BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
MOBILE SOURCE COMMITTEE

COMMITTEE MEMBERS

SHELIA YOUNG - CHAIRPERSON
TIM SMITH – VICE CHAIRPERSON
ROBERTA COOPER
JERRY HILL
JAKE McGOLDRICK
JULIA MILLER
DENA MOSSAR
JOHN SILVA
PAM TORLIATT

THURSDAY
JUNE 12, 2003
9:30 A.M.

FOURTH FLOOR CONFERENCE ROOM

AGENDA

1. **CALL TO ORDER - ROLL CALL**

2. **PUBLIC COMMENT PERIOD** (*Public Comment on Non-Agenda Items Pursuant to Government Code § 54954.3*) *Members of the public are afforded the opportunity to speak on any agenda item. All agendas for regular meetings are posted at District headquarters, 939 Ellis Street, San Francisco, CA, at least 72 hours in advance of a regular meeting. At the beginning of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Committee's subject matter jurisdiction. Speakers will be limited to three (3) minutes each.*

3. **APPROVAL OF MINUTES OF APRIL 10, 2003**

4. **VEHICLE INCENTIVE PROGRAM** — **T. Perardi/4667**
tperardi@baaqmd.gov

   Consideration of:
   1) *Allocating $800,000 in FY 2003/04 Transportation Fund for Clean Air Regional Funds for the continuation of the District's Vehicle Incentive Program.*
   2) *Approving proposed FY 2003/2004 policy revisions to the Vehicle Incentive Program.*

5. **VEHICLE BUY BACK PROGRAM** — **T. Perardi/4667**
tperardi@baaqmd.gov

   Receive an informational report on the status of the District's Vehicle Buy Back Program.

6. **CARL MOYER PROGRAM** — **T. Perardi/4667**
tperardi@baaqmd.gov

   Consider authorizing the Air District's continued participation in implementing the California Air Resources Board FY 2002/2003 Carl Moyer Program in the Bay Area.

7. LOWER EMISSION SCHOOL BUS PROGRAM **T. Perardi/4667**
tperardi@baaqmd.gov

Consideration of:

1) *Authorizing the Air District's continued participation in implementing the California Air Resources Board's Lower Emission School Bus Program in the Bay Area;*

2) *Approving proposed revisions to the Lower Emissions School Bus Program to lower the maximum school district co-payment for a school bus purchase, expand the available options to reduce emissions from in-use diesel school buses, and require participating school districts to retrofit all eligible diesel school buses in their fleet.*

8. COMMITTEE MEMBER COMMENTS/OTHER BUSINESS

Any member of the Committee, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2).

9. TIME AND PLACE OF NEXT MEETING: 9:30 a.m., JULY 10, 2003, 939 ELLIS STREET, SAN FRANCISCO, CA.

10. ADJOURNMENT

CONTACT CLERK OF THE BOARDS - 939 ELLIS STREET **(415) 749-4965**
SAN FRANCISCO, CA 94109 **FAX: (415) 928-8560**
BAAQMD homepage:
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities notification to the Clerk's Office should be given at least three working days prior to the date of the meeting so that arrangements can be made accordingly.

AGENDA NO. 3

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET
SAN FRANCISCO, CALIFORNIA 94109
(415) 771-6000

DRAFT MINUTES

Summary of Board of Directors
Mobile Source Committee Meeting
9:30 a.m., Thursday, April 10, 2003

1. **Call to Order – Roll Call:** 9:30 a.m.

   Roll Call: Shelia Young, Chair, Roberta Cooper, Jerry Hill, Jake McGoldrick (9:45 a.m.), Julia Miller, John Silva, Pam Torliatt (10:00 a.m.), Tim Smith.

   Absent: Dena Mossar.

   Also Present: Scott Haggerty (9:40 a.m.), Gayle Uilkema.

2. **Public Comment Period:** There were none.

3. **Approval of Minutes of February 13, 2003:** Director Miller moved approval of the minutes; seconded by Director Hill; carried unanimously by acclamation.

4. **Transportation Fund for Clean Air (TFCA) Proposed Revision to Policy # 1 and Evaluation Criterion # 1:** *The Committee considered recommending that the Board of Directors approve proposed revisions to TFCA Policy #1 and Evaluation Criterion #1 to increase the cost-effectiveness limit from $50,000/ton to $90,000/ton of emissions reduced.*

   Liz Berdugo, Supervising Environmental Planner, presented the report and information on the cost-effectiveness being raised from $50,000 per ton to $90,000 per ton. Ms. Berdugo stated that prior to each annual funding cycle, the Air District updates worksheets used to evaluate projects. This year, two revisions to the worksheets were necessary. The first revision incorporated new mobile source emission factors and the second included modifications to the structure of the worksheets to accommodate the new policies. TFCA staff evaluated last year's projects using the new worksheets and found that the cost-effectiveness for all projects decreased, and many of them exceeded the current limit of $50,000 per ton. Ms. Berdugo stated that the change was significant enough that in order to fund the types of projects funded in the past, the cost-effectiveness limit should be raised to $90,000 per ton.

   During discussions the following issues were raised:

   - There might be a shortage of applications that use TFCA funds.
   - Projects that would have the hardest time qualifying for the money would be the Smart Growth and the bicycle projects because they are most affected by the changes.

- There would be a reduction in tons of emissions next year with this higher cost.
- The Committee is considering developing an outreach program.
- Raising the cost-effectiveness might penalize bicycle projects in the smaller cities.
- This change has been presented to all the TFCA Program Managers as well as to the Executive Directors of the CMAs at their meeting in March, 2003.

In response to questions from Matthew Todd, Senior Transportation Engineer, Alameda County Congestion Management Agency, and TFCA Program Manager for Alameda County, Ms. Berdugo pointed out that for the Program Managers it would now mean that their aggregate cost-effectiveness would have to be $90,000 per ton. As an indicator for how the worksheet changes would affect the County Program Managers' expenditure programs this year, Staff verified that if they were to request the same amount of funding and use the same project inputs as last year, all Counties' expenditure programs would be accommodated by the $90,000 per ton level.

William Norton explained that it is important to establish the criteria now so that the applicants know what it is and they can start submitting their applications for projects within the District's timeframe.

Committee Action: Director Hill moved that the Committee recommend Board approval of the revisions to the TFCA Policy # 1 and Evaluation Criterion # 1 raising the cost-effectiveness limit for TFCA projects to $90,000 per ton, with the understanding that the Committee revisit this issue within three months, or at an appropriate time, to establish an outreach effort for next year, to consider further amendments to the cost-effectiveness limit, and to discuss prioritization of projects; seconded by Director Smith. The motion carried with one "No" vote by Director Cooper.

