

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 3900	Department Air Resources Board	Priority No. 3
Budget Request Name 3900-303-BCP-BR-2016-A1		Program 3500-MOBILE SOURCE	Subprogram N/A

Budget Request Description
 Appropriation for the Enhanced Fleet Modernization Program

Budget Request Summary

The Air Resources Board is requesting a one-time increase of \$4.6 million in Fiscal Year 2016-17 from the Enhanced Fleet Modernization Subaccount in order to continue to partner with the Department of Consumer Affairs and Bureau of Automotive Repair in managing the Enhanced Fleet Modernization Program. Chapter 750, Statutes of 2007 (AB 118) directs the Air Resources Board and the Bureau of Automotive Repair to reduce the number of passenger vehicles, light duty trucks, and medium duty trucks that are high polluters. The one-time increase from the Enhanced Fleet Modernization Subaccount will help the Air Resources Board meet the Fiscal Year 2016-17 Enhanced Fleet Modernization Program demand and goals.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed		
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date	
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:			

If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Scott Rowland <i>[Signature]</i>	Date 3-29-16	Reviewed By Alice Stebbins <i>[Signature]</i>	Date 3-28-16
Department Director Richard W. Corey <i>[Signature]</i>	Date 3/29/2016	Agency Secretary Matthew Rodriguez <i>[Signature]</i>	Date 3-29-16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA Original Signed By: Ellen Moratti	Date submitted to the Legislature APR 01 <i>[Stamp]</i>
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Analysis of Problem

A. Budget Request Summary

The Air Resources Board (ARB) is requesting a one-time \$4.6 million direct appropriation from the Enhanced Fleet Modernization Subaccount (EFMS) in order to continue to partner with the Department of Consumer Affairs (DCA), Bureau of Automotive Repair (BAR) in managing the Enhanced Fleet Modernization Program (EFMP).

ARB previously has a direct appropriation of \$2.8 million from EFMS for the ARB portion of operating EFMP. This proposal would increase ARB's FY 2016-17 spending authority by \$4.6 million to a total of \$7.4 million. Chapter 750, Statutes of 2007 (AB 118) directs ARB and BAR to reduce the number of passenger vehicles, light duty trucks, and medium duty trucks that are high polluters. The appropriation from the EFMS will allow ARB to meet the high demand for EFMP and thus meet the goals of AB 118.

B. Background/History

Chapter 750, Statutes of 2007 (AB 118) created three new incentive programs to reduce air pollution and greenhouse gas emissions. This legislation provided funding for these programs until January 1, 2016, subject to annual appropriation by the Legislature. Chapter 401, Statutes of 2013 (AB 8) extended funding until January 1, 2024. The incentive programs are:

1. Air Quality Improvement Program (AQIP) administered by ARB to fund clean vehicle and equipment projects which reduce criteria pollutant and air toxics emissions often with concurrent climate change benefits.
2. Alternative and Renewable Fuel and Vehicle Technology Program administered by the California Energy Commission to fund clean fuel and vehicle projects that help meet California's climate change goals.
3. EFMP administered by BAR to expand the State's voluntary car scrap programs.

AQIP, the Alternative and Renewable Fuel and Vehicle Technology Program, and EFMP each have their own statutory requirements. However, there is overlap in the goals and projects that can be funded in each program, so the three agencies closely coordinate their AB 118 programs in order for their respective investments to complement one another. The agencies jointly fund projects in cases where it is the most efficient way to meet the goals of AB 118.

Joint ARB/BAR Projects: ARB has a role in developing EFMP and helping BAR implement the program. Chapter 750, Statutes of 2007 (AB 118) directed ARB to adopt the regulatory guidelines for EFMP which ARB developed in close coordination with BAR. EFMP consists of two elements: a vehicle Retirement-Only element which BAR administers through the BAR Consumer Assistance Program and a pilot Retire and Replace program which targets the highest-emitting vehicles for replacement. The pilot Retire and Replace element is being implemented at the local level by the San Joaquin Valley Air Pollution Control District and the South Coast Air Quality Management District. ARB, through its regulations, designed the Retire and Replace pilot program to be implemented by local air districts because of their prior on-the-ground experience running these types of programs. ARB works closely with the air districts in implementing other incentive programs including the Carl Moyer Program and the Goods Movement Emission Reduction Program.

Accordingly, ARB and BAR jointly decided that ARB would administer the grant agreements with the air districts implementing the Retire and Replace pilot program. ARB and BAR initially established an inter-agency agreement which directed \$2.8 million of DCA/BAR EFMP funding to ARB as a reimbursement in order to administer the Retire and Replace pilot program. To ease the implementation of this program, ARB obtained a \$2.8 million direct appropriation beginning in FY 2015-16. After the successful launch of the Retire and Replace pilot program in FY 2014-15 and the program's continued growth in FY 2015-16, ARB seeks to increase its spending authority to meet the increasing demand anticipated for FY 2016-17.

