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DATE: November 4-5, 2026

TO: SJVUAPCD Governing Board

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



RE: **ITEM NUMBER 10: STRATEGIC
IMPLEMENTATION OF DISTRICT'S INCENTIVE
PROGRAMS**

RECOMMENDATIONS:

1. Reaffirm the District's existing Board-approved incentive funding strategy and consider the following specific potential enhancements to the District's voluntary incentive programs to maximize cost-effective emission reductions, improve program efficiencies, and extend the reach of limited incentive funding resources. Authorize staff to continue evaluating potential program modifications and return to your Board, as necessary, with specific additional recommendations for consideration and approval.
 - a. **Agricultural Equipment Replacement Program** – Due to the limited available funding, substantial queue of available projects and favorable cost-effectiveness, direct staff to continue evaluating potential program enhancements, including adjustments to grant funding percentages, maximum award amounts, eligible equipment categories, equipment horsepower and usage requirements, and replacement equipment cost assumptions and return to your Board with specific recommendations at a future Governing Board meeting.
 - b. **Public Benefit Grants Program** – To broaden participation and conserve resources for projects that achieve greater directly quantifiable reductions, such as the community-focused Drive Clean in the San Joaquin Vehicle Replacement Program, staff recommends reducing the District-funded amount for qualifying Public Benefit projects from \$20,000 per vehicle to \$5,000 per vehicle, reducing the total funding any one entity

can receive in a calendar year from \$100,000 to \$25,000 and consider shifting from a contract model to a rebate model to enhance efficiency.

- c. **Drive Clean Rebate Program** – Due to the broad availability of other incentive programs such as the California MyFirstEV Program, the California Driving Clean Assistance Program (DCAP) and various electric utility rebate programs, and relatively high program cost-effectiveness, staff recommends suspending the Drive Clean Rebate Program in the upcoming 2027-28 District Budget or, alternatively, reducing the rebate for battery electric vehicles from \$2,000 to \$1,000 per qualifying vehicle.
 - d. **Charge-Up! EV Charging Infrastructure Program** – Due to the prevalence of multiple state, and federal programs promoting EV charger installations, including the California Energy Commission (CEC) CALeVIP program, CEC Communities In Charge program, CEC EnergIIIZE program, California NEVI program, PG&E Residential and Fleet EV Charging programs, CARB Low Carbon Fuel Standard (LCFS) program and various federal tax credit programs, staff recommends suspending the District's Charge-Up program in the upcoming 2027-28 District budget and focusing this funding in other areas.
 - e. **Clean Green Yard Machine Program** – To enhance program efficiency and focus limited resources on projects that achieve direct, quantifiable emission reductions through the permanent removal of older, higher-emitting equipment, staff recommends eliminating the new-equipment purchase option that does not require the replacement of existing combustion equipment.
2. Accept and appropriate \$18,685,056 in additional incentive program funding and approve the attached Budget Resolution to amend the 2026-27 District Budget to appropriate the additional revenue as follows:
- a. \$10,628,659 from the Volkswagen Environmental Mitigation Trust for the Statewide Incentive Program for Zero-Emission Transit, School and Shuttle Buses.
 - b. \$7,549,647 from the California Air Resources Board (CARB) Clean Cars 4 All Program/Enhanced Fleet Modernization Program for the District's Drive Clean in the San Joaquin Vehicle Replacement Program.

- c. \$120,000 from the CARB Supplemental Environmental Project (SEP) Program for the District's Agricultural Burn Alternatives Grant Program.
 - d. \$386,750 from the CARB SEP Program for the District's Clean Air Rooms Grant Program.
3. Authorize the Board Chair, with Executive Director/APCO recommendation, to execute agreements with CARB and other entities, as necessary, to accept and administer the additional funding, and authorize the Executive Director/APCO to make administrative changes necessary for successful program implementation, consistent with applicable funding requirements.

BACKGROUND:

The District's voluntary incentive programs are among the largest and most respected in the state. These programs complement regulatory control measures by securing much-needed emission reductions from source types over which the District has little or no direct regulatory authority. Because participation is voluntary and the resulting reductions are both highly cost-effective and beyond what regulations require, these programs have delivered significant air quality benefits throughout the Valley. Since inception, the District has provided more than \$3.4 billion in incentives, matched by over \$4.5 billion in contributions from grant recipients for a total investment of over \$7.9 billion in clean-air funding across a broad and diverse portfolio of programs throughout the Valley. This investment has resulted in over 300,000 tons of cost-effective, voluntary emission reductions.

Through strong advocacy at the state and federal levels, the District has generally seen incentive funding grow year over year for the past several years. However, more recently due to state and federal budget challenges, funding for critical programs has declined significantly. The purpose of this item is to take a comprehensive look at your Board's existing Incentive Strategy, reaffirm the elements of the strategy that continue to serve the Valley well, and explore possible enhancements to ensure the programs remain highly effective in an uncertain funding environment.

HISTORIC GRANT PROGRAM PERFORMANCE:

District incentive program appropriations have increased from \$25 million in the 2005-06 Budget, to a high of \$575 million in the 2024-25 Fiscal Year. However, recently due to federal and state budget issues, the District has seen incentive program appropriations decline over the past two years. The District's adopted 2026-27 Budget includes

incentive program appropriations of \$310.7 million, and the forecast for the immediate future appears to be following the recent trend of declining revenue. Much of this recent decline is due to the lack of significant state investment in the FARMER and Ag Burn Alternatives grant programs. The District's voluntary incentive programs complement regulatory control measures by providing much needed reductions from source types that the District has little or no direct authority to regulate. District incentive programs have a positive impact on air quality and are highly successful due to the fact that participation is voluntary and the emission reductions are both highly cost-effective and go beyond the reductions required by regulations.

Since the District's inception in 1992, considerable funding has been expended in support of clean-air projects in the Valley. These projects have achieved significant emissions reductions and corresponding air quality and health benefits. The District typically requires match funding of 30% – 70% from grant recipients. To date, grant recipients have provided over \$4.5 billion in match funding, with a combined District and grant recipient funding investment of more than \$7.9 billion.

Table 1: Total Incentive Program Funding (All Time)

District Incentive Funding (\$)	Grant Recipient Match Funding (\$)	Emissions Reductions (tons)	Cost-effectiveness (\$/ton)
\$3,394,072,666.10	\$4,529,079,360.97	301,809	\$11,246

Over the past 10 years, the District has provided more than \$2 billion in grant program funding across all of our voluntary incentive programs to purchase, replace or retrofit thousands of pieces of equipment, including:

- 233 agricultural irrigation pump engines (~\$6,800/ton)
- 12,336 agricultural equipment replacements (~\$13,500/ton)
- 7,076 Alternatives to agricultural burning projects (~\$4,300/ton)
- 76 off-road equipment repowers (~\$15,900/ton)
- 2,330 heavy-duty trucks (~\$110,000/ton)
- 72 school bus retrofits (dedicated funding source –funding based on public health considerations rather than \$/ton cost effectiveness)
- 293 school bus replacements (dedicated funding source –funding based on public health considerations rather than \$/ton cost effectiveness)
- 10,050 lawnmower replacements (dedicated funding source – funding based on public health considerations rather than \$/ton cost effectiveness)
- 22,594 fireplace change-outs (dedicated funding source – funding based on public health considerations rather than \$/ton cost effectiveness)
- 35 locomotive replacements/retrofits (~\$14,400/ton)
- 38,145 new alt fuel light duty vehicles Public & Private (~\$50,000 - \$150,000/ton)
- 10,648 vehicle retirements (car crushing) (~\$15,000-\$50,000/ton)
- 127,000 vehicle emissions repairs (~\$20,000/ton)
- 5 bicycle infrastructure (bike path) projects (~\$39,900/ton)

