




Agenda Date: May 16, 2019  
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## Board Agenda Item

TO: Air Pollution Control District Board

FROM: Aeron Arlin Genet, Air Pollution Control Officer 

CONTACT: Jim Fredrickson, Supervisor, Planning Division (961-8892)

SUBJECT: Overview of Voluntary Clean Air Grant and Incentive Programs

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### RECOMMENDATION:

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

### BACKGROUND:

Since 1988, the District has successfully implemented a variety of voluntary grant and incentive programs that have promoted clean air solutions using proven technologies, achieved cost-effective emission reductions through public and private partnerships, and fostered local business opportunities while providing long-term air quality benefits. Through these programs, the District has creatively leveraged \$37 million in state and local funds to secure several thousand tons of emission reductions in the county, and collaborated with community members to incentivize emission reduction projects in advance of regulatory deadlines or for sources outside our regulatory authority (e.g., mobile sources). These agricultural, marine, on-road mobile, and residential projects have improved local and countywide air quality and in some cases have helped grant applicants achieve early compliance with state regulations while reducing their compliance costs and infusing dollars into the local economy.

The funding sources for these programs include:

- \$16.7 million - local air quality mitigation fees,
- \$12.5 million - California Air Resources Board (CARB) Carl Moyer Program, Lower-Emission School Bus Program, and CAPCOA funds,
- \$7.8 million – Department of Motor Vehicles (DMV) surcharge revenue (AB2766 and AB923), and
- \$30,000 - District reserve funds.

Aeron Arlin Genet, Air Pollution Control Officer

The state Legislature, through the budget adoption process, continues to place a strong emphasis on the use of funding for voluntary emission reduction programs through the network of local air districts. As illustrated in the proposed budget for Fiscal Year (FY) 2019-20, grant funding is anticipated to increase over 20% from the current year. The importance of managing an effective grant program ensures the District is well positioned to receive maximum eligible funds that assist local stakeholders to voluntarily reduce emissions.

## **DISCUSSION:**

Below is a summary of the 2018 Clean Air Grant programs currently implemented countywide by the District:

### *Carl Moyer Program*

The District has participated in CARB's Carl Moyer Program since its inception in FY 1998-99. Over that time, the District has leveraged over \$9.8 million of Carl Moyer grant funds along with \$6.8 million of grantee funds into \$16.6 million of total funds for 172 projects. These projects include agricultural diesel water pump repowers, marine vessel diesel engine repowers, on-road heavy-duty diesel engine repowers and retrofits, off-road heavy-duty diesel engine repowers, and off-road heavy-duty equipment replacements. The projects have reduced nearly 1,500 tons of nitrogen oxides (NOx), reactive organic compounds (ROC), and particulate matter (PM) emissions.

In FY 2018-19, the District received \$561,597 of regular Carl Moyer Year 20 grant funds (i.e., \$491,397 / 87.5% in project funds and \$70,200 / 12.5% of administrative funds), along with \$49,274 of Carl Moyer Year 20 State Reserve funds (i.e., \$43,115 / 87.5% in project funds and \$6,159 / 12.5% of administrative funds). The District executed \$534,512 in projects grant funds towards the following projects:

- Six (6) Off-Road Equipment Replacement projects:
  - Four (4) agricultural tractors in Santa Maria,
  - One (1) construction tractor/loader in Santa Maria,
  - One (1) agricultural tractor in Solvang, and
- One (1) marine diesel engine repower project for a vessel in Santa Barbara.

During FY 2019-20, the District expects to receive an allocation of \$644,173 of regular Carl Moyer Year 21 funds (i.e., \$563,651 / 87.5% in project funds and \$80,522 / 12.5% of administrative funds). An additional amount of \$57,052 is expected through the Carl Moyer Year 21 State Reserve funds (i.e., \$48,494 / 87.5% in project funds and \$8,558 / 12.5% of administrative funds). In FY 2019-20, these funds may be directed into several areas including off-road equipment replacement (i.e., mobile agricultural and construction equipment), marine diesel engine repowers, stationary agricultural engine repowers, on-road vehicle replacement, school bus replacement, and alternative fuel infrastructure.