5. **Transportation Fund for Clean Air (TFCA) Annual Report:** *The Committee received the TFCA Annual Report for FY 2002/03 prepared per requirements of California Health and Safety Code Section 44241.5.*

David Burch, Environmental Planner, presented the TFCA Annual Report for FY 2002/2003 and pointed out key findings in the report.

Committee Action: The Committee received the Annual Report, as presented. Director McGoldrick moved the Committee recommend the Board approve the TFCA report on FY 2002/2003 Allocations and Effectiveness; seconded by Director Miller; carried unanimously by acclamation.

6. **Transportation Fund for Clean Air (TFCA) FY 2002/03 – Amend Vehicle Buy Back Contracts:** *The Committee considered recommending that the Board of Directors approve amendments to vehicle eligibility requirements and augment current Vehicle Buy Back contracts by a total of $1.5 million from available FY 2002/2003 TFCA Funds.*

Vanessa Mongeon, Environmental Planner, presented the report on the amendments to the Voluntary Accelerated Light-Duty Vehicle Retirement Program (VAVR) regulation for the Air District's Vehicle Buy Back (VBB) Program. The California Air Resources Board recently amended the VAVR regulation. Those amendments went into effect in February 2003. The Air District's VBB Program will be modified to conform to the amended VAVR regulation, and the amendments will be incorporated into the current dismantler contracts. Ms. Mongeon pointed out that the most significant change to the VAVR regulation is the reduction in the required vehicle registration period, prior to sale, from twenty-four (24) consecutive months to 120 days. Staff anticipates that this change will increase the monthly rate at which vehicles are purchased.

Committee Action: Director McGoldrick moved that the Committee recommend:

1. Board approval of the amended Voluntary Accelerated Light-Duty Vehicle Retirement Program (VAVR) regulations for the Air District's Vehicle Buy Back (VBB) Program;

2. Board authorization of the Executive Officer to amend current Air District contracts with vehicle dismantlers to incorporate the amended VAVR regulations; and

3. Board authorization of the Executive Officer to amend current contracts for an additional $600,000 to Pick Your Part, an additional $600,000 to Pick-N-Pull, and an additional $300,000 to Environmental Engineering Studies to provide additional vehicle scrapping and related services for the Vehicle Buy Back Program through December 2003.

Seconded by Director Cooper; carried unanimously by acclamation.

7. **Bio Diesel:** *The Committee considered recommending that the Board of Directors select two proposals, a biodiesel feasibility study by CytoCulture International, and a pilot project by Biodiesel Industries; and authorize the Air Pollution Control Officer to enter into contracts to implement the study and project in amounts not to exceed $28,000 and $40,000 respectively.*

Joseph Steinberger, Senior Environmental Planner, presented the results of the review and evaluation of the Requests for Proposals (RFP) received to prepare a biodiesel feasibility study for the Bay Area and to conduct a biodiesel pilot project. Out of the seven proposals received in response to the RFP, CytoCulture International, Inc., had the most responsive and lowest cost ($28,000) proposal for the preparation of the feasibility study; and Biodiesel Industries had a proposal that demonstrated the greatest technical expertise in regards to successfully operating a biodiesel pilot project in the Bay Area, at a cost of $40,000. Staff recommended selection of these two contractors for the biodiesel feasibility study and the pilot project, respectively.

In response to a question from Director Haggerty, staff explained that the two recommended companies' proposals had received the highest scores and each of them had the necessary expertise and experience that was required for each of the projects. Mr. Steinberger also mentioned that the two companies would dovetail the two projects together.

Committee Action: Director Torliatt moved the Committee recommend:

1. Board approval of CytoCulture International, Inc., as the contractor to conduct the biodiesel feasibility study and authorize the Executive Officer to execute a contract for up to $28,000 with CytoCulture to perform the study; and

2. Board approval of Biodiesel Industries as the contractor to conduct a biodiesel pilot project and authorize the Executive Officer to execute a contract for up to $40,000 with Biodiesel Industries to perform the project.

Seconded by Director Miller; carried unanimously by acclamation.

8. **Committee Member Comments/Other Business:** There were none.

9. **Time and Place of Next Meeting:** 9:30 a.m., May 8, 2003, 939 Ellis Street, San Francisco, CA.

10. **Adjournment:** The meeting adjourned at 10:25 a.m.

Neel Advani
Deputy Clerk of the Boards

MOBILE SOURCE COMMITTEE

Follow-up Items for Staff

April 10, 2003

1. The Committee requested that the Transportation Fund for Clean Air (TFCA) Policy # 1 and Evaluation Criterion # 1 be revisited by the Committee within three months or at an appropriate time to establish an outreach effort for next year, to consider further amendments to the cost-effectiveness limits and to discuss prioritization of projects.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Inter-office Memorandum

To: Chairperson Young and
Members of the Mobile Source Committee

From: Tom Perardi, Director of Planning and Research

Date: June 12, 2003

Re: Vehicle Incentive Program for FY 2003/04

RECOMMENDED ACTION:

Recommend Board approval of the Vehicle Incentive Program (VIP) program for FY 2003/04, including:

- *allocation of $800,000 in Transportation Fund for Clean Air (TFCA) funds for the FY 2003/04 VIP Program (VIP), and*
- *approval of the VIP program guidelines summarized in Attachment A.*

BACKGROUND

In FY 99/00, the Board created the Vehicle Incentive Program (VIP) to help public agencies acquire alternative fuel, clean air vehicles. Each year since, the Board has allocated funds from the Transportation Fund for Clean Air for VIP incentives. VIP provides fixed incentive amounts for new, dedicated alternative fuel vehicles that:

- have a gross vehicle weight (GVW) of 10,000 pounds or less
- are powered by natural gas, propane, hydrogen, battery electric, or hybrid electric
- are certified to either the ultra low emission vehicle (ULEV), super ultra low emission vehicle (SULEV), or zero emission vehicle (ZEV) emission standard by the California Air Resources Board (CARB)

The VIP program is a key element of the District's efforts to encourage local agencies to incorporate low emission, alternative fuel vehicles in their fleets. The VIP program has been well received by participants. The application process is streamlined and user-friendly. VIP applications are accepted and funded on a first-come, first-served basis.