INCENTIVE STRATEGY:

Although the District's incentive programs have been successful to date, ongoing evaluation of the incentive program strategy is prudent and consistent with our belief in continuous improvement. The District's established Incentives Strategy is both results-oriented and flexible. Under this strategy cost-effectiveness, typically expressed in dollars per ton of emissions reduced, is a primary consideration, but not the exclusive factor when determining how to allocate incentive funds. Other considerations include the availability of a viable pipeline of projects, funding-source obligation and liquidation schedules, regulatory deadlines that may diminish surplus emission reductions, direct health benefits, environmental justice, community involvement and other Board-approved priorities. These factors remain appropriate and should continue to guide staff recommendations.

Importantly, a cost-effective strategy does not mean distributing every dollar to the project with the lowest calculated cost per ton, regardless of circumstances. Some state and federal grants can only be spent on designated activities; projects may generate material localized exposure benefits not reflected by total emission reductions alone; and infrastructure requirements can justify strategic investments to support future deployment. The proposed refinements preserve these considerations while ensuring any exceptions are documented and proportionate to their benefit.

Reduced or uncertain funding, combined with higher equipment prices, increased demand for clean technologies, and the costs of charging or other supporting infrastructure, creates pressure on incentive program budgets. Maintaining existing award levels uniformly may cause fewer projects to be completed, smaller aggregate emissions reductions, longer project queues, and reduced flexibility to address high-priority opportunities. The District should therefore examine both the amount of assistance necessary to cause a project to proceed and the marginal benefit of offering a higher incentive percentage. Each of the funding sources administered by the District includes different guidelines and statutory requirements for the expenditure of those funds, but generally, the District currently considers the following factors when deciding how and where to spend our incentive funds:

Existing Board-Approved Incentive Funding Strategy Criteria

Cost-effectiveness – An important influence when considering where to invest District funds, is determining which types of projects and programs will give the District the greatest return on its investment. This is typically represented in dollars per ton of emissions reduced. While cost-effectiveness is a primary factor, the District also considers the funding of projects that may not have the highest cost-effectiveness, but provide other benefits, such as the advancement of new technology, health benefits or community involvement (as described below).

Inventory of available projects – This factor is critical in all District incentive programs. To date, the District has been extremely successful in designing programs that have

broad appeal and applicability across a wide variety of sectors. The result has been that, for the last 10 years, the District has had a substantial backlog of eligible projects waiting for funding. However, with the regulatory landscape changing, many of the past project categories that created the enormous backlog have come under regulation, making them, in most cases, ineligible for funding. As a result, the District must continue to work within the existing regulations to find cost-effective, surplus project categories but also to focus on areas in which a significant inventory of eligible projects still exists.

Required expenditure timeframes – Each funding source that the District administers generally requires obligation and expenditure by certain deadlines. These deadlines greatly impact our funding priorities and choice of projects. The District may prioritize a funding category over others due to the timeframe associated with a particular funding source. For instance, we may prioritize certain projects that we can reasonably expect to be completed prior to the deadline for a specific fund, over other projects of equal relevance or cost-effectiveness but with longer expected completion times. Again, the flexibility of this option works in concert with the dynamic nature of our programs and projects and numerous expenditure deadlines.

Upcoming regulatory deadlines – To ensure that the District's incentive programs obtain the maximum SIP creditable emission reductions, a thorough analysis of all local, state and federal regulations relating to our target categories is performed. In addition, the District works proactively with the regulating agencies during the rule development process to understand the potential impacts of that rule on incentive projects and to ensure that opportunities for early incentive funding are maximized. These analyses determine which types of projects can be funded and for how long, and also impact the potential cost-effectiveness of certain categories.

Health benefits – In addition to seeking emissions reductions that provide benefit in attaining federal air quality standards, the District also seeks opportunities to incentivize projects that provide direct health benefits. For instance, the District's Lower Emission School Bus Program is focused primarily on the localized toxic risk involved in children's exposure to diesel particulates. While not the largest source of regional particulate pollution, replacing or retrofitting aging school buses has an enormous impact on the toxic risk of school transportation.

Promoting technology advancement – Given the immense challenge faced by the Valley in attaining federal air quality standards, funding projects that demonstrate and advance new emission reduction technologies is essential. The Board's adoption of the Technology Advancement Program emphasizes the priority given to this area.

Community involvement/benefits – The District places a strong emphasis in providing funding in a manner that recognizes the challenges in socioeconomically and environmentally impacted communities, consistent with state guidelines. As an important component, the District engages with residents, non-governmental organizations, public agencies, and businesses in developing and administering

programs with an emphasis on community involvement. Some examples of these are the Lawnmower Change-Out, Burn Cleaner, Transit Pass Subsidy, and the Drive Clean in the San Joaquin vehicle programs.

Recommended Approach for Review of Incentives Strategy

Staff recommends a targeted review of available program components to identify where modest changes in incentive amounts or maximum awards would extend funding reach. Categories with established technology, significant applicant demand, and favorable cost-effectiveness may offer opportunities to secure additional reductions at lower funding levels. Where existing approved guidelines permit, the District may also evaluate first-come, first-served versus competitive ranking processes, reserving sufficient flexibility to meet impending fund deadlines. Programs and projects that carry relatively high per-ton costs should receive more deliberate scrutiny, but may remain justified when they address high localized exposure, support lower-income participants, satisfy a specific legislative mandate, implement an approved CERP measure, or demonstrate technologies with compelling long-term potential. Any strategic funding of such projects should identify the additional benefits and the reason a lower-cost alternative does not satisfy the same objective.

HISTORIC FUNDING DISTRIBUTION:

Incentive program spending generally follows county population, with larger allocations in counties with greater population. However, a majority of the District's programs do not strictly allocate funding by population. Rather, in general there is more availability of potential projects in counties with higher population. When it comes to the distribution of public grant funds, there is often a tendency to want to tie the spending levels strictly to population. This approach is often rooted in the desire to achieve equity and provide benefits to the population that may be providing the funding. However, in many cases it is possible to reach population-based goals without strictly using population as the primary funding criteria. This has largely been the District's experience as funding allocations generally track population even though population has not been the key factor in funding distribution. This has been the result of aggressive outreach efforts in every region of the Valley and due to the fact, that in many cases the regional inventory of equipment and activity is proportional to population.

The following tables describe how this funding has been allocated across our programs, by funding source, regional distribution, and program type. When compared to regional population in the table below, the regional incentive fund allocation over the past 10 years tracks closely with population. This information highlights opportunities for additional targeted outreach in these areas moving forward.

