

PART II: ZEV INCENTIVE PROGRAM FOR FLEETS THAT OPERATE IN AREAS OF CALIFORNIA WITH THE POOREST AIR QUALITY

Part II of this document covers the new ZEV incentive program that will provide grants to fleets that operate in areas of California with the poorest air quality. Topics covered include background on the Legislative requirements and the need for the program, administrative structure, eligibility requirements, and project evaluation criteria.

1.0 BACKGROUND

This section presents background information on the Legislative direction for the program, environmental justice, need for incentives, expected program benefits, and the program goals.

1.1 Introduction

The Legislature approved funding in the Fiscal-Year 2001-2002 State Budget to establish a new ZEV incentive program for fleets. This funding authorizes grants of up to \$11,000 per vehicle for new qualifying ZEVs that are purchased or leased through June 2004, and are used by fleets operating in nonattainment areas of California.

The Legislature directed the Air Resources Board to award grants through a competitive process. The competitive process gives preference to those fleets that will primarily use the vehicles in environmental justice communities as described below. The direction on the program is specified in both Assembly Bill 1390 (2001 Statutes, Chapter 763, Health and Safety Code Section 44260) and authorizing Budget language (Zero Emission Vehicle Program, Fiscal Year 2001-2002). A copy of Assembly Bill 1390 and the authorizing Budget Language can be found in Appendix E and Appendix F, respectively.

1.2 Environmental Justice

Environmental justice is defined in State law as *"the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies."* These laws respond to growing concerns about the potential health effects from exposure to multiple pollutants and toxic compounds. Local community groups have repeatedly called for better protection from emissions from mobile sources, as well as pollutants from industrial sources that have often been sited in or near low-income communities.

In December 2001, the ARB adopted broad-ranged environmental policies that are designed to assure clean air for all Californians. The policies will help advance this goal by making environmental justice considerations a standard practice in all ARB activities. The policies are a result of a comprehensive two year Stakeholder process, in which The ARB worked closely with local air districts, environmental and community groups, and industry representatives.

The ARB's Environmental Justice policies represent one of the most comprehensive policies yet adopted by a State agency to date. They include major commitments in seven broad areas which are summarized below:

- ◆ Integrate environmental justice into all of the ARB's programs, policies, and regulations.
- ◆ Strengthen the ARB's outreach and education efforts in all communities, especially low-income and minority communities, so that all Californians can fully participate in our public processes and share in the air quality benefits of our programs.
- ◆ Work with local air districts to meet health-based air quality standards and reduce health risks from toxic air pollutants in all communities, especially low-income and minority communities, through the adoption of control measures and the promotion of pollution prevention programs.
- ◆ Work with the local air districts to strengthen enforcement activities at the community level across the state.
- ◆ Assess, consider, and reduce cumulative emissions, exposures and health risks when developing and implementing programs.
- ◆ Work with local land-use agencies, transportation agencies, and air districts to develop ways to assess, consider, and reduce cumulative emissions, exposures, and health risks from air pollution through general plans, permitting, and other local actions.
- ◆ Support research and data collection needed to reduce cumulative emissions, exposure, and health risks, as appropriate, in all communities, especially low-income and minority communities.

ARB's environmental justice policies specifically commit to implement incentive programs as specified in Assembly Bill 1390 to ensure that all communities, including low income and communities of color, are afforded the opportunity to participate in the program. Thus, this ZEV incentive program is an important part of implementing the ARB's environmental justice policies.

1.3 Need for Incentives

Incentives help accelerate the production of technologies that benefit society. During the next three years, staff believes that incentives will play a critical role in enhancing market development for ZEVs. ZEVs currently cost more than comparable conventionally fueled vehicles, due in part, to small production volumes. This higher cost makes it much more difficult for fleets to purchase or lease ZEVs.

Residents of many communities, including low-income and communities of color, have not had the opportunity to purchase or lease a ZEV because of the substantially higher cost of these vehicles and lack of familiarity with the technology. This program is designed to break through these barriers. By providing significant grants to fleets that operate in areas with the poorest air quality, this program is intended to provide

opportunities to communities who may not have been previously able to consider leasing or purchasing a ZEV.

This program has the potential to provide tangible, near-term benefits to communities. ZEVs can replace older gasoline or diesel vehicles that contribute to smog and toxic air pollutants. Education and outreach on ZEV technology helps promote a greater understanding of air pollution and its causes, which can empower communities to take a more active role in air quality decisions which impact them. This is consistent with ARB's Environmental Justice policies that commit to strengthen outreach and education efforts in all communities, especially low income and communities of color, so that all Californians can fully participate in public process and share in the air quality benefits of our programs.

Finally, by providing a grant of up to \$11,000 per vehicle, it is anticipated that this incentive program will result in greater use of ZEVs by fleets. This will greatly enhance the marketability of ZEVs, because fleets have been very important in paving the way to a vibrant consumer market. Of particular importance is the ability to allocate funding priorities to support the availability of vehicles with full function characteristics. Full function ZEVs are able to satisfy the widest variety of transportation needs, and thus are a critical element of a sustainable market.

1.4 Program Goals

There are four program goals for this program. These goals incorporate the Legislative direction for this program, ARB's Environmental Justice policies, and priorities identified by the Board for ZEV program implementation. The program requirements described later are structured to most effectively meet these goals. The four program goals are described below:

- ◆ Implement a ZEV incentive program for fleets that operate in geographical areas of the State with the poorest air quality (nonattainment for ozone).
- ◆ Promote the deployment of ZEVs in environmental justice communities.
- ◆ Encourage projects that showcase ZEV technology to communities, or include education on the benefits of ZEV technology, so that all communities, especially low-income and communities of color, can take a more active role in decisions affecting their local air quality.
- ◆ Promote full function ZEVs or ZEVs with full function characteristics.

2.0 FLEET ZIP PROGRAM ADMINISTRATION

This section provides information on how the program will be administered. Topics discussed include the application and solicitation process, and administrative roles and responsibilities. This administration ensures that the program is successful in meeting the program goals discussed in the previous section.

