

AMENDED IN ASSEMBLY SEPTEMBER 3, 2013

AMENDED IN ASSEMBLY AUGUST 6, 2013

AMENDED IN SENATE MAY 28, 2013

AMENDED IN SENATE MAY 15, 2013

AMENDED IN SENATE APRIL 18, 2013

SENATE BILL

No. 11

Introduced by Senators Pavley and Cannella
(Principal coauthor: Senator Hill)
(Coauthor: Senator Jackson)
(Coauthor: Assembly Member Perea)

December 3, 2012

An act to amend Sections 41081, 44060.5, 44225, 44229, 44270.3, 44271, 44272, 44273, 44274, 44275, 44280, 44281, 44282, 44283, 44287, 44299.1, and 44299.2 of, to add *and repeal* Section 43018.9 ~~to~~ *of*, and to repeal Section 44299 of, the Health and Safety Code, to amend Sections 42885 and 42889 of the Public Resources Code, and to amend Sections 9250.1, 9250.2, 9261.1, and 9853.6 of the Vehicle Code, relating to vehicular air pollution, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 11, as amended, Pavley. Alternative fuel and vehicle technologies: funding programs.

(1) Existing law establishes the Alternative and Renewable Fuel and Vehicle Technology Program, administered by the State Energy Resources Conservation and Development Commission, to provide to specified entities, upon appropriation by the Legislature, grants, loans,

loan guarantees, revolving loans, or other appropriate measures, for the development and deployment of innovative technologies that would transform California's fuel and vehicle types to help attain the state's climate change goals. Existing law specifies that only certain projects or programs are eligible for funding, including block grants administered by public entities or not-for-profit technology entities for multiple projects, education and program promotion within California, and development of alternative and renewable fuel and vehicle technology centers. Existing law requires the commission to develop and adopt an investment plan to determine priorities and opportunities for the program. Existing law also creates the Air Quality Improvement Program, administered by the State Air Resources Board, to fund air quality improvement projects related to fuel and vehicle technologies. Existing law creates the enhanced fleet modernization program to provide compensation for the retirement of passenger vehicles, and light-duty and medium-duty trucks that are high polluters.

This bill would provide that the state board, until January 1, 2024, has no authority to enforce any element of its existing clean fuels outlet regulation or other regulation that requires or has the effect of requiring any supplier, as defined, to construct, operate, or provide funding for the construction or operation of any publicly available hydrogen-fueling station. The bill would require the board to aggregate and make available to the public, no later than June 30, 2014, and every year thereafter *until January 1, 2024*, the number of hydrogen-fueled vehicles that motor vehicle manufacturers project to be sold or leased over the next 3 years, as reported to the state board, and the number of hydrogen-fueled vehicles registered with the Department of Motor Vehicles through April 30. The bill, *until January 1, 2024*, would require the commission to allocate \$20 million annually, as specified, until there are at least 100 publicly available hydrogen-fueling stations in California. The bill, on or before December 31, 2015, and annually thereafter *until January 1, 2024*, would require the commission and the board to jointly review and report on the progress toward establishing a hydrogen-fueling network that provides the coverage and capacity to fuel vehicles requiring hydrogen fuel that are being placed into operation in the state, as specified. The bill would authorize the commission, *until January 1, 2024*, to design grants, loan incentive programs, revolving loan programs, and other forms of financial assistance, as specified, for purposes of assisting in the implementation of these provisions. The bill, no later than July 1, 2014, would require the state board, in

consultation with air pollution control and air quality management districts, to convene working groups to evaluate the specified policies and goals of specified programs. The bill would add intelligent transportation systems as a category of projects eligible for funding under the Alternative and Renewable Fuel and Vehicle Technology Program. The bill would require the commission and the board, in making awards under both the Alternative and Renewable Fuel and Vehicle Technology Program and the Air Quality Improvement Program, to provide a preference to projects with higher benefit-cost scores, as defined. The bill would prohibit any customer incentives for light-duty vehicles from being greater than compensations given to customers under the enhanced fleet modernization program for the retirement of certain high polluting vehicles.

(2) Existing law, until January 1, 2016, increases vehicle registration fees, vessel registration fees, and specified service fees for identification plates by a specified amount. Existing law requires the revenue generated by the increase in those fees to be deposited in the Alternative and Renewable Fuel and Vehicle Technology Fund, and either the Air Quality Improvement Fund or the Enhanced Fleet Modernization Subaccount, as provided.

Existing law, until January 1, 2016, imposes on certain vehicles a smog abatement fee of \$20, and requires a specified amount of this fee to be deposited in the Air Quality Improvement Fund and in the Alternative and Renewable Fuel and Vehicle Technology Fund.

This bill would extend those fees in the amounts required to make these deposits into the Alternative and Renewable Fuel and Vehicle Technology Fund, the Air Quality Improvement Fund, and the Enhanced Fleet Modernization Subaccount until January 1, 2024, at which time the fees would be reduced by those amounts.

(3) Existing law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program, which is administered by the state board, to provide grants to offset the incremental cost of eligible projects that reduce emissions of air pollutants from sources in the state and for funding a fueling infrastructure demonstration program and technology development efforts. Existing law, beginning January 1, 2015, limits the Carl Moyer program to funding projects that reduce emissions of oxides of nitrogen (NO_x).

This bill would extend the current authorization for the Carl Moyer program to fund a broader range of projects that reduce emissions until January 1, 2024, and would make other conforming changes in that

regard. The bill also would delete obsolete references and make conforming changes to the Carl Moyer program.

(4) Existing law authorizes the district board of the Sacramento Metropolitan Air Quality Management District to adopt a surcharge on motor vehicle registration fees applicable to all motor vehicles registered in the counties within that district. Existing law, until January 1, 2015, raises the limit on the amount of that surcharge from \$4 to \$6 for a motor vehicle whose registration expires on or after December 31, 1990, and requires that \$2 of the surcharge be used to implement the Carl Moyer program, as specified. Beginning January 1, 2015, existing law returns the surcharge limit to its previous amount of \$4.

This bill would extend the \$6 limitation on the surcharge until January 1, 2024, with the limit returning to \$4 beginning on that date.

(5) Existing law authorizes each air district that has been designated a ~~federal~~ *state* nonattainment area by the state board for any motor vehicle air pollutant, except the Sacramento Metropolitan Air Quality Management District, to levy a surcharge on the registration fees for every motor vehicle registered in that air district, as specified by the governing body of the air district. Existing law requires the Department of Motor Vehicles to collect that surcharge if requested by an air district, and requires the department, after deducting its administrative costs, to distribute the revenues to the air districts. Existing law, until January 1, 2015, raises the limit on the amount of that surcharge from \$4 to \$6 and requires that \$2 of the surcharge be used to implement the Carl Moyer program, as specified. Beginning January 1, 2015, existing law returns the surcharge limit to its previous amount of \$4.

