Date of Hearing: April 22, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION
Lori D. Wilson, Chair
AB 2480 (Garcia) – As Amended April 16, 2024

SUBJECT: Zero-emission schoolbus replacement grants: private contractors

SUMMARY: Makes zero-emission schoolbus and infrastructure (ZESBI) grants, established with a onetime budget allocation of $500 million from Proposition 98 (Prop. 98) General Fund moneys and designated for use by local educational agencies (LEAs), also available to private schoolbus contractors. Specifically, **this bill**:

1) Defines "private contractor" as an entity under contract with a school district, county office of education, or charter school, with ownership of title for a schoolbus that is used to provide transportation services for the school district, county office of education, or charter school.

2) Makes ZESBI grants, administered by the California Air Resources Board (CARB) and the California Energy Commission (CEC) to fund replacement of heavy-duty internal combustion schoolbuses with zero-emission schoolbuses (ZESBs) and construction of supporting charging or fueling infrastructure, available to private contractors.

3) Requires CARB to establish a minimum time period for a private contractor to provide transportation services to an LEA with a ZESB purchased using ZESBI grant money and to develop a depreciation schedule for the ZESB that determines the amount of money to be repaid to CARB by the private contractor, if the private contractor ceases to contract with an LEA to provide transportation services before the minimum time period elapses.

EXISTING LAW:

1) Allocates, for the 2023–24 fiscal year, $375 million to CARB for the Hybrid and Zero-Emission Truck and Voucher Incentive Project (HVIP) to fund grants to LEAs for ZESBs to replace heavy-duty internal combustion schoolbuses, and $125 million to the CEC to fund grants to LEAs for ZESB charging or fueling infrastructure and related activities. (Section 121, Chapter 52, Statutes of 2022)

2) Requires 100% of all newly purchased or contracted schoolbuses of an LEA to be zero-emission vehicles, where feasible, starting January 1, 2035. (Education Code (EDC) 17927)

3) Prohibits a continuing contract for the furnishing of transportation of pupils in LEAs to and from school using a ZESB from exceeding 15 years. Further prohibits a continuing contract for the lease or rental of schoolbuses from exceeding 15 years, except that if a lease or rental contract provides the LEA an option either to purchase the bus or to cancel the lease at the end of each annual period during the period of the contract, then the contract may not exceed 20 years. (EDC 39803.5)

FISCAL EFFECT: Unknown

COMMENTS: According to a 2022 report on "Green School Bus Grants" by the Legislative Analyst's Office, two-thirds of California's 5.89 million students are driven to and from school in private automobiles. Nearly 30% of statewide greenhouse gas (GHG) emissions are generated by light-duty passenger vehicles alone. A full-size ZESB can carry more than 50 students, potentially eliminating several dozen trips in private vehicles and the associated emissions.

There are approximately 20,000 schoolbuses in the state, transporting just over 500,000 (9%) students to and from school each year. The majority of schoolbuses (15,500) are owned by LEAs; the remaining schoolbuses are owned and operated by private, third-party contractors. Due to a lack of universal transportation programs, and minimal state funding for this purpose, many LEAs contract with private transportation companies to transport specific student populations – primarily students with disabilities and homeless youth. LEAs cite various advantages and disadvantages of contracting with private student transportation providers. Some LEAs note less hassle with managing labor, logistics, and infrastructure as well as lower costs when working with contractors due to economies of scale. Other LEAs experience unreliable service and high costs when contracting with third-party transportation providers.

Replacing diesel schoolbuses, especially the oldest schoolbuses, is a top priority for the state. Diesel-fueled buses contribute to unhealthy levels of ozone, inhalable particulate matter, carbon monoxide, NO_x, and sulfur dioxide, affecting local air quality. Young school-age children are particularly vulnerable to adverse health impacts from exposure to toxic air contaminants. Within California, 55% of all schoolbuses run on diesel, 25% on gasoline or flexible bifuel, 14% on compressed natural gas (CNG), and 5% on propane. Only 3% are hybrid or fully electric. Available data suggest that more than 4,000 buses statewide are more than 20 years old. The average bus in a publicly-owned schoolbus fleet is model year (MY) 2010, whereas the average schoolbus in a privately-owned fleet is MY 2014. Nearly 93% of diesel buses that are MY 2007 or older belong to LEAs.