Only public agencies are eligible to apply for VIP incentives. In addition to acquiring vehicles for their own fleets, public agencies may apply for incentives on behalf of taxi and door-to-door shuttle fleets, as permitted under Board-adopted TFCA Policy #5.

DISCUSSION

On March 26, 2003, staff issued a document requesting comment on potential revisions to the VIP program for the FY 2003/04 cycle. The intent of these potential revisions was to enhance the cost-effectiveness of the VIP program. Since the inception of the VIP program in 1999, the average new light-duty vehicle in California has become significantly cleaner. This is the result of increasingly stringent State and federal standards for new vehicles. Because the baseline or reference level for comparison is cleaner, this means that the net emission reduction for ULEV, SULEV, and ZEV-rated vehicles is less than in previous years. To compensate for this, staff proposed adjustments in the vehicle eligibility criteria (i.e., eliminating ULEV vehicles from the program) and in the VIP incentive amounts for FY 2003/04.

Fifteen comment letters were received by the April 18, 2003 comment deadline. Comments are summarized in Attachment B. The major theme of the comments is that the VIP program is essential to efforts to expand the use of natural gas vehicles in the Bay Area, and that reducing the level of support for these vehicles would represent a setback to these efforts. Staff has made several changes in response to the comments received in an effort to address these concerns. Specific issues are discussed below.

Incentives for ULEV vehicles: Staff requested comment on the proposal to eliminate incentives for ULEV-rated vehicles from the FY 2003/04 VIP program. The ULEV standard is the least stringent of the CARB low emission vehicle categories, and thus produces the least air quality benefit compared to the average new vehicle. Also, the number of vehicles that achieve the more stringent SULEV standard is increasing each year. Therefore, staff believes that the District should move toward the SULEV standard as the minimum standard for VIP eligibility. In the current market, eliminating eligibility for ULEV-rated vehicles would only affect one vehicle model: the natural gas version of the Ford Crown Victoria. This is the alternative fuel vehicle most commonly used in taxi fleets.

A number of commenters recommended that the District retain eligibility for the natural gas Crown Victoria. Key points from commenters include the following:

- The natural gas Crown Victoria is certified to the ULEV II standard (which is more stringent than ULEV I), and almost achieves the SULEV II standard.
- Eliminating the natural gas version of the Crown Victoria would impede efforts to expand the use of natural gas vehicles in taxi fleets, and to promote natural gas vehicles and infrastructure at the three Bay Area airports.
- Most taxis are high-mileage vehicles, and thus offer the potential for greater emission reductions, even if the per-mile benefit is modest.

Ford Motor Company stated in its comment letter that it intends to upgrade the emissions rating for the natural gas Crown Victoria to Advanced Technology Partial Zero Emission Vehicle (AT-PZEV) in model year 2005. The model year 2005 vehicles are expected to go into production in fall 2004.

In view of these comments, staff recommends that the District retain eligibility for the natural gas Ford Crown Victoria in the FY 2003/04 VIP cycle to avoid a one-year gap in eligibility for this vehicle and to maintain momentum in clean taxi programs and natural gas infrastructure. Specifically, staff recommends that:

- natural gas vehicles that achieve the ULEV II emission standard should be eligible for an incentive of $2,000 per vehicle in the FY 2003/04 VIP program
- the incentive for natural gas vehicles that achieve the ULEV II standard should be limited only to high-mileage vehicles driven 50,000 miles per year or more, and

- staff and the Board reevaluate the VIP program for FY 2004/05 with the intention of requiring that all vehicles, including the natural gas Crown Victoria, achieve at least the SULEV emissions standard.

Incentive for SULEV Vehicles: Most of the vehicles that qualify for VIP incentives are SULEV–rated. In order to improve the cost-effectiveness of the VIP program, staff proposed reducing the incentive amount for SULEV-rated vehicles fueled by natural gas or propane from $4,500 to $3,000 per vehicle. A number of commenters expressed concern that $3,000 per vehicle would not cover the incremental cost of these vehicles and would not be sufficient to induce fleet managers to acquire these vehicles. In light of these concerns, staff recommends an incentive of $4,000 per vehicle for SULEV-rated vehicles fueled by natural gas or propane.

Mainstream the High-Mileage Vehicle Applications: Beginning in FY 2000/01, the District set aside a portion of the funds allocated to the VIP program to establish the High-Mileage VIP program (HMVIP). The purpose of the HMVIP was to encourage high-mileage taxi and door-to-door shuttle operators to incorporate alternative fuel vehicles in their fleets, and to ensure that incentives would be available for these fleets. In the first year (FY 2000/01), the HMVIP program attracted significant interest, and the District awarded incentives for 57 vehicles through HMVIP. However, in the past two funding cycles (FY 2001/02 and FY 2002/03) there has been virtually no activity in the High-Mileage program.

Due to the lack of demand, staff proposes to eliminate the high-mileage vehicle set-aside. This will simplify administration of the VIP program for both applicants and the District. *High-mileage vehicles will still be eligible for VIP incentives via the basic VIP program.* A number of commenters suggested that the District should maintain the High-Mileage program. However, staff sees no sign that response to the high-mileage program is likely to rebound in the next cycle. Should experience during future program cycles demonstrate renewed interest among the high-mileage fleets (taxis and door-to-door shuttles), staff may consider reviving the High-Mileage program in a future funding cycle.

Maximum Grant Amount: The District accepts VIP applications on a first-come, first-served basis. To ensure that funds are distributed equitably, the maximum award to any single agency has been capped at $100,000 in VIP incentives. Staff recommends two changes to the maximum grant award, as explained below:

1) If the High-Mileage VIP set-aside is eliminated per staff recommendation, then staff recommends that the maximum grant award be increased to $150,000 only for those public agencies that apply for incentives for their own fleet, as well as on behalf of qualified third-party fleets. The maximum grant amount would remain at $100,000 for agencies that do not apply for incentives on behalf of third-party fleets.

2) Staff recommends that, if VIP incentives remain available as of March 1, 2004, then public agencies that have applied for and received the maximum grant award would be allowed to request VIP incentives for additional vehicles.

The public comments received were supportive of these changes.

TFCA Allocation for FY 2003/04 VIP Program: Staff recommends that the Board allocate $800,000 in TFCA funds for the FY 2003/04 funding cycle. (In FY 02/03, the Board allocated $800,000 to the basic VIP program, plus $200,000 to the High-mileage program.) Based on the volume of requests for VIP incentives in the two most recent VIP cycles, staff believes that $800,000 will be sufficient to accommodate anticipated demand for VIP incentives in the FY 2003/04 cycle.