Table 2: County Funding Distribution

County	Number of Projects	Funding	%
San Joaquin	31,873	\$259,955,938.44	12.73%
Stanislaus	17,228	\$258,444,183.02	12.66%
Merced	8,769	\$217,714,925.15	10.66%
Madera	6,382	\$110,699,052.12	5.42%
Fresno	43,657	\$533,970,154.70	26.15%
Kings	4,678	\$122,294,930.55	5.99%
Tulare	15,158	\$259,669,756.20	12.72%
Kern	26,427	\$279,291,670.06	13.68%
Total	154,172	\$2,042,040,610.24	100%

Table 3: County Population

County	Population	% Population
San Joaquin	797,334	18%
Stanislaus	533,990	13%
Merced	290,201	7%
Madera	160,940	4%
Fresno	1,016,725	24%
Kings	153,298	4%
Tulare	478,693	11%
Kern	787,347	19%
Total	4,218,528	100%

Table 4: Regional Funding Distribution

Region	Number of Projects	Funding	% Funding
North	57,870	\$736,115,046.61	36.05%
Central	54,717	\$766,964,137.37	37.56%
South	41,585	\$538,961,426.26	26.39%
Total	154,172	\$2,042,040,610.24	100.00%

Table 5: Regional Population

County	Population	% Population
North	1,621,525	38%
Central	1,330,963	32%
South	1,266,040	30%
Total	4,218,528	100%

STATUTORY AND REGULATORY CONSTRAINTS:

The District derives its current incentive funding from a range of local, state and federal funding sources. These funding sources contain restrictions on the types of projects that may be funded, funding limitations, expenditure deadlines, and administrative approach for distribution. These requirements vary significantly from one funding source to another, resulting in a complex matrix of funding categories and program requirements. Some key examples include:

- **FARMER Program** – Funding must be used for agricultural equipment replacement projects. Cost-effectiveness and funding limits apply.
- **Carl Moyer Program** – Most funding for heavy duty diesel replacement projects. Does not impose restriction on regional preference. Has strict funding caps and cost-effectiveness requirements.
- **Community Air Protection (CAP)** – Funding can be used in support of communities selected for Community Emission Reduction Programs (CERPs) as well as projects eligible for Carl Moyer Program funding. Additionally, CAP funds may be used for projects eligible under the Ag Burn Alternatives program.
- **DMV Funds** - Funding must primarily be used for on-road and off-road mobile sources. Does not impose restriction on regional preference.
- **Volkswagen Environmental Mitigation Trust** – This program provides funding for "scrap and replace" projects for the heavy-duty sector, including on-road freight trucks, transit and shuttle buses, school buses, forklifts and port cargo handling equipment, commercial marine vessels, and freight switcher locomotives. The District is the statewide administrator of the school, transit and shuttle bus component. No regional preference can be given. Funding is available statewide.
- **Indirect Source Review (ISR) and Voluntary Emission Reduction Agreements (VERAs)** – Funding to be used to offset emissions from construction and operation of certain new development in the District. Strict cost-effectiveness limits and preference given to project in proximity to developments.

The following table summarizes the variety of funding sources utilized by the District over the past 10 years and the amount of funding from each source.

Table 6: Funding Allocated by Funding Source

Funding Source	Funding Amount
State FARMER	\$545,153,119.13
DMV Fees	\$387,443,257.10
State Community Air Protection (CAP)	\$253,137,352.20
State Ag Burn Alternatives	\$170,241,360.67
State Carl Moyer	\$143,759,866.82
Voluntary Emission Reduction Agreements	\$104,042,581.65
Federal EPA Targeted Air Shed	\$79,754,881.81
State Enhanced Fleet Modernization	\$66,571,413.73
State Cap and Trade	\$64,781,672.92
Community Incentives	\$61,393,452.02
Indirect Source Review (ISR)	\$51,850,050.58
State Proposition 1B	\$41,014,076.82
Federal EPA Diesel Emission Reduction Act (DERA)	\$30,749,095.46
State Volkswagen Mitigation	\$16,880,000.00
State SB129	\$9,078,674.74
State California Energy Commission	\$8,000,000.00
State Tractor Trade Up Program	\$2,543,751.90
Federal EPA 105 Technology Advancement	\$2,337,953.88
State Supplemental Environmental Project	\$1,331,457.09
Federal EPA Settlements	\$1,266,488.64
Other Local	\$595,344.59
State Lower Emission School Bus Program	\$95,254.66
State ERC	\$19,503.83
Grand Total	\$2,042,040,610.24

The following table summarizes the program allocations for District incentive funding over the past 10 years.

Table 7: Funding Allocated by Program

Program Component	Funding Amount
AB617 CERP Project Plans	\$4,198,816.24
Car Sharing	\$85,359.80
Dial-A-Ride	\$399,592.59
Road Paving	\$1,541,898.91
School Air Filtration	\$656,802.64
Study/Assessment	\$393,706.03

Urban Greening	\$636,576.21
Vegetative Barriers	\$484,880.06
Alternative Fuel Mechanics Training	\$218,025.88
Bicycle Path Infrastructure	\$316,662.86
CAP & Trade Demonstration Projects	\$60,997,905.02
Community Benefit	\$6,692,672.10
Alternatives to Fireworks	\$949,263.69
Residential Air Filtration	\$5,743,408.41
Fireplace and Woodstove Change-out	\$57,434,416.19
Heavy-Duty Vehicles and Equipment	\$1,605,639,185.39
Ag Burn Alternatives	\$252,522,570.33
Ag Engine Replacement	\$6,874,813.22
Ag-UTVs	\$47,096,684.49
Dairy Feed Process Electrification	\$25,679,838.27
Forklifts	\$3,229,063.87
Charging and Fueling Infrastructure	\$44,507,157.81
Locomotives	\$26,158,369.93
Low-Dust Harvesters	\$39,923,197.84
Off-Road Ag Equipment Replacement	\$951,374,023.89
On-Road Truck Replacement	\$150,119,724.09
School Buses	\$48,930,541.64
Yard Trucks	\$9,223,200.01
Lawn & Garden Equipment	\$11,992,305.84
Commercial	\$8,183,659.71
Residential	\$3,808,646.13
Light-Duty Vehicles	\$221,635,312.57
Charge-Up	\$11,542,124.85
Drive Clean Rebates	\$97,193,950.81
Enhanced Fleet Modernization	\$82,916,425.75
E-Mobility	\$321,753.16
Tune In Tune Up	\$29,631,028.00
Van Pool Subsidies	\$30,030.00
Public Benefit Grants	\$55,114,823.11
Advanced Transit & Transportation	\$2,811,892.35
Alternative Fuel Infrastructure	\$48,700,578.63
Clean Air Centers	\$643,583.71
Affordable Housing Vanpool Service	\$2,951,985.35
Enhanced Transportation Strategies	\$6,783.07

Special Projects	\$787,247.54
Transit Bus Subsidy	\$133,237.50
VW NOx Mitigation	\$16,880,000.00
Grand Total	\$2,042,040,610.24

INCENTIVES ROLE IN PLANNING AND ATTAINMENT EFFORTS:

Over the years, the District and CARB have adopted numerous State Implementation Plans (SIPs), which serve as the primary mechanism for improving air quality in the Valley. These SIPs use extensive science and research, state of the art air quality modeling, and the best available information to develop a strategy to bring the Valley into attainment with federal health-based air quality standards. Following the adoption of each attainment plan, the District implements plan strategies through regulatory development, outreach, continued research, and incentive programs. As each attainment plan strategy builds upon previous strategies being implemented from other planning efforts, each attainment plan is just one milestone in the District's continued effort to improve air quality in the Valley. The attainment plans that the District has adopted in partnership with CARB are highlighted below, representing the exhaustive effort made to develop strategies to improve air quality in the Valley.