California has been a leader in improving air quality for children for decades, requiring schoolbuses upgrade to newer, cleaner models, and in some cases zero-emission (ZE) models. In 2009, the Truck and Bus regulation required schoolbuses to use the best available control technology (BACT) for reducing emissions and banned schoolbuses MY 1977 or older starting in 2012. AB 579 (2023) requires that, starting in 2035, 100% of all newly purchased or contracted schoolbuses by LEAs be ZESBs, with compliance extensions available to LEAs based on terrain or route constraints. As of 2023, CARB indicates that 1,900 ZESBs have been funded and 600 are already on the road. To comply with AB 579, LEAs and private schoolbus contractors will need many more ZESBs. Given the average cost of a ZESB is $400,000, upgrades of the entire publicly-owned schoolbus fleet are expected to cost around $5.5-6 billion, not including the cost of building charging infrastructure.

There are many grant programs available for purchasing cleaner diesel and zero-emission schoolbuses at the state and federal level. The table below highlights some of these programs and their eligibility requirements. State incentive programs include the Carl Moyer Program and Low Emission School Bus Program (LESBP), the Rural School Bus Pilot, the HVIP Public Schoolbus Set-Aside and Standard Funds under HVIP through CARB as well as the Schoolbus Replacement Program through the CEC. The federal government offers money for schoolbus upgrades under the Diesel Emissions Reduction Act (DERA) of 2010, and has recently started providing $5 billion of dedicated funds to the Clean School Bus Program under the Bipartisan Infrastructure Law. While these programs are highly subscribed and some funding sources are

not reserved solely for schoolbuses, several of these ZESB incentive programs are already available to private schoolbus contractors.

Table E-4: Comparison of On-Going Public School Bus Incentive Funding Programs*

Program Requirement	HVIP Standard	Public School Bus Set-Aside & EnergIIZE School Bus Lane	Moyer & Community Air Protection incentives**	Clean Mobility in Schools	U.S. EPA Clean School Bus Program
Zero-emission school bus incentive amount range	$99k-$198k	$285k-$395k	Up to $400k	Up to the full cost of the bus	$145k-$345k
Eligible fuel types	ZE	ZE	ZE, Hybrids, Alt. Fuels, Diesel	ZE	ZE, CNG, Propane
Requires scrappage of an existing bus		√	√		√
Gross vehicle weight rating requirement for bus to be scrapped		≥14,001 lbs	≥14,001 lbs		≥10,001 lbs
Model year/age requirement for bus to be scrapped		2010 or older	Any		2010 or older for CNG and Propane, Any for ZE
Repowers of old buses are eligible	√		√		√
Program includes or can include infrastructure funding		√	√	√	√
3rd party transportation providers that contract with public schools are eligible	√		√		√
Funding can support driver and mechanic training				√	√
Funding available for other medium- and heavy-duty vehicles (white fleet)	√		√	√	

Acronym Key: Zero-Emission (ZE), Compressed Natural Gas (CNG), Alternative (Alt.)

**Comparison of program requirements as of October 2023. Individual program requirements are subject to change. Refer to the program website for the current version of requirements.*

***Requirements depicted align with the Moyer and AB 617 Incentive Guidelines developed by CARB. Local Air Districts implementing the program may implement additional requirements or focus funding toward other community priorities.*

Source: Appendix E: 2023 SB 1403 School Bus Incentive Program Report, Low Carbon Transportation and Air Quality Improvement Program Funding Plan

In 2022, $1.5 billion of Prop. 98 funds were earmarked for LEAs to replace heavy-duty internal combustion schoolbuses with cleaner ZESBs. In 2023, SB 114 delayed allocation of $1 billion in fiscal year 2023-24, but stated the Legislature's intent to allocate the money in subsequent years. Starting in 2024, CARB and the CEC are jointly administering the allocated $500 million as "ZESBI grants". The $375 million of the $500 million is for the purchase of ZESBs which approximates to 938 ZESBs at an average cost of $400,000. CARB and CEC are working on implementation guidelines, and expect to open the ZESBI grant program to applications from May through September 2024.

The ZESBI grants are being modeled on the previously successful, coordinated effort between CARB and the CEC to support ZESB adoption through the HVIP Public Schoolbus Set-aside and the Energy Infrastructure Incentives for Zero-Emission Commercial Vehicles (EnergIIze) programs. The Public Schoolbus Set-aside required scrappage of schoolbuses MY 2010 or older (previously MY 2007 and older) and funds for both programs were only made available to small and medium-sized air districts. Currently, most ZESBs available for purchase are battery electric, though at least one manufacturer is starting production of hydrogen-fuel cell schoolbuses. Under the new ZESBI grants, CARB and the CEC are tentatively proposing to cover the majority of costs for a ZESB purchase for LEAs, and concomitantly fund at least one supporting EV charger.