The Carl Moyer Program currently operates under the authority of Resolution 17-05, approved by your Board on May 18, 2017, which allows the District to participate in the Carl Moyer Program until January 1, 2024, and annually accept funds not to exceed \$1,500,000.

Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program

In FY 2018-2019, the District participated in CARB's inaugural FARMER Program that specifically targets emission reductions in the agricultural sector.

In FY 2018-19, the District received \$666,900 of FARMER grant funds (i.e., \$583,538 / 87.5% in project funds and \$83,362 / 12.5% of administrative funds). The District executed \$583,538 in project grant funds towards the following projects:

- Five (5) Off-Road Equipment Replacement projects:
  - One (1) agricultural tractor in Santa Maria,
  - One (1) agricultural tractor in Lompoc,
  - Two (2) agricultural tractors in Los Alamos, and
  - One (1) agricultural tractor in Los Olivos.

During FY 2019-20, the District expects to receive an allocation of \$644,069 of FARMER funds (i.e., \$563,560 / 87.5% in project funds and \$80,509 / 12.5% of administrative funds).

Community Air Protection (CAP) Program

In FY 2018-2019, the District participated in CARB's CAP Program, established by AB 617 in 2017 and geared towards reducing emissions in disadvantaged and low-income communities.

In FY 2018-19, the District received \$655,000 in CAP grant funds (i.e., \$614,063 / 93.75% in project funds and \$40,937 / 6.25% of administrative funds). The funds were awarded to projects located in low-income populations of the county as defined by California Climate Investments. The District executed \$613,063 in project grant funds towards the following projects:

- Six (6) Off-Road Equipment Replacement projects:
  - Four (4) agricultural tractors in Santa Maria,
  - One (1) agricultural tractor in Santa Maria, co-funded with \$90,142 of Voluntary NOx Remediation Measure funds,
  - One (1) agricultural tractor in Cuyama Valley,
- One (1) School Bus Replacement project in Santa Maria, and
- One (1) marine diesel engine repower project for a vessel in Santa Barbara.

During FY 2019-20, the District expects to receive an allocation of \$1,217,000 of CAP funds (i.e., \$1,064,875 / 87.5% in project funds and \$152,125 / 12.5% of administrative funds).

Voluntary NOx Remediation Measure Program

In FY 2018-19, the District participated in CARB's Voluntary NOx Remediation Measure Program, which focused on funding projects that would be highly cost-effective to reduce NOx emissions.

The District received \$95,896 in Voluntary NOx Remediation Measure grant funds (i.e., \$90,142 / 94% in project funds and \$5,754 / 6% in administrative funds), and provided \$90,142 in grant funds towards one (1) Off-Road Equipment Replacement project in Santa Maria. This project was co-funded with \$59,858 in CAP project funds. The District does not anticipate receiving any additional Voluntary NOx Remediation funds from CARB in FY 2019-20.

DMV Surcharge Funded Programs

DMV surcharge funds may be expended on several different program types including the following:

- Projects eligible under the CARB Carl Moyer Program guidelines,
- Projects to purchase, retrofit or repower agricultural equipment,
- An accelerated vehicle retirement or repair program,
- Projects eligible under the CARB Lower Emission School Bus guidelines including:
  - Purchase of new school buses,
  - Retrofit of emission control equipment on existing buses,
  - Replacement of onboard natural gas tanks on existing buses, and
  - Replacement of deteriorating natural gas fueling dispensers at school districts.