This program differs from the programs described in Part I in that grants are not allocated on a “first-come, first-served” basis. The Legislature directed ARB to award Fleet ZIP grants through a competitive process.

A competitive process is one in which all eligible requests for grants are evaluated and scored utilizing objective criteria. Grants are then awarded to proposals that are found to score the highest using the criteria. The order in which proposals are submitted is not important as long as they are submitted within required timeframes. A competitive process is already used by ARB in the administration of a number of programs, including the Carl Moyer Program, and the award of funds allocated through the Research Division for sponsored research projects.

2.1 Program Overview

The program will be implemented at the State level by ARB, in conjunction with Program Partners and Program Sponsors. ARB will appoint a Program Manager to oversee the implementation of the program and to work collaboratively with Program Partners and Program Sponsors. Program Partners are air districts or other public agencies that agree to assist with the implementation of program in their area, including the recruitment and evaluation of project proposals. Program Sponsors are public or private organizations that would like to assist with program outreach and identification of potential applicants. The duties of the Program Manager, Program Partners, and Program Sponsors are described later in this section.

The Program is divided into three different stages: (1) Pre-Solicitation, (2) Solicitation, and (3) Grant Allocation.

Pre-Solicitation During this period, ARB, Program Partners, and Program Sponsors hold Pre-Solicitation workshops to inform interested parties about the program and funding opportunities. These workshops will be held throughout the State, and will include detailed information on the program and how to apply, as well as a demonstration of ZEV technology and information on charging infrastructure.

Grant Solicitation This begins when ARB and Program Partners announce the Request for Grant application period. This will be a sixty-day period, in which all interested parties can submit an application requesting a grant. All applications must be received by the last day of the solicitation period. There will be at least two Solicitation periods, one each in late 2002 and late 2003. Depending on funding availability, there could be additional solicitation periods in 2003 and 2004.

Grant Allocation. ARB and Program Partners review and score all applications submitted during the Grant Solicitation Period (more information on this process is included in the *Project Evaluation* Section). Successful applicants will be notified and will receive grants upon execution of the Grant Agreement and submittal of necessary documentation, including vehicle lease and registration information.

2.2 Program Partners

Program Partners are essential to a successful program. A Program Partner is a public agency that agrees to work with the ARB Program Manager and assist with implementation of the program in their area or jurisdiction. Program Partners agree to make the following commitments to the program:

- ◆ Jointly co-sponsor at least one Pre-Solicitation Workshop in their jurisdiction each solicitation period.
- ◆ Provide input on the program outreach strategy for their region or jurisdiction.
- ◆ Assist with outreach efforts for the program in their area or jurisdiction, including providing assistance to ARB to help identify potential fleets in their area.
- ◆ Make the grant application package and program information available at their offices, website, and at appropriate outreach events that they normally sponsor or participate in.
- ◆ Provide information on all possible incentives or funding sources that could be considered by potential applicants in their area.
- ◆ Assist ARB in the evaluation of applications within their jurisdiction. This will include their recommendation as to the scoring of projects utilizing Project Evaluation Criteria and recommendations as to which projects to fund in their area or jurisdiction.
- ◆ Appoint a staff person to provide input to the ARB Program Manager. This will include participating in quarterly meetings or monthly conference calls with other Program Partners and the ARB Program Manager. Air Districts who are Program Partners would also be asked to develop environmental justice criteria for their region or provide input to the Program Manager on the appropriate environmental justice criteria for their area.

Staff looks forward to Air Districts' active participation as Program Partners. Air Districts can make a very important contribution to the overall program success. Districts are the most familiar with fleets in their area and as well, can provide considerable expertise in the identification of appropriate environmental justice criteria in their area. In addition, they have ongoing outreach activities that provide important opportunities to educate their communities about ZEV technology and funding opportunities available with this program.

While it is anticipated that Air Districts will be the primary Program Partners, staff also encourages other public agencies that have battery electric vehicle experience or expertise with implementing fleet programs to consider becoming a Program Partner. This could result in some areas having more than one Program Partner. For example, an Air District, City, and State or federal agency could all have overlapping areas of jurisdiction. This structure has the potential to incorporate a wide variety of insight, expertise, and knowledge into the program. It also opens up a multitude of outreach opportunities to inform communities about the program and grant opportunities. Program Partners will play an extremely important role in implementing the program at the local level.

To avoid any conflict of interest, a Program Partner must agree to not submit a grant proposal under this program. Because Program Partners will be evaluating grant applications for their area, it would not be appropriate for them to submit their own application during a solicitation period. However, interested agencies that are planning to submit a grant application would be eligible to participate as a Program Sponsor.

2.3 Program Sponsors

Organizations (automakers, electric utilities with EV programs, environmental or community organizations, etc) that could have a potential stake in which proposals receive grants are welcome to participate as a Program Sponsor. A Program Sponsor would be an organization that is willing to support the program, including outreach activities and fleet evaluation of interested applicants. However, they would not have any role in the evaluation of projects in their area. Specifically, Program Sponsors agree to the following:

- ◆ Sponsor a pre-solicitation workshop in their area and provide other assistance, as needed, with outreach on the program.
- ◆ Provide assistance, as needed, to the Program Manager and Program Partners in identifying potential fleets or specific fleet applications in their area or within their area of expertise that they believe have high merit.
- ◆ Assist interested organizations with determining if EVs are appropriate for their fleet needs (“fleet evaluation”).
- ◆ Program Sponsors may also assist fleets in the development of grant proposals.