Demand for zero-emission schoolbuses varies across rural and urban school districts in the state. In late 2023, the L.A. Unified School District unanimously approved a measure to purchase 180 new ZESBs to replace 15% of its old fleet. Meanwhile, also in 2023, the Modoc Joint Unified School District turned down a $2.3 million federal grant to purchase electric buses, with the superintendent stating that "'[t]he technology is going to have to improve a lot before we would consider switching' to electric buses". Due to limited range and charging demands of ZESBs, replacement of a diesel schoolbus may require more than one ZESB and multiple chargers to accommodate a school district's driving needs. According to the World Resources Institute, battery electric ZESBs have driving ranges of 75-210 miles, which can vary greatly based on climate, terrain, and driver habits. Other barriers in the transition to electric are that districts sometimes take a long time to approve electric buses; delivery can be delayed, and electric buses can require beefing up the electrical supply for the chargers.

According to the author, "Some Local Education Agencies (LEA's) throughout the state of California contract out their school transports services to private transportation companies. However, these private transport companies cannot access certain pots of funding for zero-emission bus conversion and cannot help contribute to California's climate objectives."

In support, Advanced Energy United writes: "current statute does not enable local educational agencies (LEAs) that contract out their school bus transportation (and therefore don't own their buses) to participate in the [ZESBI] incentive program. Thirty percent of LEAs in the state, many of them large districts in urban areas disproportionately burdened by poor air quality, are not eligible to receive the funding as a result….Not enabling all districts to participate in this incentive program puts an unnecessary burden on certain LEAs over others, specifically urban school districts that are economically disadvantaged and overly burdened by poor air quality created in large part by the transportation sector."

Writing in opposition, the California School Employees Association states: "The zero-emission school bus replacement program has a finite amount of funding. AB 2480 would encourage unnecessary competition between local educational agencies (LEAs) and private transportation

companies for the same limited source of Proposition 98 funding. LEAs, especially smaller ones, are already at a disadvantage at applying for grant funding; this bill would exacerbate their inability to further compete with a larger pool of competitors.…While we recognize [the] desire to help move the state closer to its climate goals, we do not believe that creating more competition for our LEAs is the right way to do it."

Committee comments: This bill makes ZESBI grants, previously only available to LEAs, also available to private schoolbus contractors.

Private schoolbus contractors own and operate a quarter of all schoolbuses in California. Privately owned schoolbuses tend to be newer and less polluting than the remaining 75% of schoolbuses statewide that LEAs own and operate. It is unclear how many students are transported by publicly-owned schoolbuses versus privately-owned schoolbuses, and how many students would stand to benefit from making ZESBI grants available to private student transportation providers. Consequently, opening up ZESBI grants to private schoolbus contractors may not result in the greatest turnover of the dirtiest schoolbuses or provide the highest benefit for students' health.

There are also concerns that, by making ZESBI grants available to private contractors, LEAs will have more competition for these grants and smaller districts may be at a competitive disadvantage. In addition, certain rural LEAs may be reluctant to convert to ZESBs even with generous grants due to the impracticality of using ZESBs. If ZESBI grants become available to private schoolbus contractors, conditional restrictions on the use of ZESBs purchased with those funds, or a set-aside for rural areas, could help facilitate the ZESB transition in rural areas.

Under existing law and this bill, ZESBI grants may only go towards purchase of ZESBs and related infrastructure. ZESBI grants may not be used by LEAs to outsource their transportation to a private contractor. As noted by Advanced Energy United, LEAs that contract with third-party student transportation providers for schoolbus needs may be ineligible for ZESBI grants, as they do not own schoolbuses that can be scrapped in order to access the incentives. In some cases, a single private contractor contracts with multiple LEAs using the same fleet. This bill would allow such LEAs to benefit from the ZESBI funds despite not owning any schoolbuses, and could reduce the number of ZESBs needed if private contractors are able to serve multiple LEA student populations with a smaller fleet at a higher utilization rate.

