quality mitigation fees;
- \$15.2 million - California Air Resources Board (CARB) Carl Moyer Program, Lower-Emission School Bus Program, Community Air Protection (CAP), Funding Agricultural Replacement Measures for Emission Reductions (FARMER), and CARB woodsmoke funds;
- \$10.5 million – Department of Motor Vehicles (DMV) surcharge revenue (AB923); and
- \$130,000 - District operational reserves and the Clean Air Fund.

Aeron Arlin Genet, Air Pollution Control Officer

Over the past 33 years, the District has secured an average of \$1,430,000 in grant and incentive funds per year. During Fiscal Year (FY) 2019-20, the District acquired \$4,150,694, the largest amount of state and local grant and incentive funds ever received. Our goals were to promote innovative, voluntary ways to reduce air pollution in Santa Barbara County in order to further the District's mission to protect public health and the local environment. Grant funds are provided through formal multi-year grant agreements between the District and the businesses or agencies requesting funds, with amounts ranging from \$10,000 to \$150,000. Incentive funds are provided to business, agencies or individuals either through direct payments or through the issuance of vouchers for reimbursement without formal grant contracts, with amounts ranging from \$500 to \$10,000.

DISCUSSION:

Funding Sources

Below is a summary of the programs that funded the District's voluntary 2019 Clean Air Grant and Incentive Program.

Community Air Protection Program – Incentive funds (Year 2):

The objective of Assembly Bill 617 (AB 617 Community Air Protection) is to provide a community-focused framework to improve air quality and reduce exposure to criteria and toxic air pollutants, particularly in disadvantaged and low-income communities that are most burdened and impacted by air pollution. Community Air Protection (CAP) funds are derived from California Climate Investments (CCI), a statewide initiative that uses Cap-and-Trade dollars to reduce greenhouse gas emissions, through the Greenhouse Gas Reduction Fund (GGRF). Under Assembly Bill 1550, the GGRF appropriations require that at least 25 percent of incentive project funds be used statewide in disadvantaged communities and at least 10 percent of incentive projects funds be used in low-income communities. Santa Barbara County does not currently have any communities that have been identified by the state as disadvantaged communities. However, there are numerous low-income communities including Guadalupe, Cuyama, parts of Santa Maria, Lompoc, Santa Barbara, and Carpinteria. The District's goal is to expend 100 percent of our CAP funds in low-income communities for projects that reduce toxic diesel emissions and expand electric vehicle infrastructure.

FARMER Program (Year 2):

The FARMER program is also funded through CCI with the goal to reduce agricultural sector emissions. The program provides grants, rebates, and other financial incentives for agricultural equipment, including heavy-duty trucks, pump engines, tractors, and other equipment used in agricultural operations. In accordance with CCI guidance, FARMER funds projects based on their cost-effectiveness, potential reduction of criteria pollutants and toxic air contaminants, contribution to regional air quality improvement, ability to achieve GHG reductions, and ability to promote the use of clean alternative fuels and vehicle technologies. Similar to the CAP program, the FARMER program requires at least 10 percent of the funds to be used in low-income communities. The District's goal is to expend 100 percent of the FARMER funds in low-income communities.

Carl Moyer Program (Year 21):

The Carl Moyer Program funds the incremental cost of cleaner-than-required engines, equipment, and other sources of air pollution by providing incentives to obtain early or extra emission reductions. Incentive funds encourage participants to purchase cleaner technologies, which stimulates the manufacture of cleaner technologies. Since the inception of the Carl Moyer Program in 1999, Senate Bill 1107 (related to smog abatement fee) and Assembly Bill 923 (related to tire fee) have provided continuous funding of the program, with a current statewide authorization of \$69 million per year from these two fee sources. Program funds are eligible for a variety of projects including on-road heavy-duty vehicles, off-road equipment, locomotives, marine vessels, light-duty vehicles, lawn and garden equipment, and infrastructure. CARB may direct up to ten percent of the program funds each fiscal year to the Carl Moyer Program State Reserve fund, which may focus on specific project categories or geographic locations.