Several commenters did suggest that demand for VIP incentives may increase in the upcoming cycle because the incentive funds that the California Energy Commission (CEC) has been providing for natural gas vehicles will not be available next year. District staff does not believe that there will be any increase in demand for VIP incentives if the CEC program is terminated. The CEC and the District coordinated our programs so that only those fleets that did not qualify for the District's VIP program were eligible to apply for CEC incentives in the Bay Area.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. VIP program costs, for grants and administration, are recovered through the Transportation Fund for Clean Air motor vehicle registration surcharge.

Respectfully submitted,

Thomas Perardi
Planning and Research Director

Prepared by: David Burch, Sr. Environmental Planner
Reviewed by:_________________

FORWARDED: ____________________________

Attachments

Attachment A
Summary of Recommended Vehicle Incentive Program for FY 2003/04

Allocation: A total of $800,000 in TFCA funds will be allocated to the FY 2003/04 VIP program.

Application Process: Applications for FY 2003/04 VIP incentives will be accepted beginning in mid-September, 2003. Funds will be awarded to eligible agencies on a first-come, first-served basis until available funds are exhausted.

Eligible applicants: Public agencies are eligible to apply. Public agencies may apply for VIP incentives on behalf of non-public entities, subject to the criteria defined in TFCA Policy # 5. State and federal agencies subject to federal Energy Policy Act (EPACT) alternative fuel vehicle procurement requirements are not eligible for VIP incentives.

Maximum Request: Each agency may request up to $100,000 in VIP incentives. Agencies that apply for incentives for their own fleet, as well as on behalf of qualified third-party fleets (taxis, shuttles, etc.) pursuant to TFCA Policy # 5, may apply for up to $150,000 in VIP incentives. If VIP incentives remain available as of March 1, 2004, then agencies that have applied for and received the maximum grant award would be allowed to request VIP incentives for additional vehicles.

Eligible vehicles: Vehicles must meet the following eligibility criteria:
1) Vehicles must be new vehicles with a gross vehicle weight of 10,000 pounds or less.
2) Vehicles must be powered by natural gas, propane, hydrogen, electricity, or hybrid electric. Bi-fuel vehicles with the ability to run on gasoline or diesel as their primary fuel are not eligible.
3) Vehicles must be certified to the ULEV II, SULEV, or ZEV emission standards by CARB.
4) Incentives for ULEV II –rated vehicles are available only for high-mileage fleets. The applicant must submit documentation to show the vehicles will be driven 50,000 miles or more per year.
5) Vehicles must be operated in the Bay Area for the duration of their useful life (or lease term), and at least 75% of the miles must be driven within the boundaries of the Air District.
6) The purchase or lease order for the vehicle must be issued July 1, 2003 or later.

Incentive amounts: The VIP incentive amounts for FY 2003/04 are as follows:

ULEV II (natural gas or propane):	$2,000 per vehicle
SULEV (hybrid electric):	$2,000 per vehicle
SULEV (natural gas or propane):	$4,000 per vehicle
Highway ZEV:	$5,000 per vehicle
City ZEV:	$3,000 per vehicle
Neighborhood ZEV or Three-wheel ZEV:	$1,000 per vehicle

If the sponsor elects to lease a vehicle that is available for purchase, then the VIP incentive amount will be prorated based on the length of the lease compared to the expected useful life of the vehicle.

Incentives for Battery Electric Vehicles (EVs): The California Air Resources Board (CARB) provides incentives for certain electric vehicles through its Zero Emission Vehicle Incentive Program (ZIP). The Air District will not accept applications for EVs that are eligible for CARB ZIP incentives. The District will provide VIP incentives for qualified electric vehicles that are not eligible for CARB incentives. For example, public agencies can apply to the District for VIP incentives to renew or extend EV leases.

Attachment B
Summary of Comments Received

Name of Entity	Name and Title of Commenter
American Lung Association of San Francisco & San Mateo Counties	Linda Weiner, Communications Director
Bluewater Network	Leslie Kaplan, Staff Attorney
California Natural Gas Vehicle Coalition	Michael L. Eaves, President
California Natural Gas Vehicle Partnership	Norma Glover, Chair
City of Vallejo	Jim Phillips, Fleet Manager
Contra Costa Water District	David Omoto, Environmental Compliance Officer
East Bay Clean Cities Coalition	Chris A. Ferrara, Chairman & Coordinator
ENRG	Doug Cameron, Manager, Northern California
Ford Motor Company	Kelly Brown, Director of Vehicle Envir. Engr.
Norman Mineta San Jose International Airport	Tom Stoflet, Environmental Manager
Pacific Gas and Electric	Jim Larson, Senior Program Manager, Clean Air Transportation
Pinnacle CNG Company	Greg Vlasek, Regional Manager Government Affairs & Sales
Port of Oakland (Oakland Airport)	Renee Dowlin, Airport Environmental Planner
San Francisco County Transportation Authority	Maria Lombardo, Deputy Director
San Francisco International Airport	Roger Hooson, Senior Transportation Planner

Comment	Entity
Support the increase in the incentive amount for hybrid electric vehicles to $2,000 per vehicle.	City of Vallejo San Francisco Int'l Airport
The VIP program plays an important role in promoting the use of alternative fuel vehicles in Bay Area fleets. Do not make changes that would curtail the appeal of the program.	American Lung Assoc. of SF & SM Counties (ALA)
District should maintain the VIP program to encourage the development of natural gas infrastructure that will support hydrogen-powered vehicles in the future.	Bluewater Network
Incentive levels do not cover full incremental cost for alternative fuel vehicles. District should maintain or increase the incentive levels, not reduce them.	PG&E
Do not reduce the incentive amount for SULEV natural gas vehicles from $4,500 to $3,000.	Contra Costa Water Dist. ENRG
The incentive for SULEV natural gas vehicles should be at least $4,000 per vehicle.	Port of Oakland East Bay Clean Cities
Do not reduce the VIP incentive amount for any natural gas vehicle.	Calif. Natural Gas Vehicle Partnership
Do not eliminate eligibility for ULEV vehicles.	San Jose Int'l Airport San Francisco County TA

