

BOARD MEETING DATE: October 2, 2015

AGENDA NO. 7

PROPOSAL: Recognize Funds and Amend Contracts to Extend Implementation of Enhanced Fleet Modernization Program

SYNOPSIS: On December 5, 2014, the Board recognized funds and authorized contracts to implement the Enhanced Fleet Modernization Program (EFMP) and EFMP Plus-Up, which provides increasing incentives to eligible low- and middle-income owners of older vehicles to scrap their existing vehicle and receive a voucher to help acquire a newer vehicle or cover the cost of alternative mobility options. The EFMP is well received by the public and already oversubscribed. Staff has requested \$21,400,000 from CARB to extend implementation of the EFMP. These actions are to: 1) recognize up to \$21,400,000 in grants as approved by CARB to extend implementation of the EFMP and authorize the Executive Officer to accept grant terms and conditions; 2) amend four contracts in an amount not to exceed \$1,000,000 from the HEROS II Special Revenue Fund (56); 3) authorize the Executive Officer to allocate up to an additional \$300,000 from the HEROS II Special Revenue Fund (56) to increase any of the four contracts on an as-needed basis; and 4) authorize the Executive Officer to approve vouchers to qualified program participants up to \$30,592,000.

COMMITTEE: Technology, September 18, 2015; Recommended for Approval

RECOMMENDED ACTIONS:

1. Recognize, upon receipt, up to \$1,400,000 from CARB or the California Bureau of Automotive Repair (BAR) into the HEROS II Special Revenue Fund (56) and authorize the Executive Officer to accept terms and conditions of an AB 118 grant award from either CARB or BAR for implementation of the retire and replace component of the EFMP.
2. Recognize, upon receipt, up to \$20,000,000 from CARB into the HEROS II Special Revenue Fund (56) and authorize the Executive Officer to accept terms and conditions of a Greenhouse Gas Reduction Fund (GGRF) grant award for implementation of the Vehicle Retirement and Replacement Plus-Up Program.

3. Authorize the Executive Officer to amend contracts with the following entities, increasing contract funding in an amount not to exceed a total of up to \$1,000,000 (from the \$3,210,000 allowed by CARB for use in administering and conducting outreach for the EFMP and EFMP Plus-Up) from the HEROS II Special Revenue Fund (56) to assist program participants in processing vehicle retirements and identifying replacement vehicles or alternative mobility options:
 - a. Foundation for California Community Colleges in an amount not to exceed \$250,000;
 - b. Opus Inspection in an amount not to exceed \$375,000; and
 - c. Top Shelf Environmental Consulting, LLC in an amount not to exceed \$375,000.
4. Authorize the Executive Officer to allocate up to an additional \$300,000 (from the remaining \$2,210,000 designated for use in administering and conducting outreach for the EFMP and EFMP Plus-Up) from the HEROS II Special Revenue Fund (56) to increase any of the four contracts currently implementing the EFMP on an as-needed basis depending on workload of each contractor, up to \$75,000 per contract.
5. Authorize the Executive Officer to approve vouchers to program participants in an amount up to \$30,592,000, which consists of up to \$20,257,000 from the HEROS II Special Revenue Fund (56), up to \$4,134,000 from the Clean Fuels Fund (31); and up to \$6,201,000 from the Mobile Source Air Pollution Reduction Fund (23), contingent upon approval by the MSRC, for a minimum of 3,570 replacement vehicles or alternative mobility options (additional vouchers will depend on voucher monetary level provided to each eligible applicant).

Barry R. Wallerstein, D.Env.
Executive Officer

MMM:HH

Background

On December 5, 2014, the Board recognized \$2.4 million in funds from CARB and authorized contracts to implement the Enhanced Fleet Modernization Program (EFMP) and EFMP Plus-Up. The EFMP is authorized by the AB 118 California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (Health and Safety Code Sections 44125-44126). The EFMP is a comprehensive statewide program with two elements: a vehicle retirement only element and a vehicle retire and replacement element. The SCAQMD is implementing the vehicle retire and replacement element of the EFMP using \$1.4 million in funding from CARB.