Moreover, the Valley's future attainment efforts is the continued reliance on emission reductions from mobile sources, which account for more than 80 percent of the Valley's NOx emissions and remain largely outside the District's direct regulatory authority. While the District has implemented increasingly stringent controls on stationary and area sources, achieving the additional reductions necessary for attainment depends heavily on continued advancements in State and federal mobile source regulations, accelerated turnover of older vehicles and equipment, and sustained investment in incentive programs.

However, recent federal actions affecting California's authority to implement more stringent mobile source standards, including the disapproval and withdrawal of several federal waivers and authorizations, have introduced significant uncertainty regarding emission reductions previously relied upon in the Valley's attainment plans. These challenges are further compounded by ongoing and anticipated changes to federal emission standards and regulatory requirements for light-, medium-, and heavy-duty vehicles, which could affect the timing and magnitude of future emission reductions. Collectively, these developments underscore the importance of maintaining effective State and federal mobile source control programs, securing sustained incentive funding, and identifying additional strategies to address potential emission reduction shortfalls.

Achieving clean-air standards will require an accelerated transition to the cleanest technologies, and incentive-based measures have historically and continue to provide tremendous opportunities for achieving SIP-creditable reductions. Programs like the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program)

and the FARMER program, achieve “SIP-Creditable” reductions due to the rigor of program guidelines developed in partnership with CARB.

KEY CONSIDERATIONS FOR POTENTIAL ENHANCEMENTS TO INCENTIVE PROGRAM STRATEGY:

While the District's incentive programs have been successful in achieving cost-effective emission reductions and other health benefits across a wide variety of areas, given the current and forecasted reduction in state and federal funding and the District's core value of continuous improvement, it is prudent to evaluate the programs and identify potential areas for improvement. The District's intent in this process is to provide recommendations for possible changes to several incentive programs that enable the District to continue to provide meaningful incentives, focus on the District's mission to provide cost-effective emission reductions and health benefits and, to the extent feasible, extend the reach of limited incentive funding moving forward. With these priorities in mind, the District is proposing to evaluate the full suite of programs through the lens of the following principles:

- **Program-wide funding priorities** – As funding declines, staff recommends placing increased emphasis on projects that achieve the largest quantifiable NO_x and particulate matter reductions per public dollar, while maintaining separate consideration for dedicated public-health, AB 617 community, and technology advancement funding. The historical figures presented in this report indicate particularly favorable cost-effectiveness for heavy-duty diesel equipment scrap and replace programs and alternatives to agricultural open burning. Historic category averages should inform program planning, not substitute for project-specific calculations.
- **Grant percentages, leverage, and equitable access** – Where funding guidelines provide flexibility, staff recommends examining tiered grant levels, lower maximum awards for selected project types, and incentives calibrated to the minimum contribution needed to secure voluntary early action. Such changes can leverage private investment and increase the number of projects funded, while also increasing cost-effectiveness as discussed above. Staff would also continue to evaluate whether small businesses, disadvantaged communities, and lower-income households require differentiated assistance so that lower grant levels do not inadvertently exclude participants with limited capital.
- **Selection procedures and geographic distribution** – The District's traditional first-come, first-served approach provides transparency and administrative efficiency. For oversubscribed funding categories, staff recommends considering periodic solicitation windows, competitive ranking using published criteria, including eligible emission reductions per dollar spent, minimum usage or operational criteria (e.g., hours per year, miles per year, etc.), project readiness, cost share, community exposure, and available expenditure time. This approach

should supplement rather than displace the existing Board-approved Valley-wide strategy. Rigid county population formulas are not recommended because equipment inventories, emission-reduction opportunities, statutory requirements, and project readiness vary by location.

Program-specific Recommendations

Using the principles above, the District has evaluated current District incentive programs and recommends the following potential changes as well as identifies areas for further evaluation and discussion. These potential enhancements would be either brought back before your Board for specific approval, or if approved today, would be applied during the development and consideration of the Incentives Spending Plan included in the annual District Budget process and implemented in the 2027-28 fiscal year.

- **Agricultural Equipment Replacement Program** – Agricultural equipment replacement has historically been one of the District's most successful incentive programs, achieving significant and cost-effective reductions in nitrogen oxides (NOx) and particulate matter (PM), while supporting the Valley's agricultural economy. The program remains a cornerstone of the District's overall incentive strategy and an important component of the Valley's ongoing air quality attainment efforts.

Over the past several years, the District has experienced consistently strong demand for agricultural equipment replacement funding, with applications regularly exceeding available resources. Currently, the District has a substantial queue of available projects of approximately 6,000 applications representing an estimated \$600 million in incentive funding needs. This significant backlog demonstrates both the continued demand for equipment replacement assistance and the agricultural community's willingness to invest in cleaner technologies. Despite the District's historical success in securing substantial State FARMER funding, recent reductions in State appropriations have significantly limited the District's ability to address this growing demand. Without additional funding or modifications to the existing program structure, many eligible agricultural operators may experience extended delays in replacing older, higher-emitting equipment, resulting in missed opportunities to achieve meaningful near-term emission reductions.

Given the magnitude of this funding shortfall, it is increasingly important to ensure that limited incentive resources are utilized in a manner that maximizes emission reductions while maintaining meaningful incentives for agricultural operators. To that end, staff is evaluating potential program enhancements, including adjustments to grant funding percentages, maximum award amounts, eligible equipment categories, equipment horsepower and usage requirements, and replacement equipment cost assumptions. These potential modifications are intended to extend available funding to a greater number of projects, leverage increased private investment, and maximize cost-effective emission reductions.

For example, reducing grant funding percentages for certain project categories could enable the District to support additional equipment replacements with the same level of funding, thereby accelerating emission reductions from the substantial inventory of projects awaiting assistance. Any proposed modifications would also carefully consider the importance of maintaining sufficient financial incentives to encourage continued participation, particularly among smaller agricultural operations that may face greater financial barriers to equipment replacement.

Staff recommends continuing this evaluation in coordination with agricultural stakeholders, equipment dealers, and other interested parties, and returning to your Board with specific program modification options. This evaluation will include an assessment of the existing application backlog, anticipated funding availability, potential number of additional projects that could be supported under alternative funding structures, and the associated emission reduction benefits. This approach will allow the District to maintain the effectiveness of this critical program while extending the reach of increasingly limited incentive resources, maximizing cost-effective emission reductions, and addressing the significant unmet demand for agricultural equipment replacement throughout the Valley.

