Air Resources Board

Mary D. Nichols, Chair
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov

Matthew Rodriquez
Secretary for
Environmental Protection

Edmund G. Brown Jr.
Governor

DATE November 2, 2015 Mail-Out #MSC 15-25

TO: All Interested Parties

SUBJECT: PROPOSED REVISIONS TO THE CARL MOYER PROGRAM GUIDELINES AND TO THE LOWER-EMISSION SCHOOL BUS PROGRAM GUIDELINES AS A RESULT OF SENATE BILL 513

This Mail-Out presents proposed revisions to the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) Guidelines and to the Lower-Emission School Bus Program (LESBP) Guidelines to implement Senate Bill (SB) 513, which will become effective January 1, 2016 (Beall, Chapter 610, Statutes of 2015). The attachments to this mail-out contain the conforming changes to the Carl Moyer Program and LESBP:

- Attachment I - Description of Changes to 2011 Carl Moyer Program Guidelines
- Attachment II - Revised Language for the 2011 Carl Moyer Program Guidelines
- Attachment III - Revised Language for the 2008 LESBP Guidelines

Health & Safety Code Section 44287 requires the Carl Moyer Program to hold at least one public meeting to consider public comments when considering proposed revisions to the Carl Moyer Program Guidelines. Changes to the Carl Moyer Program Guidelines may be approved and implemented by the Executive Officer or designee after a public meeting and consideration of public comments under the authority granted by the California Air Resources Board (ARB or Board). ARB invites you to participate in a public meeting to consider these proposed changes to the Carl Moyer Program and to the LESBP Guidelines. The purpose of the public meeting is to explain the proposed changes and receive public comments for consideration. The public comment period for these revisions will be 45 days from the date of this notice. If approved, the changes will be implemented through the issuance of a Mobile Source Mail-Out posted on the following ARB website: http://www.arb.ca.gov/msprog/mailouts/mailouts.htm

The meeting will be held at the following time and place:

Date:	Tuesday, November 17, 2015
Time:	10:00 AM – 12:00 PM
Place:	Cal/EPA Headquarters Building 7th Floor, Room 710 1001 I Street Sacramento, California 95812

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: http://www.arb.ca.gov.

This meeting will also include a teleconference call-in number for members of the public who wish to participate by telephone. The call-in number, available only at the time of the meeting, is 1-877-918-5754. The passcode is 59844.

If you have questions regarding the Carl Moyer Program changes, please contact Katherine Garrison, Air Resources Engineer, at (916) 322-1522 or via email at Katherine.Garrison@arb.ca.gov. If you have questions regarding LESBP, please contact Lisa Jennings, Air Pollution Specialist, at (916) 322-6913 or via email at Lisa.Jennings@arb.ca.gov.

Background: Since 1998, the Carl Moyer Program has filled a critical niche in California's strategy to achieve clean air. The Carl Moyer Program provides grant funding for the incremental cost of cleaner-than-required engines, equipment, and emission reduction technologies. The Carl Moyer Program complements California's regulatory program by funding emission reductions that are surplus, i.e., early and/or in excess of what is required by regulation.

Proposed revisions to the Carl Moyer Program (Attachments I and II) include streamlining the administrative process, providing allowances for leveraging funding, increasing the ability to fund school buses, and updating the cost-effectiveness factors to account for inflation consistent with the provisions of SB513. More substantial Guideline changes as part of fully implementing SB 513 will be developed and considered in the upcoming year to include additional source categories, extending leveraging opportunities to more grant programs, and establishing cost-effectiveness values based on the cost of technology and adopted regulations. Staff plans to seek public input on these long-term changes in 2016 and bring new program guidelines for consideration by the Board in 2017.

In addition to the proposed revisions to the Carl Moyer Program Guidelines, Attachment III provides proposed revisions to the LESBP Guidelines to address the following statutory changes contained in SB 513: allow AB 923 funds to pay for repowers of school buses, removes the cost caps and ownership limitation for onboard natural gas fuel tanks replacement and enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure, and raise the administration expense allowance from 5 to 6.25 percent. In addition to the changes required by statute, staff reevaluated and updated the school bus project cost caps developed in 2011.

Submittal of Comments and Agency Contact Person: Interested members of the public may present comments either in person at the meeting, via telephone, or in writing. All comments on this matter must be received no later than December 18, 2015 (45 days after the date of this Mail-Out.)

Postal address: Katherine Garrison
California Air Resources Board
Mobile Source Control Division
P.O. Box 2815
Sacramento, California 95812
Electronic mail: Katherine.Garrison@arb.ca.gov
Telephone: (916) 322-1522

Please note that under the California Public Records Act (Government Code section 6250 et seq.), written and oral comments, attachments, and associated contact information (e.g., address, phone, email, etc.) become part of the public record and can be released to the public upon request. Additionally, this information may become available via Google, Yahoo, and any other search engines.

Accommodations: These facilities are accessible to persons with disabilities. If you require special accommodations or need this document in an alternate format (e.g., Braille, large print) or another language, please contact Katherine Garrison at (916) 322-1522 or via email at Katherine.Garrison@arb.ca.gov as soon as possible before the meeting. TTY/TDD/Speech to Speech users may dial 711 for California Relay Service.

Si necesita acomodación especial, o si necesita este documento en un formato alterno (por ejemplo, sistema Braille, o en impresión grande) u otro idioma, por favor llame a SRA. Adriana Smith (916) 323-5450 o Adriana.Smith@arb.ca.gov tan pronto como sea posible antes de la reunión prevista. Para el Servicio Telefónico de California para Personas con Problemas Auditivos, o de teléfonos TDD pueden marcar al 711.

Sincerely,

/s/

Erik White, Chief
Mobile Source Control Division

Attachments (3)

cc: See next page.

cc: Katherine Garrison
Air Resources Engineer
Mobile Source Control Division

Lisa Jennings
Air Pollution Specialist
Mobile Source Control Division

Adriana Smith
Air Pollution Specialist
Mobile Source Control Division

Attachment I
Description of Changes to 2011 Carl Moyer Program Guidelines

The following revisions are proposed to implement Senate Bill 513, which will become effective January 1, 2016. Each revision affects multiple sections in the Carl Moyer Program Guidelines. The Table below provides a description of each revision, along with the chapters, appendices, sections and pages affected. New sections are shown in underline font. The page numbers refer to the current Guidelines posted at http://www.arb.ca.gov/msprog/moyer/guidelines/current.htm.

Revision	Sections Affected
Streamline: Administrative streamlining changes contained in SB 513 require the following guideline changes: • Fiscal deadlines for liquidation. • Return of funds and project non-performance requirements. • Match and state reserve funding. • Program administration funding amounts.	Chapter 3: – B.1 (Table 3-1), B.3 – p. 3-2. – D.4 (example table) – p. 3-4. – F.5 – p. 3-6. – G(3)(B)(1) – p. 3-7. – H (Table 3-3) – p. 3-8. – I.5(A), Table 3-4, I.5(D), I.9 – pgs. 3-9 to 3-11. – K.4 – p. 3-13. – L.1 – p. 3-14. – O.1, O.2 – p. 3-16. – P.3 – p. 3-18. – Q.1, Q.2 – p. 3-19. – R.5, R.6 – p. 3-21. – S.1 – p. 3-21. – T.1(A) – p. 3-22. – W.1 – p. 3-27, W(12) – p. 3-30. – EE.4, EE.5, EE.6 – pgs. 3-45 to 3-46. Appendix B: – Funding Target – p. B.5. – Liquidate – p. B-7. – Recaptured Funds – B-9. – Returned Funds – B.10.
Cost-Effectiveness: Update the cost-effectiveness limit and capital recovery factor per ARB authority to update these values annually.	Appendix G: – Introduction – p. G-2. – Table G-1 – p. G-3. – Table G-2f – p. G-5.