\$2 DMV Surcharge Revenue

Assembly Bill 923 and Senate Bill 513 authorized air districts to collect a \$2 surcharge on vehicle registrations, and the revenue can be used for the following eligible project categories:

- Off-road equipment replacement projects eligible under CARB's Carl Moyer Program guidelines;
- New purchase, retrofit, repower or add-on equipment for previously unregulated agricultural sources, not subject to compliance deadlines of less than three years;
- Purchase of new school buses or the repower or retrofit of emission control equipment for existing school buses under CARB's Lower Emission School Bus program guidelines;
- Replacement of onboard natural gas fuel tanks on school buses or fueling dispensers;
- Voluntary accelerated vehicle retirement or repair program; and
- Alternative fuel and electric infrastructure projects solicited and selected through a competitive bid process.

Woodsmoke Reduction Program (Year 2):

CARB's Woodsmoke Reduction Program is funded through California's Climate Investment Initiative and helps households voluntarily replace an uncertified wood-burning stove, fireplace insert, or fireplace used as a primary source of heat with a cleaner-burning and more efficient device. The program is designed to maximize benefits to low-income households and households located in low-income communities that qualify for a higher voucher amount of up to \$5,000 towards replacement of their current wood-burning heating device. The program also includes a standard voucher amount of up to \$1,000. The program improves air quality and mitigates neighborhood impacts by reducing the amount of woodsmoke emitted from fireplaces and wood stoves in the county.

District Clean Air Fund

On March 21, 2019, the District's Clean Air Fund was established by your Board with Resolution 19-03. In the resolution, \$100,000 of revenues from the District's Mutual Settlement program was allocated to Clean Air Fund projects undertaken by the District and/or third parties that provide air quality and human health benefits to the Santa Barbara County community in ways that traditional grants funds do not allow. Based upon community interest, the District designed a pilot program to use these funds to provide financial incentives for commercial landscape businesses and other public and private organizations to encourage adoption and utilization of zero-emission landscape equipment.

District Air Quality Mitigation Fees

This fund is comprised of local mitigation funds that were collected from permitted sources that were required to mitigate their excess emissions and was expended on electric vehicle charging infrastructure and woodsmoke reduction projects.

Summary of Funding for FY 2019-20

Table 1 below summarizes the District's grant and incentive program fund allocations for FY 2019-20. The table includes the program fund, program budget including project and administrative budget, and administrative expenditures that are committed in the form of grant agreements or program vouchers. Funds for air district administration and outreach of these grant programs are identified in the enabling legislation for the programs. \$2 DMV surcharge revenue administration has been set at 6.25 percent, while Community Air Protection, FARMER, and Carl Moyer administration is established at 12.5 percent based on Santa Barbara County's population being less than one million inhabitants. As illustrated in the table below, the administration funds provided by the state are insufficient to cover the cost to operate the programs.

Table 1: Summary of Grant and Incentive Program Funding, FY 2019-20

Grant and Incentive Programs	Program Budget	Project Funds	Administration Funds	Administration Expenditures
Community Air Protection (Year 2)	\$1,210,400	\$1,059,100	\$151,300	\$130,596
FARMER (Year 2)	\$644,069	\$563,560	\$80,509	\$160,920
Carl Moyer (Year 21)	\$644,173	\$563,651	\$80,522	\$85,403
Carl Moyer State Reserve (Year 21)	\$57,052	\$49,920	\$7,131	\$1,782
\$2 DMV Surcharge Revenue	\$1,000,000	\$937,500	\$62,500	\$62,507
Woodsmoke Reduction (Year 2)	\$250,000	\$225,000	\$25,000	\$58,616
District Clean Air Fund	\$100,000	\$100,000	NA	NA
District Mitigation Fees	\$245,000	\$245,000	NA	NA
TOTAL FUNDS	\$4,150,694	\$3,743,731	\$406,962	\$499,824

*Administrative expenditures that exceed the administrative budget provided by the grant funds are supplemented with the District's operating budget.

Grant Programs

Below is a summary of the grant programs that the District implemented in FY 2019-20. During this time period, the District was able to allocate \$2,947,590 for grant projects that benefited businesses, government agencies, and schools throughout Santa Barbara County.