- **Public Benefit Grants** – The intent of the Public Benefit Grants Program is to accelerate the adoption of zero and near-zero emission light duty vehicles into Valley public fleets at a time when these vehicles were not universally adopted. This program has been successful (typically oversubscribed each year) and over the past several years these vehicles have become more widely available and adopted by Valley public fleets. Additionally, while these vehicles are still generally more expensive than traditional vehicles, the difference in cost has become more in line with traditional vehicles. Therefore, to extend the reach of this program in the face of reduced funding, staff recommends considering a reduction in the District-funded amount for qualifying public-benefit projects from \$20,000 per vehicle to \$5,000 per vehicle and reducing the total funding any one entity can receive in a calendar year from \$100,000 to \$25,000. A lower award level could broaden participation and conserve resources for projects and programs that achieve larger directly quantifiable reductions, such as the community-focused Drive Clean in the San Joaquin Vehicle Replacement Program. Additionally, staff is exploring options to streamline the administration of this program by potentially shifting from a contract-based process to a rebate process. If approved, this change would take effect in the upcoming 2027-28 fiscal year and would not affect projects funded during the remainder of the current fiscal year.
- **Drive Clean Rebate Program** – The District's light-duty vehicle rebate program has promoted cleaner vehicle purchases; however, the cost per ton of pollutant reduction can be relatively high compared with many heavy-duty equipment programs, as reflected in the historical program information above. Currently, the program offers incentives ranging from \$500 for zero-emission motorcycles up to

\$3,000 for hydrogen fuel cell vehicles. The vast majority of incentives are provided for battery-electric vehicles, at a rebate amount of \$2,000. This program is typically oversubscribed, with funding exhausted within months of reopening at the beginning of each fiscal year. Therefore, staff recommends suspending the general rebate where independent market incentives including the California MyFirstEV Program, the California Driving Clean Assistance Program (DCAP) and various electric utility rebate programs are sufficient and broadly available. Alternatively, staff recommends evaluating a reduction in the incentive level for battery-electric vehicles from \$2,000 to \$1,000 per qualifying vehicle. The review will distinguish the general rebate from income-qualified replacement and assistance programs such as the Drive Clean in the San Joaquin Vehicle Replacement Program, which address different affordability and community-health objectives. If approved, this change would take effect in the upcoming 2027-28 fiscal year and would not affect projects funded during the remainder of the current fiscal year.

- **Charge-Up EV Charging Infrastructure Program** – Given the growth of other state, federal, utility, and regional charging infrastructure initiatives, staff recommends considering suspending the solicitation of new applications under the District's Charge Up Program, subject to review of current funding restrictions, gaps in geographic coverage, and any committed project obligations. This would reduce overlap with other funding programs and could allow eligible funds to be directed toward projects with greater incremental emission reductions or to infrastructure demonstrably necessary to enable high-impact equipment replacements. Currently, there are several state initiatives focused on EV charging infrastructure including, the California Energy Commission (CEC) CALeVIP program, CEC Communities In Charge program, CEC EnergiIZE program, California NEVI Program, PG&E Residential and Fleet EV Charging programs, CARB Low Carbon Fuel Standard (LCFS) program and various federal tax credit programs. With the availability of these programs, staff recommends directing funding from the Charge-Up program to other areas of potentially greater impact. If approved, this change would take effect in the upcoming 2027-28 fiscal year and would not affect projects funded during the remainder of the current fiscal year.
- **Clean Green Yard Machines (CGYM)** – The District's Clean Green Yard Machines (CGYM) Program provides financial incentives to Valley residents to replace older, higher-polluting gasoline-powered lawn mowers with new zero-emission electric equipment. The program has been successful in encouraging the adoption of cleaner lawn and garden technologies and achieving emission reductions in residential neighborhoods throughout the Valley. The District currently offers two residential incentive options: one providing rebates for the replacement and permanent destruction of existing gasoline-powered lawn mowers (up to \$250), and another providing smaller rebates for the purchase of new electric lawn and garden equipment without requiring the replacement of existing equipment.

Given the current trend of declining incentive funding and the District's continued emphasis on maximizing cost-effective emission reductions, staff recommends eliminating the new-equipment purchase option that does not require the replacement of existing combustion equipment. This modification would focus limited resources on projects that achieve direct, quantifiable emission reductions through the permanent removal of older, higher-emitting equipment, while maintaining the program's emphasis on improving neighborhood air quality.

Additionally, since the implementation of the statewide Small Off-Road Engines (SORE) regulation, the only option available to consumers for new equipment purchases is zero-emission equipment. The proposed change would also streamline program administration and allow available funding to support additional lawn mower replacement projects, including enhanced incentives for residents in designated AB 617 communities. In addition to these proposed changes, the District would enhance existing outreach for this program to maximize participation in the equipment replacement option. If approved, this change would take effect in the upcoming 2027-28 fiscal year and would not affect projects funded during the remainder of the current fiscal year.

ONGOING ADVOCACY AND ADDITIONAL FUNDING:

Under the District's leadership, we have had success in working with our stakeholders and legislative delegation to secure substantial funding in state budget to improve air quality and public health (over \$1 Billion in funding in the past 10 years). The District has a long history of developing and implementing air quality strategies, with numerous plans achieving significant emissions reductions. In fact, through the District's efforts, the Valley has seen a 94% reduction in stationary source NOx emissions which are the primary precursor for both ozone and PM2.5. Central to this effort are the District's innovative suite of voluntary incentive programs that have provided more than \$7.9 billion in public/private investment in clean-air technology. However, mobile sources comprise a majority of the remaining emissions which generally fall under state or federal jurisdiction. While significant air pollution reductions and air quality progress has been made, the San Joaquin Valley cannot meet air quality mandates and goals without strong state support.

At the beginning of each year, your Board approves the District's legislative platform to help guide the advocacy efforts in support of our mission. Unfortunately, in recent years, the State has experienced significant budget deficits, that have reduced the availability of funding for clean air and other programs across the state. The District actively works with a broad coalition of Valley and other stakeholders to ensure the District's funding priorities are communicated through the legislative process.

The State budget was adopted by the legislature on June 15, 2026 (AB 109) and signed by the Governor on June 29th. In this budget, major decisions on GGRF and other clean air funding were deferred until the end of the legislative session. Since June, additional

clean air funding and GGRF appropriations were addressed through budget bill juniors and related budget legislation was adopted at end of the legislative session on August 31st. Despite the significant state budget deficit and funding challenges, the District was successful in securing substantial new air quality funding through its strong advocacy efforts. The following is a brief summary of the funding included in the approved FY 26-27 state budget:

- **Community Air Protection**
 - Community-focused, reduces emissions through various programs
 - **\$229 million** in FY 2026-27 State Budget, increased from \$131 million in Governor's May proposal (SB 111, SB 113, SB 840)
- **Clean Cars for All**
 - Replaces older vehicles with newer, plug-in EVs/hybrids
 - **\$19.8 million** in FY 2026-27 State Budget and **\$17 million** in new annual funding committed for five years, increased from \$0 in Governor's May proposal (SB 111)
- **FARMER Ag Equipment Program**
 - Replaces older, higher-polluting agricultural equipment with new, low-emission equipment
 - **\$10 million** in FY 2026-27 State Budget, increased from \$0 in Governor's May proposal (SB 113)

While the funding secured in the FY 2026–27 State Budget will support continued air quality improvements, significant funding opportunities remain to transition vehicles and equipment to cleaner technologies needed to meet public health goals and address stringent federal air quality standards. As areas of significant opportunity, additional resources are critical to support the replacement of older agricultural equipment and the deployment of alternatives to agricultural open burning. With the state's mobile source strategy experiencing major challenges, additional state and federal investment in proven, cost-effective programs will be paramount in the coming years.