Revision	Sections Affected
School Bus: The bill allows school bus projects to receive funding up to the cost caps in the Lower-Emission School Bus Program (LESBP), and the project cost-effectiveness to be set forth in the Guidelines.	Chapter 3: – H.1(C), H.1(E), H.1(F), H.1(G) – pgs. 3-7 to 3-8. Chapter 4: – B, Table 4-2 – p. 4-3. – D.1(A) – p. 4-3. to 4-4 – D.1.(O) – p. 4-6. – D.3, D.3(A), D.3(B) – p. 4-8. – D.4 – pgs. 4-8 to 4-9. – D.5(A)(3) – p. 4-9. – E.4 – p. 4-13. Chapter 5: – A.2 – p. 5-1. – B, Table 5-1 – p. 5-2. – C.5(C), C.5(D), C.5(E) – pgs. 5-7 to 5-8. Appendix A: – GHG – p. A-3. – LESBP – p. A-4. Appendix C: – A, B.2 – p. C-2. – B.11 – p. C-10. – C. Formulas C-18 – p. C-13. Part 3, Agricultural Assistance Program: – A.3, A.5, A.6 – p. 1 of 4.
Leveraging: SB 513 removes the requirements that all non-Carl Moyer public funding must be included in the project cost-effectiveness and reduce the awarded Carl Moyer grant amount. The proposed guideline changes will allow Carl Moyer Program funding to be leveraged without penalty to project grant amount for the following funding sources: • Tax credits or deductions. • Public rebates or loans. • Local district penalty funds. • Public agency applicant funds toward the project. • Air Quality Improvement Program funds. • ARB's Low Carbon Transportation investment funds.	Chapter 2: – L, M, N, O, P – p. 2-2. Chapter 3: – V.5(A)(3) – p. 3-27. – Y.4(C), Y.4(D) – p. 3-32. Chapter 14: – C.1 – p. 14-1. Appendix C: – A – p. C-2. – B.10 – pgs. C-8 to C-9. – C. Formulas C-16, C-17a, C-17b – pgs. C-12 to C-13.

Attachment II
Revised Language for the 2011 Carl Moyer Program Guidelines

This document contains only proposed changes to the existing proposed guidelines, as summarized in Attachment I. If a Section is excluded from this document then no changes are proposed. The proposed changes include ~~strikeout text~~ representing deleted text, underline text depicting new language, plain text portraying no changes.

PART 1: PROGRAM OVERVIEW AND PROJECT CRITERIA
Chapter 2: GENERAL CRITERIA

L. ~~Total funds administered by the air district~~ Except for tax credits, tax deductions, public rebates, public loans, or local air district penalty funds, all other funds contributed to a project including air district local AB 923 funds, or local air district mitigation fees, and other state and local air district incentives, ~~and contributed to the project~~ must be part of the cost-effectiveness calculations and ~~the total funds contributed by the air district~~ must meet current cost-effectiveness limits (Health & Safety Code § 44283(d). An example of the calculation methodology is located in Appendix C.

M. If an applicant reports other public financial incentives, the air district must deduct this amount from the total incremental costs that can be funded with Carl Moyer Program funds, except for tax credits, tax deductions, public rebates, public loans, or local air district penalty funds (Health & Safety ~~.~~ Code § 44283(g)). An example of the calculation methodology is located in Appendix C.

N. ~~Beginning July 1, 2011, federal~~ Federal funding for programs to reduce greenhouse gas (GHG) emissions ~~(GHG), or~~ funding provided by the Alternative and Renewable Fuel and Vehicle Technology Program, Air Quality Improvement Program, or ARB's Low Carbon Transportation Investment funds to reduce GHG emissions are exempt from the requirements in sections L and M above. For these exempt projects, grantees must provide at least 15 percent of the project cost from non-public sources.

O. Public agency applicant funds toward a project are exempt from the requirement in sections L, M, and N above. Emission reductions may not be claimed for the applicant-funded portion of the project. The sum of all grants and public funding sources shall not exceed the total project cost (Health & Safety Code § 44287.2(b).

P. ~~O.~~ Carl Moyer Program grants can be no greater than a project's incremental cost. The incremental cost is described in each source category chapter of these Guidelines.

[All subsequent paragraphs have been renumbered accordingly]

Chapter 3: PROGRAM ADMINISTRATION

B. *ARB Solicitation of Program Fund Availability, Section B.1, Table 3-1 and Section B.3*

Table 3-1
Timeline for Initial Allocation of Funds

Date	Action
~~Mid-September~~ Early December	ARB sends application packet to air districts
~~Mid-November~~ By end of January	Air districts apply to ARB for funds
~~Early January~~ Mid-March	ARB notifies air districts of final awards
~~January - June~~	~~Air districts receive grant awards~~
By end of April ~~30~~	~~Deadline for air~~ Air districts ~~to accept or decline funds~~ return signed grant agreements
June 30 of Following Year	Target date for contracts to be executed
June 30 of Second Year	Deadline for air districts to receive fund disbursements. Target date for funds to be expended. ~~Funds must be expended.~~
June 30 of Fourth Year	Deadline for air districts to liquidate funds

3. ~~"Multi-District"~~ "State Reserve (e.g., Multi District)": ARB reserves the right to direct up to ten percent of each year's State Carl Moyer Program funds to eligible projects selected ~~that operate or impact air quality in multiple air districts~~ in accordance with Health & Safety Code section 44286(d).

D. *The Rural District Assistance Program, Section D.4, Example Table*

Example:
CMP Year ~~13~~ 18 (Fiscal Year ~~2010-11~~ 2015-2016)

January ~~June 2011~~ April 2016	Air ~~District~~ district applies for funds and executes Year ~~13~~ 18 Grant ~~Award~~ Agreement; funds may be designated to RAP
	~~Funds may be dedicated to RAP~~
March 1, ~~2013~~ 2018	Deadline to ~~dedicate~~ redirect funds to RAP
June 30, ~~2013~~ 2018	Deadline for air districts to receive fund disbursements. Target date to expend Year ~~13~~ 18 ~~Grant Award~~ grant award
June 30, 2020	Deadline to liquidate Year 18 grant award

F. *Final Grant Awards, Section F.5*

5. ~~Air districts have until June 30th of the second calendar year after funds are accepted from ARB to expend the allocation grant award~~ Air districts have until June 30 of the fourth calendar year after full grant execution to liquidate the grant award.

G. *Fund Disbursement to Air Districts, Section G.3(B)(1)*

(1) a. ~~Preceding~~ The preceding Yearly Report demonstrates both on-time expenditures and on-time liquidation consistent with Health & Safety Code section 44287~~(k)~~ (j).

-or-

~~The unexpended funds identified in the preceding Yearly Report have been received by ARB~~ b. The preceding Yearly Report does not demonstrate on-time liquidation consistent with Health & Safety Code section 44287(j) and any funds not liquidated by the four-year deadline have been received by ARB. NOTE: ARB will not request a return of any funds under contract, but may require a district to reassign funds liquidated from more recent years to the year due for liquidation.

H. *AB 923 - $2 Motor Vehicle Fee, Sections H.1(C), (E)-(G) and Table 3-3*

~~(C) Purchase of new school buses pursuant to the Lower-Emission School Bus Program~~

(E) ~~On-Board natural gas tank replacements in qualifying school buses.~~ Onboard natural gas tank replacements in existing school buses or the enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure pursuant to the Lower-Emission School Bus Program adopted by the Board.

