

BOARD MEETING DATE: November 5, 2021

AGENDA NO. 8

**PROPOSAL:** Allocate Funds to Assist Small Fleets under Voucher Incentive Program and Recognize Revenue, Approve Vouchers and Reimburse General Fund for Enhanced Fleet Modernization Program

**SYNOPSIS:** Due to manufacturing delays, small fleets applying under the Voucher Incentive Program (VIP) are experiencing longer delivery schedules for their new low NOx trucks. Under the current VIP funding source, small fleets are being required to scrap their existing trucks by the end of this calendar year and receive their new low NOx or cleaner truck by June 30, 2022. CARB has allocated \$8.33 million to South Coast AQMD for FY 2021-22 for the continued implementation of the Enhanced Fleet Modernization Program (EFMP) – Replace Your Ride Program. This action is to 1) allocate funds up to \$850,000 from the Clean Fuels Program Fund (31) to assist small fleets in purchasing and delivery of their new low NOx trucks under VIP; 2) recognize revenue, upon receipt, up to \$8.33 million from CARB for the EFMP; 3) approve vouchers and other alternative mobility options until all available funds are exhausted; and 4) reimburse the General Fund up to \$833,333.33 from the HEROS II Special Revenue Fund (56) for EFMP administrative costs.

**COMMITTEE:** Technology, October 15, 2021; Recommended for Approval

**RECOMMENDED ACTIONS:**

1. Allocate up to \$850,000 from the Clean Fuels Program Fund (31) to assist small fleets in purchasing and delivery of low NOx trucks under VIP;
2. Recognize revenue, upon receipt, up to \$8,333,333.33 from CARB (Grant #G21-CC4A-01) into the HEROS II Special Revenue Fund (56) for the continued implementation of the EFMP - Replace Your Ride Program;
3. Authorize the Executive Officer to approve vouchers and other alternative mobility options for the EFMP until all available funds are exhausted; and

4. Reimburse the General Fund up to \$833,333.33 from the HEROS II Special Revenue Fund (56) as authorized by the grant agreement for administrative costs necessary to implement the EFMP.

Wayne Natri  
Executive Officer

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## **Background**

### VIP

Since 2009, South Coast AQMD has been implementing a Carl Moyer On-Road Heavy-Duty Vehicles VIP. The VIP program assists individual owner operators and small fleets with incentives to be able to replace their pre-2010 model year diesel truck. South Coast AQMD has expended about \$44 million in incentive funds for the replacement of 1,281 older diesel trucks with cleaner, lower-emitting vehicles through this program. In May 2020, South Coast AQMD partnered with the MSRC to offer VIP applicants that chose the cleanest commercially available replacement trucks meeting the optional low NOx standard (0.02 g/bhp-hr NOx) or cleaner, a Plus-Up option to the VIP-approved voucher amount. The Plus-Up funds raise the total voucher amount up to \$125,000 per low NOx replacement truck.

Due to manufacturing delays, small fleets under the VIP are experiencing significant delays in delivery of their new low NOx trucks. Under the current VIP funding, CARB has not extended the deadlines for scrapping or receipt of the new truck. Participating small fleets are being required to scrap their existing trucks by the end of this calendar year and must take delivery of their new truck by June 30, 2022 to remain eligible for VIP funding. Currently, a small fleet or individual owner participating in the program would need to find an alternative truck from the time they scrap an older truck in December 2021 until their new low NOx truck can be delivered. Manufacturers have informed staff that recent truck orders will likely not be available by the June 30 deadline.

Although fleets in the Carl Moyer Program were allowed an additional year to operate their existing truck to allow for manufacturing delays, CARB did not extend the deadlines in VIP. To assist these small fleets, South Coast AQMD staff are proposing the use of alternative funding that is not bound by the same deadlines and would

alleviate unnecessary financial hardships or added barriers to small fleets who are choosing to purchase a new low NOx or cleaner truck.

### EFMP

Since 2015, South Coast AQMD has been implementing an EFMP, branded as Replace Your Ride. Replace Your Ride is a vehicle retire and replacement program which provides incentives to lower income motorists to scrap and replace their older, high-emitting vehicles with newer, cleaner models or utilize other clean transportation options.