Building on the accomplishments described above and guided by your Board's legislative platform, the District will continue to strengthen its advocacy, expand partnerships, and pursue all available funding opportunities that support the Valley's air quality priorities. These efforts will emphasize opportunities to invest in shovel-ready projects that deliver measurable emission reductions, protect public health, and help achieve California's air quality and climate goals. As described below, the District is actively developing and implementing enhancements to its state and federal funding advocacy strategy, and will be returning to your Board in January to present, discuss, and approve the District's 2027 Legislative Platform.

State Advocacy Strategy

In the coming year at the state level, the District will build on its ongoing engagement with the Valley's legislative delegation, legislative leadership, state agencies, and statewide partners through the following strategies:

- Build strong statewide coalitions - Strengthen partnerships with other air districts, public agencies, community organizations, agriculture, businesses, and other stakeholders to advance shared funding priorities. Coordinated advocacy will broaden support and demonstrate the statewide benefits of investing in cost-effective clean air programs. As a key component of this coalition effort, identify local champions throughout the San Joaquin Valley and other regions of the state that champion needed air quality investments through the state budget and legislative processes.
- Strong branding of air quality program priorities - Enhance advocacy messaging and materials to more clearly connect air quality investments with state priorities, including public health, affordability, and climate goals. These efforts will highlight measurable program results and the role of incentives in helping residents and businesses overcome the costs of transitioning to cleaner equipment and technologies. Some key components of this communication strategy include:
 - Highlight shared air quality, public health, and climate benefits - Identify and communicate opportunities to reduce both criteria pollutants/air toxics and greenhouse gas emissions. Emphasize the importance of investing in cost-effective programs that improve local air quality and public health while helping the state meet its climate goals.
 - Position cost-effective, shovel-ready programs for investment - In light of emission reduction needs in the Valley's State Implementation Plans, identify programs and projects that can promptly put additional funding to work. Communicating project readiness, anticipated emission reductions, and cost-effectiveness will help demonstrate how public resources can accelerate progress toward air quality standards and support statewide priorities.
- Communicate priorities to the incoming state administration - Prepare a transition letter identifying the Valley's air quality challenges, funding needs, and opportunities for immediate investment. The letter will emphasize the importance of state partnership and sustained funding to protect public health and advance progress toward air quality standards.
- Identify legislative champions in the Assembly and Senate - Build on relationships with the Valley's delegation and cultivate support from legislators throughout California who can champion air quality investments through the state budget and legislative processes.
- Continue educating new and existing legislators - Engage new and existing members of the legislature to strengthen their understanding of the Valley's unique air quality challenges, remaining funding needs, and the effectiveness of

District programs. Sustained engagement will help maintain support as legislative membership and committee assignments change and policy priorities evolve.

Federal Advocacy Strategy

At the federal level, the District will continue pursuing all available federal funding opportunities that can support the Valley's air quality priorities and submitting competitive grant proposals to bring additional resources to the region. These efforts will include applying for available funding through the U.S. Environmental Protection Agency's Diesel Emissions Reduction Act (DERA) and Targeted Airshed Grant (TAG) programs, as well as pursuing opportunities through other federal agencies and programs that support emission reductions.

The District will also continue regular engagement in Washington, D.C., with the Valley's congressional delegation, congressional leadership, and key federal agencies to communicate the Valley's needs, advocate for sustained funding, and build support for District proposals. Federal advocacy will emphasize the District's ability to implement cost-effective projects, deliver measurable emission reductions, and translate federal investments into cleaner air and public health benefits for Valley communities.

Recently Secured Incentive Funding

Despite challenging budgets and funding constraints, the District's advocacy efforts have recently secured \$18,685,056 in additional incentive program funding, as detailed below. These results demonstrate the effectiveness of the District's advocacy strategy and the importance of sustained, strategic engagement with state and federal partners.

Volkswagen Mitigation Trust Program - \$10,628,659:

The VW Mitigation Trust provided approximately \$423 million for California to mitigate the excess nitrogen oxide (NOx) emissions caused by VW's use of illegal defeat devices in certain diesel vehicles. The Mitigation Trust is providing funding opportunities for specified eligible actions that are focused mostly on "scrap and replace" emission reduction projects for the heavy-duty sector, including on-road freight trucks, transit and shuttle buses, school buses, forklifts and port cargo handling equipment, commercial marine vessels, and freight switcher locomotives.

CARB was designated as the lead agency to act on behalf of the State of California in implementing California's allocation of the Mitigation Trust. Based on the District's reputation for administering effective and efficient voluntary incentive programs, CARB sought the District's assistance to administer \$130,000,000 in funding from the Mitigation Trust to implement the Statewide Incentive Program for Zero-Emission Transit, School and Shuttle Buses. The South Coast Air Quality Management District and Bay Area Air Quality Management District are administering the remaining categories.

In 2018, your Board approved the District to serve as administrator of the Statewide Incentive Program for Zero-Emission Transit, School and Shuttle Buses. Since that time, the District has fully allocated the initial allocation of \$130,000,000 in project funds and accepted an additional \$30,000,000 in October 2024 to fund existing eligible transit and shuttle bus projects in the queue.

Continued discussions with CARB and administering Districts have highlighted the limited funding opportunities for transit and shuttle bus programs statewide and substantial oversubscription of the District's program. On September 30, 2026, CARB notified the District of an additional allocation of \$10,628,659 in earned interest to fund the replacement of eligible transit and shuttle bus with zero-emission technology.

The purpose of this portion of today's item is to accept and appropriate \$10,628,659 in additional VW Mitigation Trust funding for the Statewide Incentive Program for Transit and Shuttle Buses. This additional funding brings the total amount allocated to the District to \$170,628,659. This additional funding includes \$9,662,418 in project funds and up to \$966,241 (10%) to offset the District's cost to administer this statewide program.

Recommendations:

1. Accept and appropriate \$10,628,659 in additional funding from the Volkswagen (VW) Environmental Mitigation Trust (Mitigation Trust) for the Statewide Incentive Program for Zero-Emission Transit, School and Shuttle buses to replace transit, school and shuttle buses throughout California.
2. Approve the attached Budget Resolution to amend the 2026-27 District Budget to appropriate up to \$10,628,659 in unanticipated revenue, which is expected to be received in the 2026-27 fiscal year. This includes \$9,662,418 in project funds and up to \$966,241 (10%) to offset the District's cost to administer this statewide program.
3. Authorize the Executive Director/APCO to make administrative changes to the program, in order to ensure successful implementation of the program.

Clean Cars 4 All/Enhanced Fleet Modernization - \$7,549,647:

Reducing emissions from mobile sources, which make up the majority of ozone and PM2.5 forming NOx and toxic diesel particulate matter emissions in the Valley, is a critical component of the District's overall strategy to attain stringent health-based federal air quality standards. 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. Additionally, your Board has prioritized programs that reduce emissions and improve quality of life in Valley communities.