(F) ~~Infrastructure improvements for deteriorating natural gas fueling dispensers.~~ Alternative fuel and electric infrastructure projects solicited and selected through a competitive bid process.

(G) ~~Retrofits for qualifying school buses.~~ Purchase of new school buses or the repower or retrofit of emissions control equipment for existing school buses pursuant to the Lower-Emission School Bus Program adopted by the Board.

Table 3-3
Summary of $2 MV Fee Requirements and Oversight

Requirements/ Oversight	$2 MV Fee Used as Match	$2 MV Fee Used for SIP Credit	$2 MV Fee Not Match/ not SIP
~~Expenditure~~ Liquidation of funds within ~~two~~ four years	(1)	--	--
Meet full and complete Carl Moyer Program Guideline criteria	√	--	--
Subject to ARB Program Review	√	--	--
Subject to ARB project eligibility evaluation (e.g., cost-effective and surplus)	√	√	√
Fiscal reporting to ARB (list total funds expended in seven basic categories)[2]	√	√	√
Detailed reporting to ARB (project specifics submitted in current database)[2]	√	√	--

[1] Sufficient funds must be ~~expended~~ liquidated, regardless of their year of origin or source, to provide the required match by that year's ~~expenditure timeline~~ liquidation deadline. For example, for Year ~~9~~ 18, air districts must ~~expend their match~~ complete liquidation of applicable Year 18 match funds by June 30, ~~2009~~ 2020. When those funds were received is not a factor in determining this deadline.

[2] See Section R of this chapter for details.

I. Air District Match Funds, Sections I.5(A) and (D), Table 3-4, and I.9

(A) ~~In order to qualify as match funds, MV Fees~~ Match funds must fund projects that meet the Carl Moyer Program criteria. ~~Consistent with Health and Safety Code section 44287(j), MV Fees may not be used as match funds on projects involving stationary or portable engines, locomotives, or marine vessels. Table 3-4 identifies the source categories that are considered motor vehicles for the purposes of match funding.~~

~~Note that statute allows the $2 MV Fee to be used to fund any eligible Carl Moyer Program project – both motor vehicle and non-motor vehicle projects (Health & Safety Code § 44229(b)(1)). However, only motor vehicle projects funded with MV Fees may be counted as match projects.~~

~~Table 3-4~~
~~Eligibility of Motor Vehicle Registration Surcharge Fee Projects as Air District Match~~

~~Eligible~~	~~Not Eligible~~	
~~On-road*~~	~~Locomotives~~	~~Stationary or portable engines~~
~~Off-road mobile~~	~~Marine vessels~~	~~Agricultural Assistance projects~~

~~* Lower-Emission School Bus Program projects must meet Carl Moyer Program cost-effectiveness and other criteria to count as match.~~

(D) MV Fees used to fund Lower-Emission School Bus Program projects may count towards the air district match requirement if ~~they~~ the projects meet the Carl Moyer Program requirements. ~~and the current cost-effectiveness threshold. All air district or state incentive funds used to help pay for a school bus project must be included in this cost-effectiveness calculation.~~

9. Funding provided by a port authority or a local government for a qualifying project or for infrastructure that serves a qualifying project may count toward the air district's Carl Moyer Program matching fund requirement. ~~However, in any air district granted more~~ Matching funds provided by a port authority or a local government shall not exceed 30 percent of the total required matching funds in any district that applies for more than $300,000 of the state board funds~~, no more than 30 percent of an air district's match obligation may come from a port authority or local government as identified in~~ (Health & Safety Code § 44287(e)). Port authorities may participate through projects involving their own equipment, or by soliciting port tenants to apply for project funding.

K. Earned Interest, Section K.4

4. Expenditures for Program Administration: An air district can use up to 6.25 ~~five~~ percent of earned interest or other funds generated through the Carl Moyer Program on administrative expenses if the air district has one million or more inhabitants and up to 12.5 ~~ten~~ percent on administrative expenses if the air district has less than one million inhabitants, in accordance with Health & Safety Code § 44299.1~~(a)(3)(c)~~.

L. Program Administration and Outreach Funding Section L.1

1. Air District Funding: Air districts with one million or more inhabitants may use up to 6.25 ~~five~~ percent of their Carl Moyer Program funds on program outreach and administration (Health & Safety Code § 44299.1(c)), while air districts with under one million inhabitants may use up to 12.5 ~~ten~~ percent of their Carl Moyer Program funds (Health & Safety Code § 44299.1(d)).

O. *Progress Tracking: Fund Expenditure, Section O.1 and O.2*

1. ~~By June 30th of each year, air districts must have expended all Carl Moyer Program project funds associated with the funding year, two calendar years prior (Health & Safety Code § 44287(k)), as well as any other funds in the applicable funding target (see Section Q.2.). For example, funds awarded in Year 13 (fiscal year 2010-2011) must be expended by June 30, 2013. By this date, all administrative funds must be liquidated, as described in Section P.3.~~ Air districts shall make every effort to expend all Carl Moyer Program funds, including match funds, associated with the funding year two calendar years prior, as well as any other funds in the applicable funding target, by June 30 of each year (see Section Q.2.). For example, funds awarded in Year 16 (fiscal year 2013-2014) should be expended by June 30, 2016.

~~2. Match funds must be expended by the same expenditure deadline as the Carl Moyer Program funds with which they are associated regardless of the date the match funds were collected by the air district.~~

P. *Progress Tracking: Fund Liquidation, Section P.3*

3. Administrative fund liquidation. Administrative funds associated with a grant must be liquidated by the ~~expenditure~~ liquidation deadline required for the grant consistent with Health & Safety Code section 44287~~(k)~~ (j). For example, administrative funds associated with funds awarded with the Year ~~13~~ 16 grant (fiscal year ~~2010-2011~~ 2013-2014) must be liquidated by June 30, ~~2013~~ 2018.

Q. *Cumulative Progress Tracking, Sections Q.1 and Q.2*

1. ARB shall track, cumulatively, an air district's progress in meeting program milestones to execute contracts~~, and expend funds, and liquidate funds~~. Funds associated with a given funding year must be fully accounted for; however, ~~deadlines~~ contract execution and expenditure milestones may be met on a cumulative basis. For example, an air district ~~that must demonstrate~~ demonstrating expenditure ~~on~~ of Year ~~9~~ 16 funds by ~~the two-year statutory deadline~~ June 30, 2016 may ~~utilize~~ include Year ~~9~~ 17 funds expended early in place of Year ~~8~~ 16 funds not yet expended.

2. To assist participating air districts with cumulative tracking, ARB shall maintain in the CARL database appropriate progress tracking targets for each participating air district for each funding year. These funding targets shall list the total funds required to meet given milestones such as contract execution, fund expenditure, and funding cycle liquidation. Such tracking targets shall include, as appropriate, Carl Moyer Program grant funds (including ~~Multi-district funds~~ State Reserve funds awarded pursuant to Health & Safety Code section 44286(d), Rural District Assistance Program funds, and Carl Moyer voucher program funds), required match funds,

interest funds, reallocated funds, recaptured funds, and any other relevant funds associated with the Carl Moyer Program.