Change the minimum emissions certification level from ULEV to ULEV II to retain eligibility for the natural gas Ford Crown Victoria. The Crown Victoria is significantly cleaner than the ULEV I standard and almost achieves the SULEV II emissions standard. Crown Victoria is the only natural gas vehicle suitable for use in taxi fleets.	Port of Oakland East Bay Clean Cities PG&E Calif. NGV Coalition Ford Motor Company ENRG
Increase the incentive amount for vehicles that achieve the ULEV II standard to $3,000 per vehicle.	Port of Oakland East Bay Clean Cities PG&E
Do not eliminate the High-Mileage Vehicle Incentive Program.	San Jose Int'l Airport Port of Oakland Calif. NGV Coalition Calif. NGV Partnership Ford Motor Company
Continue to offer the High-Mileage VIP program, reduce the mileage requirement to 50,000 miles per year, and provide a larger incentive for high-mileage vehicles.	Port of Oakland East Bay Clean Cities
Eliminating the High-Mileage set-aside will help to simplify the VIP program. SFIA supports this change, provided that the District implements the other proposed changes in the VIP program structure to ensure that funding is still available for taxi and door-to-door shuttle fleets.	San Francisco Int'l Airport
Support increase in maximum VIP grant award to $150,000 for agencies that request funds on behalf of third-party fleets.	San Francisco Int'l Airport San Francisco County TA Port of Oakland East Bay Clean Cities PG&E
Support idea of allowing sponsors to request additional vehicles if funds remain available as of March 1, 2004.	San Francisco Int'l Airport PG&E
Maintain or increase the amount of funding allocated to the VIP program.	Calif. Natural Gas Vehicle Partnership
Recommend that the District set aside an additional $200,000 in reserves for VIP, in case demand exceeds the $800,000 that staff has proposed for the FY 2003/04 VIP program.	San Francisco Int'l Airport
Maintaining the District's funding for natural gas vehicles is important because California Energy Commission funding for natural gas vehicle incentives will be reduced or eliminated.	Ford Motor Company Calif. Natural Gas Vehicle Partnership ALA, ENRG, PG&E East Bay Clean Cities
Eligibility for the VIP program should be based on certification test results.	Calif. Natural Gas Vehicle Coalition
Revise the VIP process to eliminate formal pre-approval of incentives. Sponsor would apply for VIP funds after issuing purchase orders for vehicles.	San Francisco Int'l Airport
Do not change the existing VIP process. It is important to maintain the existing VIP process whereby the District awards funds before the sponsor orders the vehicles.	City of Vallejo Contra Costa Water District

AGENDA: 5

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Inter-office Memorandum

To: Chairperson Young and
Members of the Mobile Source Committee

From: Tom Perardi
Director of Planning

Date: May 21, 2003

Re: Vehicle Buy Back Program

RECOMMENDED ACTION:

Information only. Receive and file.

BACKGROUND

The Air District's Vehicle Buy Back (VBB) Program began purchasing and scrapping vehicles in June 1996. The VBB Program purchases and scraps 1981 and older vehicles that lack modern emission control systems and therefore produce more air pollution than newer cars. The VBB Program is completely voluntary. The Air District pays $500 to the vehicle owner if the vehicle qualifies for the VBB Program. The VBB Program is governed by the Voluntary Accelerated Light-duty Vehicle Retirement (VAVR) regulation, which was created by the California Air Resources Board. The program is funded by the Transportation Fund for Clean Air (TFCA), based on motor vehicle registration fee surcharges authorized by state law.

Since its inception in June 1996 through April 30, 2003, the Air District VBB Program has purchased and scrapped 16,484 vehicles. The total will exceed 19,000 vehicles with current funding. Emissions reductions through FY02/03 will be 2,236 tons: 1,365 tons of reactive organic gases, 660 tons of oxides of nitrogen, and 211 tons of particulate matter. The VBB Program remains one of the most cost-effective TFCA-funded programs at an estimated cost of $6,540 TFCA dollars per ton of reduced emissions. The VBB Program direct mail campaign, started in January 2000, has helped to maintain a vehicle scrapping rate averaging 293 vehicles per month. The Air District VBB Program is functioning well, and with continued funding, will continue to serve as an excellent program to reduce mobile source emissions in the Bay Area.

DISCUSSION

Following is a summary of the status of major elements of the Vehicle Buy Back Program:

Vehicle Dismantler Scrapping Contracts: The District implements the VBB Program by contracting with vehicle dismantlers to screen, purchase, and destroy eligible vehicles. Through the end of April 2003, 16,484 vehicles have been scrapped; 2,806 vehicles remain to be scrapped under current dismantler contracts. In October 2002, under the original FY 02/03 contracts with the Air District totaling $2,000,000, Pick Your Part, Pick-N-Pull, and Environmental Engineering Studies began purchasing 2,616 vehicles. In April 2003, the FY 02/03 contracts were revised, adding a total of $1,500,000 to the existing contracts. The most recent VAVR policies were included in the amended contracts. With the total VBB Program funding increased to $3,500,000 for FY02/03, Pick Your Part, Pick-N-Pull, and Environmental Engineering Studies will purchase a total of 4,575 vehicles. Pick Your Part purchases vehicles at its three buy back sites in the cities of San Francisco, Hayward, and Milpitas, while Environmental Engineering Studies purchases vehicles at four sites in the cities of San Francisco, Santa Rosa, Napa, and Pittsburg. Pick-N-Pull purchases vehicles at its six buy back sites in the cities of Newark, Oakland, Richmond, San Jose, Fairfield, and Windsor. At the current purchase rate, the remaining vehicles to be scrapped under the FY 02/03 contracts should be completed in December 2003. The Air District's proposed FY 03/04 budget allocates $2.5 million in TFCA funds to continue implementation of the VBB program.

Direct Mail: In January 2000, the Air District initiated a direct mail campaign to accelerate the rate at which owners of 1981 and older vehicles participate in the VBB Program. The direct mail campaign tripled the rate at which vehicles are purchased and scrapped and is by far the most successful method of informing potential participants about the program. An Air District survey completed by VBB Program participants indicates that 63 percent of the participants learned about the program through the direct mail campaign. VBB participants informed about the program through "friends" was the second largest category at 12 percent.

From July 2002 to February 2003, the Air District's direct mail contractor, AdMail Express, Inc., delivered over 130,800 pieces of mail to eligible vehicle owners informing them of the program. Under the current contract, Mail Stream, Inc., will prepare and mail up to 350,000 pieces of mail for approximately $94,222. Funds are available to continue mailings through April 2004. The Air District's proposed FY 03/04 budget allocates up to $150,000 in TFCA funds to continue the direct mail campaign after April 2004.