Towards that end, since 2011, the District has partnered with Valley Clean Air Now (Valley CAN) to administer the successful Tune In Tune Up Vehicle Repair Program. Additionally, the District has partnered with Valley CAN to administer the Drive Clean in the San Joaquin vehicle replacement program in a coordinated effort to assist Valley residents. This program provides Valley residents with funding to replace their old vehicles with newer, cleaner vehicles. Since 2015, the District has received nearly \$132 million in state funding from the California Air Resources Board (CARB) to support the implementation of the District's vehicle replacement program. To date, the vehicle replacement program has resulted in nearly 12,000 vehicles replaced throughout the Valley.

Due to the overwhelming demand for this program, the District stopped accepting new applications for vehicle replacement in October 2025. The District worked closely with CARB, the legislature, and other stakeholders to secure additional short-term funding necessary to support program implementation. In January, your Board accepted an additional \$12.5 million in program funding to support the continued implementation of the program. This funding made it possible to clear the backlog of applications that were pending funding and reopen the program to new applications in October 2026. Beyond this short-term funding, the District continued to advocate for additional funding to support longer term and consistent program implementation through the recent state budget process. Those efforts resulted in an additional \$19.8 million in state funding being allocated to Clean Cars 4 All through the 2026-27 FY Budget with additional annual allocations for the next four years. In addition, CARB has identified an additional \$3 million in funding that was previously allocated to the California E-Bike Incentive Project but remained unencumbered. This funding is being shifted to air districts implementing the Clean Cars 4 All Program. The total combined funding for air districts, less CARB administrative funding, totals \$21,780,000. Based on established funding allocation formulas and San Diego Air Pollution Control District opting out of funding for this fiscal year, the District's share of this funding totals \$6,149,647 in new additional funding to support implementation of our vehicle replacement program.

Additionally, CARB recently notified the District that we would be receiving an additional \$1,400,000 in Enhanced fleet Modernization Program (EFMP) funding for our vehicle replacement program, bringing the total award for this program to \$7,549,647. The purpose of this portion of today's item is to seek your Board's approval to accept this additional funding for the Drive Clean in the San Joaquin Vehicle Replacement Program.

Recommendations:

1. Accept and appropriate up to \$6,149,647 in additional Clean Cars 4 All funding from CARB for use in the District's Drive Clean in the San Joaquin Vehicle Replacement Program.
2. Accept and appropriate up to \$1,400,000 in additional Enhanced Fleet Modernization Program funding from CARB for use in the District's Drive Clean in the San Joaquin Vehicle Replacement Program.
3. Approve the attached Budget Resolution to amend the 2026-27 District Budget to appropriate \$7,549,647 in new revenue. Up to 20% of this award is available to the District to administer these funds.
4. Authorize the Board Chair, with Executive Director/APCO recommendation, to execute an agreement with Valley Clean Air Now for the continued implementation of the District's Drive Clean in the San Joaquin Vehicle Replacement Program and authorize the Executive Director/APCO to make administrative changes to the program, in order to ensure successful implementation of program funding.

Supplemental Environmental Project (Ag Burn Alternatives) - \$120,000:

The California Air Resources Board (CARB) Supplemental Environmental Project (SEP) Program allows community-based projects to be funded from a portion of the penalties received during settlement of CARB enforcement actions. The SEP Program aims to improve public health, increase compliance, and reduce the pollution burden of communities that are disproportionately impacted by environmental harm. CARB's SEP policy allows a SEP to be used in lieu of a portion of a penalty payment to mitigate the effects of a particular violation. The SEP program is a voluntary program for violators who may choose to fund one or more SEPs with up to 50% of their penalty fees during the enforcement case settlement process. Availability of funding is not guaranteed and the amount of funding available from each settlement may vary. CARB accepts project proposals year-round.

Towards that end, the District submitted an application to the CARB SEP Program on September 4, 2025. This application proposed up to \$5,000,000 in SEP funding to fund alternatives to agricultural open burning through the District's Ag Burn Alternatives Grant Program. On October 13, 2026, CARB notified the District that our application was selected for partial funding in the amount of \$120,000. Up to 6.25% of this award is available to the District to administer these SEP funds. The purpose of this portion of today's item is to accept and appropriate this funding from the CARB SEP Program and administer this funding through the District's Ag Burn Alternatives Grant Program.

Recommendations:

1. Accept and appropriate \$120,000 from the California Air Resources Board Supplemental Environmental Project Program to fund alternatives to agricultural open burning.
2. Approve the attached Budget Resolution to amend the 2026-27 District Budget to appropriate \$120,000 in new revenue. Up to 6.25% of this award is available to the District to administer these SEP funds.
3. Authorize the Board Chair, with Executive Director/APCO recommendation, to enter into any agreements with CARB and other entities as necessary to accept and administer this funding.

Supplemental Environmental Project (Residential Air Purifiers) - \$386,750:

The District submitted an additional application to the CARB SEP Program on December 9, 2022. This application proposed up to \$2,000,000 in SEP funding to fund residential air filtration devices through the District's Clean Air Rooms Grant Program. Since then, the District has accepted multiple awards for this SEP totaling \$974,418. On August 13, 2026, CARB notified the District that our application was selected for another partial funding in the amount of \$386,750. Up to 6.25% of this award is available to the District to administer these SEP funds. The purpose of this portion of today's item is to accept and appropriate this funding from the CARB SEP Program and administer this funding through the District's Clean Air Rooms Grant Program.

Recommendations:

1. Accept and appropriate \$386,750 from the California Air Resources Board Supplemental Environmental Project Program to fund residential air filtration devices.
2. Approve the attached Budget Resolution to amend the 2026-27 District Budget to appropriate \$386,750 in new revenue. Up to 6.25% of this award is available to the District to administer these SEP funds.
3. Authorize the Board Chair, with Executive Director/APCO recommendation, to enter into any agreements with CARB and other entities as necessary to accept and administer this funding.

NEXT STEPS:

Moving forward, staff will continue to comprehensively evaluate the District's portfolio of voluntary incentive programs to identify opportunities to maximize cost-effective emission reductions, improve program efficiencies, and extend the reach of increasingly

limited funding resources. This evaluation will consider potential adjustments to funding levels, project eligibility, incentive structures, and program implementation procedures, while maintaining the flexibility necessary to respond to changing regulatory requirements, funding availability, and community needs.

As specific opportunities for program enhancements are identified, staff will engage with affected stakeholders and return to your Board, as necessary, with additional recommendations for program-specific modifications and any associated policy changes requiring Board approval. Additionally, staff will incorporate these strategic priorities into the District's annual budget and Incentive Spending Plan development process to ensure that available funding and staff resources are directed toward programs and projects that achieve the greatest possible air quality and public health benefits. Through this ongoing approach, the District will continue to build upon the success of its existing Board-approved incentive funding strategy while adapting to the evolving funding landscape and maximizing the effectiveness of every available incentive dollar.

FISCAL IMPACT:

Approval of the attached Budget Resolution will increase the District's 2026-27 Budget revenues and appropriations in the amount of \$18,685,056. The amount of funding provided for District administration varies and is indicated in each grant award amount above.