R. Yearly Report, Sections R.5 and R.6

5. Air districts that have not ~~executed contracts to cover all project funds received during the previous calendar year~~ demonstrated sufficient progress toward contract execution and expenditure targets in the Yearly Report must work with their ARB Carl Moyer Program liaison to ensure the air district is on target to ~~expend~~ liquidate all required program funds within ~~two years~~ the four-year deadline (see Section Q). At a minimum, such air districts must provide an email, an explanation with the Yearly Report, or other written documentation briefly describing:

   (A) The reason for the delay in executing contracts or expending funds, and

   (B) Their schedule for executing ~~the remaining~~ contracts, expending funds, returning funds to ARB, contributing the funds to the Rural District Assistance Program, or other action(s) as needed to ensure project funds are ~~expended~~ liquidated within the ~~two-~~ four-year deadline. Air districts choosing to contribute funds to the Rural District Assistance Program must do so by the March 1 date preceding the applicable funding year ~~expenditure~~ liquidation deadline (e.g., by March 1, ~~2011~~ 2018, for Year ~~11~~ 16 funds, which have a June 30, ~~2011~~ 2018, ~~expenditure~~ liquidation deadline)

6. If the Yearly Report identifies ~~an expenditure~~ a liquidation shortfall, the air district must submit and ARB must receive a check for the shortfall amount by ~~August 29~~ September 28 (i.e. 90 days after the June 30 liquidation deadline). ~~, concurrent with the deadline to submit the Yearly Report.~~ No additional disbursements will be made to the air district until the returned funds have been received by ARB.

S. Return and Reallocation of Unexpended Funds, Section S.1

S. Return and Reallocation of ~~Unexpended~~ Unliquidated Funds

1. ~~Any air district whose latest required Yearly Report does not demonstrate full expenditure of program funds with two years, must return the expenditure shortfall within 60 calendar days after the June 30th expenditure deadline~~ An air district that does not complete liquidation of program year funds by June 30 of the fourth year following grant agreement execution must return the unliquidated funds by September 28 (i.e. 90 days after the June 30 liquidation date) (Health & Safety Code § 44287~~(k)~~ (j)). Funds under executed contract, ~~though not expended,~~ are not subject to return ~~do not need to be returned~~ to ARB (Health and Safety Code § 44291(d)).

T. *Program Non-Performance, Section T.1(A)*

1. Program non-performance is air district non-compliance with program Guidelines or statute that is not corrected by the air district in a timely or satisfactory fashion. As directed by Health and Safety Code section 44291(d), ARB shall monitor air district programs to ensure that participating air districts conduct their programs consistent with the criteria and guidelines established by the ~~state board~~ Board. ARB may become aware of possible air district non-performance through program reports, Program Reviews of air districts, or other means. Examples of program non-compliance with program Guidelines or statute include:

   (A) ~~Failure to return to ARB a check for the expenditure shortfall identified by the Yearly Report (Health & Safety Code § 44287(k)).~~ Failure to return unliquidated funds within 90 days of the liquidation deadline (Health and Safety Code § 44287(j))

V. *Minimum Project Application Requirements, Section V.5(A)(3)*

(3) An applicant must disclose the value of any current financial public incentive that directly reduces the project cost for the same engine except for~~,~~ ~~including~~ tax credits, tax ~~or~~ deductions, rebates, or loans. ~~grants or other public financial assistance for the same engine.~~ The incremental cost of the project will be reduced by the amount of the other funds, ~~other current financial incentive,~~ except for projects, ~~beginning July 1, 2011,~~ in which the following funding sources are used ~~to reduce greenhouse gas emissions~~:

a. Federal funding to reduce ~~greenhouse gas~~ GHG emissions.

b. Alternative and Renewable Fuel and Vehicle Technology Program.

c. Air Quality Improvement Program.

d. ARB's Low Carbon Transportation Investment funds.

e. Tax credits or deductions.

f. Public rebates or loans.

g. Local air district penalty fees.

W. *Application Evaluation and Project Selection, Sections W.1 and W.12*

1. Air districts must review all applications for completeness upon receipt and notify the applicants within ~~five~~ 30 working days of receipt if their application is not complete, consistent with Health & Safety Code section 44288(a). The air district must make every effort to clearly state to the applicant what is required to make the application complete. The application and all

correspondence with the applicant should be kept in the applicant's project file. Additionally, the record of each project's rating and ranking, receipt date, or other project selection criteria must be maintained with the project file.

12. ARB shall include a solicitation packet on its website for State Reserve projects, funded by a reserve fund of up to ten percent of program funds, solicited and selected by ARB consistent with Health & Safety Code section 44286(d). The ~~multi-district~~ State Reserve project solicitation packet shall include the application requirements and application due date, project eligibility criteria, and project selection criteria.

Y. Minimum Contract Requirements, Section Y.4(C) and Y.4(D)

(C) Except for public agency applicants, the ~~The~~ contract must prohibit the grantee from applying for or receiving other public funds except for tax credit, tax deductions, public rebates, public loans, or local air district penalty funds for the same project except in the following situation. ~~Starting July 1, 2011, grantees~~ Grantees may apply for and receive additional funding for the same project from:

(1) federal programs to reduce ~~greenhouse gas~~ GHG emissions,
(2) ~~(GHG) or~~ funding provided by the Alternative and Renewable Fuel and Vehicle Technology Program,
(3) the Air Quality Improvement Program, or
(4) ARB's Low Carbon Transportation Investment funds to reduce GHG emissions.

These funds are not required to be included in the cost-effectiveness calculations (See Appendix C), but they are subject to the disclosure requirements. The total public funds except for tax credit, tax deductions, public rebates, public loans, or local air district penalty funds received by the grantee during the term of the Carl Moyer Program contract cannot exceed 85 percent of the project cost (see Chapter 2: General Criteria).

(D) A contract for a public agency applicant must prohibit the grantee from receiving grants and public funding sources that when combined, exceeds the total project cost.

EE. Nonperforming Projects, Sections EE.5 and EE.6

5. Program funds recaptured from a project grantee as a result of a settlement agreement executed by ARB shall be returned to the air district that granted the funds. Any penalties resulting from a settlement agreement executed by ARB or the Attorney General shall be deposited in the Air Pollution Control Fund (Health and Safety Code section 44291(e)).

6. An air district must describe its procedures for dealing with nonperforming

grantees in its Policies and Procedures Manual.

Chapter 4: ON-ROAD HEAVY-DUTY VEHICLES

B. *Maximum Eligible Funding Amounts, Table 4-2*

Table 4-2
Maximum Funding Amounts for Carl Moyer On-Road Vehicle Projects

Project Type		Maximum
Non-School Bus Projects	New Vehicle Purchase	25 percent
	Repower	$30,000
	Retrofit: Highest Level particulate matter (PM)+ NOx	$20,000
	Retrofit: 2007 Engine Standard Equivalent*	$10,000
	TRU Retrofit	100 percent
	Idling Reduction Retrofit	100 percent
School Bus Projects	New Zero Emission School Bus Purchase or Electric Conversion	$400,000
	School Bus Repower or Alt. Fuel Conversion	$70,000
	School Bus Retrofit	$20,000

* Including ARB verified selective catalytic reduction retrofits

D. *Project Criteria, Section D.1(A)*

(A) Maximum project life for on-road projects:

(1)	Buses ≥ 60,001 gross combined weight or gross vehicle weight (GVW) – New	12 years
(2)	School buses ≥ 33,001 GVW – New	20 years
(3)	School buses ≤ 33,000 GVW or Other On-road – New	10 years
(4)	Repower or Alt. Fuel Conversion Only (No Retrofit)	7 years
(5)	School bus Electric Conversions	5 years
(6)	~~(5)~~ Repowers + Retrofits	5 years
(7)	~~(6)~~ Retrofits	5 years
(8)	~~(7)~~ Fleet Modernization	See Chapter 5

A longer project life may be approved on a case-by-case basis if applicants provide justifying documentation.