Vehicle Scrapping Rates: The Air District purchased and scrapped 3,246 vehicles during the twelve-month period from May 2002 through April 2003, or 271 vehicles per month on average. Scrapping rates are expected to increase with the amended VAVR regulation that went into effect on May 1, 2003. The amended VAVR relaxes some acceptance criteria, and should make it easier for more vehicles to qualify for the VBB Program. In the first four months of calendar year 2003, the scrapping rate has averaged 279 vehicles per month. The Board of Directors granted the APCO the flexibility to modify the program to maintain scrapping rates of at least 250 vehicles per month, in the event that scrapping rates decline. However, given current scrapping rates, budget limits, and relaxed acceptance criteria, there is no need to modify the VBB Program at this time.

The VAVR Regulation: On April 16, 2003 the Board approved modification of the VBB Program to conform to the amended California Air Resources Board Voluntary Accelerated Light-Duty Vehicle Retirement (VAVR), as required in the regulation. In most instances, conformance of the VBB Program with the *amended* VAVR regulation resulted in less restrictions on the vehicle eligibility for the VBB Program. Air District staff believes that conformance with the *amended* VAVR regulation will continue to ensure real emission reductions from each vehicle scrapped. Moreover, the *amended* VAVR requirements, as reported earlier, should significantly increase the number of qualifying vehicles and therefore increase the rate at which vehicles are purchased. Following is a summary of key eligibility and operational requirements of the *amended* VAVR regulation and how they affect the VBB Program.

- The *amended* VAVR regulation reduces the required vehicle registration period, prior to sale, from twenty-four (24) consecutive months to 120 days. Air District staff considers this to be the most significant change to the VAVR regulation and anticipates that it will increase the rate at which vehicles are purchased.

- The *amended* VAVR regulation has been streamlined in the area of vehicle functional and equipment eligibility inspection criteria. For example, requirements for the trunk, hood, doors, dashboard, windshield, driver's seat, interior pedals, and bumpers/fenders have all been made more lenient.
- The *amended* VAVR regulation requires vehicles and vehicle parts to be made available to the public before they are accepted into the VBB Program. The intent of this amendment is to allow collectors and those interested in affordable transportation to have an opportunity to purchase the vehicles and/or the vehicle parts.
- The *amended* VAVR regulation requires notifying interested parties of vehicles available for purchase through the VBB Program for a ten (10) day period. If a person contacts the dismantler and indicates interest in purchasing a vehicle, the dismantler is required to hold the vehicle an additional seven (7) days.

State Vehicle Retirement Program: The Bureau of Automotive Repair (BAR) Vehicle Retirement Program offered motorists $1,000 for their vehicles that failed Smog Check, but this feature was suspended on December 31, 2001, due to State budgetary constraints. As of May 2003, the program is still in suspension. One other program administered by the BAR to assist motorists who fail a Smog Check inspection is still operating. This program provides financial assistance to help vehicle owners comply with the repair requirements of the Smog Check Program, to reduce air pollution from these high-polluting vehicles.

CONCLUSION

The VBB Program is one of the most cost-effective TFCA-funded programs. The direct mail campaign continues to attract a high rate of voluntary participants. Air District staff retains the flexibility to change pricing or model year eligibility, if needed. Currently the DMV database shows approximately 248,000 1981 and older vehicles still in use in the Bay Area and potentially available to buy back. The VBB Program is functioning well and staff has no recommendations for changes to the ongoing program.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. Program costs are covered by the Transportation Fund for Clean Air (TFCA) based on motor vehicle registration fee surcharges.

Respectfully submitted,

Thomas Perardi
Planning and Research Director

Prepared by: Vanessa Mongeon
Reviewed by: Tom Perardi

FORWARDED: ____________________________

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Inter Office Memorandum

To: Chairperson Young and
Members of the Mobile Source Committee

From: Thomas Perardi
Director of Planning and Research

Date: June 12, 2003

Re: Carl Moyer Memorial Air Quality Standards Attainment Program

RECOMMENDED ACTIONS:

1) *Recommend Board approval of the Air District's participation in implementing the California Air Resources Board's 2003 Carl Moyer Program in the San Francisco Bay Area.*
2) *Recommend that the Board authorize the Executive Officer/APCO to enter into necessary agreements and contracts with the California Air Resources Board and with approved applicants to implement the Carl Moyer Program in the San Francisco Bay Area*
3) *Recommend Board approval of the revised 2003 procedures for allocating the Carl Moyer Program incentives in the Bay Area.*

BACKGROUND

The Carl Moyer Program provides grants to reduce emissions of oxides of nitrogen (NOx) and particulate matter (PM10) from heavy-duty diesel engines by either replacing or retrofitting existing diesel engines. Owners of heavy-duty diesel engines are eligible for some or all of the incremental purchase costs of new, lower-emission engines or emission-lowering engine retrofits and replacements. Eligible heavy-duty diesel engine applications include on-road trucks and buses, off-road equipment, marine vessels, locomotives, stationary agricultural pump engines, forklifts, and airport ground support equipment. There will be at least $3.2 million available for the Carl Moyer Program in 2003. This will be the fourth distribution of Carl Moyer Program incentives in the Bay Area.

DISCUSSION

The determination of eligibility and the amount of individual incentives are governed by "The Carl Moyer Program Guidelines," adopted on April 24, 2003, by the California Air

Resources Board. Changes to the Guidelines from prior allocation rounds are very minor. Emission factors for many of the project categories were updated to reflect new emission standards or improved results from CARB's emissions models. The maximum allowable project cost-effectiveness was increased to $13,600 per ton of reduced NOx emissions to account for inflation.

Amount of Funding Available

The Bay Area Air District will receive approximately $1.8 million in new funding to distribute as incentives. This represents 9% of the $19.5 million available statewide. The new funds are from revenue bonds authorized under Proposition 40 - California's Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act (Public Resources Code section 5096.650), which was approved by the voters in March 2002. Allocation of the funds is determined by the California Air Resources Board (CARB). In addition, there is approximately $1.4 million from the 2001 and 2002 Carl Moyer Program funding cycles available for reallocation. These funds are available due to either the withdrawal or cancellation of projects over the past few months. This amount may grow as Air District staff continues to review the viability of existing projects.

The Carl Moyer Program funds will continue to be distributed in accordance with Health and Safety Code Section 43023.5, which requires that at least 50% of funds directly benefit those areas with the most significant exposure to air contaminants.

Proposed Procedures

The proposed procedures for distributing the Carl Moyer Program funds in the Bay Area for the 2003 cycle are listed below.