This bill would extend the \$6 limitation on the surcharge until January 1, 2024, with the limit returning to \$4 beginning on that date.

(6) Existing law imposes, until January 1, 2015, a California tire fee of \$1.75 per tire on every person who purchases a new tire, with the revenues generated to be allocated for prescribed purposes related to disposal and use of used tires. Existing law requires that \$0.75 per tire on which the fee is imposed be deposited in the Air Pollution Control Fund with these moneys to be available upon appropriation by the Legislature for use by the state board and air districts for specified purposes. Existing law reduces the tire fee to \$0.75 per tire on and after January 1, 2015.

This bill would instead set the tire fee at \$1.75 per tire until January 1, 2024, and reduce the tire fee to \$0.75 per tire on and after January 1, 2024.

(7) Section 3 of Article XIX of the California Constitution restricts the expenditure of revenues from fees and taxes imposed by the state on vehicles to specified purposes, subject to certain exceptions.

This bill would require the commission and the state board to ensure that revenues from specified fees imposed on vehicles that are used for purposes of the Alternative and Renewable Fuel and Vehicle Technology Program and the Air Quality Improvement Program are expended in compliance with Section 3 of Article XIX of the California Constitution.

(8) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 41081 of the Health and Safety Code, as
2 amended by Section 1.5 of Chapter 216 of the Statutes of 2011, is
3 amended to read:

4 41081. (a) Subject to Article 3.7 (commencing with Section
5 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the
6 Government Code, or with the approval of the board of supervisors
7 of each county included, in whole or in part, within the Sacramento
8 district, the Sacramento district board may adopt a surcharge on
9 the motor vehicle registration fees applicable to all motor vehicles
10 registered in those counties within the Sacramento district whose
11 boards of supervisors have adopted a resolution approving the
12 surcharge. The surcharge shall be collected by the Department of
13 Motor Vehicles and, after deducting the department's
14 administrative costs, the remaining funds shall be transferred to
15 the Sacramento district. Prior to the adoption of any surcharge
16 pursuant to this subdivision, the district board shall make a finding
17 that any funds allocated to the district as a result of the adoption
18 of a county transportation sales and use tax are insufficient to carry
19 out the purposes of this chapter.

20 (b) The surcharge shall not exceed six dollars (\$6).

21 (c) After consulting with the Department of Motor Vehicles on
22 the feasibility thereof, the Sacramento district board may provide,
23 in the surcharge adopted pursuant to subdivision (a), to exempt
24 from all or part of the surcharge any category of low-emission
25 motor vehicle.

1 (d) Funds received by the Sacramento district pursuant to this
2 section shall be used by that district as follows:

3 (1) The revenues resulting from the first four dollars (\$4) of
4 each surcharge shall be used to implement reductions in emissions
5 from vehicular sources, including, but not limited to, a clean fuels
6 program and motor vehicle use reduction measures.

7 (2) The revenues resulting from the next two dollars (\$2) of
8 each surcharge shall be used to implement the following programs
9 that achieve emission reductions from vehicular sources and
10 off-road engines, to the extent that the district determines the
11 program remediates air pollution harms created by motor vehicles
12 on which the surcharge is imposed:

13 (A) Projects eligible for grants under the Carl Moyer Memorial
14 Air Quality Standards Attainment Program (Chapter 9
15 (commencing with Section 44275) of Part 5).

16 (B) The new purchase, retrofit, repower, or add-on of equipment
17 for previously unregulated agricultural sources of air pollution, as
18 defined in Section 39011.5, within the Sacramento district, for a
19 minimum of three years from the date of adoption of an applicable
20 rule or standard, or until the compliance date of that rule or
21 standard, whichever is later, if the state board has determined that
22 the rule or standard complies with Sections 40913, 40914, and
23 41503.1, after which period of time, a new purchase, retrofit,
24 repower, or add-on of equipment shall not be funded pursuant to
25 this chapter. The district shall follow any guidelines developed
26 under subdivision (a) of Section 44287 for awarding grants under
27 this program.

28 (C) The purchase of new, or retrofit of emissions control
29 equipment for existing, schoolbuses pursuant to the
30 Lower-Emission School Bus Program adopted by the state board.

31 (D) An accelerated vehicle retirement or repair program that is
32 adopted by the state board pursuant to authority granted hereafter
33 by the Legislature by statute.

34 (E) The replacement of onboard natural gas fuel tanks on
35 schoolbuses owned by a school district that are 14 years or older,
36 not to exceed twenty thousand dollars (\$20,000) per bus, pursuant
37 to the Lower-Emission School Bus Program adopted by the state
38 board.

39 (F) The enhancement of deteriorating natural gas fueling
40 dispensers of fueling infrastructure operated by a school district

1 with a one-time funding amount not to exceed five hundred dollars
2 (\$500) per dispenser, pursuant to the Lower-Emission School Bus
3 Program adopted by the state board.

4 (e) Not more than 5 percent of the funds collected pursuant to
5 this section shall be used by the district for administrative expenses.

6 (f) A project funded by the program shall not be used for credit
7 under any state or federal emissions averaging, banking, or trading
8 program. An emission reduction generated by the program shall
9 not be used as marketable emission reduction credits or to offset
10 any emission reduction obligation of any person or entity. Projects
11 involving new engines that would otherwise generate marketable
12 credits under state or federal averaging, banking, and trading
13 programs shall include transfer of credits to the engine end user
14 and retirement of those credits toward reducing air emissions in
15 order to qualify for funding under the program. A purchase of a
16 low-emission vehicle or of equipment pursuant to a corporate or
17 a controlling board's policy, but not otherwise required by law,
18 shall generate surplus emissions reductions and may be funded by
19 the program.

20 (g) This section shall remain in effect only until January 1, 2024,
21 and as of that date is repealed, unless a later enacted statute, that
22 is enacted before January 1, 2024, deletes or extends that date.

23 SEC. 2. Section 41081 of the Health and Safety Code, as added
24 by Section 2.5 of Chapter 707 of the Statutes of 2004, is amended
25 to read:

26 41081. (a) Subject to Article 3.7 (commencing with Section
27 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the
28 Government Code, or with the approval of the board of supervisors
29 of each county included, in whole or in part, within the Sacramento
30 district, the Sacramento district board may adopt a surcharge on
31 the motor vehicle registration fees applicable to all motor vehicles
32 registered in those counties within the Sacramento district whose
33 boards of supervisors have adopted a resolution approving the
34 surcharge. The surcharge shall be collected by the Department of
35 Motor Vehicles and, after deducting the department's
36 administrative costs, the remaining funds shall be transferred to
37 the Sacramento district. Prior to the adoption of any surcharge
38 pursuant to this subdivision, the district board shall make a finding
39 that any funds allocated to the district as a result of the adoption

1 of a county transportation sales and use tax are insufficient to carry
2 out the purposes of this chapter.