The maximum project life does not consider regulatory requirements that may reduce actual project life below these maximum values.

D. *Project Criteria, Section D.1(O)*

(O) All existing school buses must have a current CHP safety certification at the time funding is awarded to retrofit or repower the school bus (i.e., the school bus may not have a lapsed CHP safety certification), and must be currently registered with the Department of Motor Vehicles.

D. *Project Criteria, Section D.3(A) and (B)*

3. New Purchase or Electric Conversion~~:~~

New purchase projects must be 30 percent cleaner than the current NOx emissions standard. Based on the 2010 NOx standard of 0.20 g/bhp-hr, engines that are certified to a NOx standard of 0.14 g/bhp-hr or lower and a PM standard of 0.01 g/bhp-hr or lower are eligible for new purchase funding. Vehicles with engines certified to a family emissions limit (FEL) are not eligible for new purchase funding. A school bus for an electric conversion project must be ten years old or newer. The maximum grant amount is 25 percent of the new purchase cost, with the exception of electric school bus purchase projects. ~~Due to tighter emissions standards, new purchase projects are not a common funding category.~~ Grants for new electric school bus purchase or electric conversion projects shall not exceed the lesser of the following:

(A) A funding cap of $400,000 established pursuant to the Lower-Emission School Bus Program (LESBP) (Health & Safety Code § 44299.90);

-or-

(B) The total cost of the vehicle or the electric conversion.

D. *Project Criteria, Section D.4*

4. Repower or School Bus Alt. Fuel Conversion

A replacement engine for a repower project must be an ARB certified engine meeting emissions levels of 0.20 g/bhp-hr NOx and 0.01 g/bhp-hr PM or lower for school bus repower projects, or 0.50 g/bhp-hr NOx and 0.01 g/bhp-hr PM or lower for other repower projects. ~~Repowers with replacement FEL engines that meet these emissions levels must be based on emission factors for model year 2007-2009 engines.~~ The maximum grant amount for school bus repower or alt. fuel conversion projects shall not exceed the funding cap of $70,000 established pursuant to the LESBP (Health & Safety Code § 44299.90). The maximum grant amount for other repower projects is $30,000.

However, due to technological constraints presented with the limited feasibility of newer engines with advanced emissions control equipment fitting into older chassis and maintaining durability, single vehicle repower, alt. fuel conversion, and electric conversion projects are not eligible for Moyer funding, except as described below.

D. *Project Criteria, Section D.5(A)(3)*

(3) $20,000 or the total retrofit cost, whichever is less, for retrofit devices installed on school buses.

E. Funding Eligibility for Projects Subject to In-Use Regulations, Section E.4

4. School Buses

~~Public school~~ School buses are eligible for Carl Moyer Program funding if they meet the general program criteria above.~~; however, their relatively low annual miles usually allow only for minimal grant amounts.~~ School bus projects do not have a fleet size limit, and can be funded up to the maximum grant amounts shown in Table 4-2. Conventional diesel or alternative-fuel school buses are eligible only for NOx and ROG reductions. Zero emission school bus projects including new purchases, replacements, repowers, and electric or alt. fuel conversions are eligible for NOx, ROG, and PM reductions. The cost-effectiveness values for school bus projects are $896,000/ton for zero emission school bus new purchase or electric conversion projects, and $149,000/ton for school bus repower or alt. fuel conversions projects. These cost-effectiveness estimates are based on average school bus operating usage from a limited number of previously-funded Carl Moyer school bus projects.

~~(A) School buses are eligible only for NOx and ROG reductions.~~

~~(B) School bus calculations must use the MHD vehicle emission factors and conversion factors to calculate cost-effectiveness.~~

Chapter 5: ON-ROAD HEAVY-DUTY VEHICLES FLEET MODERNIZATION

A. *Projects Eligible for Funding, Section A.2*

2. Used Replacement Vehicle Purchase: The purchase of a used vehicle ~~or school bus~~ with an engine certified to the 2007 or newer emission standards to replace an existing vehicle that is to be scrapped. School buses cannot be replaced with a used vehicle.

B. *Maximum Eligible Funding Amounts, Table 5-1*

Table 5-1
Maximum Funding Amounts for Fleet Modernization Projects

Oxides of Nitrogen (NOx) Family Emission Limit or NOx emission standard[1] grams per brake horsepower hour (g/bhp-hr)	Maximum[2]
0.20 g/bhp-hr (Heavy Heavy-Duty (HHD))	$60,000
0.50 g/bhp-hr (HHD)	$50,000
1.20 g/bhp-hr (HHD)	$40,000
0.20 g/bhp-hr (Medium Heavy-Duty (MHD))	$40,000
0.50 g/bhp-hr (MHD)	$30,000
1.20 g/bhp-hr (MHD)	$25,000
0.20 g/bhp-hr (Light Heavy Duty (LHD))	$30,000
0.50 g/bhp-hr LHD	$20,000
1.20 g/bhp-hr LHD	$15,000
0.20 g/bhp-hr New Diesel or Alternative-Fuel School Bus ~~bus (used)~~	~~100% of vehicle value~~ $165,000
New Zero Emission School Bus ~~bus (new)~~	~~100% of invoice~~ $400,000

[1] Applies to new or used vehicles unless otherwise noted.
[2] For fleets of three or fewer vehicles, the funding amount cannot exceed ~~eighty~~ 80 percent (80%) of vehicle value for used replacement vehicle or 80% of invoice for new replacement vehicle. For fleets with more than three vehicles, the funding amount cannot exceed ~~fifty~~ 50 percent (50%) of the vehicle value for used replacement vehicles or 50% of the invoice for new replacement vehicles. This limit does not apply to school bus projects.

C. *Project Criteria, Section C.5(C), (D) and (E)*

(C) Except for school buses, the ~~The~~ grant amount will be the lesser of the following:

(1) The cost-effective value of the project based on the weighted emission benefits;

-or-

(2) The maximum grant amount shown in Table 5-1.

(D) Grants for school bus projects shall not exceed the amounts shown in Table 5-1. The cost-effectiveness values for school bus replacement projects are $232,000/ton for conventional diesel or alternative fuel school buses, and $409,000/ton for zero emission school buses. These cost-effectiveness

estimates are based on average school bus operating usage from a limited number of previously-funded Carl Moyer school bus projects.

(E) ~~(D)~~ The replacement of two old, like trucks with one replacement truck is eligible for funding. Each old truck and the replacement truck must comply with all of the applicable guidelines. To determine cost-effectiveness, the annual emissions of the two old trucks are determined using emissions factors that correspond to the model year of each truck. The usage of the two old trucks is summed to establish projected replacement truck usage. The maximum allowable combined mileage is 60,000 miles per year (or 30,000 miles per truck per year). Replacement trucks are eligible for only one grant based on the combined usage – the amount of the grant award is not doubled.

[All subsequent paragraphs have been renumbered accordingly]

Chapter 14: LAWN AND GARDEN EQUIPMENT REPLACEMENT

C. *Project Criteria, Section C.1:*

1. General Lawn and Garden Equipment Replacement Criteria

   Except as allowed under Chapter 2, sections L, M and N, an ~~An~~ Air District may not contribute any additional non-Carl Moyer Program incentive funds towards the purchase of the individual lawn mower. However, bulk-purchasing discounts from the electric lawn mower manufacturer or merchant are allowed.