Since its inception, South Coast AQMD has provided over \$66.4 million in EFMP funding for the replacement of over 8,300 older passenger vehicles with newer fuel-efficient gasoline, hybrid electric, plug-in hybrid electric, and zero emission vehicles. Ninety-three percent of the vouchers have been issued to participants residing in disadvantaged communities, and 89 percent of all participants are in the lowest poverty level. The old vehicles have an average of 178,800 miles and an average age of 21 years at the time of retirement. The EFMP is achieving the goal to replace the dirtiest vehicles in the region while serving low income households and disadvantaged communities.

The program was placed in a moratorium on October 15, 2020 due to a funding shortage but was re-opened on October 13, 2021. For FY 2021-22, CARB (Grant #G21-CC4A-01) allocated \$8,333,333.33 to South Coast AQMD for the continued implementation of the Plus-up program. This grant includes administrative funds of up to 15 percent of the total grant amount, from which up to 10 percent can be used for reimbursement to the General Fund for staff time to implement the program.

### **Proposal**

#### VIP

This action is to allocate up to \$850,000 from the Clean Fuels Program Fund (31) to assist small fleets in purchasing and delivery of trucks that are low NOx or cleaner. The Clean Fuels Program funds will be used specifically for small fleets who are interested in purchasing trucks that are low NOx or cleaner, with the goal of liquidating the remaining balance of MSRC Plus-Up funds (about \$2.32 million) and any additional funds that may become available. These funds will provide small fleets with the same timelines for scrap and delivery as allowed by other truck incentive programs, namely the Carl Moyer and Prop 1B – Goods Movement Programs, while ensuring significant surplus emission reductions are achieved. The eligibility requirements and implementation aspects of the VIP Program will remain unchanged with the exception

of South Coast AQMD using an alternative funding source that will allow for extended scrap and delivery timelines consistent with the Carl Moyer incentive program.

### EFMP

This action is to recognize revenue, upon receipt, up to \$8,333,333.33 from CARB (Grant #G21-CC4A-01) for the EFMP Plus-up Program into the HEROS II Special Revenue Fund (56) and authorize the Executive Officer to approve vouchers and other alternative mobility options for this program until all available funds are exhausted.

This action is to also reimburse the General Fund up to \$833,333.33 (up to 10 percent of the grant award) from the HEROS II Special Revenue Fund (56) as authorized by the grant agreement for administrative and outreach costs necessary to implement the program.

### **Outreach**

#### VIP

South Coast AQMD and MSRC will continue working with the program stakeholders at all levels to ensure outreach is conducted through the various channels that are readily available, including but not limited to, website updates on the South Coast AQMD and MSRC webpages, flyers, brochures, notices to dealerships, and targeted social media postings and e-mails to small fleets that may potentially benefit from this program.

#### EFMP

Outreach is conducted through the program website, social media postings, news releases, and participation at clean transportation events.

### **Benefits to South Coast AQMD**

South Coast AQMD has supported several activities directed to the advancement of new technologies that will support progress in meeting air quality goals for the region. Providing opportunities for small fleets to purchase new low NOx or cleaner trucks will contribute to the attainment of clean air standards in the South Coast Basin. The trucks and vehicles incentivized under the VIP and EFMP programs will operate for many years, providing long-term emission reductions.

Replace Your Ride will continue to provide incentives to qualifying lower income vehicle owners including those residing in disadvantaged communities, thereby providing emissions reduction benefits to these communities and throughout the South Coast Air Basin.

### **Resource Impacts**

#### VIP

South Coast AQMD's cost-share will not exceed \$850,000 from the Clean Fuels Program Fund in addition to funding up to \$2.32 million from the MSRC (pending

MSRC Board approval). Sufficient funds are available from the Clean Fuel Program Fund, established as a special revenue fund resulting from the state-mandated Clean Fuels Program. The Clean Fuels Program, under Health and Safety Code Sections 40448.5 and 40512 and Vehicle Code Section 9250.11, establishes mechanisms to collect revenues from mobile sources to support projects to increase the utilization of clean fuels.

EFMP

CARB funding (Grant #G21-CC4A-01) up to \$8,333,333.33, upon receipt, for the FY 2021-22 EFMP Plus-up Program will be recognized into the HEROS II Special Revenue Fund (56). The transfer of funds from the HEROS II Special Revenue Fund (56) to reimburse the General Fund for administrative costs will not exceed \$833,333.33.