2.4 Program Manager

The ARB will appoint a Program Manager to administer the program. The Program Manager may be different than the Program Manager responsible for the statewide grant program described in Part I of this report. The duties of the Program Manager are:

- ◆ Coordinate with Program Partners and Program Sponsors.
- ◆ Develop grant application packages and make them available.
- ◆ Develop outreach plan with Program Partners and Program Sponsors.
- ◆ Coordinate outreach activities with the ZEV Outreach Stakeholder Group.
- ◆ Coordinate with the ZEV Grant Program Manager and ZEV Incentive Stakeholder Group.
- ◆ Conduct Pre-Solicitation Workshops with Program Partners and Program Sponsors.
- ◆ Screen all applications for completeness and eligibility.
- ◆ Ask Program Partners to review all eligible applications in their jurisdiction.
- ◆ Assist in the evaluation of applications, and incorporate recommendations of Program Partners regarding applications in their area or jurisdiction.
- ◆ Announce grant awards and authorize grant distribution.
- ◆ Track program status, including funding allocation.

- ◆ Meet quarterly (or monthly if needed) with Program Partners and Program Sponsors.
- ◆ Coordinate within ARB to hold an outreach event in 2003 to publicly acknowledge the contribution of all Program Partners and Program Sponsors, and to highlight Program Accomplishments.

2.5 Pre-Solicitation Process

The goal of the Pre-Solicitation process is to inform interested fleets, public agencies, and community organizations about the benefits of ZEV technologies and funding opportunities available under the program. The Pre-Solicitation process will include a comprehensive outreach effort with the following materials and activities:

- ◆ Written materials on ZEV technology and funding opportunities prepared by the Program Manager in coordination with Program Partners and Program Sponsors.
- ◆ ARB Press Release announcing the Program.
- ◆ Preparation of materials that can be used by Program Partners and Sponsors to provide outreach on the Program. In addition to a program factsheet, this could include brochures, a short Power Point Presentation or video explaining the program and any other outreach needs identified by Program Partners and Sponsors. In addition, a program logo may be developed to enable interested parties to quickly identify the program.
- ◆ Identify potential fleets and fleet applications and determine best methods of outreach to these fleets.
- ◆ Coordinate outreach activities with ZEV Stakeholder Outreach Group and other interested organizations.
- ◆ Pre-Solicitation Workshops that will include discussions of available ZEVs, assistance with a fleet evaluation, and detailed information on the program and application process.

2.6 Solicitation Process

The solicitation process begins with the announcement of the opening of the grant solicitation period. The first solicitation period is expected to begin by the end of 2002 and will last 60 days. Application packages will be available from ARB, auto dealers and at www.zevinfo.com, as well as from Program Partners and Program Sponsors.

The application process has been designed to be simple and easy to complete. However, all interested parties must submit the official application form. Required information includes: applicant name, taxpayer identification number, business license (if applicable), mailing address and agency contact information. In addition, the application must include the name of the organization(s) where the vehicles will be placed and used. Other required information includes the number and type of vehicles that will be leased or purchased (make, model number, lease cost), address(es) where vehicles will be garaged, and description of project.

It is anticipated that the project description will be relatively simple for those applicants leasing or purchasing small numbers of vehicles, but may be significantly more detailed for large and complex projects. Detail on project requirements can be found in subsequent sections of this report. However, the project description should, at a minimum:

- ◆ Identify geographical areas where vehicles will be garaged and used, including the nonattainment area;
- ◆ Document that the vehicle will be garaged and used in an area that meets environmental justice criteria and the benefits of the project to the area;
- ◆ Provide fleet application or use for the vehicle;
- ◆ Estimate vehicle miles traveled;
- ◆ Briefly describe any educational or outreach project components; and
- ◆ Identify any Project Partnerships.

Only paper copies of applications will be accepted. All applications must be received by the close of the solicitation period. Applicants may include any supplemental information they would like to have considered in the evaluation of their project. In addition, the application must be signed and dated by a representative of the applicant's organization that has the authority to submit the application.

2.7 Grant Allocation Process

The Program Manager shall (1) screen all applications for completeness, and (2) determine eligibility for all complete applications. All eligible applications will be evaluated and scored by Program Partners and the ARB Technical Review Committee.

Complete Applications. The Program Manager will review each application to determine if it is complete. Anyone that has submitted an application that is incomplete, unsigned, or has missing information, will be provided with an opportunity (10 business days from the date of written notification) to provide the missing information to the Program Manager. If the information is not provided within this timeframe, the application will be found to be ineligible. All applicants will be notified in writing that their application has been received and whether it is complete.

Eligibility Determination. Eligibility requirements are discussed in the next section. All applications will be reviewed by the Program Manager to determine if they meet minimum eligibility requirements. The Program Manager will consult, as necessary, with the appropriate Program Partner. Applications determined to not meet minimum eligibility requirements will be notified in writing. Any applicant can appeal to the Program Manager in writing if they believe that their application has been unfairly found to be ineligible. They must provide their reason in a signed letter within 10 working days of being notified that their application does not meet minimum requirements. All applicants that submit an appeal will be notified in writing by the Program Manager of the final eligibility determination.

Most, ineligible applicants would be eligible for a grant under the ZIP I or ZIP II, described in Part I of this document, as long as they meet those eligibility requirements. All ineligible applicants will be provided with information on how to complete the paperwork to receive a grant from the general ZEV Grant program.

Project Evaluation and Award of Grants. A copy of all eligible applications will be provided to Program Partners (projects in their jurisdiction) for their review and recommendation. The Program Manager and Technical Review Committee will then review the Program Partner's evaluation of each project, and incorporate their evaluation when determining a final score for the project. The composition of the ARB Technical Review Committee and evaluation process is described in detail in the *Project Evaluation* section.

2.8 Program Funding Allocation

A maximum of 40% of total funds will be set aside for vehicles leased to implement project proposals that are approved in the first solicitation. The remaining funds, as well as any unused funds from the first solicitation, will be available for vehicles leased for projects approved in 2003 and 2004. Minimum baseline funding amounts will initially be allocated in the first solicitation to each eligible area of the State (eligible areas are described in the *Program Eligibility* section). These allocations will not comprise more than 20% of available funding for a given year and will be based on a consideration of both population and severity of the air pollution problem. The allocations will be made by eligible air districts.