APPENDICES
Appendix A: ACRONYMS

GHG	Greenhouse Gas
LESBP	Lower-Emission School Bus Program

Appendix B: DEFINITIONS

Funding Target: The total funds required to meet a program milestone such as contract execution, fund expenditure, and funding cycle liquidation. Funding targets assist in cumulative progress tracking of funds and take into account funds that include regular Carl Moyer Program funds, ~~Multi-district~~ State Reserve funds, Rural District Assistance Program funds, Carl Moyer voucher program funds, required match funds, interest funds, reallocated funds, recaptured funds, and other relevant funds associated with the Carl Moyer Program.

Liquidate: Funds for a specified fiscal year that have been spent by a district to reimburse grantees for valid and eligible project invoices and district administrative costs. Payments withheld from the grantee by a district until all contractual reporting requirements are met may be excluded from these amounts for the purposes of liquidation. ~~those funds for which an air district has completely reimbursed an applicant for a valid and eligible project invoice. A contract is considered liquidated only when a check or checks are issued for the full contract amount and all invoices have been fully paid. Air districts exercising withhold allowances in their contracts may exclude these amounts for purposes of liquidation.~~

Recaptured Funds: Project funds ~~Funds~~ that are returned by a grantee to ~~the~~ an air district or ARB ~~due to a project that~~ because that grantee did not meet all of its contractual obligations. Air districts must expend these funds in a newer funding year.

Returned Funds: Funds ~~that must be~~ returned by a district to ARB for reallocation because they are either not ~~expended~~ liquidated by the required funding year ~~expenditure~~ liquidation deadline, or are associated with an ARB Incentive Program Review mitigation measure.

Appendix C: COST-EFFECTIVENESS CALCULATION METHODOLOGY

A. *Introduction*

All projects, with the exception of school bus projects, are subject to the cost-effectiveness limit defined in Appendix G: Cost-Effectiveness Limit and Capital Recovery Factors. School bus funding caps are located in Chapters 4 and 5. Carl Moyer Program (Moyer) funding, ~~funding under the air district's budget authority or fiduciary control~~ air district local AB 923 $2 motor vehicle fees, local air district mitigation fees, other local air district funds and all state funds must be included in determining the cost-effectiveness of surplus emission reductions except for tax credits, tax deductions, public rebates, public loans, local air district penalty funds and public agency applicant funds towards a project. Funding provided by federal programs designed to reduce greenhouse gas (GHG) emissions ~~(GHGs)~~ or funding provided by the Alternative and Renewable Fuel and Vehicle Technology Program or Air Quality Improvement Program, or ARB's Low Carbon Transportation Investment funds to reduce GHGs do not need to be included in the cost-effectiveness calculation. Projects that include such funds must meet all other Carl Moyer Program requirements. For more details see Chapter 2 and 3.

B. *General Cost-Effectiveness Calculations*

2. Calculating the Incremental Cost

   Maximum eligible percent funding amounts define incremental cost; in many cases an applicant will provide an estimate of the cost of the reduced technology. The incremental cost is determined by multiplying the cost of the reduced technology by the maximum eligible percent funding amount (from applicable chapter), as described in Formula C-3 below.

   Formula C-3: Incremental Cost ($)

   *Incremental Cost = Cost of Reduced Technology ($) * Maximum Eligible Percent Funding Amount*

   Generally the cost of the baseline vehicle for a new purchase is assumed to be a certain percentage of the cost of a new vehicle meeting reduced emissions from the standard. The cost of the baseline technology for a repower is assumed to be a percentage of the new engine. For retrofits, there is no baseline technology cost; hence the entire cost of the retrofit may be eligible for funding in most cases, but not for on-road. Refer to the On-Road chapter for specific eligible retrofit cost.

   For school bus fleet modernization projects, the incremental cost is determined ~~by adjusting the value given to the vehicle by the National Automotive Dealership Association (N.A.D.A.),~~ as described in Formula C-4 below.

Formula C-4: Incremental Cost for School Bus Fleet Modernization Projects ($)

~~*When the replacement school bus is not new, use the N.A.D.A. value where the N.A.D.A. value is the retail value of the used school bus * 100 percent.*~~

~~*When the replacement school bus is new, use*~~ *Dollar value on the invoice of the new school bus * 100 percent.*

Use the results from Formula C-3 or C-4 to complete Formula C-2 to determine the annualized cost of a project.

10. Calculations for Co-funding Moyer and Other Public Funds

~~Other public financial incentive funds, including tax incentives, received by the grantee directly must be deducted from the incremental cost.~~ Air districts must request information from grantee to determine what other public financial incentive funds will be used for the project and calculate the maximum Moyer grant amount to insure the applicant does not receive total funds greater than the total project cost. ~~Other public funds~~ Public agency applicant funds toward a project, tax credits, tax deductions, public rebates, public loans, or local air district penalty fees ~~which are determined to be operating funds and not incentives~~ do not need to be subtracted from the incremental cost. ~~Advice of legal counsel is recommended to assist in determining if other public funds should be classified as incentives or operating funds.~~ All other public financial incentives, including local air district mitigation funds and other local air district funds, must be deducted from the incremental cost when determining the eligible Moyer grant amount. Formula C-16 below must be used with Formula C-3 for projects with co-funding from these sources to determine the maximum grant amount based on incremental cost.

Formula C-16: Incremental Cost Limit for Moyer Grant for Grantees receiving other Public Financial Incentive Funds (must be used with Formula C-3 for projects with co-funding) Maximum Moyer Grant Amount (if cost-effective) = Incremental Cost (from Formula C-3) - Other Public Financial Incentive Funds*

Maximum Moyer Grant Amount (if cost-effective) =

Incremental Cost (from Formula C-3) – Other Public Financial Incentive Funds*

**Except for tax credits, tax deductions, public rebates, public loans, air district penalty fees.*

In addition to Carl Moyer Program funds, air district local AB 923 funds, local air district mitigation fees, other local air district funds ~~air districts must also include all funds under the district's budget authority or fiduciary control~~ plus any other state funds must be included when calculating cost-effectiveness for the project; the total funds assigned ~~contributed~~ by the air district to co-fund the project plus all state funds must meet current cost-effectiveness limits. Use Formula C-17a below (instead of Formula C-2) to determine the annualized cost for projects with co-funding.

Formula C-17a: Annualized Cost for Grantees receiving ~~other Public Financial~~ Air District Local AB 923 Funds, Local Air Mitigation Funds, Other Local Air District Funds, and/or State ~~Incentive~~ Funds (replaces Formula C-2 for projects with co-funding)

Annualized Cost ($) =

> *CRF * [Maximum Moyer Grant Amount (from Formula C-16) + Air District Local AB 923 Funds + Local Air District Mitigation Funds + Other Local Air District Funds + State Funds]*

For projects that include co-funding and the maximum grant amount based on incremental cost plus other state funds exceeds the cost-effectiveness limit, Formula C-17b must be used with Formula C-18 to determine the maximum grant amount. The final Moyer grant amount for a project is derived once the state and air district match are deducted. Use Formula C-17b below to determine the amount of funds the grantee may receive from the Carl Moyer Program.

Formula C-17b: Maximum Moyer Grant for Grantees receiving public funds (must be used with Formula C-18 for projects with co-funding where the maximum grant amount based on incremental cost plus other Air District and state funds exceeds the cost-effectiveness limit)

Moyer Grant Amount to Grantee =

> *Cost-effective Grant Amount (from Formula C-18) – [Air District Local AB 923 Funds + Local Air District Mitigation Funds + Other Local Air District Funds + State Funds]*

~~Beginning July 1, 2011, federal~~ Federal funding from programs that reduce ~~greenhouse gas emissions (GHGs)~~ GHG emissions or funding provided by the Alternative and Renewable Fuel and Vehicle Technology Program, or Air Quality Improvement Program, or ARB's Low Carbon Transportation Investment funds to reduce ~~(GHGs)~~ GHG emissions are not required to be included in Formulas C-16, C-17a and C-17b; for more details see Chapter 2 and 3. Public agency applicants are exempt from Formulas C-16, C-17a and C-17b; for more details see Chapter 2 and 3.