Increased Appropriation Need: ARB used the existing \$2.8 million appropriation to launch the Retire and Replace pilot program in FYs 2014-15 and 2015-16. The program has now grown beyond its pilot

Analysis of Problem

phase and is capable of reaching a greater number of applicants. ARB will require increased funding from EFMS to meet this increasing demand.

C. State Level Considerations

ARB has evaluated this proposal for consistency with its Strategic Plan, impact on other State departments, and potential support or opposition from external stakeholders.

ARB Strategic Plan: Incentive programs such as AQIP directly support the following two goals in ARB's Strategic Plan:

- Develop and implement new strategies to effectively reduce air pollution.
- Promote the development, commercialization, and use of zero and near-zero emission technologies.

AQIP investments support the deployment of near-zero emission hybrid trucks, zero-emission passenger cars and trucks, and other advanced technologies critical to reducing air pollution in California. The direct appropriation would allow ARB to provide consumer incentives for an increased number of these vehicles thereby supporting the goals of its Strategic Plan.

Other State Department Support: BAR supports the joint incentive program funding approach this proposal would enable as indicated by:

- A letter of concurrence from BAR supporting the increase in ARB's spending authority by \$4.6 million in FY 2016-17 to support ARB's Retire and Replace Program (Attachment A).

D. Justification

As mentioned in the Background/History section, ARB's appropriation of \$2.8 million in FYs 2014-15 and 2015-16 was used to initiate the EFMP Retire and Replace pilot programs in the San Joaquin and South Coast air districts. Each program was budgeted \$1.4 million for the base portion of the program.

High demand has resulted in both programs being over-subscribed. The programs were initiated in June 2015, and by December 2015 this funding was exhausted after replacement of approximately 600 vehicles, evenly divided between the two air districts. The South Coast Air Quality Management District, which accepts applications through their website, currently has a backlog of roughly 2,000 applicants. The San Joaquin Valley Air Pollution Control District holds biweekly events instead of accepting online applications, but continues to see a large volume of interested and eligible applicants at those events.

Approving this appropriation will allow ARB to meet this high demand and provide funding for the program to reach the greatest number of participants with limited interruption or the need for waitlists. In addition, this appropriation will particularly benefit the low-income and disadvantaged communities that are not able to wait for an extended period of time for programs and benefits to arrive.

E. Outcomes and Accountability

ARB anticipates the \$4.6 million EFMS appropriation will result in an additional 1,000 to 1,500 vehicles being replaced in FY 2016-17 for EFMP.

F. Analysis of All Feasible Alternatives

Alternative 1 – Approve proposal: The direct appropriation of \$4.6 million from EFMS will enable ARB to meet the high demand for the Retire and Replace pilot program which is otherwise over-subscribed.

Alternative 2 – Deny proposal: Denying this direct appropriation of funds to ARB will prevent the program from providing vouchers to a significant fraction of eligible applicants. Maintaining the existing appropriation will fund approximately 600 vouchers, which is significantly less than the estimated annual demand.

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Alternative 3 – Have BAR administer the grant process: BAR is statutorily unable to enter into grant agreements with the local air districts responsible for the local component of the vehicle voucher program.

Alternative 4 – Enter into a co-funding agreement with Grantees: A co-funding agreement would allow ARB to write the grants with a stipulation that the Grantee will invoice BAR directly upon approval. This option lacks efficiency and reduces the timeliness of getting funds to grantees. Grantees that run the EFMP retire and replacement program would not be able to continue to operate without receiving funds in a timely manner; an extended disbursement process may put the program at risk. BAR legal counsel also has expressed contract related concerns about this alternative.

G. Implementation Plan

Once the FY 2016-17 budget act is approved, ARB will immediately utilize the approved authority to issue grants to meet the goals of Chapter 750, Statutes of 2007 (AB 118).

H. Supplemental Information

Department of Consumer Affairs Letter of Concurrence

Enhanced Fleet Modernization Subaccount Fund Condition Statement

I. Recommendation

ARB recommends approval of Alternative 1, a one-time \$4.6 million direct appropriation from EFMS to ARB for administration of the vehicle Retire and Replace pilot program. DCA and BAR concur with the recommendation.

BCP Fiscal Detail Sheet

BCP Title: Appropriation for the Enhanced Fleet Modernization Program

DP Name: 3900-303-BCP-DP-2016-A1

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
54XX - Special Items of Expense	0	4,600	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$4,600	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$4,600	\$0	\$0	\$0	\$0

Fund Summary

Fund Source - Local Assistance						
Enhanced Fleet Modernization						
3122 - Subaccount, High Polluter Repair or Removal Account	0	4,600	0	0	0	0
Total Local Assistance Expenditures	\$0	\$4,600	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$4,600	\$0	\$0	\$0	\$0

Program Summary

Program Funding						
3500 - Mobile Source	0	4,600	0	0	0	0
Total All Programs	\$0	\$4,600	\$0	\$0	\$0	\$0