Providing minimum baseline allocations of funding was recommended in the ZEV Incentive Stakeholder Group as a mechanism to ensure that each eligible area has the ability to have funded projects. The Program Manager will reallocate this funding if there are insufficient requests in an area, or submitted requests do not attain a minimum score using Project Evaluation Criteria (discussed in the section on Project Criteria). Proposals that attain a score of 70 or better are eligible for funding.

If the amount of projects with a score of 70 (see Table II-3 below for details) exceeds available funding in an area, then projects will be funded in priority, based on those with the highest score. The process will fund the projects with the highest score (a score of 70 or greater) in each area. When funding is either exhausted for each area, or if unused, it will be reallocated to a "State pool." The remaining projects will then be funded, based on those with the highest score (must have minimum score of 55, as discussed later).

2.9 Grant Payments

Successful applicants will be notified in writing that they are eligible for a grant award. In order to receive their grant, they must execute a Grant Agreement with ARB and lease or purchase the vehicles. A copy of the recommended draft terms and conditions of the Grant Agreement is included in Appendix J. Each Grant Agreement will specify

the number of vehicles and the approved grant award for each vehicle. The applicant's project description will be incorporated as part of the Grant Agreement.

All successful applicants will be provided with a Grant Agreement approved (signed) by ARB. The receipt of the approved Grant Agreement is documentation to the applicant that their project is approved for funding, pending execution of the Grant Agreement. The Grant Agreement must be fully executed within 90 days from the date that ARB approves it. If the Grant Agreement is not fully executed within 90 days, then the applicant is no longer eligible for a grant. A "Fully Executed" Grant Agreement means that the applicant has signed the Grant Agreement (as approved by ARB), returned it to the Program Manager, and provided any required documentation (vehicle lease or sales agreement is not needed at this stage). Any changes to the standard Grant Agreement Terms and Conditions must be approved by both ARB and the applicant. In addition, the Grant Agreement must be fully executed within the same 90 day period (90 day period is calculated from the date that the original Grant Agreement was approved by ARB).

It should be understood that execution of the Grant Agreement does not obligate the applicant to purchase or lease vehicles should they determine for any reason not to implement the project. In addition, applicants can purchase or lease vehicles in increments, or purchase or lease a smaller number of vehicles than approved in the executed Grant Agreement. Under no circumstances, however, can an applicant receive funds in excess (or for a greater number of vehicles) than in the executed Grant Agreement.

Upon obtaining prior written approval by the Program Manager, applicants can substitute similar vehicles for those that are identified in the executed Grant Agreement (and were originally requested in their application). All vehicles substituted must be eligible for the same grant award. For example, an applicant could substitute similar vehicles that qualify for the maximum grant award of \$11,000 (RAV4EV or a Ford Ranger EV), but not a RAV4EV for a Neighborhood Electric Vehicle. In addition, all substituted vehicles must be eligible for a grant. In approving the substitution of vehicles, the intent is to support the implementation of projects, address any vehicle availability issues, and provide flexibility to applicants if they identify vehicles better suited to their project or fleet application. However, no vehicle substitutions will be approved if the substitution itself substantially changes the scope or effectiveness of the project, as described in the applicant's original project description.

The successful applicant has a maximum of twelve months from the date that ARB signs the Grant Agreement to lease or purchase the vehicles. This time period is being provided to address Stakeholder concerns related to vehicle availability and the time needed to address budgetary and procurement cycles of different agencies. However, if the vehicles are not leased or purchased within 12 months of the date that ARB approves the Grant Agreement, then the applicant must reapply for a grant during the next open solicitation period. If the applicant does not execute the Grant Agreement

within 90 days, then the project is no longer eligible for a grant. A grant will be offered to other remaining eligible projects (in the same solicitation period).

Actual payment will be made when the applicant leases or purchases the vehicles. Payment can be made directly to the applicant or the auto manufacturer/dealer. Payment will be issued when the applicant returns the Payment Request Form with documentation of vehicle lease or purchase. Payments will be made only for eligible vehicles included in the executed Grant Agreement. No grants or funds are provided to recoup administrative or infrastructure costs. Applicants are encouraged to work closely with Program Partners and Program Sponsors in their area so that they can secure all assistance that they may be eligible for in their area.

3.0 PROGRAM ELIGIBILITY REQUIREMENTS

This section of the staff report contains the minimum program eligibility requirements. These requirements reflect the Legislative Direction that ARB provide grants to fleets that operate in areas with the poorest air quality. The eligibility requirements are also structured to ensure that the program goals are achieved.

3.1 Overview

As discussed in the previous section, all applications submitted will be evaluated through a three-step competitive process. First, all applications are screened to determine if they are complete. Second, all complete applications are reviewed to determine if they meet minimum eligibility requirements. Any applicant whose proposal is determined by the Program Manager to not meet the minimum eligibility requirements will be provided with an opportunity to appeal this finding (as described in previous section). If it is deemed to be ineligible after an appeal, it will be excluded from further evaluation. Finally, all applications that meet minimum eligibility requirements will be evaluated and scored, using the project evaluation criteria (discussed in later sections of this report).

There will be five requirements that would need to be met for all applications or grant requests. These are: (1) definition of eligible applicant, (2) fleet definition, (3) nonattainment requirement, (4) eligible vehicle, and (5) environmental justice criteria. To be eligible, an applicant must meet all five of these requirements. In addition, some projects must also provide information on how the project will be administered. Each of these requirements is described in this section.

3.2 Applicant

Individuals are not eligible for grants. To qualify, all applications must be submitted by a representative of an organization that falls into one of the following categories:

- ◆ Public agency. This includes State agencies (including State College and University system), any federal agency with an office in California (example U.S. Post Office)

and local agencies (city, county, public school, public community college, police, fire or other special purpose district). The applicant shall provide their federal tax payer identification number on the application and information on the agency (type of agency, mission, geographic area of service).

