State of California
AIR RESOURCES BOARD

PROPOSITION 1B: PROGRAM FUNDING AWARDS FROM FISCAL YEAR 2015-16 FUNDS TO REDUCE EMISSIONS FROM FREIGHT TRANSPORT GOODS MOVEMENT EMISSION REDUCTION PROGRAM

Resolution 15-43

September 24-25, 2015

Agenda Item No: 15-7-4

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize the Air Resources Board (ARB or Board) to adopt standards, rules, and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

WHEREAS, section 39003 of the Health and Safety Code charges the Board with coordinating efforts to attain and maintain ambient air quality standards, to conduct research into the causes of and solution to air pollution, and to systematically attack the serious problem caused by motor vehicles, which is the major source of air pollution in many areas of the State;

WHEREAS, sections 39666 and 39667 of the Health and Safety Code authorize the Board to adopt regulations and measures to reduce emissions of toxic air contaminants from vehicular and non-vehicular sources;

WHEREAS, sections 43013 and 43018 of the Health and Safety Code direct the Board to achieve the maximum degree of emission reduction possible from vehicular and other mobile sources, including marine vessels to the extent permitted by federal law, to attain State air quality standards by the earliest practicable date;

WHEREAS, chapter 3.2 commencing with section 39625 of the Health and Safety Code established the Proposition 1B: Goods Movement Emission Reduction Program (Program) to implement the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, also known as Proposition 1B, which authorized one billion dollars ($1,000,000,000) in bond-funded incentives for ARB to reduce emissions associated with the movement of freight along California's trade corridors;

WHEREAS, section 39625.5(b)(1) of the Health and Safety Code requires the Board to allocate funds to local agencies in a manner that gives priority to emission reduction projects that achieve the earliest possible reduction of health risk in communities with the highest health risks from goods movement facilities;

WHEREAS, section 39626.5(b) of the Health and Safety Code requires the local agencies receiving grants from ARB to award contracts and liquidate funds within set timeframes or the funds revert back to the legislatively-controlled California Ports Infrastructure, Security, and Air Quality Improvement Account;

WHEREAS, section 39625.02(4)(b) of the Health and Safety Code specifies administrative costs, including audit and Program oversight costs for the agency administering the Program funded pursuant to this chapter, recoverable by bond funds shall not exceed five percent of the Program's costs;

WHEREAS, section 39626(a)(1) of the Health and Safety Code requires the Board to develop guidelines (Program Guidelines), in consultation with stakeholders, to implement the Program;

WHEREAS, the Program Guidelines provide that the Board adopt a resolution approving specific local or State agency projects and corresponding funding amounts for each project;

WHEREAS, on March 25, 2010, in Resolution 10-18, the Board delegated to the Executive Officer of his or her designee, the authority to recapture and reallocate funds previously awarded by the Board to a local or State agency, according to the terms and conditions defined in the Program Guidelines. The ARB Executive Officer or his or her designee may amend or terminate an executed grant or interagency agreement or establish a new grant or interagency agreement to implement this policy, consistent with the Program Guidelines and the following hierarchy:

- The first priority is to fund projects within the same funding category and trade corridor;
- The second priority is to fund projects for one or more funding categories in the same trade corridor; and
- The third priority is to fund any eligible local agency project that is in a different funding category and a different trade corridor.

WHEREAS, on June 24, 2010, in Resolution 10-27 and on July 25, 2013, in Resolution 13-34, the Board approved funds for a truck loan assistance program for approximate total of $10.3 million;

WHEREAS, in Resolution 13-34, the Board reaffirmed that if the truck loan assistance program is not fully utilized, the Executive Officer may reallocate those funds to expedite project completion, according to the protocols established in the Program Guidelines;

WHEREAS, in Resolution 13-34, the Board adopted revisions to the Program Guidelines, which expanded the truck funding options to include a limited truck filter substrate replacement program and allocated up to $6.3 million in funding for this program;

WHEREAS, on June 25, 2015, in Resolution 15-20, the Board adopted updated Program Guidelines, priorities for the use of Fiscal Year (FY) 2015-2016 (Year 5) funds, project specifications, and project implementation deadlines;

WHEREAS, in Resolution 15-20 the Board established the following funding priorities for Year 5 funds:

1. Truck projects to upgrade equipment to zero-emission and hybrid vehicles capable of zero emission miles, as well as vehicles certified to the lowest optional nitrogen oxides (NOx) standard. These projects receive priority and enhanced funding, which will provide an added incentive to applicants and promote the transition to the cleanest technology. These projects will continue to reduce the health risk in communities statewide, especially those near freeways, freight facilities, and border crossings. In addition, these projects represent a vital investment to help attain federal and State health-based air quality standards;

