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DATE: September 16, 2021

TO: SJVUAPCD Governing Board

FROM: Samir Sheikh, Executive Director/APCO  
Project Coordinator: Todd DeYoung



RE: **ITEM NUMBER 7: ACCEPT \$8,400,000 IN  
ADDITIONAL STATE REVENUE TO FUND THE  
DISTRICT'S DRIVE CLEAN IN THE SAN  
JOAQUIN VEHICLE REPLACEMENT PROGRAM  
AND APPROVE PROGRAM ENHANCEMENTS**

**RECOMMENDATIONS:**

1. Accept up to \$8,400,000 in funding from the California Air Resources Board to be utilized in the District's Drive Clean in the San Joaquin vehicle replacement program.
2. Authorize the Board Chair, with Executive Director/APCO recommendation, to execute an agreement with Valley Clean Air Now for the implementation of the District's Drive Clean in the San Joaquin vehicle replacement program for the \$8,400,000 initial state allocation to the District for this program in the 2021-22 fiscal year.
3. Consistent with State Clean Cars 4 All Program Guidelines, approve enhancements to the Drive Clean in the San Joaquin Vehicle Replacement Program to increase participation and accessibility to the program by Valley residents while ensuring continued focus on eliminating high-polluting vehicles and achieving cost-effective emissions reductions, including:
  - a. Expanding the eligibility criteria from the current requirement of 1999 and older vehicles, to 2006 and older vehicles.
  - b. Eliminating the requirement to fail an emissions test in order to qualify for funding under the program.

4. Authorize the Executive Director/APCO, on behalf of your Board, to make administrative changes to the program as necessary.

### **BACKGROUND:**

The District's Drive Clean in the San Joaquin Program provides a variety of monetary incentives to Valley residents aimed at reducing emissions from passenger vehicles. These incentives include options for vehicle emission related repairs, replacing older high emitting vehicles with newer cleaner models in low income and disadvantaged communities, and providing rebates for the purchase or lease of new clean air vehicles.

Since 2015, the District has received nearly \$38 million in state funding from the California Air Resources Board (CARB) to support the implementation of the District's vehicle replacement program. The District has partnered with Valley Clean Air Now (Valley CAN) to administer this program in coordination with the District's vehicle repair program. To date, the vehicle replacement program has resulted in nearly 3,700 vehicles replaced throughout the Valley.

At this time, funding for the vehicle replacement component has nearly been exhausted and the District has received notice from CARB that additional state funds totaling up to \$8.4 million will be available for the continued operation of the program. The purpose of today's item is to seek your Board's approval to accept this funding for the continued implementation of this successful program and to authorize the Board Chair, with Executive Director/APCO recommendation, to enter into an agreement with Valley CAN for the implementation of the program.

### **DISCUSSION:**

While the District has no regulatory authority over mobile sources, the emissions from mobile sources account for over 85% of the Valley's NOx inventory. Given the significance of mobile source emissions, the District's *2018 PM2.5 Plan* includes a variety of incentive programs aimed at achieving additional emission reductions from mobile sources to meet state and federal air quality standards. The District currently offers a broad suite of incentive programs designed to reduce emissions from mobile sources, which includes funding for heavy-duty trucks, off-road equipment, school buses, and light duty passenger vehicles. These programs achieve emission reductions by replacing older, higher emitting equipment with newer, cleaner technology.

The District's Drive Clean in the San Joaquin Program offers Valley residents with multiple incentive options to reduce emissions from passenger vehicles, including vehicle repairs, rebates on the purchase or lease of clean air vehicles, and replacing older high emitting vehicles with a newer, cleaner model. The District, in partnership

with Valley CAN, has pioneered passenger vehicle repair and replacement programs focused on disadvantaged communities, with the District's program serving as models for programs throughout the state.

This success in effectively reaching low-income residents has been recognized and highlighted by UCLA's Luskin Center for Innovation as a model for other agencies implementing similar programs. A recent report released by the Luskin Center highlights the District's effectiveness in reaching low-income disadvantaged communities throughout the Valley stating that *"the efforts of the SJVAPCD appear largely focused on reaching low-income communities and communities of color through a variety of outreach approaches while still attaining emission reductions."* The report states that the District program has seen participation from 95% of disadvantaged communities within the District compared to 72% and 68% respectively for the South Coast and Bay Area Districts indicating our success in reaching communities throughout the Valley.

Since 2015, the District has advocated for and received \$38 million in state EFMP and Clean Cars 4 All funding to implement a vehicle replacement program. These two separate funding sources are combined to provide incentive options, which range from \$2,500 to \$9,500 and are determined by the participant's income level, disadvantaged community residential status, and the type of replacement vehicle selected for purchase. The highest incentive levels offered under the program are provided to applicants with the lowest income (less than 225% of the federal poverty level) that reside in a disadvantaged community and choose the cleanest available vehicle (plug in hybrid or battery electric). Where applicable, participants in the vehicle replacement program may stack other available state or local utility rebates in order to maximize the funding available for their vehicle purchase. To date, the District has replaced nearly 3,700 high polluting vehicles with newer, cleaner, and more fuel-efficient models.