- ◆ Business or Corporation Authorized to Conduct Business in California. This includes sole proprietors and partnerships. The applicant shall provide a copy of the current business license issued in California and their federal tax payer identification number. If a business license is not required, the applicant can provide other documentation demonstrating that they are authorized to conduct business in California. The applicant shall provide a short description of their business and geographical area of service.
- ◆ Non-profit organizations, Estates, or Trusts. The applicant shall provide a federal tax payer identification number and a short description of the charter or organizational mission and geographical area of service/activity.

A typical applicant would be an entity that meets the criteria above and who applies for grants for vehicles that they will lease and use in their own fleet. However, it is also possible that a qualified applicant could also be any entity that meets the criteria outlined above and who is applying for funding that will be used to purchase or lease vehicles that they will place and manage in other fleets (or other fleets including their own). In all cases, vehicles must be placed with an eligible fleet, which is defined below.

3.3 Eligible Fleets

All vehicles must be placed in a fleet. The Legislation or authorizing budget language does not define fleet or include any fleet criteria. There are many possible definitions of a fleet that have been used in programs. These definitions include organizations that own a specified number of vehicles (2,10,100, etc), organizations that purchase a specified number of vehicles, or organizations that administer vehicles for other fleets or organizations (including implementing a project).

A fleet is defined very broadly to facilitate community participation in the program. However, the fleet definition is also intended to exclude any grants for vehicles purchased or leased by an individual or primarily intended for use as a commuter vehicle.

A fleet vehicle differs from a vehicle purchased by an individual. Individuals generally use their vehicles to meet their personal transportation needs, including commuting. A fleet vehicle is any vehicle used by a business, public agency, or other organization in the course of conducting business. This vehicle is generally owned, leased, or procured through a long-term rental agreement.

An eligible fleet must meet either one of the following criteria:

- ◆ Owns or leases two or more fleet vehicles that are used to conduct business at the time the application for a grant is submitted.
- ◆ Be any public agency, business, non-profit organization estate, or trust that has entered into an agreement with an eligible applicant to receive and use ZEVs that receive a grant through this program. All vehicles must be used as fleet vehicles.

The definition of fleet is broad. It should accommodate a broad spectrum of community organizations, businesses, and public agencies. In the evaluation of projects (described in detail in the next section), priority will be given to those fleets that do not typically garage their fleet vehicles at a private residence, and do not intend to garage the ZEV receiving a grant at a private residence. This is to ensure that grants are allocated to fleet vehicles. “Garaged” is defined for a battery EV as the location where the charging station is installed. For all other vehicles, “garaged” is defined as the location where the vehicle is parked overnight.

All grant applications will need to include an estimate of the number of fleet vehicles in the applicant’s fleet. This number can be based on the number of vehicles in the entire organization in one geographical area (for example, Air District boundaries or nonattainment area boundary) or sub-unit of organization that will use the vehicles. If the applicant is not the entity using the vehicle, then the applicant must identify each eligible fleet receiving vehicles through their project.

3.4 Definition of Nonattainment Area

3.4.1 Background

The Legislature directed that grants be awarded to fleets that operate in ozone nonattainment areas of California. This section provides background information on ambient air quality standards and nonattainment areas. Health effects associated with other pollutants, including particulate matter (PM), carbon monoxide, and toxic air contaminants are discussed in the following section on environmental justice criteria. Additional information on air quality standards, health effects, and air pollution sources, is available in the Appendix L.

The 1990 Federal Clean Air Act requires that the United States Environmental Protection Agency (U.S. EPA) establish National Ambient Air Quality Standards. The Board also establishes state ambient air quality standards that are in some cases, more stringent and protective of human health than the national standards. These standards set legal requirements on the maximum concentration of an air pollutant that ambient or outdoor air may contain and still be considered protective of public health. The process to establish these standards is based on extensive evaluation of peer reviewed scientific data as well as public input and comment.

Monitoring is conducted to measure air quality throughout the State. An area that exceeds the levels specified in the ambient air quality standards is designated as a

nonattainment area for that particular pollutant. An area can be nonattainment for one or multiple pollutants. Additionally, an area can be nonattainment for both the State and federal standards for a particular pollutant, or for only the State or federal standard.

Nonattainment areas are those counties or sub-divisions of a county where U.S. EPA or ARB determines that the measured levels of a particular pollutant are exceeded for a minimum number of days or hours. Of particular concern is the ambient air quality standard for ozone. This is due to the severity of the nonattainment problem throughout California. Ozone is a regional pollutant and is formed by chemical reaction in which emissions primarily from motor vehicles are chemically transformed in the presence of sunlight.

Most population centers of California exceed the ozone standard by a significant margin. This includes the Sacramento metropolitan area, the South Coast Air Basin, the Bay Area Air Quality Management District, and San Diego area. Populations at highest risk are children, the elderly, and those with pre-existing health conditions. Scientific studies have demonstrated that ozone can cause or contribute to breathing difficulties and lung tissue damage. Health effects are impacted by both the severity (or level) of the pollutant and the length of exposure (number of hours or days in which the standard was exceeded).

3.4.2 Nonattainment Requirement

The nonattainment requirement is defined as any County or sub-division of a County that is designated nonattainment for the State ambient air quality standard for ozone. To qualify, each vehicle receiving a grant would need to be garaged in a County or sub-division of a County currently designated nonattainment for the State ozone standard. This will be based on designations promulgated by ARB and in effect at the time of the application period. The Table below lists the current counties or parts of counties that are currently designated as State ozone nonattainment areas, and thus eligible for grants under this program.

Table II-1: Nonattainment Areas for State Ozone Ambient Air Quality Standard

County	County
Alameda	Placer ⁴
Butte ¹	Riverside
Contra Costa	Sacramento
El Dorado ²	San Diego
Fresno	San Francisco
Imperial	San Joaquin
Kern ³	San Mateo
Kings	Solano
Los Angeles	Stanislaus
Madera	Sutter
Marin	Tulare
Merced	Ventura
Napa	Yolo
Orange	

¹ Chico only

² Not Lake Tahoe portion

³ Only San Joaquin Valley portion

⁴ Not Lake Tahoe portion

A map of the nonattainment areas for State ambient air quality standard for the ozone standard are included in Appendix K. This map shows the severity of the air pollution problem, based on ARB classifications of unclassified, moderate, serious, severe, and extreme nonattainment areas.