2. Truck projects to assist small fleets with upgrading to cleaner technology, which is consistent with previous Board direction to provide funding for small fleets that can still achieve early or extra emission reductions relative to the Statewide Truck and Bus Regulation;

3. Projects to upgrade trucks, transport refrigeration units, commercial harbor craft, ships at berth, and cargo handling to zero and near-zero emission equipment through replacement, repower, and retrofit, as applicable. A broader deployment of these technologies will be needed in all trade corridors to attain health-based air quality standards as well as meet future longer-term greenhouse gas reduction targets; and

4. Locomotive projects based on engines meeting the most stringent national emission standards. These projects will further reduce the health risks near railyards and assist in the attainment of federal standards for the South Coast and San Joaquin Valley Air Basins.

WHEREAS, on July 17, 2015, Governor Brown issued Executive Order B-32-15, which directs State agencies to improve the efficiency and competitiveness of California's freight transportation system while transitioning to zero and near-zero emission technology. It further recognizes the need for investments to integrate advanced technologies, alternative fuels, freight and fuel infrastructure, and local economic development opportunities;

WHEREAS, ARB received an appropriation of $240 million for Year 5 funds through the Legislature for new projects, which is available for award by the Board;

WHEREAS, ARB staff is proposing that $20 million of the $240 million appropriation be reserved for ARB's administration costs through 2022;

WHEREAS, on July 6, 2015, ARB released a Notice of Funding Availability (NOFA) announcing that ARB will award approximately $240 million of Year 5 funds for new local agency projects and ARB's administration costs;

WHEREAS, the NOFA requested applications by August 7, 2015, from local and State agencies involved in freight movement or air quality improvements associated with freight transport activities;

WHEREAS, ARB staff received applications for over $469 million in funding from five local agencies for projects that directly reduce air pollution through the use of cleaner equipment or alternative technologies;

WHEREAS, ARB staff received applications for truck, locomotive, transport refrigeration unit, ships at berth/cargo handling equipment, and commercial harbor craft projects;

WHEREAS, ARB staff reviewed the local agency applications, evaluated their consistency with the Program Guidelines, clarified any inconsistencies with applicants; scored any competing local agency applications consistent with the protocols established in the Program Guidelines; and followed the hierarchy established in the Program Guidelines for recaptured funds in developing the recommendation for reallocating those funds;

WHEREAS, $46.2 million in funding from previously awarded projects including loan assistance is available for reallocation by the Executive Officer per the protocols of the Program Guidelines;

WHEREAS, of the $46.2 million, $1 million will be reallocated to the Truck Filter Substrate Replacement project to meet the Board's prior direction to provide funding for eligible fleets, and the remaining funds will be reallocated to local agency truck projects;

WHEREAS, approximately $0.7 million in funds from previously awarded projects that did not meet the statutory deadlines reverted and became available to be awarded by the Board;

WHEREAS, from August 25 to August 28, 2015, ARB staff conducted four public workshops in Fresno, Los Angeles, Sacramento and San Diego to discuss preliminary staff recommendations for the award of $220 million in Year 5 in program funds, the reallocation of approximately $46.2 million in recaptured funds, the award of $0.7 million of reverted funds, and reserving up to $20 million for ARB administration costs over multiple years;

WHEREAS, on September 10, 2015, ARB staff released the *2015 Funding Awards Staff Report* (Staff Report) for public review and comment. Table 1 of the Staff Report and Attachment A hereto details the projects that ARB staff recommends the Board approve from Year 5 funds and from reverted funds, and the funds that the Executive Officer

reallocate. Attachment B hereto details the projects that ARB staff recommends the Board approve as backup projects for funding;

WHEREAS, the Staff Report includes a revision to the Program Guidelines to allow the reallocation and expenditure of recaptured and reverted funds by the ARB Executive Officer or his or designee;

WHEREAS, in consideration of the Staff Report, staff presentation, public testimony and comments, the Board finds that adoption of the recommended award to local agency projects shown in Attachment A from Year 5 funds and reverted funds:

1) Meets all applicable requirements and provisions of the adopted Program Guidelines, Resolution 15-20, Senate Bill 88 (Stats. 2007, ch.181), Assembly Bill 201 (Stats. 2007, Ch. 187), all other conditions and criteria provided by the Legislature, all other applicable provisions of law, and State policies on accountability;

2) Realigns the trade corridor funding awards to the target percentages adopted by the Board in 2008;

3) Prioritizes funds based on funding priorities adopted by the Board for Year 5 funds;

4) Maintains transparency and public accountability; and

5) Helps meet the goals of Governor Brown's Executive Order B-32-15.

