handle the project type, but only at a lesser scope or scale than proposed, staff may identify an alternative scope.

> *For example, a local agency may propose to replace 5,000 trucks, but only demonstrate the resources and ability to process 2,000 trucks within the timelines established in these Guidelines. ARB staff may disqualify the application or recommend that the project go forward to the competitive process with a scope of 2,000 truck replacements (at a pro-rated funding level).*

If ARB staff determines that only a lesser scope is feasible based on the local agency's demonstration, ARB staff shall notify the designated local agency representative in writing and move the project forward to the competitive process based on the benefits of the pro-rated proposal for the funding category. ARB staff shall assume local agency support for a pro-rated proposal based on the acknowledgement required on the application.

5. Match funding

SB 88 distinguishes between State funds and monies from all other non-State sources. It also directs ARB to maximize the amount of match funds used to supplement Program funds. The funds required to cover the difference between the Program funding cap and the total project cost can come from the private sector, local agencies, other State monies, or the federal government. Private match funding can be provided by the equipment owner, an industry sponsored program, or other sources.

See Chapter IV.A.6. for information on match funding for equipment projects from State funds and monies.

6. Competitive ranking of local or State agency projects

ARB staff shall use a quantitative approach to develop a prioritized list of eligible local and State agency projects. This process will be applied to competing local agency projects **within each trade corridor and funding category**. ARB staff shall publish the list of competitively ranked local agency projects on the Program website, as well as the list of eligible State agency projects for truck loans.

The competitive ranking shall be quantitatively based on multiple factors – emission reductions and a measure of cost-effectiveness that considers match funding. The calculation of emission reductions uses the Carl Moyer program protocol of weighting combustion PM emissions (essentially diesel PM) by a factor of 20 relative to other pollutants to account for the greater health impacts of PM per ton of emissions. This protocol helps target Program funding to the local agency projects that will achieve the greatest reduction in health risk.

a) Emission reduction score

Weighted emission reductions = Reduction in NOx + (combustion PM x 20) emissions in California over the average project life in pounds

ARB staff shall list local agency projects in descending order of emission reductions, with the greatest emission reductions on top and the lowest emission reductions on the bottom. ARB staff shall number or score each project starting at the bottom with a score of 1 and continuing consecutively to the top project. For example, if there are 8 project proposals, the one with the greatest emission reductions would receive a score of 8. See Figure II.1 for an example.

Emission Reductions Score = number from above evaluation

b) Cost-effectiveness and match score

For each proposed project in a funding category, ARB staff shall review the local agency's estimate of the total pollutant-weighted emission reductions, divided by the total State funding proposed for the project, based on the Calculator for that source category. Total State funding includes requested Program funds (project and administration funds), plus any other applicable State dollars (see Chapter IV.A.6.).

Cost-effectiveness = weighted emission reductions (lbs)/total applicable State $

ARB staff shall list local agency projects in descending order of emission reductions per State dollar, with the highest number on top and the lowest number on the bottom. ARB staff shall number or score each project starting at the bottom with a score of 1 and continuing consecutively to the top project. For example, with 8 project proposals, the one with the greatest emission reductions per State dollar would receive a score of 8. See Figure II.1 for an example.

Cost-Effectiveness Score = number from above evaluation

This calculation of cost-effectiveness indirectly accounts for the level of match funding. A project will always have a combination of Program funding and match funding (from State or non-State sources) to cover the total cost of the project. The cost-effectiveness equation uses the full weighted emission reductions achieved by the total project funding, not just a subset of the reductions in proportion to the State funding component. By counting the total weighted emission reductions, the Program recognizes the benefits of non-State match funds and offers a competitive advantage to local agency projects with greater match.

Figure II.1 Local agencies A,B,C submit competing truck projects (hypothetical)

Results from Project Benefits Calculator:

Agency/ Project	Reductions over 8-Year Project Life		Weighted Emission Reductions (tons)	State Dollars
	NOx tons	PM tons		
A/ Replace 1,000 trucks	3,170	220	7,570	$50M at $50k/truck
B/ Replace 800 trucks	2,536	176	6,056	$24M at $30k/truck
C/ Replace 700 trucks	2,219	154	5,299	$28M at $40k/truck

Emission Reduction Score

A-7,570 tons Score: 3
B-6,056 tons Score: 2
C-5,299 tons Score: 1

Cost-Effectiveness Score

B-0.5 lbs/$ Score: 3
C-0.4 lbs/$ Score: 2
A-0.3 lbs/$ Score: 1

Competitive Ranking	
Project B: 2+3	5 points
Project A: 3+1	4 points
Project C: 1+2	3 points

For example, assume the Program offers funding for up to 50 percent of the cost of new equipment, with the other 50 percent covered by non-State match funds (resulting in a 1:1 match). Most project proponents seek the maximum Program funds, but proponent X only requests Program funding for 25 percent of the total cost, with the other 75 percent covered by non-State match funds (effectively providing a 3:1 match). The emission reductions for all the projects would likely be similar, but the total reductions per State dollar are much greater for proponent X because this project relies on less State funds and more match funds.

c) Competitive ranking

ARB staff shall add the Emission Reductions Score to the Cost-Effectiveness Score to determine the final points for each local agency project. ARB staff shall rank local agency projects within each trade corridor and funding category from highest points to lowest points. See Figure II.1 for an example.

ARB staff shall assess the costs and benefits of any State agency proposals for truck loan projects, and rank those projects against each other, if appropriate.

7. Public workshops on eligible local and State agency projects

ARB staff shall hold no less than three public workshops statewide to discuss the competitively ranked list of eligible local and State agency projects and any preliminary ARB staff recommendations for funding projects. At least one workshop each will be held in northern California, the Central Valley, and southern California. At ARB staff's discretion, these workshops may be conducted between release of the competitive ranking and development of funding recommendations or after development of ARB staff funding recommendations. For Year 1 funds, these workshops were not required by statute [H&S §39626(c)(2)].

8. Recommendations for funding local and State agency projects

Based on the competitively ranked list of eligible local agency projects and public input, ARB staff shall use a qualitative approach to develop recommendations on the level of funding for the top project(s) in each trade corridor and funding category. This approach shall consider the availability of Program funds, the trade corridor and category funding targets, and priorities established by the Board for each funding cycle. ARB staff shall also consider project proposals from any State agency for truck loan or loan guarantee programs.

ARB staff shall make these funding recommendations for local and State agency projects available to the public via the Program website prior to the public hearing conducted by the Board.

ARB staff shall follow this process:

a) Consideration of available funds and funding priorities

Starting with the project with the highest competitive ranking, ARB staff shall compare the requested Program dollars with the available funds, the Program funding targets for the trade corridor and funding category, and any priorities identified by the Board for those funds.