Agricultural Engine Repowers

This program provides financial assistance to replace older stationary diesel-powered agricultural engines with electric agricultural pumps and infrastructure or with a new diesel-powered engine. Depending on the type of project, the District can fund from 50% up to 80% of the total cost (up to a maximum of \$150,000) for a qualifying project. To date, the FY 2019-20 program has funded, or committed to fund, \$56,000 in projects from Carl Moyer Year 21 funds.

Infrastructure

This program assists businesses and organizations with the purchase and installation of electric vehicle charging stations and other alternative fuel infrastructure. Depending on the location and type of project, the District can fund from 50% up to 80% of the total cost (up to a maximum of

\$150,000) for a qualifying project. To date, the FY 2019-20 program has funded, or committed to fund, \$292,224 in projects from Carl Moyer Year 21, CAP Year 2 Incentive, and \$2 DMV Surcharge funds.

Marine Diesel Engine Repowers

This program provides financial assistance to repower older model diesel-powered marine engines with newer and cleaner engines or zero emission technologies. The District can fund up to 80% of the total repower cost (up to a maximum of \$150,000) for a qualifying project. To date, the FY 2019-20 program has funded, or committed to fund, \$236,000 in projects from CAP Year 2 Incentive funds.

Off-Road Equipment Replacement

This program provides financial assistance to replace older model diesel-powered farm equipment, construction equipment, and forklifts with newer and cleaner equipment. The District can fund up to 80% of the total replacement cost (up to a maximum of \$150,000) for a qualifying project. To date, the FY 2019-20 program has funded, or committed to fund, \$1,955,229 in projects from Carl Moyer Year 21, Carl Moyer Year 21 State Reserve, CAP Year 2 Incentive, FARMER Year 2, and \$2 DMV Surcharge funds.

On-Road Equipment Replacement

This program provides financial assistance to replace, repower, or convert older model diesel-powered on-road vehicles with newer and cleaner engines or zero emission technologies. There are a wide variety of funding limits depending on the qualifying project type (up to a maximum of \$150,000). To date, the FY 2019-20 program has funded, or committed to fund, \$81,374 in projects from Carl Moyer Year 21 and CAP Year 2 Incentive funds.

School Bus Replacement

This program provides financial assistance to replace, repower, or convert older, dirtier school bus vehicles or school bus engines with newer, cleaner school buses or engines. The District can also fund electric bus charging infrastructure as part of this program. The District can fund up to 80% of the total replacement cost (up to a maximum of \$150,000) for a qualifying project. To date, the FY 2019-20 program has funded, or committed to fund, \$326,763 in projects from Carl Moyer Year 21 and \$2 DMV Surcharge funds.

Summary of Grant Projects

Below is a summary of District grant projects for FY 2019-20. These projects achieved 156 tons of emission reductions [combined for nitrogen oxides (NOx), reactive organic compounds (ROC) and particulate matter (PM)]:

- One agricultural water pump repower, with infrastructure (diesel to electric);
- One construction backhoe/loader replacement;
- One on-road heavy-duty truck replacement;
- One transit bus replacement (diesel to electric);
- Two forklift replacements (one diesel to electric; one diesel to diesel);
- Three marine engine repowers;
- Three school bus replacements;
- Four CNG fuel tank replacements on a school bus;
- Six infrastructure projects (99 individual charging ports); and
- 20 agricultural tractor replacements.

Incentive Programs

Below is a summary of the incentive programs that the District implemented countywide during FY 2019-20, along with a breakdown of funding amounts for each category. During this time period, the District was able to allocate \$575,899 for incentive programs that benefited businesses, government agencies, schools, and residents throughout Santa Barbara County.