NOW, THEREFORE, BE IT RESOLVED that the Board adopts the recommended award of local agency projects and corresponding funding amounts of approximately $221 million from Year 5 and reverted funds, as set forth in Attachment A hereto and as further detailed in the Staff Report. The Board directs the Executive Officer, or her designee, to enter into grant agreements with these local agencies and take any other action the Executive Officer deems necessary to implement these projects.

BE IT FURTHER RESOLVED that the Board adopts the backup award of local agency projects, as set forth in Attachment B hereto. The Board directs the Executive Officer or his or her designee to enter into grant agreements with these local agencies and take any other action the Executive Officer deems necessary to implement these projects.

BE IT FURTHER RESOLVED that the Board reserves up to $20 million for ARB administration costs through 2022 and that if there are funds that ARB staff determines are not needed for that purpose, the Executive Officer or his or her designee may redirect those funds to supplement existing grants in proportion to the corridor allocations.

BE IT FURTHER RESOLVED that the Board adopts the revision to the Guidelines to allow the reallocation and expenditure of recaptured and reverted funds by the ARB Executive Officer or his or designee as shown in Attachment C.

BE IT FURTHER RESOLVED that the Board reaffirms the Executive Officer or his or her designee has the authority to recapture and reallocate funds awarded by the Board to a local or State agency, according to the terms and conditions defined in the Program Guidelines and directs the Executive Officer to reallocate the recaptured funds of $46.2 million and any additional recaptured funds between now and the end of the program. The ARB Executive Officer or his or her designee may amend or terminate any executed grant or interagency agreement or establish a new grant or interagency agreement to implement this policy, consistent with the Program Guidelines.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer or his or her designee to monitor local agency implementation of grant agreements to ensure funds are being used effectively and expeditiously, and to implement the recapture provisions of the Program Guidelines if ARB staff believes that the grants cannot be fully utilized by the specified deadlines.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer or his or her designee to continue fostering involvement with all interested parties – public and private – to ensure continuing Program transparency and accountability.

I hereby certify that the above is a true and correct copy of Resolution 15-43 as adopted by the Air Resources Board.

Tracy Jensen

Tracy Jensen, Clerk of the Board

Resolution 15-43

September 24-25, 2015

Identification of Attachments to the Board Resolution

Attachment A: Summary of Proposition 1B: Goods Movement Emission Reduction Program Recommendations by Trade Corridor and Recipient Agency for Reallocated, Year 5, and Reverted Funds.

Attachment B: Summary of Proposition 1B: Goods Movement Emission Reduction Program Backup Projects for Year 5 and Reverted Funds.

Attachment C: Revisions to Guidelines.

ATTACHMENT A
STAFF'S SUGGESTED MODIFICATIONS TO THE ORIGINAL PROPOSAL

Summary of Proposition 1B: Goods Movement Emission Reduction Program Recommendations by Trade Corridor and Recipient Agency for Reallocated, Year 5, and Reverted Funds

Trade Corridor	Target Corridor Percent	Corridor Percent Prior to Allocation	Funding Category	Local Agency (Air District)	Reallocated Funds[1,2] (millions)	Year 5/ Reverted Funds[1,3] (millions)	Final Corridor Percent[4]
LA/Inland Empire	55.0%	55.5%	Trucks	South Coast	$20.4	$79.0	55.0%
			Locomotives		-	$22.5	
			Ships at Berth/Cargo Handling Equipment		-	$14.5	
			Transport Refrigeration Units		-	$1.5	
			Corridor Total		**$20.4**	**$117.5**	
Central Valley	25.0%	25.2%	Trucks	San Joaquin Valley	$5.9	$18.6	25.0%
				Sacramento Metro	$1.9	$1.2	
			Locomotives	San Joaquin Valley	-	$19.5	
				Sacramento Metro	-	$10.0	
			Transport Refrigeration Units	San Joaquin Valley	-	$5.0	
				Sacramento Metro	-	$0.3	
			Corridor Total		**$7.8**	**$54.6**	
Bay Area	14.0%	12.9%	Trucks	Bay Area	$9.6	$15.5	14.0%
			Locomotives		-	$15.0	
			Ships at Berth/Cargo Handling Equipment		-	$5.0	
			Transport Refrigeration Units		-	$3.0	
			Corridor Total		**$9.6**	**$38.5**	
San Diego/ Border Region	6.0%	6.5%	Trucks	San Diego	$7.4	$5.6	6.0%
			Locomotives		-	$2.6	
			Ships at Berth/Cargo Handling Equipment		-	$0.7	
			Commercial Harbor Craft		-	$0.6	
			Transport Refrigeration Units		-	$0.6	
			Corridor Total		**$7.4**	**$10.1**	
Subtotal					**$45.2**	**$220.7**	
Multi-Corridor			Truck Filter Substrate Replacement[5]	Sacramento Metro	**$1.0**	-	
Subtotal					**$46.2**	**$220.7**	
ARB Administration[6]					-	**$20.0**	