### **State Funding Resources**

Each year, CARB develops its Low Carbon Transportations Investments and Air Quality Improvement Funding Plan (Funding Plan), which includes funding for the Clean Cars 4 All Program. The 2021-22 Funding Plan, which is currently under development, provides the framework for implementation of \$1.5 billion in state funding appropriated to CARB from multiple funding sources in the State budget. Currently, CARB staff is proposing \$75 million in funding for the Clean Cars 4 All Program. While the Funding Plan will not be approved by CARB's Board until November, CARB's Board provided staff the flexibility to allocate a portion of the funding to air districts in order to continue

the implementation of this valuable program for low-income residents throughout the state. CARB is currently splitting \$25 million in Clean Cars 4 All funding equally among the San Joaquin Valley APCD, Bay Area AQMD, and South Coast AQMD as these program currently are oversubscribed. Following approval of the Funding Plan, CARB will distribute the remaining \$50 million in Clean Cars 4 All funding between the five implementing Air District's, including Sacramento Metro AQMD and San Diego APCD, based on program demands and projections for program implementation for the remainder of the fiscal year. The District is engaged in strong advocacy efforts to ensure that the Valley continues to receive a fair allocation of this funding.

### ***Potential Enhancements to Program Eligibility Criteria***

Since program inception in 2014, the program eligibility criteria has been limited to model year 1999 and older vehicles that fail an emissions test, along with additional criteria for ownership, registration within the District, usage, and participant criteria for income thresholds and residence within a disadvantaged community. This model year and emission failure criteria has served its intended purpose of focusing the limited available funding to the highest polluters operating in Valley communities.

However, as we move forward with significant state funding and in recognition of aging vehicle fleets over time (now seven years since program inception), the District is proposing enhancements to the program to broaden eligibility criteria and increase accessibility to the program while continuing to target the oldest, dirtiest vehicles for replacement. These enhancements are consistent with Board approved recommendations in December 2019 to modify model-year eligibility criteria and emission failure requirements on a pilot basis through weekend events in the Spring of 2020. Prior to implementing these pilot program changes, weekend events were cancelled in response to the COVID-19 pandemic preventing implementation of these changes in eligibility criteria through the weekend events. At this time, with the significant increase in state funding available for the Program, District staff is recommending the following enhancements to program eligibility criteria in order to offer these incentives to more Valley residents while still maintaining a focus for program implementation in low-income disadvantaged communities.

- 1. Expanding the eligibility criteria from the current requirement of 1999 and older vehicles, to 2006 and older vehicles.*

In reviewing participation data from the Drive Clean in the San Joaquin vehicle repair program, over the last two years there have been approximately 9,500 vehicles between 2000 – 2006 model year that have participated in the repair program that may have otherwise been interested in the vehicle replacement option. In addition, while a 2006 model year vehicle is cleaner than comparable 1999 and older vehicles, they are approximately 4.5 times dirtier than new 2021 models, and emissions reductions would be even greater given the program's focus on replacing older vehicles with electric and plug-in electric hybrid vehicles.

Replacing these 2006 and older vehicles with electric and plug-in electric hybrid vehicles would still achieve significant emission reduction benefits.

2. *Eliminating the requirement to fail an emissions test in order to qualify for funding under the program.*

When the vehicle replacement component was originally developed, the criteria to fail an emissions test was included in order to focus limited funding resources on the highest polluting vehicles. In addition, the replacement component was implemented solely through weekend events, which provided the opportunity to test every vehicle and offer repair or replacement options to the older vehicles failing the emissions test. As state funding provided for the program has grown significantly and our program implementation has expanded beyond weekend events, the emissions failure requirement can serve as a significant barrier to participation for low-income residents due to the added logistical and testing complexity and costs. Furthermore, as noted above, 2006 and older vehicles are significantly higher emitters than newer comparable vehicles, and narrowing eligibility to only older vehicles with failed tests significantly reduces accessibility to funding by Valley residents with older, higher polluting vehicles and the overall pool of potential emission reduction opportunities.

The proposed enhancements to the program eligibility criteria are consistent with CARB Guidelines established for the program which generally provide districts the flexibility in implementing a program that meets the program intent of replacing high emitting vehicles operating in low income and disadvantaged communities with newer, cleaner alternatives. These enhancements would also align our program eligibility criteria with other air districts operating Clean Cars 4 All funding. In addition, these enhancements would provide additional opportunities for Valley residents in low income, disadvantaged communities to participate in the program, which could result in a projected program demand of \$25-\$30 million dollars per year.

The combination of these changes would provide opportunities for more Valley residents from low-income, disadvantaged communities throughout the Valley to participate in the program while also streamlining the application process. In addition, the expected increase in program participation would allow the District the opportunity to further access available funding that is outlined in CARB's 2021-22 Funding Plan and bring additional funding resources to the Valley.

**NEXT STEPS:**

The proposed agreement with Valley CAN for program administration is proportionally consistent with the program costs included in prior agreements with Valley CAN for the implementation of this program. As in prior years, 85% of the program funds are designated for vehicle replacement costs with the remaining 15% of funds designated for the costs associated with program implementation, including outreach, administrative expenses, logistics, and events. Of the 15% available for implementation, Valley CAN is designated 10% for program implementation (\$840,000), with responsibilities including, but not limited to, program outreach, applicant assistance, submittal of complete applications to the District for review and approval, coordinating vehicle purchases with applicants and dealerships, reporting program information, program management/oversight, accounting, payroll, overhead, outreach, insurance, and other expenses directly attributable to the implementation of the program incurred by Valley CAN.

With your Board's approval, the District and Valley CAN will continue working collaboratively to continue the implementation of the vehicle replacement program and to incorporate any changes approved by your Board into this valuable program for Valley residents. In addition, District staff will return to your Board to seek approval to accept and implement any additional state funding received by the District for the Drive Clean in the San Joaquin vehicle replacement program.

**FISCAL IMPACT:**

The District's 2021-22 Budget contains sufficient appropriations for the acceptance and implementation of the \$8.4 million in state funding for the District's Drive Clean in the San Joaquin Program.