In conjunction with the EFMP, CARB is implementing an additional incentive program called Low Carbon Transportation Fund Investments Vehicle Retirement and Replacement Plus-Up Pilot Project (EFMP Plus-Up). EFMP Plus-Up supplements the EFMP by increasing incentives for certain advanced technology replacement vehicles, including hybrid, plug-in hybrid and zero-emission vehicles, for eligible participants residing in disadvantaged communities. Funding for EFMP Plus-Up comes from the Low Carbon Transportation Greenhouse Gas Emission Reduction Fund (GGRF), and CARB provided an additional \$1 million to SCAQMD to implement the EFMP Plus-Up, which the Board also recognized on December 5, 2014.

Additionally, the SCAQMD and MSRC with Board approval augmented the CARB funding with an additional \$1,025,000 and \$800,000, respectively, for a combined total of \$4,225,000 for the EFMP as follows: \$825,000 for four contract awards to provide assistance to program participants and program outreach, \$70,000 for additional program outreach by SCAQMD and \$3,330,000 for replacement vehicle vouchers. The \$3,330,000 was estimated to cover between 550 to 992 vouchers for replacement vehicles or alternative mobility options. The face value of the vouchers would depend on the participant’s household income, whether the participant resides in a disadvantaged community and type of replacement vehicle. Participants could also choose an alternative mobility option, such as transit passes or participation in car-sharing programs in lieu of a replacement vehicle voucher, thus impacting the total number of vouchers issued.

The four contracts authorized by the Board were set up so the contractors would work together collaboratively to implement the EFMP and EFMP Plus-Up. Table 1 outlines the activities to date by the four contractors.

Table 1: Contractor Activities to Implement the EFMP and EFMP Plus-Up

Contractor	Funding	Activities
Foundation for California Community Colleges (FCCC)	\$225,000	<ul style="list-style-type: none"> • Developed central website “ReplaceYourRide.com” • Established central call center and call-in number • Drafted program operations manual and dealership templates • Conducted vehicle emissions testing • Processed applications
Gladstein, Neandross & Associates (GNA)	\$200,000	<ul style="list-style-type: none"> • Developed “ReplaceYourRide.com” pamphlets • Developed educational materials for use by all contractors • Initiated development of marketing materials
Opus Inspection (Opus)	\$200,000	<ul style="list-style-type: none"> • Conducted remote sensing to identify high-emitting vehicles (identified 8,000 vehicles to date) • Conducted vehicle emissions testing and outreach at community events • Processed applications

Contractor	Funding	Activities
Top Shelf Environmental Consulting, LLC (Top Shelf)	\$200,000	<ul style="list-style-type: none"> • Conducted early outreach at community events (partnered with Communities for a Better Environment) • Processed early applications to test and refine application process • Identified automobile dealerships and financial institutions to participate in Program • Coordinated outreach with local legislative offices • Conducted vehicle emissions testing events (in partnership with Opus Inspection) • Processed applications

As the implementation process was being developed, each contractor began to ramp up their initial efforts to identify and conduct outreach to potential consumers. The EMFP officially launched in May 2015, with approximately 200 applicants signed up by Top Shelf and another 100 to 200 by Opus and FCCC. In addition, SCAQMD staff conducted limited outreach with local governments, state legislative offices and school districts. A press event in Sacramento sparked interest by local news reporters and peaked with a CBS 2 news article in early July 2015, resulting in the submission of more than 1,500 applications in a two-week period. Staff mobilized the contractors to suspend outreach and marketing and focus on processing applications and testing existing vehicles as quickly as possible.

Since the original funding could only cover 550 to 992 vouchers, additional funding is clearly needed to process existing applications and fund additional vouchers. Staff informed CARB of the need to cover not only the additional existing applications, but also anticipated applications to be received, and has requested \$21,400,000 from CARB to extend implementation of the EFMP. Discussions about the need for additional funding were also conducted with MSRC staff.

Proposal

This action is to recognize upon receipt an additional \$1,400,000 in funding from CARB (or BAR) to extend implementation of the EFMP. CARB also allocated an additional \$20 million statewide from the GGRF for the EFMP Plus-Up, and this action is to also recognize up to \$20,000,000 million from CARB, subject to their approval, to extend implementation of the EFMP Plus-Up. Furthermore, CARB is requiring air districts interested in receiving the EFMP Plus-Up funding to provide local funding for the base EFMP portion. Consequently, these actions would include allocating an additional \$6,201,000 from the SCAQMD. At its September 17, 2015 meeting, the MSRC approved a staff proposal to also provide up to \$6,201,000 to partner with the SCAQMD.

Since CARB allows up to 15 percent for administration (10 percent) and outreach (5 percent) of the EFMP and EFMP Plus-Up funding (\$1,400,000 and \$20,000,000, respectively), a total of \$3,210,000 is available for administrative costs. Given the

significant demand, the contractors working on the programs need additional funding to continue their current efforts and assignments and processing both existing and future applications. This action would amend three of the four contracts adding additional funds to FCCC, Opus and Top Shelf contracts as provided in Table 4 for a total amount not to exceed \$1,000,000 from the \$3,210,000 designated to cover administrative costs. In addition, this action is to also authorize the Executive Officer to allocate up to an additional \$300,000 (from the remaining \$2,210,000 designated to cover administrative costs) to increase any of the four contracts on an as-needed basis depending on workload of each contractor to assist program participants in processing vehicle retirements and identifying replacement vehicles or alternative mobility options. The Executive Officer may adjust any one contract up to \$75,000.. This would leave a balance of \$1,910,000 in administrative funds available for future allocation.

The remaining \$18,190,000 in funds from CARB as well as the funding from the SCAQMD and MSRC (\$6,201,000 each) would be used to fund vouchers for a total of \$30,592,000. The current funds from the first year will cover 550 vouchers while the requested funding should cover at minimum an additional 3,020 vouchers. These numbers assume that all vouchers will be used for replacement vehicles and the face value of each voucher will be issued at the maximum incentive level of \$9,500 (\$4,500 from EFMP plus \$5,000 from EFMP Plus-up) for consumers at the lowest income levels in disadvantaged communities. Therefore, the final action is to authorize the Executive Officer to approve vouchers to program participants up to \$30,592,000 to fund a minimum of 3,570 (inclusive of the original 550) replacement vehicles or alternative mobility options.

Table 2 provides a summary of the original and supplemental funding and how it will be distributed.

Table 2: Summary of Funding Distributions

	CARB		SCAQMD		MSRC		Totals
	Amount	No. of Vouchers	Amount	No. of Vouchers	Amount	No. of Vouchers	
Current Funding for Vouchers							
EFMP Base (1 st Year)	\$1,190,000	264	\$690,000	153	\$600,000	133	
Plus Up (1 st Year)	\$850,000	170					
Total Funding – 1st Year	\$2,040,000	264*	\$690,000	153	\$600,000	133	\$3,330,000 Funding 550 Vouchers

*Inclusive of the 170 Plus-Up for vouchers issued at \$9,500 (EFMP base provides up to \$4,500 and Plus-Up up to \$5,000)

	CARB		SCAQMD		MSRC		Totals
	Amount	No. of Vouchers	Amount	No. of Vouchers	Amount	No. of Vouchers	
New Funding Request for Vouchers							
EFMP Base (2 nd Year)	\$1,190,000	264	\$6,201,000	1,378	\$6,201,000	1,378	3,020 Vouchers
Plus Up (2 nd Year)	\$17,000,000	3,400*					
Total Funding – 2nd Year	\$18,190,000	3,400**	\$6,201,000	1,378	\$6,201,000	1,378	\$30,592,000 Funding 3,020 Vouchers
15% Administrative & Marketing Costs	\$3,210,000						
Total	\$21,400,000						

**Inclusive of the 3,020 EFMP base, plus 380 EFMP Plus-Up for which there is a shortfall in EFMP base funding

With the initial experiences of the pilot program, staff will be developing a work plan that will lay out the implementation of the EFMP and EFMP Plus-up in the longer term and identify the necessary funding levels needed for the Program.

Benefits to SCAQMD

Successful continued implementation of the EFMP and the pilot EFMP Plus-Up will reduce emissions by accelerating the turnover of high-emitting vehicles with cleaner, more environmentally friendly replacement vehicles or employment of alternative mobility options. Incentives for program participation will be provided to low- and middle-income vehicle owners to ensure that disadvantaged communities benefit from cleaner replacement vehicles.

Resource Impacts

A total of up to \$21,400,000 in revenue has been requested from CARB (and/or BAR), which will be recognized upon receipt in the HEROS II Special Revenue Fund (56), for the EFMP and EFMP Plus-Up. At its September 17, 2015 meeting, the MSRC approved providing up to \$6,201,000 from the Mobile Source Air Pollution Reduction Fund (23). Of the \$6,201,000 from the SCAQMD, \$2,067,000 would be from the HEROS II Special Revenue Fund (56) and \$4,134,000 from the Clean Fuels Fund (31). CARB staff indicated that only the scrapping portion of the EFMP voucher, which is \$1,500 per voucher or \$2,067,000 for the total request, are allowed from the AB 923 program funds for purposes of local matching with the EFMP Plus-Up. As such, staff is proposing that \$4,134,000 from the Clean Fuels Fund (31) should be used for the remaining portion of the local match. The additional local and state funding to extend EFMP implementation shall not exceed \$33,802,000 as summarized in Table 3.

Table 3: Proposed Additional Funding Request to Extend Implementation of the EFMP

Source	Fund	Amount
CARB or BAR	HEROS II Special Revenue Fund (56)	\$1,400,000
CARB	HEROS II Special Revenue Fund (56)	20,000,000
MSRC (contingent upon MSRC approval)	Mobile Source Air Pollution Reduction Fund (23)	6,201,000
SCAQMD	HEROS II Special Revenue Fund (56) – AB 923	2,067,000
SCAQMD	Clean Fuels Fund (31)	4,134,000
Total		\$33,802,000

The \$33,802,000 is broken down as follows: \$30,592,000 for vouchers for replacement vehicles or alternative mobility options, \$1,300,000 for contract modifications and \$1,910,000 for future administration of the Program.

The following table further breaks down the \$33,802,000 by funding expenditure, including specifying whether the CARB (or BAR) dollars are AB 118 or GGRF funds.

Table 4: Proposed Funding Sources for Implementation of the EFMP

Proposed Funding	Funding	Funding Source
FCCC	\$250,000	\$210,000 – AB 118 from CARB (Administration) \$40,000 – GGRF from CARB (Administration)
Opus	\$375,000	GGRF from CARB (Administration)
Top Shelf	\$375,000	GGRF from CARB (Administration)
Additional Contractor Funds Set Aside as Needed	\$300,000	GGRF from CARB (Administration)
Funding for Vouchers	\$1,190,000	AB 118 from CARB
Funding for Eligible Participants Residing in Disadvantaged Communities	\$17,000,000*	GGRF from CARB
Funding for Vouchers	\$6,201,000	\$2,067,000 – SCAQMD AB 923 \$4,134,000 – SCAQMD Clean Fuels Fund (31)
Funding for Vouchers	\$6,201,000	MSRC (FY 2014–16 Work Program)
Remaining Unallocated Administration Funds	\$1,910,000	GGRF from CARB (Administration)
Total Funding	\$33,802,000	

*Maximum amount, lesser amount may be received.