1. The Air District will comply with the program and project requirements set forth in CARB's "Carl Moyer Program Guidelines," as adopted on April 24, 2003, and applicants may use either the application forms provided therein or substitute forms made available by the Air District.

2. The Air District will accept applications for any eligible engine type as established by CARB. Funding will be available for the most cost-effective projects, but in no case to any project with a cost-effectiveness above $13,600 per ton of NOx reduced. The Air District, at its sole discretion, may disqualify a project from consideration if it finds that the project is ambiguous, speculative or that implementation may not be in compliance with Air District or CARB policies.

3. All projects will be reviewed and ranked by Air District staff from the most cost-effective to the least cost-effective. Air District staff will use the methodology published in CARB's guidelines in estimating a project's cost-effectiveness based on the size of the grant requested and the estimated annual reduction in NOx emissions.

   Health and Safety Code Section 43023.5 requires the Air District to distribute at least 50% of the Carl Moyer Program funds in those areas with the most significant exposure to air contaminants. Funding will be awarded on a competitive basis, with the most cost-effective projects generally receiving the available incentives. However, Air District staff may propose adjustments to the award rankings in order to ensure that the requirements of this state law are fully met.

CARB's guidelines set forth a voluntary goal of a 25% or more reduction in particulate emissions from projects funded under the Carl Moyer Program. It is currently expected that this goal will be exceeded by funding those projects that most cost-effectively reduce NOx emissions. However, Air District staff may propose adjustments to the rankings in order to ensure that CARB's goal for particulate matter reductions is fully met.

4. No applicant is guaranteed funding. Actual reimbursement of project costs by the Air District is conditional upon receipt of adequate funding from CARB.

5. The projects will be forwarded for review and approval by the Mobile Source Committee of the Air District's Board of Directors. Final approval of all grants will be by the Board of Directors at a regularly scheduled Board meeting. Applicants will receive formal notification of their incentives within ten working days from the Board of Directors approval of their grant applications.

6. A successful applicant will have 30 days from the date of the Air District's formal award notice to sign a contract governing the use of the incentive. Failure to sign the contract within 30 days may result in the automatic forfeiture of the incentive.

7. A successful applicant will also need to document that any old diesel engine replaced with a Carl Moyer Program incentive has been destroyed or sold and delivered to an individual or entity outside of the State of California.

<u>Proposed Schedule</u>

Opening of application period	July 18, 2003
Close of application period	September 19, 2003
Recommended list of grants reviewed by the Mobile Source Committee	November 13, 2003
Approval by the Board of Directors	November 19, 2003
Deadline to expend funds	December 31, 2004

<u>BUDGET CONSIDERATION / FINANCIAL IMPACT</u>

The Carl Moyer Program distributes "pass-through" funds from CARB to private companies and public agencies on an invoice basis. Therefore the project grant funds do not directly impact the Air District's budget. Staff costs for the administration of the Carl Moyer Program are included under Program 607 – Mobile Source Grants in the proposed FY 2003/2004 Budget. Administrative costs cannot be recouped from the Carl Moyer Program revenues.

The Air District is obligated to match each $1.00 received from the Carl Moyer Program with 50 cents in local funds. The Air District meets this obligation through the expenditure of Transportation Fund for Clean Air revenues on low-emission heavy duty vehicle projects sponsored by local public agencies. As such, the local match requirement should have no impact on the Air District's budget.

Respectfully submitted,

Thomas Perardi
Director of Planning and Research

Prepared by: Michael Murphy
Reviewed by: Thomas Perardi

FORWARDED: ____________________________

G:\ENV_REV\AB434\LEVS\MOYER\FY 02-03\MS6-12-y Moyer.doc

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Inter Office Memorandum

To: Chairperson Young and
Members of the Mobile Source Committee

From: Thomas Perardi
Director of Planning and Research

Date: June 12, 2003

Re: Lower Emission School Bus Program

RECOMMENDED ACTIONS:

Recommend Board approval of the following actions:

(1) Authorize Air District implementation of CARB's Lower Emission School Bus Program in the Bay Area;

(2) The addition of an engine repowering option to the Lower Emission School Bus Program;

(3) A reduction in the required public school district co-payment for the purchase of a new school bus;

(4) The addition of a requirement that participating school districts retrofit all eligible diesel powered school buses within their respective fleets with CARB verified particulate control devices;

(5) Authorize the Executive Officer to enter into contracts and funding agreements (with CARB, local school districts, vendors, etc.) as necessary to implement the Lower Emission School Bus Program in the Bay Area.

BACKGROUND

Since 1992, the Bay Area Air District has been assisting public school districts purchase new, low-emission school buses. In the period from 1992-2000, Transportation Fund for Clean Air (TFCA) money was used to purchase 192 natural gas and four battery electric school buses. Over the past two years, funding from the California Air Resources Board and the TFCA program were combined as the Lower Emission School Bus Program. During that two year period, Bay Area school districts received $13.4 million in funding to assist in the purchase of 84 natural gas buses and 41 diesel buses.

Staff is proposing the continuation of the Lower Emission School Bus Program in 2003/2004 using money from four sources: 1) Proposition 40 revenue bonds, 2) TFCA funds, 3) Diesel Back up Generator Mitigation funds, and 4) money received from United Airlines as part of a settlement with the Air District for alleged violations of Air District regulations. This year's program will continue the successful replacement of the oldest school buses in service in the region, and will add engine replacements as an eligible action under the program.

The goal of this program is to reduce school children's exposure to cancer-causing and smog-forming pollution. Through a combined approach of replacing, upgrading and retrofitting older school buses, the program will reduce emissions of both particulate matter (PM) and oxides of nitrogen (NOx).

DISCUSSION

The Air District has approximately $3.4 million available in 2003 to assist public school districts in removing high-emitting school buses from their fleets. Table 1 provides a summary of the sources of this year's funding. Most of the available funding will be allocated consistent with the requirements of the California Air Resources Board's "Lower Emission School Bus Program." A summary of these requirements is provided below.

TABLE 1
Funding Sources for Lower Emission School Bus Program

Funding Source	**Amount of Funding**	**Proposed Use**
Transportation Fund for Clean Air – FY 2002/2003 funds	$1,300,000	Purchase of new Alternative Fuel School Buses
Proposition 40 Revenue Bonds	$960,000	Purchase of new Alternative Fuel or Diesel School Buses
Diesel Back-up Generator Mitigation Funds	$750,000	Engine replacements or purchase of new school buses
United Airlines Settlement	$375,000	Reduction in school district co-payment for new buses.
Total	**$3,385,000**	

Staff is proposing three modifications to the program including lowering the amount that school districts would contribute towards the purchase of new buses, allowing funding to be used for repowering existing buses, and requiring participating school districts to install diesel particulate matter control devices on all eligible school buses in their fleets. Funding to cover the costs for purchasing and installing the particulate matter control devices is available from CARB's Lower Emission School Bus Retrofit Program.