3 (b) The surcharge shall not exceed four dollars (\$4).

4 (c) After consulting with the Department of Motor Vehicles on
5 the feasibility thereof, the Sacramento district board may provide,
6 in the surcharge adopted pursuant to subdivision (a), to exempt
7 from all or part of the surcharge any category of low-emission
8 motor vehicle.

9 (d) Funds received by the Sacramento district pursuant to this
10 section shall be used to implement the strategy with respect to the
11 reduction in emissions from vehicular sources, including, but not
12 limited to, a clean fuels program and motor vehicle use reduction
13 measures. Not more than 5 percent of the funds collected pursuant
14 to this section shall be used by the district for administrative
15 expenses.

16 (e) This section shall become operative on January 1, 2024.

17 SEC. 3. Section 43018.9 is added to the Health and Safety
18 Code, to read:

19 43018.9. (a) For purposes of this section, the following terms
20 have the following meanings:

21 (1) “Commission” means the State Energy Resources
22 Conservation and Development Commission.

23 (2) “Publicly available hydrogen-fueling station” means the
24 equipment used to store and dispense hydrogen fuel to vehicles
25 according to industry codes and standards that is open to the public.

26 (b) ~~(1)~~ Notwithstanding any other law, the state board shall
27 have no authority to enforce any element of its existing clean fuels
28 outlet regulation or of any other regulation that requires or has the
29 effect of requiring that any supplier, as defined in Section 7338 of
30 the Revenue and Taxation Code as in effect on May 22, 2013,
31 construct, operate, or provide funding for the construction or
32 operation of any publicly available hydrogen-fueling station.

33 ~~(2) This subdivision shall become inoperative on January 1,
34 2024.~~

35 (c) On or before June 30, 2014, and every year thereafter, the
36 state board shall aggregate and make available all of the following:

37 (1) The number of hydrogen-fueled vehicles that motor vehicle
38 manufacturers project to be sold or leased over the next three years
39 as reported to the state board pursuant to the Low Emission Vehicle

1 regulations, as currently established in Sections 1961 to 1961.2,
2 inclusive, of Title 13 of the California Code of Regulations.

3 (2) The total number of hydrogen-fueled vehicles registered
4 with the Department of Motor Vehicles through April 30.

5 (d) On or before June 30, 2014, and every year thereafter, the
6 state board, based on the information made available pursuant to
7 subdivision (c), shall do both of the following:

8 (1) Evaluate the need for additional publicly available
9 hydrogen-fueling stations for the subsequent three years in terms
10 of quantity of fuel needed for the actual and projected number of
11 hydrogen-fueled vehicles, geographic areas where fuel will be
12 needed, and station coverage.

13 (2) Report findings to the commission on the need for additional
14 publicly available hydrogen-fueling stations in terms of number
15 of stations, geographic areas where additional stations will be
16 needed, and minimum operating standards, such as number of
17 dispensers, filling protocols, and pressures.

18 (e) (1) The commission shall allocate twenty million dollars
19 (\$20,000,000) annually to fund the number of stations identified
20 pursuant to subdivision (d), not to exceed 20 percent of the moneys
21 appropriated by the Legislature from the Alternative and
22 Renewable Fuel and Vehicle Technology Fund, established
23 pursuant to Section 44273, until there are at least 100 publicly
24 available hydrogen-fueling stations in operation in California.

25 (2) If the commission, in consultation with the state board,
26 determines that the full amount identified in paragraph (1) is not
27 needed to fund the number of stations identified by the state board
28 pursuant to subdivision (d), the commission may allocate any
29 remaining moneys to other projects, subject to the requirements
30 of the Alternative and Renewable Fuel and Vehicle Technology
31 Program pursuant to Article 2 (commencing with Section 44272)
32 of Chapter 8.9.

33 (3) Allocations by the commission pursuant to this subdivision
34 shall be subject to all of the requirements applicable to allocations
35 from the Alternative and Renewable Fuel and Vehicle Technology
36 Program pursuant to Article 2 (commencing with Section 44272)
37 of Chapter 8.9.

38 (4) The commission, in consultation with the state board, shall
39 award moneys allocated in paragraph (1) based on best available
40 data, including information made available pursuant to subdivision

1 (d), and input from relevant stakeholders, including motor vehicle
2 manufacturers that have planned deployments of hydrogen-fueled
3 vehicles, according to a strategy that supports the deployment of
4 an effective and efficient hydrogen-fueling station network in a
5 way that maximizes benefits to the public while minimizing costs
6 to the state.

7 (5) Notwithstanding paragraph (1), once the commission
8 determines, in consultation with the state board, that the private
9 sector is establishing publicly available hydrogen-fueling stations
10 without the need for government support, the commission may
11 cease providing funding for those stations.

12 (6) On or before December 31, 2015, and annually thereafter,
13 the commission and the state board shall jointly review and report
14 on progress toward establishing a hydrogen-fueling network that
15 provides the coverage and capacity to fuel vehicles requiring
16 hydrogen fuel that are being placed into operation in the state. The
17 commission and the state board shall consider the following,
18 ~~including~~ *including*, but not limited to, the available plans of
19 automobile manufacturers to deploy hydrogen-fueled vehicles in
20 California and their progress toward achieving those plans, the
21 rate of deployment of hydrogen-fueled vehicles, the length of time
22 required to permit and construct hydrogen-fueling stations, the
23 coverage and capacity of the existing hydrogen-fueling station
24 network, and the amount and timing of growth in the fueling
25 network to ensure fuel is available to these vehicles. The review
26 shall also determine the remaining cost and timing to establish a
27 network of 100 publicly available hydrogen-fueling stations and
28 whether funding from the Alternative and Renewable Fuel and
29 Vehicle Technology Program remains necessary to achieve this
30 goal.

31 (f) To assist in the implementation of this section and maximize
32 the ability to deploy fueling infrastructure as rapidly as possible
33 with the assistance of private capital, the commission may design
34 grants, loan incentive programs, revolving loan programs, and
35 other forms of financial assistance. The commission also may enter
36 into an agreement with the Treasurer to provide financial assistance
37 to further the purposes of this section.

38 (g) Funds appropriated to the commission for the purposes of
39 this section shall be available for encumbrance by the commission
40 for up to four years from the date of the appropriation and for

1 liquidation up to four years after expiration of the deadline to
2 encumber.