11. Calculation for projects exceeding the Cost-Effectiveness Limit

    For projects that have exceeded the weighted cost-effectiveness limit, the calculation methodology below must be applied in order to ensure final grant amounts meet the cost-effectiveness limit requirement. School bus projects are solely subject to cost caps, and will not use the calculation methodology below. The maximum grant amount is determined by multiplying the maximum allowed cost-effectiveness limit by the estimated annual emission reductions and dividing by the capital recovery factor in the C-18 formula below.

C. *List of Formulas*

Formula C-16: Incremental Cost Limit for Moyer Grant for Grantees receiving other Public Financial Incentive Funds

Maximum Moyer Grant Amount (if cost-effective) =

Incremental Cost (from Formula C-3) - Other Public Financial Incentive Funds*

**Except for tax credits, tax deductions, public rebates, public loans, air district penalty fees.*

Formula C-17a: Annualized Cost for Grantees receiving ~~other Public Financial Incentive~~ Air District Local AB 923 Funds + Local Air District Mitigation Funds + Other Local Air District Funds + State Funds.

Annualized Cost ($) =

CRF * [Maximum Moyer Grant Amount (from Formula C-16) + Air District Local AB 923 Funds + Local Air District Mitigation Funds + Other Local Air District Funds + State Funds]

Formula C-17b: Moyer Grant for Grantees receiving public funds from Air District

Moyer Grant Amount to Grantee =

Cost-effective Grant Amount (from Formula C-18) – [Air District Local AB 923 Funds + Local Air District Mitigation Funds + Other Local Air District Funds + State Funds]

Formula C-18: Maximum Grant Amount for ~~projects exceeding~~ Non-School Bus Projects Exceeding the Cost-Effectiveness Limit

Maximum Grant Amount =

(Cost-effectiveness limit * estimated annual emission reductions)/CRF

Appendix G: COST-EFFECTIVENESS LIMIT AND CAPITAL RECOVERY FACTORS

Per statute, the California Air Resources Board (ARB or the Board) updates the cost-effectiveness limit and capital recovery factors (CRF) annually. At the date of approval of the 2011 Carl Moyer Program Guidelines (April 28, 2011), the cost-effectiveness limit was $16,640 per weighted ton of pollutants reduced and the discount rate to determine capital recovery factors for various project lives was ~~2~~ two percent. In April of 2012, 2013, ~~and~~ 2014~~,~~ and 2015, the cost-effectiveness limit was updated to $17,080, $17,460, ~~and~~ $17,720 and $18,030 respectively. The discount rate remained at ~~2~~ two percent in 2012, ~~but~~ decreased to ~~1%~~ one percent in 2013 and 2014, and increased to two percent in 2015.

To update these values for use in 2016 , the average rates of return for U.S. Treasury securities and the California Consumer Price Index data available at the time of publication (January to September 2015) were used. The newly derived factors are shown in Tables G-1 and G-2f. ~~Effective April 1, 2015, the cost-effectiveness limit is updated to $18,030 and the discount rate increases to 2 percent.~~ Based on these values, the discount rate remains at two percent and the ~~The~~ capital recovery factors (as shown in Table G-3a) and ~~updated~~ truncated cost-effectiveness limit of ~~($18,030)~~ $18,260 ~~may be used~~ are in effect for contracts executed by air districts beginning ~~April 1, 2015~~ January 1, 2016. ~~but must be used starting July 1, 2015.~~ ARB will ~~continue to~~ update these factors prior to July 1, 2017, and annually thereafter through a ~~mail-out~~ Mail-Out.

Revised Cost-Effectiveness Limit

Table G-1
Cost-Effectiveness Limit Criteria

Year	Annual CA CPI	Percent (%) change (inflation rate)	Annual modified amount	Revised CE cap
1998	163.7	NA	NA	$12,000
1999	168.5	2.93%	$352	$12,352
2000	174.8	3.74%	$462	$12,814
2001	181.7	3.95%	$506	$13,319
2002	186.1	2.42%	$323	$13,642
2003	190.4	2.31%	$315	$13,957
2004	195.4	2.63%	$367	$14,324
2005	202.6	3.68%	$528	$14,852
2006	210.5	3.90%	$579	$15,431
2007	217.4	3.28%	$506	$15,938
2008	224.8	3.40%	$541	$16,479
2009	224.1	-0.31%	-$51	$16,428
2010	227.0	1.29%	$212	$16,640
2011	233.0	2.66%	$443	$17,084
2012	238.3	2.25%	$385	$17,469
2013	241.8	1.46%	$255	$17,724
2014	246.1	1.77%	$313	$18,037
2015	249.1	1.25%	$225	$18,262

Annual data for 2015 using the average rates of return for U.S. Treasury securities from January to September 2015 yielded a revised discount rate as shown in Table G-2f below. Rounding to a whole number yielded a discount rate of 2 percent:

Revised Capital Recovery Factors

Table G-2f
Discount Rate Factor (Available for use beginning January 1, 2016)

	Average Monthly Rate – 2015												
-	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
3 year	0.90%	0.99%	1.02%	0.87%	0.98%	1.07%	1.03%	1.03%	1.01%	NA	NA	NA	0.99%
5 year	1.37%	1.47%	1.52%	1.35%	1.54%	1.68%	1.63%	1.54%	1.49%	NA	NA	NA	1.51%
7 year	1.67%	1.79%	1.84%	1.69%	1.93%	2.10%	2.04%	1.91%	1.88%	NA	NA	NA	1.87%
10 year	1.88%	1.98%	2.04%	1.94%	2.20%	2.36%	2.32%	2.17%	2.17%	NA	NA	NA	2.12%
								Overall average for January – September 2015				-	1.62%

*NA: Data not available at time of publication.

PART 3: AGRICULTURAL ASSISTANCE PROGRAM

A. Background, Section A.3, A.5, and A.6.

3. Purchase of new school buses or the repower or retrofit of emissions control equipment for existing school buses pursuant to the Lower-Emission School Bus Program adopted by the Board. ~~School bus purchases through the Lower Emission School Bus Program.~~

5. Onboard natural gas tank replacements in existing school buses or the enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure pursuant to the Lower-Emission School Bus Program adopted by the Board.

6. Alternative fuel and electric infrastructure projects solicited and selected through a competitive bid process.

Attachment III
Revised Language for the 2008 Lower-Emission School Bus Program Guidelines

Changes and clarifications to the Lower-Emission School Bus Program (LESBP) are being made via Mail-Out under the authority granted by the California Air Resources Board (ARB or Board) during the March 25, 2010 Board Meeting (Resolution 10-19). In accordance with Resolution 10-19, this Mail-Out provides guidance to local air districts and eligible school bus owners participating in the LESBP.

Guidance in this Mail-Out is provided to address changes to statute, effective January 1, 2016, that 1) allows AB 923 funds to pay for repowers of school buses, 2) removes the funding caps and ownership limitation for onboard natural gas fuel tank replacement and enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure, and 3) raises the administration expense allowance from five to 6.25 percent. In addition to the statute changes, staff has reevaluated funding caps developed in 2011 and provided updated funding caps for school bus projects (Table 1: LESBP Project Funding Caps).

The primary goal of the LESBP is to reduce children's exposure to both cancer-causing and smog-forming pollution. Cleaner school buses are an important component of the LESBP, as school buses typically remain in service for extended periods of time. Providing funding ensures that these important emission reductions are achieved.