Landscape Equipment Electrification Fund (LEEF)

On March 4, 2020, the District launched our LEEF Pilot Program. This program offers vouchers to landscape businesses, public agencies, and public or private schools that perform their own landscape maintenance services, to help them transition to the use of zero-emission electric landscape equipment. Eligible businesses and agencies can receive a voucher of up to \$10,000 for the purchase of electric ride-on mowers, walk-behind mowers, leaf blowers/vacuums, edgers, trimmers, chainsaws, pole saws, and multi-use tools. The voucher covers up to 60% of the equipment purchase price and up to 100% of the purchase price for an additional battery or charger for each piece of equipment. During FY 2019-20, the District funded 18 voucher projects, obligating \$100,000 in Clean Air Funds. A total of 297 equipment items were funded, including 117 batteries, 69 trimmers, 36 blowers, 26 mowers, 25 chargers, 16 chainsaws, seven multi-use tools, and one vacuum.

Old Car Buy Back

Over the last 26 years, the District has used \$8.2 million of DMV surcharge fees, Carl Moyer Program funds, mutual settlement penalty fees, and local air quality mitigation fees to implement three separate light-duty vehicle retirement programs. These three programs have cost-effectively retired and repaired over 7,600 vehicles and reduced an estimated 937 tons of NOx, ROC, and PM emissions throughout the county. To date, in FY 2019-20, the District has purchased 212 old cars using \$265,000 of DMV surcharge fees. In FY 2020-21, the District plans to increase community participation by having two dismantlers in Lompoc and by increasing the model year range from 1995-and-older vehicles to 1997-and older-vehicles.

Woodsmoke Reduction (Year 2)

In FY 2019-20, the District received \$100,168 in state funds from CARB and committed an additional \$123,896 of District mitigation funds to implement the Woodsmoke Reduction Program. To date, the FY 2019-20 program has funded, or committed to fund, 48 replacement projects, resulting in a total program expenditure of \$210,899. Forty-five of these change-outs are located in low-income communities or households.

Goals and Objectives for FY 2020-21

In FY 2020-21, the District plans to launch the 2020 Clean Air Grants program in early September. Table 2 provides a list of the programs budgeted for FY 2020-21, along with their project and administrative budgets. The 2020 Clean Air Grants program will continue to focus on zero-emission technology projects and prioritize projects located within low-income communities as defined by AB 1550 and CARB.¹

¹ More information is available at ww3.arb.ca.gov/cc/capandtrade/auctionproceeds/communityinvestments.htm.

Additional goals for FY 2020-21 include plans to launch the second year of the LEEF program, promote the vehicle model year expansion for Old Car Buy Back program, and support clean air filtration systems at low-income schools. Lastly, we hope to partner with the Center for Sustainable Energy and the California Energy Commission to expand electric vehicle charging infrastructure through the CALeVIP program.

FISCAL IMPACTS:

Summarized below is the anticipated FY 2020-21 funding sources for our 2020 Clean Air Grant and incentive programs, and a brief summary of impacts related to the COVID-19 pandemic.

Table 2: Summary of Anticipated Grant and Incentive Program Funding, FY 2020-21

Incentive Program	Program Budget	Project Funds	Administration Funds
Community Air Protection (Year 3)	\$1,117,127	\$977,486	\$139,640
FARMER (Year 3)	\$317,390	\$277,716	\$39,674
Carl Moyer (Year 22)	\$744,246	\$651,215	\$93,031
\$2 DMV Surcharge Revenue	\$1,000,000	\$937,500	\$62,500
District Clean Air Fund	\$200,000	TBD	NA
TOTAL FUNDS	\$3,378,763	\$2,843,917	\$334,845

COVID-19 Impacts and Responses

The COVID-19 pandemic has brought about many changes to normal business practices and the District's grant and incentive programs have been altered in order to adapt to these changes. Multiple grantees have expressed concerns about their inability to meet grant agreement deadlines, whether due to manufacture plant closures or delivery delays of new equipment. The District is coordinating with grantees and CARB to ensure that deadlines can be extended as appropriate, due to the pandemic. To date, we have accommodated all impacted projects and will continue to assess each one on a case-by-case basis. In addition to delays of some current projects, existing and future grant program funds may also be impacted. The District will work with CARB to assess any potential changes or reductions to our grant funds due to State budget efforts. We will keep the Board apprised of other impacts on our grant and incentive program funds throughout FY 2020-21.