3 (h) Notwithstanding any other law, the state board, in
4 consultation with districts, no later than July 1, 2014, shall convene
5 working groups to evaluate the policies and goals contained within
6 the Carl Moyer Memorial Air Quality Standards Attainment
7 Program, pursuant to Section 44280, and Assembly Bill 923
8 (Chapter 707 of the Statutes of 2004).

9 *(i) This section shall remain in effect only until January 1, 2024,*
10 *and as of that date is repealed, unless a later enacted statute, that*
11 *is enacted before January 1, 2024, deletes or extends that date.*

12 SEC. 4. Section 44060.5 of the Health and Safety Code is
13 amended to read:

14 44060.5. (a) Beginning July 1, 2008, the smog abatement fee
15 described in subdivision (d) of Section 44060 shall be increased
16 by eight dollars (\$8).

17 (b) Revenues generated by the increase described in this section
18 shall be distributed as follows:

19 (1) The revenues generated by four dollars (\$4) shall be
20 deposited in the Air Quality Improvement Fund created by Section
21 44274.5.

22 (2) The revenues generated by four dollars (\$4) shall be
23 deposited in the Alternative and Renewable Fuel and Vehicle
24 Technology Fund created by Section 44273.

25 (c) This section shall remain in effect only until January 1, 2024,
26 and as of that date is repealed, unless a later enacted statute, that
27 is enacted before January 1, 2024, deletes or extends that date.

28 SEC. 5. Section 44225 of the Health and Safety Code, as
29 amended by Section 3 of Chapter 707 of the Statutes of 2004, is
30 amended to read:

31 44225. A district may increase the fee established under Section
32 44223 to up to six dollars (\$6). A district may increase the fee only
33 if the following conditions are met:

34 (a) A resolution providing for both the fee increase and a
35 corresponding program for expenditure of the increased fees for
36 the reduction of air pollution from motor vehicles pursuant to, and
37 for related planning, monitoring, enforcement, and technical studies
38 necessary for the implementation of, the California Clean Air Act
39 of 1988 is adopted and approved by the governing board of the
40 district.

1 (b) In districts with nonelected officials on their governing
2 boards, the resolution shall be adopted and approved by both a
3 majority of the governing board and a majority of the board
4 members who are elected officials.

5 (c) An increase in fees established pursuant to this section shall
6 become effective on either April 1 or October 1, as provided in
7 the resolution adopted by the board pursuant to subdivision (a).

8 (d) This section shall remain in effect only until January 1, 2024,
9 and as of that date is repealed, unless a later enacted statute, that
10 is enacted before January 1, 2024, deletes or extends that date.

11 SEC. 6. Section 44225 of the Health and Safety Code, as added
12 by Section 3.5 of Chapter 707 of the Statutes of 2004, is amended
13 to read:

14 44225. A district may increase the fee established under Section
15 44223 to up to four dollars (\$4). A district may increase the fee
16 only if the following conditions are met:

17 (a) A resolution providing for both the fee increase and a
18 corresponding program for expenditure of the increased fees for
19 the reduction of air pollution from motor vehicles pursuant to, and
20 for related planning, monitoring, enforcement, and technical studies
21 necessary for the implementation of, the California Clean Air Act
22 of 1988 is adopted and approved by the governing board of the
23 district.

24 (b) In districts with nonelected officials on their governing
25 boards, the resolution shall be adopted and approved by both a
26 majority of the governing board and a majority of the board
27 members who are elected officials.

28 (c) An increase in fees established pursuant to this section shall
29 become effective on either April 1 or October 1, as provided in
30 the resolution adopted by the board pursuant to subdivision (a).

31 (d) This section shall become operative on January 1, 2024.

32 SEC. 7. Section 44229 of the Health and Safety Code, as
33 amended by Section 2.5 of Chapter 216 of the Statutes of 2011, is
34 amended to read:

35 44229. (a) After deducting all administrative costs it incurs
36 through collection of fees pursuant to Section 44227, the
37 Department of Motor Vehicles shall distribute the revenues to
38 districts, which shall use the revenues resulting from the first four
39 dollars (\$4) of each fee imposed to reduce air pollution from motor
40 vehicles and to carry out related planning, monitoring, enforcement,

1 and technical studies necessary for implementation of the California
2 Clean Air Act of 1988. Fees collected by the Department of Motor
3 Vehicles pursuant to this chapter shall be distributed to districts
4 based upon the amount of fees collected from motor vehicles
5 registered within each district.

6 (b) Notwithstanding Sections 44241 and 44243, a district shall
7 use the revenues resulting from the next two dollars (\$2) of each
8 fee imposed pursuant to Section 44227 to implement the following
9 programs that the district determines remediate air pollution harms
10 created by motor vehicles on which the surcharge is imposed:

11 (1) Projects eligible for grants under the Carl Moyer Memorial
12 Air Quality Standards Attainment Program (Chapter 9
13 (commencing with Section 44275) of Part 5).

14 (2) The new purchase, retrofit, repower, or add-on equipment
15 for previously unregulated agricultural sources of air pollution, as
16 defined in Section 39011.5, for a minimum of three years from
17 the date of adoption of an applicable rule or standard, or until the
18 compliance date of that rule or standard, whichever is later, if the
19 state board has determined that the rule or standard complies with
20 Sections 40913, 40914, and 41503.1, after which period of time,
21 a new purchase, retrofit, repower, or add-on of equipment shall
22 not be funded pursuant to this chapter. The districts shall follow
23 any guidelines developed under subdivision (a) of Section 44287
24 for awarding grants under this program.

25 (3) The purchase of new, or retrofit of emissions control
26 equipment for existing, schoolbuses pursuant to the
27 Lower-Emission School Bus Program adopted by the state board.

28 (4) An accelerated vehicle retirement or repair program that is
29 adopted by the state board pursuant to authority granted hereafter
30 by the Legislature by statute.

31 (5) The replacement of onboard natural gas fuel tanks on
32 schoolbuses owned by a school district that are 14 years or older,
33 not to exceed twenty thousand dollars (\$20,000) per bus, pursuant
34 to the Lower-Emission School Bus Program adopted by the state
35 board.

36 (6) The enhancement of deteriorating natural gas fueling
37 dispensers of fueling infrastructure operated by a school district
38 with a one-time funding amount not to exceed five hundred dollars
39 (\$500) per dispenser, pursuant to the Lower-Emission School Bus
40 Program adopted by the state board.

1 (c) The Department of Motor Vehicles may annually expend
2 not more than 1 percent of the fees collected pursuant to Section
3 44227 on administrative costs.