San Joaquin Valley Unified Air Pollution Control District
Governing Board Study Session
November 4-5, 2026

**STRATEGIC IMPLEMENTATION OF DISTRICT'S INCENTIVE
PROGRAMS**

Attachment:

Budget Resolution
(5 pages)

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**BEFORE THE GOVERNING BOARD OF THE
SAN JOAQUIN VALLEY UNIFIED
AIR POLLUTION CONTROL DISTRICT**

RESOLUTION NO. 2026-11-10

IN THE MATTER OF INCREASING THE
2026/27 DISTRICT BUDGET TO ACCEPT
AND APPROPRIATE \$18,685,056 IN CARB
FUNDING FOR ZERO-EMISSION TRANSIT
SCHOOL AND SHUTTLE BUS REPLACEMENTS,
DRIVE CLEAN IN THE SAN JOAQUIN VEHICLE
REPLACEMENT PROGRAM, ALTERNATIVES
TO AGRICULTURAL OPEN BURNING PROGRAM,
RESIDENTIAL AIR FILTRATION DEVICES
PROGRAM, AND ENHANCED FLEET
MODERNIZATION PROGRAM.

WHEREAS, The San Joaquin Valley Unified Air Pollution Control District (District)
is a duly constituted unified district, as provided in California Health and Safety Code
sections 40150 to 40161, and;

WHEREAS, the District is authorized by California Health and Safety Code section
40702 to make and enforce all necessary and proper orders, rules and regulations to
accomplish the purpose of Division 26 of the Health and Safety Code, and;

WHEREAS, the District's incentive programs have a positive impact on air quality
and are highly successful due to the fact that participation is voluntary and the emission
reductions are both highly cost-effective and go beyond the reductions required by
regulations, and;

WHEREAS, the District's voluntary incentive programs are among the largest and
most respected in the state. These programs have delivered significant air quality benefits
throughout the Valley. Since inception, the District has provided more than \$3.4 billion in
incentives, matched by over \$4.5 billion in contributions from grant recipients for a total
investment of over \$7.9 billion in clean-air funding across a broad and diverse portfolio of
programs throughout the Valley, and;

WHEREAS, through strong advocacy at the state and federal levels, the District
has generally seen incentive funding grow year over year for the past several years.

However, more recently due to state and federal budget challenges, funding for critical programs has declined significantly, and;

WHEREAS, while state and local funding has seen a general decline in recent years, the District continues to aggressively advocate for additional local, state and federal funding and this advocacy has recently produced \$18,685,056 in additional incentive program revenue, and;

WHEREAS, the California Air Resources Board (CARB) has been designated as the lead agency to act on behalf of the State of California in implementing California's allocation of these funds, and;

WHEREAS, the District has agreed to administer this funding from CARB in the amount of \$18,685,056, and;

NOW, THEREFORE, IT IS ORDERED THAT the District's Director of Finance and Administrative Services is authorized to increase the 2026/27 District Budget as follows:

APPROPRIATIONS:

NON-OPERATING - INCENTIVE PROGRAMS

ARB – Volkswagen Mitigation Trust 560-8587-350-100	<u>\$ 9,662,418</u>
ARB – Clean Cars 4 All – Plus Up 546-8590-350-549	<u>\$ 4,919,718</u>
ARB – Clean Cars 4 All – Plus Up – Admin 546-8590-170-549	<u>\$ 922,447</u>
ARB – SEP Alternatives to Ag Open Burning Program 588-8630-350-100	<u>\$ 112,500</u>
ARB – SEP Clean Air Rooms 579-8627-350-100	<u>\$ 362,578</u>
ARB – Enhanced Fleet Modernization Program 534-8590-350-530	<u>\$ 1,190,000</u>
ARB – Enhanced Fleet Modernization Program – Admin 534-8590-170-530	<u>\$ 140,000</u>
TOTAL NON-OPERATING APPROPRIATION	<u>\$ 17,309,661</u>

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TOTAL APPROPRIATIONS \$ 17,309,661

BE IT FURTHER RESOLVED THAT, the Director of Finance and Administrative Services is ordered to adjust the following:

DISTRICT RESERVES:

F/B Reserve \$ 1,375,395
100-3090-000-100

TOTAL RESERVE INCREASE \$ 1,375,395

BE IT FURTHER RESOLVED THAT the estimated revenues for the 2026/27 District Budget be adjusted as follows:

ESTIMATED REVENUES

NON-OPERATING REVENUE

ARB – Volkswagen Mitigation Trust \$ 9,662,418
560-4610-350-100

ARB – Clean Cars 4 All – Plus Up \$ 4,919,718
546-4610-350-549

ARB – Clean Cars 4 All – Plus Up – Admin \$ 922,447
546-4610-170-549

ARB – SEP Alternatives To AG Open Burning Program \$ 112,500
588-4610-350-100

ARB – SEP Clean Air Rooms \$ 362,578
579-4610-350-100

ARB – Enhanced Fleet Modernization Program \$ 1,190,000
534-4610-350-530

ARB – Enhanced Fleet Modernization Program – Admin \$ 140,000
534-4495-170-530

TOTAL NON-OPERATING REVENUES \$ 17,309,661

OPERATING REVENUE

Admin Fees – Volkswagen Mitigation Trust \$ 966,241
560-4495-160-100

1	Admin Fees – Clean Cars 4 All – Plus Up 546-4495-160-549	\$ <u>307,482</u>
2	Admin Fees – SEP Alternatives To AG Open Burning Program 588-4495-160-100	\$ <u>7,500</u>
3	Admin Fees – SEP Clean Air Rooms 579-4495-160-100	\$ <u>24,172</u>
4	Admin Fees – Enhanced Fleet Modernization Program 534-4495-160-530	\$ <u>70,000</u>
5		
6	TOTAL OPERATING REVENUE	\$ <u>1,375,395</u>
7		
8	TOTAL ESTIMATED REVENUES	\$ <u>18,685,056</u>
9		

10 **BE IT FURTHER RESOLVED THAT** the estimated transfers for the 2026/27

11 District Budget be adjusted as follows:

12	OPERATING - TRANSFERS IN	
13	GENERAL FUND ADMIN EARNED 100-4720-000-100	\$ <u>1,375,395</u>
14	OPERATING - TRANSFERS OUT	
15	PROGRAM ADMIN COSTS 560-9020-160-100	\$ <u>966,241</u>
16	PROGRAM ADMIN COSTS 546-9020-160-100	\$ <u>307,482</u>
17	PROGRAM ADMIN COSTS 588-9020-160-100	\$ <u>7,500</u>
18	PROGRAM ADMIN COSTS 579-9020-160-100	\$ <u>24,172</u>
19	PROGRAM ADMIN COSTS 534-9020-160-100	\$ <u>70,000</u>
20		

21 Approved as to Accounting Form

22 By _____
23 Mario Orosco
24 Director of Finance and Administrative Services

25 **THE FOREGOING** was passed and adopted by the following vote of the Governing
26 Board of the SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
27 this 4th-5th day of November, 2026, to wit:

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AYES:

NOES:

ABSENT:

SAN JOAQUIN VALLEY UNIFIED
AIR POLLUTION CONTROL DISTRICT

By _____

Amy Shuklian, Chair
Governing Board

ATTEST:

Deputy Clerk to the Governing Board

By _____

Katrina Rojas