3.5 New Eligible ZEV

Each applicant would be assured that if their proposal were selected, they would receive the maximum grant amount for each eligible vehicle, unless they requested a lesser grant amount. The program is structured this way to provide certainty to fleets and to encourage the use of ZEVs in fleets. A more detailed rationale on vehicle eligibility requirements can be found in Part I of this document. Generally, all vehicles eligible for a grant under the statewide ZEV Grant Program are also eligible for a grant under this program. However, the funding amounts differ. This is because the Legislature authorized a maximum grant of \$11,000 per vehicle for this program to encourage placement of ZEVs in environmental justice areas.

To be eligible, the vehicle must be a new zero emission light-duty car, zero emission light-duty truck, or fully enclosed three wheel zero emission motorcycle. NEVs that are

not receiving regulatory credit are also eligible. The vehicle categories described in Part I-A will also be used in this program.

Below is a summary of the basic vehicle requirements:

- ◆ A zero emission light-duty car or a zero emission light-duty truck, or a 3-wheel, fully enclosed motorcycle that is certified by the ARB;
- ◆ Any NEV certified as a ZEV that does not receive regulatory credits;
- ◆ A new vehicle as defined in Section 430 of the California Vehicle Code; and
- ◆ Paperwork to register the vehicle must have been submitted to the Department of Motor Vehicles, and the applicant must possess a temporary or permanent vehicle registration to operate the vehicle in California issued before receiving a grant.

Table II-2 below lists the vehicle categories that qualify for grants. The maximum grant amount a vehicle may receive is specified. Project applicants' may request a lesser grant amount per vehicle.

The registered address for fleets can often vary significantly from the address where the vehicle is garaged. In order to qualify for funding, an applicant will need to provide documentation that the vehicle will be registered and used in California. However, in terms of ensuring that the proposal meets nonattainment and environmental justice criteria, the garaging location of the vehicle will be used to determine compliance with these requirements.

TABLE II-2: ELIGIBLE VEHICLES AND GRANT AMOUNTS

Vehicle Category	ZEV Regulatory Credit	Grant Amount
Full Function ZEV	Yes	\$11,000
City ZEV	Yes	\$5,000
Neighborhood ZEV	Yes	No Incentive
	No, per manufacturer option	\$1,500
Zero-Emission Motorcycle (ZEM)	No	Up to \$3,000

Appendix D contains a list of current model vehicles eligible for funding under this program.

3.6 Environmental Justice Criteria

The Legislature directed that ARB give priority in the allocation of grants to those fleets that operate in areas that are disproportionately impacted by poor air quality, including low income and communities of color.

The final eligibility requirement that all projects must meet is that the vehicle(s) must be garaged in an area that meets environmental justice criteria. This is being used in order to simplify the process for applicants in determining whether their project is located in an area that meets environmental justice criteria. In addition, staff recognizes that the majority of EVs will be used within a 30-mile radius of the garaged location.

However, the geographic area that the vehicle will actually be driven in is important and will be an important consideration during the evaluation and scoring of all eligible projects. This is to ensure that vehicles receiving a grant are primarily driven in areas that meet environmental justice criteria, so that these communities receive tangible benefits from the funding provided in this program.

3.6.1 Background on Environmental Justice

ARB's environmental justice policies are intended to ensure that diverse strata of communities, including low income and minority communities, will benefit from efforts to control California's air quality problems and to address the impact that exposure to multiple pollutants, including toxic air contaminants, has on community health.

Scientific studies have demonstrated that many pollutants have the potential to impact public health. Besides ozone, particulate matter (PM) and carbon monoxide (CO) are of particular concern. PM has been correlated to increased respiratory disease, lung damage, and premature death. CO causes chest pain in heart patients, headaches, and reduced mental alertness. In addition there are a number of toxic air contaminants that can contribute to a wide variety of long-term health impacts, including increased cancer rate.

In addition to air quality considerations, it is also important to consider the socioeconomic factors that may impact a community's existing air quality as well as participation in new programs, including the ZEV incentive program. These factors include but are not limited to:

- ◆ Number of people at or below the federal poverty level
- ◆ Average median household income that meets definition of low income (HUD or other agencies)
- ◆ Ethnic make-up of the neighborhood
- ◆ Unemployment rates
- ◆ Higher than average concentration of industrial and mobile sources (e.g, power plants, freeway corridors, auto refinishing).

Available data includes regional air quality monitoring data, emissions data by source (or source category), and community health monitoring. In addition, ARB provides an estimate of cumulative risk from exposure to toxic air contaminants. This information is available through interactive maps (Aspen Maps) that estimate inhalable cancer risk, as well as show anticipated trends between 1990 and 2010. Socioeconomic data includes (but is not limited to) income, ethnicity, housing, and population data available from the U.S. Census Bureau.

3.6.2 Development of Environmental Justice Criteria

It is very difficult to develop a “one size fits all” environmental justice criteria that is fair and equitable throughout the State. This is because local air quality concerns and socioeconomic factors vary significantly due to the diversity of communities found in California. The best criteria will reflect the best data and tools available for a particular area. Therefore the best approach is for Air Districts to develop environmental justice criteria for their jurisdiction.

To facilitate participation in the program, Air Districts should map areas that meet environmental justice criteria using a Geographic Information System (GIS). This will make it easy for potential applicants to determine if their project is located in an area meeting minimum environmental justice criteria. Several air districts have already taken this approach to developing environmental justice criteria for the Carl Moyer Program. This includes the South Coast, Santa Barbara, and Mojave districts.