Funding for School Bus Repowers

Previous statute authorized using AB 923 funding for the purchase of new school buses, or retrofit of emissions control equipment for used school buses pursuant to the LESBP. Effective January 1, 2016, Senate Bill 513 (Beall, Chapter 610, Statutes of 2015) adds repowers to the list of eligible school bus projects.

1. ***Eligibility Requirements***

   A. Eligible Applicants for School Bus Funding

      Public school districts in California that own their own school buses are eligible to receive funding for repower projects. This includes public school districts that own their school buses but contract with a County Office of Education or private contractor for maintenance and operations. Where several public school districts have formed a Joint Powers Authority (JPA) and the JPA holds ownership of the school buses, then the JPA is also eligible to participate. Public charter schools that own their own school buses and County Offices of Education that own their school buses are also eligible to participate.

Private transportation providers that own their school buses and contract with public school districts to provide transportation services for public school children are also eligible to receive grant funding for repower projects.

B. School Buses Eligible for Repower Projects

School buses with current California Highway Patrol (CHP) safety certifications qualify for repower project funding if all other requirements in the LESBP Guidelines are met. There is not a gross vehicle weight rating requirement of over 14,000 pounds for a repower project funded by local air district AB 923 funds.

2. ***Requirements Specific to Repower Projects***

A. School Bus Age

The school bus selected for an AB 923 funded repower project must be ten years old or newer. This requirement is to help ensure that the repowered school bus is in good operating condition and will remain in service through the required five year minimum project life.

B. Project Life

The repowered school bus funded with local air district AB 923 funding must be able to operate for at least a five-year project life.

C. Emission Criteria

The maximum emission criteria for repowered engines are 0.20 grams per brake horsepower-hour (g/bhp-hr) oxides of nitrogen (NOx) and 0.01 g/bhp-hr particulate matter (PM).

D. Warranty Provisions

The vendor warranty must provide protection for a minimum of 60 months or 75,000 miles, whichever comes first, and provide full warranty coverage of, at a minimum, all parts and labor provided for the repower. Warranties must be fully transferrable to subsequent school bus purchasers for the full warranty coverage period.

E. Price Sheet

The vendor must provide a price sheet to the school bus owner for the repowered school bus.

F. Allowable Funding Costs

School bus repower projects are capped at $70,000 in funding and funding may not exceed the actual cost.

3. ***Contract Requirements (between the Local Air District and the School Bus Owner)***

A. Project Life

Successful applicants must make an enforceable commitment to own and operate the repowered school buses for a minimum of five years (project life).

B. Pro-rating funds

Language included in the contract for all projects must stipulate that the school bus must operate for the length of the project life or a pro-rated amount of the awarded funds must be returned to the local air district.

C. CHP Documentation of Safety Certification

Language must be included in the contract that stipulates that the vendor cannot receive payment until the school bus has been inspected by the CHP and the CHP has completed written documentation signifying that the school bus is safe to operate with children aboard.

4. ***CHP Inspection Prior to Return to Service***

All school buses must pass a CHP safety inspection [per Title 13, California Code of Regulations section 1272(c)] every thirteen months and prior to its return to service. For repowered school buses, CHP may require engineering plans, certified by a California licensed engineer, of the repowered school bus to conduct the required safety certification inspection.

5. ***No Payment Prior to CHP Inspection***

All school buses must be safety certified by the CHP in order to receive payment with incentive funding. Copies of a completed CHP form 343 – Safety Compliance Report/Terminal Record Update, OR a copy of a completed CHP form 343A – Vehicle/Equipment Inspection Report Motor Carrier Safety Operations, or equivalent must be received by the local air district prior to payment to the conversion vendor.

Replacement of On-Board Natural Gas Fuel Tanks on School Buses and Enhancement of Deteriorating Natural Gas Fueling Dispensers of Fueling Infrastructure Project Funding Caps and Ownership Limitation Removed

Current language in the LESBP Guidelines, specifically in Mail-Out #MSC 11-37, specifies AB 923 funds can pay for the replacement of on-board natural gas fuel tanks that are on school buses 14 years or older and owned by a public school district. Furthermore, maximum funding per school bus cannot exceed $20,000 for the replacement of on-board natural gas fuel tanks. Additionally, Mail-Out #MSC 11-37 specifies that school districts may only request one-time funding amounts not to exceed $500 per dispenser for funding to pay for improvements of deteriorating natural gas fueling dispensers of fueling infrastructure operated by a public school district.

Effective January 1, 2016, SB 513 removes the funding caps and ownership limitation. Therefore the language specified above in Mail-Out #MSC 11-37 no longer applies. Funding amounts for CNG tank replacement and CNG fueling dispensers have no funding cap (See Table 1). In addition, ownership is no longer limited to school districts. Public school districts in California that own their own school buses are eligible to receive funding for repower projects. This includes public school districts that own their school buses but contract with a County Office of Education or private contractor for maintenance and operations. Where several public school districts have formed a JPA and the JPA holds ownership of the school buses, then the JPA is also eligible to participate. Public charter schools that own their own school buses and County Offices of Education that own their school buses are also eligible to participate.

Private transportation providers that own their school buses and contract with public school districts to provide transportation services for public school children are also eligible to receive grant funding for replacement of on-board natural gas fuel tanks on school buses and enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure projects.

Administrative Cap for AB 923 Funds

Current language in the LESBP Guidelines, specifically in Mail-Out #MSC 11-37, specifies that the administrative cap for AB 923 funds is five percent. Effective January 1, 2016, SB 513 increases the administrative cap to 6.25 percent.

LESBP Project Funding Caps

Current language in the LESBP Guidelines, specifically in Mail-Out #MSC 11-37, specifies project funding caps by funding source. Staff has updated the project funding cap guidance for AB 923 funds as reflected in Table 1: LESBP Project Funding Caps below.

Table 1: LESBP Project Funding Caps

LESBP Project Type	LESBP Project Funding Caps[1]
Diesel-Fueled School Bus Replacement	$165,000
Alternative-Fueled School Bus Replacement[2, 3]	$165,000
Zero-emission (includes battery electric or fuel cell) School Bus	$400,000
Electric Conversion (using an existing school bus)	$400,000
Repowers	$70,000
Diesel Retrofit Project per School Bus	$20,000
Diesel Retrofit Maintenance – includes purchase of a cleaning device system or paying for filters to be cleaned with a service contract	$2,500 within the $20,000 retrofit cap
Diesel Retrofit Infrastructure – includes electrical outlets necessary for regeneration of active retrofit systems	No cap on infrastructure, but must be within the $20,000 retrofit cap
Diesel Retrofit Data logging	$300 within the $20,000 retrofit cap
Alternative Fuel Infrastructure for Alternative-Fueled School Bus Replacements	$16,500/per school bus
Infrastructure for Powering Electric School Bus Replacements	$20,000/per school bus
Infrastructure for Electric School Bus Replacements Vehicle to Grid	No cap
On-board Natural Gas Fuel Tank Replacements	No cap
Enhancement of Deteriorating Natural Gas Fueling Dispensers	No cap

[1]Individual sources of funds may not be able to fund all project types or may have different funding caps.
[2] In addition to these funds, Hybrid Voucher Incentive Project (HVIP) funding may be available. See the program's website for details: http://www.californiahvip.org/ .
[3] Alternative-fueled school buses may be powered by natural gas, liquefied petroleum gas (LPG or propane), electricity, methanol, or ethanol fuels; however, for the purposes of this table, alternative-fueled excludes electric school buses.