Requirements of the Lower Emission School Bus Program

The California Air Resources Board adopted revised guidelines for the Lower Emission School Bus Program on April 24, 2003. Much of the program remains unchanged from prior years. The main requirements of the program are:

1. Only Bay Area public school districts that own and operate school buses, including school districts under provisions of a joint powers authority, can apply for funding to purchase new buses.

2. Only replacement buses will be funded. Fleet expansion buses are not eligible for funding.

3. The new buses purchased under this program must be owned and operated by the recipient school district for a minimum of five years after first use. (The Air District may add additional years to this requirement and require repayment of grant funds if a school district sells or otherwise discontinues use of a lower-emitting bus.)

4. Funding is available for new natural gas, propane, diesel and electric school buses. Engines must meet specified emission limits. Diesel buses funded through the program must operate on ultra low sulfur diesel fuel (maximum sulfur content of 15 ppm by weight) and be equipped with a diesel particulate filter. Natural gas buses must be equipped with an oxidation catalyst. Funding will be provided on a first-come, first-served basis.

5. All buses – both old and new – must have a Gross Vehicle Weight Rating greater than 14,000 pounds.

6. All replaced buses must be in current use and have current California Highway Patrol (CHP) Certification.

7. Funding requested for purchase of a bus shall be consistent with the prices and descriptions on the contract maintained by the State Department of General Services (DGS) (or other acceptable standard accepted or established by CARB). School districts will be responsible for the cost of any options not included in contract base price, except for the purchase and installation of seat belts. Funding will cover prorated taxes and any DGS contract fees. If there is no DGS contract available when a school district requests funding, pricing will then be based on other contracts or bids accepted or established by CARB.

8. School Districts will be responsible for paying up to $10,000 towards the replacement of a pre-1977 school bus and up to $25,000 towards the replacement of a school bus manufactured between 1977 and 1986. <u>(See below for a proposal to reduce the amount of the required matching funds.)</u>

9. Priority shall be given to the replacement of school buses built prior to 1977. All pre-1977 buses in any given fleet must be replaced before any 1977 or later model may be considered for replacement. Any pre-1977 bus replaced under the program shall be destroyed.

10. For school bus fleets with no pre-1977 buses, then heavy-duty diesel or heavy-duty gasoline (without catalytic converters) buses built between 1977 through 1986 are eligible for replacement. These buses shall be either destroyed or replace a CHP-certified pre-1977 school bus (not restricted to public school fleets). The displaced pre-1977 bus shall then be destroyed.

11. A $100 per day penalty will be assessed by CARB for each school bus delivered after September 1, 2004.

Proposed BAAQMD Policies

Staff is proposing three modifications to the above policies. The modifications are allowable under CARB's guidelines and are intended to increase the emission reductions achieved under this program.

First, the co-payment requirement established by CARB should be lowered by $10,000. This would mean that school districts replacing pre-1977 buses would not be required to contribute matching funds for the base price of the bus, as determined by the Department of General Services (or other acceptable standard accepted or established by CARB). Only the replacement of pre-1977 school buses that have been in a school district's fleet for a minimum of five years would be eligible for funding assistance. Similarly, school districts replacing 1977 to 1986 model year buses would need only contribute $15,000 towards the base price of the new school bus.

School districts would be liable for the cost of any requested options that are not covered by the DGS contract (or other bid or contract accepted or established by CARB). The reduction in the co-payment for the school districts would be covered by the $375,000 in settlement funds received from United Airlines. Any unused funds would be used to assist in the purchase of additional new school buses.

Second, in addition to replacing school buses, up to $750,000 would be available for school districts to replace engines in 1987 or newer school buses. Under this option, the Air District would cover the purchase price of the replacement engine and related hardware. School districts would be responsible for all labor costs. Engine replacements can cost between $20,000 to $40,000, depending on the type of new engine and its compatibility with the existing transmission and fueling and cooling systems. The cost of the new engine and related hardware is usually 50% to 70% of the total costs.

The replacement engine could be of any fuel type but would have to comply with CARB's emissions standards for heavy-duty engines. School districts undertaking diesel-to-diesel repowers would also have to install a CARB-verified diesel particulate filter on the school bus. The Air District would cover the cost of the filter. Funding for this option would come from the Diesel Back-up Generator Mitigation funds. Any unused funds would be used to assist in the purchase of additional new school buses.

Third, any school district receiving a grant to either purchase a new school bus or replace a school bus engine would be required to install CARB-verified diesel particulate filters or oxidation catalysts on any eligible diesel school bus in their fleet. The Air District would cover 100% of the purchase and installation cost of the selected control devices. Buses retrofitted through the program would have to operate on ultra low sulfur diesel fuel (maximum sulfur content of 15 ppm by weight). The Air District would provide a one-time cash incentive of $500 per retrofitted bus to help pay for the ultra low sulfur fuel.

Proposed Schedule

The proposed schedule for distribution of the Lower Emission School Bus funds is:

June 20, 2003	Release of applications
July 18, 2003	Begin accepting applications
July 28, 2003	Funding awarded
August 30, 2003	Deadline to order new buses for replacement projects
November 30, 2003	Deadline to order new engines for repower projects
September 1, 2004	All new buses delivered; filters and engine repower installations completed.

BUDGET CONSIDERATION / FINANCIAL IMPACT

The Lower Emission School Bus Program distributes "pass-through" funds from the Transportation Fund for Clean, CARB, and for this year, settlement revenues from United Airlines to public school districts on an invoice basis. Therefore the project grant funds do not directly impact the Air District's budget. Staff costs for the administration of the Lower Emission School Bus Program are included under Program 607 – Mobile Source Grants in the proposed FY 2003/2004 Budget. Administrative costs cannot be recouped from the Proposition 40 or Diesel Back-up Generator Mitigation funds, nor the United Airlines settlement.

Respectfully submitted,

Thomas Perardi
Director of Planning and Research

Prepared by: Michael Murphy
Reviewed by: Thomas Perardi

FORWARDED: ____________________________

G:\ENV_REV\AB434\LEVS\ARB Schoolbus\Program docs and files\FY02-03\MS6-12-x.DOC