Making ZESBI funds available to LEAs and private contractors reflects similar availability of state and federal funding for ZESB through state programs such as HVIP, Carl Moyer, and the Clean Bus Program. Unlike these programs that fund private sector vehicles transitioning to ZEVs, this bill includes a mechanism to ensure that if a contractor terminates their contract with the LEA, the state has the ability to retain some of the value of the asset. This approach may address some of the concerns raised regarding private contractors retaining the ZESB assets obtained through ZESBI grants even after termination of a service contract with an LEA. An alternative approach initially considered by this bill would have required transfer of a ZESB to an LEA after termination of a contract, paralleling an existing requirement for a charter school to return the ZESB to CARB for re-allocation if the charter school ceases operation. This approach conceptually has merit, but is far more complicated and could result in the LEA ending up with stranded assets.

This bill requires CARB to establish minimum required contract lengths for private contractors to provide transportation services to an LEA, and a depreciation schedule for private contractors to return funds to HVIP if the minimum time period for a contract is not met. Funds returned to the LEA are likely to be less than the original grant amount and insufficient for procurement of another new ZESB or related infrastructure, but would provide a simpler mechanism for recovery of value than transfer of a ZESB asset.

To better ensure that the highest priority schoolbuses are replaced, amendments could be considered that require CARB and CEC guidelines for the implementation of ZESBI grants to consider the following:

- Capping the value of ZESBI grants available to private schoolbus contractors, and/or reserving most of the ZESBI grant money for LEA use.

- Requiring private schoolbus contractors to coordinate with LEAs to retire a schoolbus owned by the LEA and transfer a newer, cleaner combustion or hybrid schoolbus to the LEA, preferably an LEA in rural or disadvantaged community.

- Restricting use of ZESBs private schoolbus contractors to disadvantaged communities, rural communities, or wherever else older diesel schoolbuses have not yet been upgraded or replaced.

Related legislation: AB 181 (Assembly Committee on Budget), Chapter 52, Statutes of 2022, for 2022–23 fiscal year, appropriates $1.1 billion from the General Fund, to the CARB for the HVIP to fund ZESBs to replace heavy-duty internal combustion schoolbuses owned by LEAs, and would appropriate $375 million from the General Fund to the CEC to fund ZESB charging or fueling infrastructure and related activities.

SB 114 (Senate Committee on Budget and Fiscal Review), Chapter 48, Statutes of 2023 reduces the amount of funds appropriated in AB 181 of 2022, for the 2023-24 fiscal year, to $375 million to CARB for HVIP to fund grants to LEAs for ZEBs to replace HD IC schoolbuses owned by LEAS, and $125 million to the CEC for LEAs towards charging or fueling infrastructure in order to complement the vehicle grants under HVIP. SB 114 also states the intent of the Legislature to appropriate $375 million to CARB and $125 million to the CEC in the 2024-2025 and 2025-26 fiscal years for the same purpose.

AB 579 (Ting), Chapter 445, Statutes of 2023 requires all newly purchased or contracted school buses of an LEA to be zero-emission starting January 1, 2035, and authorizes a one-time extension for up to five years if the LEA determines that the purchase or contracting of a ZESB is not feasible due to both terrain and route constraints if certain conditions are met. AB 579 also prohibits contracts for ZESB transportation services and contracts for lease/rental of ZESBs from exceeding 15 years, or from exceeding 20 years if the contract for lease allows for LEAs to exercise an option to purchase or cancel at the end of each annual period.

AB 1418 (Chiu) of 2019 would have required the Public Utilities Commission (PUC) to assess if applications regarding transportation electrification would provide sufficient resources to achieve a 100% shift to zero-emissions for school buses in the applicant's territory, would have required publicly owned utilities to report to the CEC specified information about the investment in charging infrastructure to achieve conversion to ZESBs in the utility's territory; would have further required the CEC to develop a clearinghouse for information and resources regarding

manufactures and pricing of ZESBs and regarding incentive programs for ZESBs and supporting infrastructure. Held in Assembly Utilities and Energy Committee.

AB 923 (Chapter 707, Statutes of 2004) provides funds from motor vehicle registration fee surcharge to fund projects in Carl Moyer Program clean air categories, including schoolbus purchases under the Lower Emission School Bus Program (LESBP).

SB 1403 (Lara), Chapter 370, Statutes of 2018 requires that CARB and the CEC provide an annual report outlining California's school bus incentive programs and progress made towards cleaning the State's school bus fleet as part of the broader Heavy-Duty Investment Strategy.

REGISTERED SUPPORT / OPPOSITION:

Support

Advanced Energy United
California Environmental Voters
Kern County Superintendent of Schools Office
Zum Transportation

Opposition

Association of California School Administrators
California Federation of Teachers, AFL-CIO
California School Employees Association
SEIU California State Council

Analysis Prepared by: Stephanie Choing / TRANS. / (916) 319-2093