4 (d) A project funded by the program shall not be used for credit
5 under any state or federal emissions averaging, banking, or trading
6 program. An emission reduction generated by the program shall
7 not be used as marketable emission reduction credits or to offset
8 any emission reduction obligation of any person or entity. Projects
9 involving new engines that would otherwise generate marketable
10 credits under state or federal averaging, banking, and trading
11 programs shall include transfer of credits to the engine end user
12 and retirement of those credits toward reducing air emissions in
13 order to qualify for funding under the program. A purchase of a
14 low-emission vehicle or of equipment pursuant to a corporate or
15 a controlling board's policy, but not otherwise required by law,
16 shall generate surplus emissions reductions and may be funded by
17 the program.

18 (e) This section shall remain in effect only until January 1, 2024,
19 and as of that date is repealed, unless a later enacted statute, that
20 is enacted before January 1, 2024, deletes or extends that date.

21 SEC. 8. Section 44229 of the Health and Safety Code, as added
22 by Section 4.5 of Chapter 707 of the Statutes of 2004, is amended
23 to read:

24 44229. (a) After deducting all administrative costs it incurs
25 through collection of fees pursuant to Section 44227, the
26 Department of Motor Vehicles shall distribute the revenues to
27 districts which shall use the fees to reduce air pollution from motor
28 vehicles and to carry out related planning, monitoring, enforcement,
29 and technical studies necessary for implementation of the California
30 Clean Air Act of 1988. Fees collected by the Department of Motor
31 Vehicles pursuant to this chapter shall be distributed to districts
32 based upon the amount of fees collected from motor vehicles
33 registered within each district.

34 (b) The Department of Motor Vehicles may annually expend
35 not more than the following percentages of the fees collected
36 pursuant to Section 44227 on administrative costs:

37 (1) During the first year after the operative date of this chapter,
38 not more than 5 percent of the fees collected may be used for
39 administrative costs.

1 (2) During the second year after the operative date of this
2 chapter, not more than 3 percent of the fees collected may be used
3 for administrative costs.

4 (3) During any year subsequent to the second year after the
5 operative date of this chapter, not more than 1 percent of the fees
6 collected may be used for administrative costs.

7 (c) This section shall become operative on January 1, 2024.

8 SEC. 9. Section 44270.3 of the Health and Safety Code is
9 amended to read:

10 44270.3. For the purposes of this chapter, the following terms
11 have the following meanings:

12 (a) “Benefit-cost score,” for the Alternative and Renewable Fuel
13 and Vehicle Technology Program created pursuant to Section
14 44272, means a project’s expected or potential greenhouse gas
15 emissions reduction per dollar awarded by the commission to the
16 project from the Alternative and Renewable Fuel and Vehicle
17 Technology Fund.

18 (b) “Commission” means the State Energy Resources
19 Conservation and Development Commission.

20 (c) “Full fuel-cycle assessment” or “life-cycle assessment”
21 means evaluating and comparing the full environmental and health
22 impacts of each step in the life cycle of a fuel, including, but not
23 limited to, all of the following:

24 (1) Feedstock production, extraction, cultivation, transport, and
25 storage, and the transportation and use of water and changes in
26 land use and land cover therein.

27 (2) Fuel production, manufacture, distribution, marketing,
28 transport, and storage, and the transportation and use of water
29 therein.

30 (3) Vehicle operation, including refueling, combustion,
31 conversion, permeation, and evaporation.

32 (d) “Vehicle technology” means any vehicle, boat, off-road
33 equipment, or locomotive, or component thereof, including its
34 engine, propulsion system, transmission, or construction materials.

35 (e) For purposes of the Air Quality Improvement Program
36 created pursuant to Section 44274, the following terms have the
37 following meanings:

38 (1) “Benefit-cost score” means the reasonably expected or
39 potential criteria pollutant emission reductions achieved per dollar
40 awarded by the board for the project.

1 (2) “Project” means a category of investments identified for
2 potential funding by the board, including, but not limited to,
3 competitive grants, revolving loans, loan guarantees, loans,
4 vouchers, rebates, and other appropriate funding measures for
5 specific vehicles, equipment, technologies, or initiatives authorized
6 by Section 44274.

7 SEC. 10. Section 44271 of the Health and Safety Code is
8 amended to read:

9 44271. (a) This chapter creates the Alternative and Renewable
10 Fuel and Vehicle Technology Program, pursuant to Section 44272,
11 to be administered by the commission, and the Air Quality
12 Improvement Program, pursuant to Section 44274, to be
13 administered by the state board. The commission and the state
14 board shall do all of the following in fulfilling their responsibilities
15 pursuant to their respective programs:

16 (1) Establish sustainability goals to ensure that alternative and
17 renewable fuel and vehicle deployment projects, on a full fuel-cycle
18 assessment basis, will not adversely impact natural resources,
19 especially state and federal lands.

20 (2) Establish a competitive process for the allocation of funds
21 for projects funded pursuant to this chapter, which considers,
22 among other factors, the benefit-cost score, as defined in
23 subdivision (a) of Section 44270.3, associated with a project for
24 the Alternative and Renewable Fuel and Vehicle Technology
25 Program or, as defined in paragraph (1) of subdivision (e) of
26 Section 44270.3, associated with a project, as defined in paragraph
27 (2) of subdivision (e) of Section 44270.3, for the Air Quality
28 Improvement Program.

29 (3) Identify additional federal and private funding opportunities
30 to augment or complement the programs created pursuant to this
31 chapter.

32 (4) Ensure that the results of the reductions in emissions or
33 benefits can be measured and quantified.

34 (5) Ensure that those revenues derived from fees imposed on
35 motor vehicles that are expended pursuant to this chapter, as
36 amended by Senate Bill 11 of the 2013–14 Regular Session of the
37 Legislature, are expended in compliance with Section 3 of Article
38 XIX of the California Constitution, as were the revenues derived
39 from fees imposed on motor vehicles pursuant to Assembly Bill
40 118 (Chapter 750 of the Statutes of 2007).

1 (b) The state board, in consultation with the commission, shall
2 develop and adopt guidelines for both the Alternative and
3 Renewable Fuel and Vehicle Technology Program and the Air
4 Quality Improvement Program to ensure that programs meet both
5 of the following requirements:

6 (1) Activities undertaken pursuant to the programs complement,
7 and do not interfere with, efforts to achieve and maintain federal
8 and state ambient air quality standards and to reduce toxic air
9 contaminant and greenhouse gas emissions.

10 (2) Activities undertaken pursuant to the programs maintain or
11 improve upon emission reductions and air quality benefits in the
12 State Implementation Plan for Ozone, California Phase 2
13 Reformulated Gasoline standards, and diesel fuel regulations.

14 (c) For the purposes of both of the programs created by this
15 chapter, eligible projects do not include those required to be
16 undertaken pursuant to state or federal law, district rules or
17 regulations, memoranda of understanding with a governmental
18 entity, or legally binding agreements or documents. For the
19 purposes of the Alternative and Renewable Fuel and Vehicle
20 Technology Program, the state board shall advise the commission
21 to ensure the requirements of this subdivision are met.