Health and Safety Code Section 43023.5 requires districts containing more than one million inhabitants to spend at least fifty percent of state incentive funds, including Carl Moyer Program funds, to reduce or eliminate impacts on areas of the state with the poorest air quality. As part of the implementation of the Carl Moyer Program, many Districts have reviewed the challenges they need to address to best define environmental justice criteria for their area. Larger Air Districts, including South Coast, Bay Area, Sacramento, San Joaquin Valley, and San Diego Air Districts have developed or are in the process of developing environmental justice criteria for Carl Moyer projects within their jurisdiction.

The South Coast’s proposed environmental justice criteria includes an economic and air quality factor. The economic factor is defined as areas where at least ten percent of the population is below the federal poverty level (based on U.S. Census data). The air quality factor is defined as the areas with the highest PM concentrations and areas with the highest estimated cancer risks. Less populated or rural districts are also attempting to respond to the challenges of how they should best define areas to focus environmental justice efforts. The issue of which criteria to use can be quite different for small dispersed communities whose demographics are difficult to define.

In many cases, it is anticipated that existing environmental justice criteria that Districts are using for the Carl Moyer Program may be applicable to this program. In the event that district criteria is not available, or Carl Moyer environmental justice criteria is not

appropriate, ARB staff will work with district staff and the interested community organizations to assist in the development of criteria for the area. Also, potential applicants will be allowed to use alternate criteria, as long as supporting documentation is supplied. ARB and Program Partners will review the alternate criteria as part of the program eligibility determination process.

3.7 Project Administration

Staff will require that some applicants provide additional information related to program administration. The reason for this is to ensure that grants are awarded to projects that have the greatest likelihood of being implemented. As discussed earlier, funds for grant awards are encumbered for up to one year. It would be counterproductive to encumber money for projects that are speculative, have not identified all of the funding needed to implement the project, or do not have agreements in process of being finalized that are needed to execute the project. It would also tie up funds for projects that are ready to move forward.

If a project includes any of the following elements, the applicant would need to complete Form B of the standard application form:

- ◆ Includes 11 or more vehicles.
- ◆ Vehicle use by a State or Federal Agency.
- ◆ Include off-road use of vehicles (example military base, closed campus, retirement community, factory, etc).

Administrative and funding issues are more of a concern with those projects that will be procuring larger numbers of vehicles, because as the complexity and cost increases, so does the administrative needs of the project. Form B would also be required for projects involving State or federal agencies, since contracts, budget augmentations and other administrative requirements, if not obtained, can make it difficult for the projects to be implemented. Finally, projects that include off-road applications will also be required to provide this information. This is to ensure that projects that include off-road uses will be administered so that tangible benefits will be achieved in the intended community.

Applicants will need to provide the following information:

- ◆ Funding sources for the entire project, including infrastructure
- ◆ Charging strategy
- ◆ Person responsible for administering the project
- ◆ Contracts or agreements necessary to implement the project

4.0 PROJECT EVALUATION AND RANKING

This section discusses the process to evaluate and score all eligible applications. Topics discussed include type of projects, project proposal requirements, and project

evaluation criteria. The minimum eligibility requirements were discussed in the previous section.

4.1 Eligible Projects

All proposals that meet the minimum eligibility requirements will be further evaluated. Proposals will fall into one of two categories. These categories are established to help simplify the application and review process for smaller projects, and to set up a structure so that projects of similar scope are evaluated against each other. It is staff's intention to ensure that a diverse mix of projects is funded, and that no one applicant or project receives all of the available funding. The two categories of projects are:

- ◆ Community Projects. These are applications for 10 or fewer vehicles for a project where all the vehicles are intended for use by the applicant. Federal or State agencies of any size must apply as a Fleet Project (described below). Community Projects do not have to complete Form B of the Application Form (Project Administration). Any local government agency is eligible to apply as a Community Project, as long as the project is for 10 or fewer vehicles. All proposals for Community Projects must complete the standard application package.
- ◆ Fleet Projects. This includes any applications submitted for vehicles to be placed in State or federal agencies, or any projects requesting funding for 11 or more vehicles. In addition, projects where the applicant is receiving funding for vehicles that will be used by other fleets are also defined as a Fleet Project. An example of a project where the applicant is different than the end user of the vehicle is the *ev Sacramento* project; the Department of General Services leased vehicles for *ev Sacramento* and then entered into contracts with other State and local government agencies to sub-lease the vehicles. In addition, any projects where vehicles will be used in off-road applications are also considered a fleet project. An example of an off-road application would be a University that plans to use vehicles in a closed campus setting.

The same ranking process will evaluate both Community and Fleet projects, but the application process for Community Projects will be simpler because they do not have to complete Form B. Funding will be set aside for both Community and Fleet projects, while retaining the overall goal of providing grants to the highest scoring projects. This structure is designed to ensure that small projects are able to remain competitive when evaluated alongside projects that propose large fleet deployments.

4.2 Project Evaluation Criteria

All applications that meet the minimum eligibility requirements will be evaluated using the Project Evaluation Criteria. Table II-3 below lists both eligibility and Project Evaluation Criteria. During the project evaluation process, all Community Projects will be evaluated and scored using the project evaluation criteria. The competitive process will consist of ranking all Community projects against each other, and all Fleet Projects

against each other. All projects have a potential score of 100: All eligible projects are given a beginning score of 40. The project evaluation criteria will provide a score of up to 60 additional points. The final score for a project will be determined during the evaluation process.

Projects that attain a minimum score of 70 are eligible for a grant, contingent upon execution of a Grant Agreement and submittal of required documentation. However, if the number of projects exceeds funding availability, then grants will be allocated to the highest scoring projects. Conversely, if there is more funding than projects that attain a score of 70, then projects with a score of 55 or better will be eligible for a grant. A project applicant's request for a lesser grant amount per vehicle may be considered in ranking the project.