In FY 2018-19, the District budgeted \$850,000 for \$2 DMV surcharge funded programs with \$1,000,000 budgeted for FY 2019-20. To date, the District has received \$568,413 in \$2 DMV surcharge funds and has expended \$433,750 in project funds and \$26,269 (not to exceed 6.25%) in administrative funds for the following two programs:

1. Lower-Emission School Bus Program

In 2001, your Board approved participation in CARB’s Lower-Emission School Bus Program. Since then, the District has invested over \$3.4 million of grant funds into local school district transportation bus fleets. This has included the replacement of 35 older high-polluting diesel powered school buses with new clean low or zero emission school buses, the retrofit of 33 school buses with diesel particulate control filters to capture toxic exhaust, the replacement of CNG fuel tanks in four school buses, and the replacement of 17 CNG fueling hoses at a school district.

In FY 2018-19, the District awarded \$125,000 in \$2 DMV surcharge funds for the replacement of an old diesel-fueled school bus at the Orcutt Union School District with a new diesel-fueled school bus. As noted above, the District has also leveraged CAP funds, along with state voucher funds, to replace an old diesel-fueled school bus at the Santa Maria Joint Union High School District with a new zero emission electric school bus.

The deployment of electric school buses throughout California is an emerging technology, and mainstream school bus manufacturers have entered the market. Staff will continue working with bus vendors and school districts on the practicality and cost-effectiveness of funding electric-powered school bus projects in our county in FY 2019-20. In the draft FY 2019-20 budget, staff has identified \$300,000 of \$2 DMV surcharge funds budgeted towards school bus projects, which may fund diesel bus replacements or electric-powered school buses.

2. Old Car Buy Back Program

Over the past 26 years, the District has used \$7.8 million of funds, primarily from DMV surcharge fees, along with Carl Moyer Program funds, mutual settlement penalty fees and local air quality mitigation fees, to implement three separate light-duty vehicle retirement programs. These three programs have cost-effectively retired and repaired over 7,386 vehicles and reduced an estimated 960 tons of NOx, ROC, and PM emissions throughout the county. Table 1 provides a summary of these three vehicle retirement programs:

**Table 1: Summary of Voluntary Vehicle Retirement Programs**

<b>Old Car Buy Back Programs</b>	<b>Funding</b>	<b>Cars Retired</b>	<b>Emission Reductions (tons)</b>
Program #1 (1993-1996)	\$930,000	1,214	231
Program #2 (1999-2002)	\$410,000	497	112
Program #3 (2006-Present)	\$6,455,000	5,675	617
<b>TOTALS</b>	<b>\$7,795,000</b>	<b>7,386</b>	<b>960</b>

Interested individuals receive a financial incentive to take their older vehicles off the road voluntarily. Participants with eligible vehicles work directly with licensed auto dismantlers who permanently destroy (i.e., crush) cars and trucks under this program.

In 2011, the District updated the Old Car Buy Back Program to offer \$1,000 to individuals who wanted to retire model year 1993 and older vehicles. The District signed five-year contracts with dismantlers including Steelhead Recyclers in Goleta, Perry’s Auto Wrecking and Salvage in Lompoc, and Black Road Auto and Tow in Santa Maria. In October 2016, the District Board authorized contract amendments with all three of the regional dismantlers, allowing operation of the program until October 20, 2021 along with an increased model year to 1994 and older vehicles. In January 2019, the program began accepting model year 1995 and older vehicles.

The three dismantlers implement the Old Car Buy Back Program on a daily basis following these five critical steps:

- 1) Interface with the vehicle owner,
- 2) Verify vehicle eligibility (registration history, smog check status, and title),
- 3) Inspect functionality of the vehicle,
- 4) Issue payment to the vehicle owner, and
- 5) Submit required documentation to the District.

This program provides broad community benefit and is an effective partnership between staff and dismantlers.

To date, in FY 2018-19, the District has purchased 247 old cars with \$308,750 of DMV surcharge fees. The District included \$700,000 in DMV surcharge fees for the Old Car Buy Back Program in the draft budget for FY 2019-20, and staff expects an increase in participation due to the inclusion of model year 1995 vehicles.