22 (d) Any customer incentives for light-duty vehicles, including
23 rebates, shall not be greater than compensations given to consumers
24 pursuant to Section 44125.

25 SEC. 11. Section 44272 of the Health and Safety Code is
26 amended to read:

27 44272. (a) The Alternative and Renewable Fuel and Vehicle
28 Technology Program is hereby created. The program shall be
29 administered by the commission. The commission shall implement
30 the program by regulation pursuant to the requirements of Chapter
31 3.5 (commencing with Section 11340) of Part 1 of Division 3 of
32 Title 2 of the Government Code. The program shall provide, upon
33 appropriation by the Legislature, competitive grants, revolving
34 loans, loan guarantees, loans, or other appropriate funding
35 measures, to public agencies, vehicle and technology entities,
36 businesses and projects, public-private partnerships, workforce
37 training partnerships and collaboratives, fleet owners, consumers,
38 recreational boaters, and academic institutions to develop and
39 deploy innovative technologies that transform California's fuel
40 and vehicle types to help attain the state's climate change policies.

1 The emphasis of this program shall be to develop and deploy
2 technology and alternative and renewable fuels in the marketplace,
3 without adopting any one preferred fuel or technology.

4 (b) A project that receives more than seventy-five thousand
5 dollars (\$75,000) in funds from the commission shall be approved
6 at a noticed public meeting of the commission and shall be
7 consistent with the priorities established by the investment plan
8 adopted pursuant to Section 44272.5. Under this article, the
9 commission may delegate to the commission's executive director,
10 or his or her designee, the authority to approve either of the
11 following:

12 (1) A contract, grant, loan, or other agreement or award that
13 receives seventy-five thousand dollars (\$75,000) or less in funds
14 from the commission.

15 (2) Amendments to a contract, grant, loan, or other agreement
16 or award as long as the amendments do not increase the amount
17 of the award, change the scope of the project, or modify the purpose
18 of the agreement.

19 (c) The commission shall provide preferences to those projects
20 that maximize the goals of the Alternative and Renewable Fuel
21 and Vehicle Technology Program, based on the following criteria,
22 as applicable:

23 (1) The project's ability to provide a measurable transition from
24 the nearly exclusive use of petroleum fuels to a diverse portfolio
25 of viable alternative fuels that meet petroleum reduction and
26 alternative fuel use goals.

27 (2) The project's consistency with existing and future state
28 climate change policy and low-carbon fuel standards.

29 (3) The project's ability to reduce criteria air pollutants and air
30 toxics and reduce or avoid multimedia environmental impacts.

31 (4) The project's ability to decrease, on a life-cycle basis, the
32 discharge of water pollutants or any other substances known to
33 damage human health or the environment, in comparison to the
34 production and use of California Phase 2 Reformulated Gasoline
35 or diesel fuel produced and sold pursuant to California diesel fuel
36 regulations set forth in Article 2 (commencing with Section 2280)
37 of Chapter 5 of Division 3 of Title 13 of the California Code of
38 Regulations.

39 (5) The project does not adversely impact the sustainability of
40 the state's natural resources, especially state and federal lands.

1 (6) The project provides nonstate matching funds. Costs incurred
2 from the date a proposed award is noticed may be counted as
3 nonstate matching funds. The commission may adopt further
4 requirements for the purposes of this paragraph. The commission
5 is not liable for costs incurred pursuant to this paragraph if the
6 commission does not give final approval for the project or the
7 proposed recipient does not meet requirements adopted by the
8 commission pursuant to this paragraph.

9 (7) The project provides economic benefits for California by
10 promoting California-based technology firms, jobs, and businesses.

11 (8) The project uses existing or proposed fueling infrastructure
12 to maximize the outcome of the project.

13 (9) The project's ability to reduce on a life-cycle assessment
14 greenhouse gas emissions by at least 10 percent, and higher
15 percentages in the future, from current reformulated gasoline and
16 diesel fuel standards established by the state board.

17 (10) The project's use of alternative fuel blends of at least 20
18 percent, and higher blend ratios in the future, with a preference
19 for projects with higher blends.

20 (11) The project drives new technology advancement for
21 vehicles, vessels, engines, and other equipment, and promotes the
22 deployment of that technology in the marketplace.

23 (d) The commission shall rank applications for projects proposed
24 for funding awards based on solicitation criteria developed in
25 accordance with subdivision (c), and shall give additional
26 preference to funding those projects with higher benefit-cost scores.

27 (e) Only the following shall be eligible for funding:

28 (1) Alternative and renewable fuel projects to develop and
29 improve alternative and renewable low-carbon fuels, including
30 electricity, ethanol, dimethyl ether, renewable diesel, natural gas,
31 hydrogen, and biomethane, among others, and their feedstocks
32 that have high potential for long-term or short-term
33 commercialization, including projects that lead to sustainable
34 feedstocks.

35 (2) Demonstration and deployment projects that optimize
36 alternative and renewable fuels for existing and developing engine
37 technologies.

38 (3) Projects to produce alternative and renewable low-carbon
39 fuels in California.

1 (4) Projects to decrease the overall impact of an alternative and
2 renewable fuel's life cycle carbon footprint and increase
3 sustainability.

4 (5) Alternative and renewable fuel infrastructure, fueling
5 stations, and equipment. The preference in paragraph (10) of
6 subdivision (c) shall not apply to renewable diesel or biodiesel
7 infrastructure, fueling stations, and equipment used solely for
8 renewable diesel or biodiesel fuel.

9 (6) Projects to develop and improve light-, medium-, and
10 heavy-duty vehicle technologies that provide for better fuel
11 efficiency and lower greenhouse gas emissions, alternative fuel
12 usage and storage, or emission reductions, including propulsion
13 systems, advanced internal combustion engines with a 40 percent
14 or better efficiency level over the current market standard,
15 light-weight materials, intelligent transportation systems, energy
16 storage, control systems and system integration, physical
17 measurement and metering systems and software, development of
18 design standards and testing and certification protocols, battery
19 recycling and reuse, engine and fuel optimization electronic and
20 electrified components, hybrid technology, plug-in hybrid
21 technology, battery electric vehicle technology, fuel cell
22 technology, and conversions of hybrid technology to plug-in
23 technology through the installation of safety certified supplemental
24 battery modules.

25 (7) Programs and projects that accelerate the commercialization
26 of vehicles and alternative and renewable fuels including buy-down
27 programs through near-market and market-path deployments,
28 advanced technology warranty or replacement insurance,
29 development of market niches, supply-chain development, and
30 research related to the pedestrian safety impacts of vehicle
31 technologies and alternative and renewable fuels.

