Highland Electric Fleets (Jane Israel)

Highland Electric Fleets Comment on the Proposed Fiscal Year 2025-26 and Fiscal Year 2026-27 Funding Plan for the Air Quality Improvement Program

Highland

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California Air Resources Board
1001 I Street,
Sacramento, CA 95814

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RE: Highland Electric Fleets Comment on the Proposed Fiscal Year 2025-26 and Fiscal Year 2026-27 Funding Plan for the Air Quality Improvement Program

Dear California Air Resources Board,

Highland Electric Fleets welcomes the opportunity to provide comments on the Proposed Fiscal Year 2025-26 and Fiscal Year 2026-27 Funding Plan for the Air Quality Improvement Program (AQIP). As a turnkey electrification services provider partnered with school districts and cities across the state, Highland greatly appreciates CARB's leadership in advancing California's clean transportation progress.

Highland recognizes the immense challenge CARB faces in allocating the limited resources available to support the state's critical medium- and heavy-duty (MHD) ZEV projects. In partnership with a coalition of stakeholders, Highland is continuing to advocate that the Legislature and Administration prioritize additional funding for HVIP and charging infrastructure in the final budget deal.

Amid tariff impacts and the loss of several key federal incentives and regulatory drivers for fleet electrification, state incentives are crucial to continuing California's progress toward self-sustaining ZEV markets. Importantly, as the L.A. County Legislative Delegation outlined in a recent letter to the Administration, the state also has an opportunity to leverage momentum created by the upcoming LA28 Games to expedite transportation electrification in communities suffering from some of the nation's worst air pollution. Highland supports the Delegation's request to help scale up ZEV infrastructure deployment that will support the LA28 Games and also build the foundation for further fleet electrification. Furthermore, state incentives like HVIP will play a key role in the efforts by school districts and public agencies in the region to expand existing ZEV fleets and plan fleet conversions in the near future.

While some HVIP funding remains, Highland underscores the significant near-term need for investment in this space, especially for school districts. Replacing polluting diesel school buses with ZE models has an outsized impact because children are especially vulnerable to serious health risks from tailpipe emissions, such as asthma, bronchitis, and lasting health consequences later in life. Riding in diesel-fueled school buses contributes up to 33% of a child's daily exposure to some air pollutants, according to a 2003 study funded by CARB.

As noted in CARB's 2025 SB1403 School Bus Incentive Program Report, targeted funding and grant programs are "essential for helping school districts, especially under-resourced ones, manage high up-front purchase and insurance costs and successfully deploy zero-emission school buses." School district budgets have been further constrained by the end of COVID-era funding, enrollment declines, and continued uncertainty around federal school bus funding, with many schools running a deficit in the current environment.

In light of this, Highland recommends that CARB consider reserving a portion of available AQIP funding for school buses in HVIP, and evaluate potential funding adjustments in the upcoming fiscal year based on market conditions and demand for grant funding.

Highland supports the creation of an HVIP bulk purchase incentive option, referred to in "Appendix B: Medium- & Heavy-Duty Project Updates" that CARB released alongside the proposed AQIP Funding Plan. Bulk deployments drive down per-vehicle costs and are a cost-effective strategy to promote scale in transportation electrification. We also support CARB staff's review of total cost of ownership between ZEVs and diesel vehicles, targeting incentive amounts to achieve parity within three years. Declining incentive levels over time with a public disbursement schedule encourages early adoption without inflating bus prices.

In addition, Highland recommends program design modifications for consideration to maximize the impact of available incentive funding for MHD ZEV programs:

- Enable state and federal incentive stacking to optimize available funding opportunities.
    - Including combining HVIP with the Clean Fuel Reward, which the HVIP implementation manual currently allows only for Class 8 trucks.
        - Allow public school buses to participate in Clean Fuel Rewards and allow that funding to be stacked with HVIP to help make ZE models more affordable and accessible for school districts.
- Seek to align eligibility requirements and deployment timelines for state incentive funding with EPA and AQMD programs.
    - Streamlining applicant eligibility to accommodate a broader scope of public-private partnerships and ownership models allows more school districts to access state incentives.[1]

[1] The U.S. EPA, for instance, has enabled a broad definition for eligible applicants within their Clean School Bus Program, including public school districts, tribal communities, and eligible contractors which are defined by the Infrastructure Investment and Jobs Act, Public Law 117-58 (42 U.S.C. 16091), as any for-profit, not-for-profit, or nonprofit entity that has the capacity (1) to sell, lease, license, or contract for service clean school buses, ZE school buses, charging or fueling infrastructure, or other equipment needed to charge, fuel, or maintain clean school buses or zero-emission school buses, to individuals or entities that own, lease, license, or contract for service a

- For example, many school districts choose to partner with electrification-as-a-service providers to lower costs and access needed logistical support and technical expertise as they transition their fleets.

Highland appreciates CARB's dedication to ensuring that all school districts can equitably deploy cleaner zero-emission transportation. We look forward to continued engagement on the implementation of CARB's medium-and-heavy-duty investments at this pivotal time.

Thank you for your consideration.

Sincerely,

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school bus or a fleet of school buses; or (2) to arrange financing for such a sale, lease, license, or contract for service.
Also, the most recent HVIP Implementation Manual expanded the definition of eligible applicants to include individual owners and/or operators who will operate or oversee the operation of the vehicle for a minimum of three years.