*Electric Vehicle Charging Station Infrastructure Grant Program*

The District has worked collectively with neighboring air districts and other groups for several years to advance publicly available electric vehicle (EV) charging infrastructure. The program has been wholly funded through air quality mitigation fees. In 2011, the District launched an EV grant program with \$100,000 for the purchase and installation of public EV charging stations. In 2015, with Resolution 15-26, your Board approved an additional \$200,000 in the EV program’s lifetime spending limit to fund public, nonprofit, and privately-owned charging stations. In 2018, your board approved the FY 2018-19 EV Charging Station Infrastructure Program, with \$135,000 budgeted to fund publically owned charging stations and nonprofit and privately owned charging stations located at multi-unit dwellings with 20 or more units.

During FY 2018-19, the District issued \$67,196 in project funds for the following publicly accessible EV charging stations:

- One (1) dual-port Level 2 charging station at Santa Barbara County's Foster Road campus,
- One (1) dual-port Level 2 charging station at Santa Barbara County's Calle Real campus, and
- Two (2) single-port Level 2 charging stations and four (4) dual-port Level 2 charging stations in the City of Santa Barbara.

The draft budget for FY 2019-20 includes \$100,000 in air quality mitigation fees towards additional EV charging infrastructure projects throughout the county. The District will conduct outreach to various stakeholders of the EV charging station program to solicit feedback on changes to increase project viability and improve the overall effectiveness of the program. Staff plans to propose changes to the EV charging station program to your Board later this year, based on the feedback received.

#### Woodsmoke Reduction Program

In FY 2017-18, the District's pilot Woodsmoke Reduction Program was approved by your Board on March 16, 2017 with Resolution 17-04 and expended \$30,000 from District reserves. The current Woodsmoke Reduction Program for FY 2018-19, approved by your Board on June 21, 2018 with Resolution 18-10, allowed the District to receive \$248,750 of CARB funds managed by the California Air Pollution Control Officer's Association (CAPCOA) (i.e., \$225,000 in project funds / 90% and \$23,750 / 9.5% of administrative funds, with \$1,250 / 0.5% retained by CAPCOA). The Woodsmoke Reduction Program helps property owners voluntarily replace an uncertified wood-burning stove, fireplace insert, or fireplace used as a primary source of heat with a cleaner-burning and more efficient device. The program is designed to maximize benefits to low-income households that qualify for a higher voucher amount of up to \$5,000 towards replacement of their current wood-burning heating device. The program also includes a standard voucher amount of up to \$1,000. To date, the FY 2018-19 program has funded (or committed to fund) 61 replacement projects, totaling \$224,000 in grant funds. Of these, 47 projects have been to households located in low-income communities.

CARB has committed \$3 million in state funds for the FY 2019-20 program to distribute to air districts for implementation of Woodsmoke Reduction Programs. The Program Guidelines developed by CARB for the new program year are similar to the current program, with expanded options for replacement heating devices, now including heat pumps. Staff plans to bring the agreement and more information on the FY 2019-20 program to the June 2018 Board meeting for consideration and approval, with a new resolution to accept the funds from CARB and implement the revised program.

**FISCAL IMPACTS:**

Table 2 summarizes the anticipated incentive program funding allocation and expenditures for FY 2018-19 as of April 2019. The table includes the program name, program budget including project and administrative funds, and project and administrative expenditures committed to date. Overall, the District has been able to expend nearly 84% of the grant funds allocated for projects. These grant programs are administratively demanding and the District has already exceeded the administrative funds provided by these by programs by 24%.