Environmental Justice Criteria. The vehicle must be garaged in an area that meets environmental justice criteria, as discussed earlier. However, the goals of the program will be best met with vehicles that are used primarily in areas that meet environmental justice criteria. Priority will be given to those projects that can include documentation that the vehicles are intended to be driven at least 75% of the time in areas that meet environmental justice criteria. This documentation can be relatively simple for small projects of one to two vehicles. Documentation for small projects could consist of a description of the organization's service area, or description of expected routes described, or routes indicated on a regional map.

Vehicle Miles Traveled (VMT). The more a ZEV is driven, the greater the air quality benefit to the community. Fleets should identify the VMT of the vehicle, if it is replacing an existing vehicle in their fleet. If it is not replacing an existing vehicle, fleets should provide an estimate of projected VMT (daily and monthly estimates).

Factors considered when scoring projects include: estimated daily and monthly VMT, type of vehicles being replaced, and types of VMT (freeway, surface street, mixed, or off-road).

Public Education/Outreach. Education to communities on air quality in general as well as ZEV technology is very important. Education provides important tools to communities so that they can take a more active role in air quality decisions that affect them. In addition, education and outreach on ZEV technology is a critical element for achieving long-term program success. Projects that include public education or outreach will be given a higher priority than comparable projects with no public education or outreach elements.

Education and outreach opportunities vary widely depending on the interests of the community and type of project. Some examples of how this can be included in project proposals include:

- ◆ Use, display, or demonstration at educational facilities, including elementary and high schools and universities.

- ◆ Display at scheduled outreach or educational events.
- ◆ High-profile vehicle use.
- ◆ Vehicle displayed in community.
- ◆ Innovative new programs that provide education on air quality or other environmental issues.
- ◆ Displays or other information at office or primary vehicle location.
- ◆ Employee or student education.
- ◆ Brochures or other information on air quality issues at business or fleet location.

Project Partnerships. Projects that include partnerships have the potential to provide substantial benefits to communities. Project Partners can provide diverse types of tangible benefits to communities. These contributions including financial or in-kind contributions to the project, project management assistance, or funding for public or workplace infrastructure that could attract additional ZEVs to the community. Projects that include Project Partnerships will be given higher priority than those that do not.

Factors considered when scoring include: (1) are Project Partners identified? (2) are the Project Partners providing financial or in-kind contributions? (3) what tangible benefits are Program Partners bringing to the community (e.g., supporting local business or organization, public charging, etc)? and (4) do Project Partners establish a framework that contributes to a successful project that would be difficult to achieve without the partners? Examples of Project Partnerships include local air agencies, electric utilities, other public agencies, auto manufacturers/dealers, and equipment manufacturers.

Vehicle Use/Application. All applicants must identify each vehicle and how the vehicle will be used, or the type of fleet application being proposed. Proposals for vehicles that include individual transportation uses, including commuting, will not be given priority. Fleet applications will be evaluated for suitability, benefit to the community, potential for demonstrating and enhancing ZEV marketability, and potential for success in the particular application.

Factors considered when scoring include: (1) the full-function capabilities of the vehicle, (2) whether the vehicle is garaged at a non-residential facility, (3) whether the fleet application appears reasonable, given the vehicle specification and range, (4) whether the proposed vehicle use takes advantage of all vehicle capabilities, (5) whether the fleet applications are primarily in the community, and (6) whether the vehicle will use freeways and city streets, or is primarily intended for use off public roads (schools, industrial, etc).

TABLE II-3: Fleet ZIP Eligibility and Project Ranking Criteria

Criteria	Project Eligibility Requirement	Project Evaluation Criteria
Applicant	Yes	
Eligible Fleet	Yes	
Nonattainment Area	Yes	
New Eligible ZEV	Yes	
Environmental Justice Criteria	Yes	Yes
Project Administration (<i>Fleet Projects Only</i>)	Yes	
Vehicle Miles Traveled		Yes
Public Education		Yes
Project Partnerships		Yes
Vehicle Use/Application		Yes

4.3 Scoring

Program Partners will evaluate projects in their area and score projects. The Program Partner’s evaluation will be provided to the Program Manager. The Program Manager will provide a copy of the Program Partner’s evaluation and each application to the ARB Technical Review Committee. The Technical Review Committee will meet to evaluate and score each project. The ARB Project Manager will compile the final results. The scoring contributed by Program Partners will be averaged into the score determined by the ARB Technical Review Committee. Using a weighted average for each criterion, Program Partner’s evaluation will contribute 30% to the total score, and the ARB Technical Review Committee will contribute 70%. If more than one Program Partner evaluates an application, the scoring will reflect the input of all the Program Partners.

4.4 Technical Review Committee

The composition of the Technical Review Committee includes representatives from several ARB Divisions. It is staff’s intention to incorporate staff expertise in the areas of environmental justice, public education, and emission sources of air pollutants. Staffs’ proposal for the Technical Review Committee is as follows:

- ◆ Chief Mobile Source Control Division (MSCD), or designee,

- ◆ MSCD/ZEV Implementation Section (two staff, including Program Manager),
- ◆ PTSD/Environmental Justice Section (one staff), and
- ◆ ASD/Accounting Section (one staff).

All scoring of projects will be evaluated by the Deputy Executive Officer, prior to the award of grants being announced.

5.0 SUMMARY

In the Budget Act of 2001, the Legislature appropriated funding to establish a new ZEV incentive program for fleets operating in areas of California with the poorest air quality. This program uses a competitive process to provide up to \$11,000 per new ZEV placed in fleets that are not in attainment of the State's ozone standard. The competitive process also gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities also known as environmental justice (EJ) areas.

This program will allow ARB staff to do the following:

- ◆ Implement a ZEV incentive program for fleets that operate in geographical areas of the State with the poorest air quality (nonattainment for ozone).
- ◆ Promote the deployment of ZEVs in environmental justice communities.
- ◆ Encourage projects that showcase ZEV technology to communities, or include education on the benefits of ZEV technology, so that all communities, especially low-income and communities of color, can take a more active role in decisions affecting their local air quality.
- ◆ Promote full function ZEVs or ZEVs with full function characteristics.