[1]Includes dollars for equipment projects, plus administration funds where permitted.
[2]Recaptured funds available for reallocation by the Executive Officer per Program Guidelines.
[3]Includes the $220 million appropriation and $0.7 million in reverted funds available for new projects.
[4]After all allocations including funds shown in "Reallocated Funds."
[5]The $1.0 million is in addition to $6.3 million previously awarded for the truck filter substrate replacement program.
[6]ARB administration funds are for the remaining years of the Program.

ATTACHMENT B
STAFF'S SUGGESTED MODIFICATIONS TO THE ORIGINAL PROPOSAL

Summary of Proposition 1B: Goods Movement Emission Reduction Program Backup Projects for Year 5 and Reverted Funds

Trade Corridor	Recipient Agency (Air Districts)	Funding Category	Bond Funds[1,2] (millions)
LA/Inland Empire	South Coast	Trucks	Up to $178.5
		Locomotives	Up to $30.9
		Transport Refrigeration Units	Up to $5.3
		Ships at Berth/ Cargo Handling Equipment	Up to $10.3
Corridor Total			**Up to $225.0**
Central Valley	San Joaquin Valley	Trucks	Up to $52.5
		Locomotive	Up to $41.2
		Transport Refrigeration Units	Up to $10.5
	Sacramento Metro	Trucks	Up to $21.0
		Locomotive	Up to $56.7
		Transport Refrigeration Units	Up to $0.3
Corridor Total			**Up to $182.2**
Bay Area	Bay Area	Trucks	Up to $24.0
		Locomotive	Up to $15.0
		Ships at Berth/ Cargo Handling Equipment	Up to $5.0
		Transport Refrigeration Units	Up to $3.0
Corridor Total			**Up to $47.0**
San Diego/ Border	San Diego	Trucks	Up to $13.0
		Locomotives	Up to $0.5
		Transport Refrigeration Units	Up to $0.5
		Ships at Berth/ Cargo Handling Equipment	Up to $0.5
		Commercial Harbor Craft	Up to $0.5
Corridor Total			**Up to $15.0**

[1]Includes dollars for equipment projects, plus administration funds where permitted.
[2]The funds applied for by each local agency for the Year 5 appropriation.

ATTACHMENT C

Staff's Revisions to the Proposition 1B: Goods Movement Emission Reduction Program Final 2015 For Implementation to Allow the Reallocation and Expenditure of Recaptured Reverted Funds Guidelines

Shown below are staff's revisions to the Proposition 1B: Goods Movement Emission Reduction Program Final 2015 Guidelines for Implementation to allow the reallocation and expenditure of recaptured reverted funds. Revisions are shown in ~~strikeout~~ to indicate deletions.

C. Funding Recapture – Local Agency

1. Process for recapturing funds

A local agency shall obligate and expend Program funds in a timely manner. A local agency shall notify ARB of funds that were not obligated or liquidated by Program deadlines within specified timeframes and may be required to return these funds to ARB per the deadlines established in the grant agreement. The ARB Executive Officer or his or her designee has the authority to recapture funds for reallocation and expenditure ~~prior to reversion deadlines~~, and may amend or modify an impacted grant agreement, or establish a new grant agreement, to implement this policy. The local agency shall agree to comply with the recapture process.

Recaptured funds may become available to a local agency in several ways including, but not limited to, the following:

- Allocated to a local agency by ARB.
- Funds obligated through contract with equipment owners that are returned or not spent prior to the statutory deadline.
- Earned interest held by a local (or State) agency, as permitted by State law and fiscal policies.
- Funds paid to the local agency by equipment owners through voluntary buyout, involuntary buyout (equipment rendered inoperable), or penalties.

2. Expending recaptured funds

The local agency shall obligate and expend recaptured funds according to the following hierarchy:

- Eligible equipment projects on the ARB-approved ranked list for the funding category covered by the grant that generated the funds.
- Eligible equipment projects from a new solicitation for the funding category covered by the grant that generated the funds.
- Upon ARB staff approval, eligible equipment projects for another funding category covered by a grant agreement between the local agency and ARB.

The local agency may be required to return recaptured funds to ARB for re-allocation if it cannot expend them according to these priorities.

- With the exception of funds acquired through buyouts and penalties, the local agency shall track fund activity by year of appropriation. A local agency shall also track all fund activity by fiscal year.
- The local agency shall report semi-annually all Program funding activity using the Database.