32 (8) Programs and projects to retrofit medium- and heavy-duty
33 onroad and nonroad vehicle fleets with technologies that create
34 higher fuel efficiencies, including alternative and renewable fuel
35 vehicles and technologies, idle management technology, and
36 aerodynamic retrofits that decrease fuel consumption.

37 (9) Infrastructure projects that promote alternative and renewable
38 fuel infrastructure development connected with existing fleets,
39 public transit, and existing transportation corridors, including

1 physical measurement or metering equipment and truck stop
2 electrification.

3 (10) Workforce training programs related to alternative and
4 renewable fuel feedstock production and extraction, renewable
5 fuel production, distribution, transport, and storage,
6 high-performance and low-emission vehicle technology and high
7 tower electronics, automotive computer systems, mass transit fleet
8 conversion, servicing, and maintenance, and other sectors or
9 occupations related to the purposes of this chapter.

10 (11) Block grants or incentive programs administered by public
11 entities or not-for-profit technology entities for multiple projects,
12 education and program promotion within California, and
13 development of alternative and renewable fuel and vehicle
14 technology centers. The commission may adopt guidelines for
15 implementing the block grant or incentive program, which shall
16 be approved at a noticed public meeting of the commission.

17 (12) Life cycle and multimedia analyses, sustainability and
18 environmental impact evaluations, and market, financial, and
19 technology assessments performed by a state agency to determine
20 the impacts of increasing the use of low-carbon transportation fuels
21 and technologies, and to assist in the preparation of the investment
22 plan and program implementation.

23 (13) A program to provide funding for homeowners who
24 purchase a plug-in electric vehicle to offset costs associated with
25 modifying electrical sources to include a residential plug-in electric
26 vehicle charging station. In establishing this program, the
27 commission shall consider funding criteria to maximize the public
28 benefit of the program.

29 (f) The commission may make a single source or sole source
30 award pursuant to this section for applied research. The same
31 requirements set forth in Section 25620.5 of the Public Resources
32 Code shall apply to awards made on a single source basis or a sole
33 source basis. This subdivision does not authorize the commission
34 to make a single source or sole source award for a project or
35 activity other than for applied research.

36 (g) The commission may do all of the following:

37 (1) Contract with the Treasurer to expend funds through
38 programs implemented by the Treasurer, if the expenditure is
39 consistent with all of the requirements of this article and Article
40 1 (commencing with Section 44270).

1 (2) Contract with small business financial development
2 corporations established by the Business, Transportation and
3 Housing Agency to expend funds through the Small Business Loan
4 Guarantee Program if the expenditure is consistent with all of the
5 requirements of this article and Article 1 (commencing with Section
6 44270).

7 (3) Advance funds, pursuant to an agreement with the
8 commission, to any of the following:

9 (A) A public entity.

10 (B) A recipient to enable it to make advance payments to a
11 public entity that is a subrecipient of the funds and under a binding
12 and enforceable subagreement with the recipient.

13 (C) An administrator of a block grant program.

14 SEC. 12. Section 44273 of the Health and Safety Code is
15 amended to read:

16 44273. (a) The Alternative and Renewable Fuel and Vehicle
17 Technology Fund is hereby created in the State Treasury, to be
18 administered by the commission. The moneys in the fund, upon
19 appropriation by the Legislature, shall be expended by the
20 commission to implement the Alternative and Renewable Fuel and
21 Vehicle Technology Program in accordance with this chapter.

22 (b) Notwithstanding any other provision of law, the sum of ten
23 million dollars (\$10,000,000) shall be transferred annually from
24 the Public Interest Research, Development, and Demonstration
25 Fund created by Section 384 of the Public Utilities Code to the
26 Alternative and Renewable Fuel and Vehicle Technology Fund.
27 Prior to the award of any funds from this source, the commission
28 shall make a determination that the proposed project will provide
29 benefits to electric or natural gas ratepayers based upon the
30 commission's adopted criteria.

31 (c) Beginning with the integrated energy policy report adopted
32 in 2011, and in the subsequent reports adopted thereafter, pursuant
33 to Section 25302 of the Public Resources Code, the commission
34 shall include an evaluation of research, development, and
35 deployment efforts funded by this chapter. The evaluation shall
36 include all of the following:

37 (1) A list of projects funded by the Alternative and Renewable
38 Fuel and Vehicle Technology Fund.

39 (2) The expected benefits of the projects in terms of air quality,
40 petroleum use reduction, greenhouse gas emissions reduction,

1 technology advancement, benefit-cost assessment, and progress
2 towards achieving these benefits.

3 (3) The overall contribution of the funded projects toward
4 promoting a transition to a diverse portfolio of clean, alternative
5 transportation fuels and reduced petroleum dependency in
6 California.

7 (4) Key obstacles and challenges to meeting these goals
8 identified through funded projects.

9 (5) Recommendations for future actions.

10 SEC. 13. Section 44274 of the Health and Safety Code is
11 amended to read:

12 44274. (a) The Air Quality Improvement Program is hereby
13 created. The program shall be administered by the state board, in
14 consultation with the districts. The state board shall develop
15 guidelines to implement the program. Prior to the adoption of the
16 guidelines, the state board shall hold at least one public hearing.
17 In addition, the state board shall hold at least three public
18 workshops with at least one workshop in northern California, one
19 in the central valley, and one in southern California. The purpose
20 of the program shall be to fund, upon appropriation by the
21 Legislature, air quality improvement projects relating to fuel and
22 vehicle technologies. The primary purpose of the program shall
23 be to fund projects to reduce criteria air pollutants, improve air
24 quality, and provide funding for research to determine and improve
25 the air quality impacts of alternative transportation fuels and
26 vehicles, vessels, and equipment technologies.

27 (b) The state board shall provide preference in awarding funding
28 to those projects with higher benefit-cost scores that maximize the
29 purposes and goals of the Air Quality Improvement Program. The
30 state board also may give additional preference based on the
31 following criteria, as applicable, in funding awards to projects:

32 (1) Proposed or potential reduction of criteria or toxic air
33 pollutants.

34 (2) Contribution to regional air quality improvement.

35 (3) Ability to promote the use of clean alternative fuels and
36 vehicle technologies as determined by the state board, in
37 coordination with the commission.

38 (4) Ability to achieve climate change benefits in addition to
39 criteria pollutant or air toxic emissions reductions.

1 (5) Ability to support market transformation of California's
2 vehicle or equipment fleet to utilize low carbon or zero-emission
3 technologies.

4 (6) Ability to leverage private capital investments.

5 (c) The program shall be limited to competitive grants, revolving
6 loans, loan guarantees, loans, and other appropriate funding
7 measures that further the purposes of the program. Projects to be
8 funded shall include only the following:

9 (1) Onroad and off-road equipment projects that are cost
10 effective.

11 (2) Projects that provide mitigation for off-road gasoline exhaust
12 and evaporative emissions.

13 (3) Projects that provide research to determine the air quality
14 impacts of alternative fuels and projects that study the life-cycle
15 impacts of alternative fuels and conventional fuels, the emissions
16 of biofuel and advanced reformulated gasoline blends, and air
17 pollution improvements and control technologies for use with
18 alternative fuels and vehicles.

19 (4) Projects that augment the University of California's
20 agricultural experiment station and cooperative extension programs
21 for research to increase sustainable biofuels production and
22 improve the collection of biomass feedstock.

23 (5) Incentives for small off-road equipment replacement to
24 encourage consumers to replace internal combustion engine lawn
25 and garden equipment.

26 (6) Incentives for medium- and heavy-duty vehicles and
27 equipment mitigation, including all of the following:

28 (A) Lower emission schoolbus programs.

29 (B) Electric, hybrid, and plug-in hybrid onroad and off-road
30 medium- and heavy-duty equipment.

31 (C) Regional air quality improvement and attainment programs
32 implemented by the state or districts in the most impacted regions
33 of the state.

34 (7) Workforce training initiatives related to advanced energy
35 technology designed to reduce air pollution, including
36 state-of-the-art equipment and goods, and new processes and
37 systems. Workforce training initiatives funded shall be broad-based
38 partnerships that leverage other public and private job training
39 programs and resources. These partnerships may include, though
40 are not limited to, employers, labor unions, labor-management

1 partnerships, community organizations, workforce investment
2 boards, postsecondary education providers including community
3 colleges, and economic development agencies.

4 (8) Incentives to identify and reduce emissions from
5 high-emitting light-duty vehicles.

6 (d) (1) Beginning January 1, 2011, the state board shall submit
7 to the Legislature a biennial report to evaluate the implementation
8 of the Air Quality Improvement Program established pursuant to
9 this chapter.

10 (2) The report shall include all of the following:

11 (A) A list of projects funded by the Air Quality Improvement
12 Account.

13 (B) The expected benefits of the projects in promoting clean,
14 alternative fuels and vehicle technologies.

15 (C) Improvement in air quality and public health, greenhouse
16 gas emissions reductions, and the progress made toward achieving
17 these benefits.

18 (D) The impact of the projects in making progress toward
19 attainment of state and federal air quality standards.

20 (E) Recommendations for future actions.

21 (3) The state board may include the information required to be
22 reported pursuant to paragraph (1) in an existing report to the
23 Legislature as the state board deems appropriate.

24 SEC. 14. Section 44275 of the Health and Safety Code, as
25 amended by Section 5 of Chapter 707 of the Statutes of 2004, is
26 amended to read:

27 44275. (a) As used in this chapter, the following terms have
28 the following meanings:

29 (1) "Advisory board" means the Carl Moyer Program Advisory
30 Board created by Section 44297.

31 (2) "Btu" means British thermal unit.

32 (3) "Commission" means the State Energy Resources
33 Conservation and Development Commission.

34 (4) "Cost-effectiveness" means dollars provided to a project
35 pursuant to subdivision (d) of Section 44283 for each ton of
36 covered emission reduction attributed to a project or to the program
37 as a whole. In calculating cost-effectiveness, one-time grants of
38 funds made at the beginning of a project shall be annualized using
39 a time value of public funds or discount rate determined for each
40 project by the state board, taking into account the interest rate on

1 bonds, interest earned by state funds, and other factors as
2 determined appropriate by the state board. Cost-effectiveness shall
3 be calculated by dividing annualized costs by average annual
4 emissions reduction. The state board, in consultation with the
5 districts and concerned members of the public, shall establish
6 appropriate cost-effective limits for oxides of nitrogen, particulate
7 matter, and reactive organic gases and a reasonable system for
8 comparing the cost-effectiveness of proposed projects as described
9 in subdivision (a) of Section 44283.

10 (5) “Covered emissions” include emissions of oxides of nitrogen,
11 particulate matter, and reactive organic gases from any covered
12 source.

13 (6) “Covered engine” includes any internal combustion engine
14 or electric motor and drive powering a covered source.

15 (7) “Covered source” includes onroad vehicles, off-road
16 nonrecreational equipment and vehicles, locomotives, diesel marine
17 vessels, agricultural sources of air pollution, as defined in Section
18 39011.5, and, as determined by the state board, other high-emitting
19 engine categories.

20 (8) “Covered vehicle” includes any vehicle or piece of
21 equipment powered by a covered engine.

22 (9) “District” means a county air pollution control district or an
23 air quality management district.

24 (10) “Fund” means the Air Pollution Control Fund established
25 pursuant to Section 43015.

26 (11) “Mobile Source Air Pollution Reduction Review
27 Committee” means the Mobile Source Air Pollution Reduction
28 Review Committee created by Section 44244.

29 (12) “Incremental cost” means the cost of the project less a
30 baseline cost that would otherwise be incurred by the applicant in
31 the normal course of business. Incremental costs may include
32 added lease or fuel costs pursuant to Section 44283 as well as
33 incremental capital costs.

34 (13) “New very low emission vehicle” means a heavy-duty
35 vehicle that qualifies as a very low emission vehicle when it is a
36 new vehicle, where new vehicle has the same meaning as defined
37 in Section 430 of the Vehicle Code, or that is modified with the
38 approval and warranty of the original equipment manufacturer to
39 qualify as a very low emission vehicle within 12 months of delivery
40 to an owner for private or commercial use.

1 (14) “NO_x” means oxides of nitrogen.

2 (15) “Program” means the Carl Moyer Memorial Air Quality
3 Standards Attainment Program created by subdivision (a) of
4 Section 44280.

5 (16) “Repower” means replacing an engine with a different
6 engine. The term repower, as used in this chapter, generally refers
7 to replacing an older, uncontrolled engine with a new,
8 emissions-certified engine, although replacing an older
9 emissions-certified engine with a newer engine certified to lower
10 emissions standards may be eligible for funding under this program.

11 (17) “Retrofit” means making modifications to the engine and
12 fuel system such that the retrofitted engine does not have the same
13 specifications as the original engine.

14 (18) “Very low emission vehicle” means a heavy-duty vehicle
15 with emissions significantly lower than otherwise applicable
16 baseline emission standards or uncontrolled emission levels
17 pursuant to Section 44282.

18 (b) This section shall remain in effect only until January 1, 2024,
19 and as of that date is repealed, unless a later enacted statute, that
20 is enacted before January 1, 2024, deletes or extends that date.

21 SEC. 15. