

## **AGENDA ITEM 6.**

To: Matt Rexroad, Chair  
and Members of the Board of Directors

From: Mat Ehrhardt, P.E., Executive Director/APCO

Date: December 9, 2009

**Subject: Clean Air Funds - Background and Update**

### Recommended Action

None. This is an informational item only.

### Background

On September 30, 1990, Governor Wilson signed into law Assembly Bill (AB) 2766 (Sher). This bill provides authority for air districts to impose a \$4.00 surcharge fee on vehicles registered within their jurisdictions. The surcharge revenues are to be used solely to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement and technical studies necessary for the implementation of the California Clean Air Act of 1988. The District's regional Clean Air Fund (CAF) Program is the result of this legislation.

In addition to the regional Clean Air Funds, Solano County receives AB 8 tax proceeds, which have been designated for the reduction of air pollution from motor vehicles and for related planning, monitoring, enforcement and technical studies necessary for the implementation of the California Clean Air Act. These tax proceeds are collected from the northeast portion of Solano County, (Dixon, Rio Vista and Vacaville) which lies within the Yolo-Solano Air Quality Management District. These funds are available for projects within Solano County only.

All projects must fit into one of four eligible categories. The project categories are as follows:

1. Clean Technologies/Low Emission Vehicles
2. Alternative Transportation Programs
3. Transit Services
4. Public Education/Information

Two separate CAF Committees are formed each year to make funding recommendations to the Board of Directors: the Yolo CAF Committee to review Yolo County projects and the Solano Transportation Authority CAF Committee to review Solano County projects. The STA CAF committee consists of five members and the Yolo CAF committee consists of six members. During the 2008/2009 CAF process, \$350,000 in grant money was distributed to projects within the District.

The District also has a process for ensuring that all CAF funding is spent appropriately. Every applicant of an approved CAF project must enter into a legal contract or "agreement" with the District that defines the responsibilities and requirements for both the applicant and the District with respect to implementing the project. The agreement contains a requirement that states that one year after the project is completed, the applicant is required to submit a final report to the District. The final report includes a description of what

was done to complete the project including benefits and/or any problems that may have occurred while implementing the project. The report also requires the submittal of documentation such as copies of invoices, receipts and statements of expenditures. Some applicants also submit pictures of completed projects. Completed projects can also be subject to an on-site inspection by District staff.

Updates to Process for Staff CAF Recommendations

In order to qualify for Clean Air Funds (CAF) grants, projects must fall into one of four categories. One of these is the “Clean Technology” category. Most projects falling in this category have been heavy-duty on-road and off-road vehicles that are applying to either be fully replaced, have their engine replaced, or have a retrofit installed. At this time, many of the heavy-duty vehicles that would be candidates for funding in this category will soon need to comply with State on-road and off-road regulations. Since the vehicles will eventually become cleaner as a result of regulation, this reduces the impact that our Clean Air Funds will have when funding these projects.

With this in mind, in order to rank Clean Technology projects it is necessary to develop a cost-effectiveness methodology that is appropriate for these new conditions, and takes into account the upcoming regulatory requirements. Since particulate matter (PM) is becoming as important as ozone in our region, the methodology should also reward reductions in PM. Staff can use this methodology to recommend funding amounts for each project.

For the purposes of the CAF, it is convenient to use a cost-effectiveness formula based on the formula found in the state’s Carl Moyer Guidelines. The Carl Moyer Program provides grant funding to encourage the voluntary purchase of cleaner-than-required engines. The Moyer cost-effectiveness methodology will be one tool that will help District staff to rank projects by estimating how much emission reduction benefit they provide per dollar spent. Available funding can then be appropriately divided among the projects, taking into account other factors such as matching funds provided and the applicant’s past history of fulfilling CAF requirements.

The current Moyer cost-effectiveness calculation, in addition to giving credit for reactive organic gases (ROG) and nitrogen oxides (NOx) reductions, also gives credit for PM reductions. ROG and NOx are important because they are the major precursors of ozone, a pollutant for which our area does not attain the federal standard. Because emissions of combustion PM have been identified as toxic, they are given greater weight in the calculation. The current calculation gives a “20x” weighting for PM. The cost-effectiveness calculation is shown below:

$$\frac{\text{Cost (\$/project life)}}{\text{NOx reductions (tons/project life) + ROG reductions (tons/project life) + [20 x (PM reductions (tons/project life))]}}$$

Because of the new state regulations governing heavy-duty engines, an adjustment must be made to account for the fact that most on and off-road heavy-duty vehicles are now required to become cleaner at a future year. Consequently, staff will examine a project's effective "project life" when making funding recommendations to the CAF committee. For vehicles subject to regulation, project life consists of those years that occur between the time funding is used to clean up a vehicle, and the time that the same vehicle would be required to clean up under state law. For vehicles that are not subject to any upcoming requirement, staff will use their best judgment as to the appropriate project life.

Using a Moyer-based methodology will allow staff to make objective funding recommendations for Clean Technology projects to the CAF Committee. Staff recommendations will be only a starting point for deliberations by the committee, and final funding amounts may be significantly different.

Deadlines: During each annual CAF process, certain deadlines are specified for submitting project applications. District staff intend to emphasize in the application packet that these deadlines will be strictly non-negotiable during this fiscal year and all subsequent years. Any application submitted after the specified deadline will not be considered for funding.

Budget Impacts

None

Other Agency Involvement

None