**Table 2: Summary of Incentive Program Funding, FY 2018-19**

Incentive Program	Program Budget	Project Budget	Project Expenditures	Admin. Budget	Admin. Expenditures *
Carl Moyer (Year 20 Regular and State Reserve)	\$610,871	\$517,512	\$517,512	\$76,359	\$146,149
FARMER	\$666,900	\$583,538	\$583,538	\$83,362	\$80,235
Community Air Protection	\$655,000	\$614,063	\$613,063	\$40,937	\$36,326
Voluntary NOx Remediation Measures	\$95,896	\$90,142	\$90,142	\$5,754	\$8,450
School Bus	\$900,000	\$165,000	\$125,000	\$50,000	\$26,269
Old Car Buy Back		\$685,000	\$308,750		
Electric Vehicle Charging Stations	\$135,000	\$135,000	\$67,196		\$6,579
Woodsmoke Reduction	\$250,000	\$225,000	\$224,000	\$23,750	\$43,771
<b>TOTAL FUNDS</b>	<b>\$3,313,667</b>	<b>\$3,015,255</b>	<b>\$2,529,201</b>	<b>\$280,162</b>	<b>\$347,779</b>

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

2019 Clean Air Grant and Incentive Programs

In FY 2019-20, the District plans to launch the 2019 Clean Air Grants program in late summer. Table 3 provides a list of the programs budgeted in FY 2019-20, along with their project and administrative budgets. The grant project funds will be available to applicants on a first-come, first-served basis are generally required to be encumbered, in the form of executed grant agreements, within one year. The District then expends the funds on local emission reduction projects throughout Santa Barbara County as expeditiously as possible. Funds are expended within the same year if feasible, although the program guidelines allow expenses to be incurred in the following fiscal year. In addition, the District will continue to seek out other grant funding opportunities to assist with voluntary emission reductions countywide. These incentive programs also provide \$321,714 of administrative funds to cover a portion of staff time for program management and project implementation, including requirements to develop work plans, policy, and procedures, prepare regular reports, develop agreements with grantees and contractors, and perform regular inspections and audits. Attachment A illustrates the general process for implementing our grant programs.

**Table 3: Summary of Incentive Program Funding, FY 2019-20**

<b>Incentive Program</b>	<b>Program Budget</b>	<b>Project Budget</b>	<b>Admin. Budget</b>
Carl Moyer (Year 21 Regular and State Reserve)	\$701,225	\$612,145	\$89,080
FARMER	\$644,069	\$563,560	\$80,509
Community Air Protection	\$1,217,000	\$1,064,875	\$152,125
School Bus	\$1,062,250	\$300,000	\$62,500
Old Car Buy Back		\$700,000	
Electric Vehicle Charging Stations	\$135,000	\$135,000	
Woodsmoke Reduction	\$250,000	\$225,000	\$23,750
<b>TOTAL FUNDS</b>	<b>\$4,009,544</b>	<b>\$3,600,580</b>	<b>\$407,964</b>

**ATTACHMENT:**

- A. Administration and Operation of Grant Programs



ATTACHMENT A

Administration and Operation of Grant Programs

May 16, 2019

Santa Barbara County Air Pollution Control District  
Board of Directors

260 San Antonio Road, Suite A  
Santa Barbara, California 93110

## **Administration and Operation of Grant Programs**

1. District submittal of application to the state for program funds
2. Annual development of a Policy and Procedure manual to operate grant programs
3. Public outreach efforts related to grant funding opportunities
4. Solicitation of grant project applications
5. Completeness review of applications and input of project details into the state database
6. Emission calculation and cost-effectiveness analysis
7. Project analysis and project selection
8. Pre-inspection of existing equipment or engine for each selected project
9. Offer of grant funds to successful project applicants
10. Develop project scope of work
11. Develop and execute grant agreement and related documents
12. Post-inspection of new equipment/engine
13. Salvage-inspection of old equipment/engine
14. Financial document review and expenditure of grant funds to grantee
15. Grantee annual reporting
16. Annual audit-inspections of a subset of grant projects
17. Fiscal tracking of grant program revenue and expenditures
18. Input of fiscal and program information into state database, including match funds and earned interest
19. Annual reporting to the state and periodic state audits of our programs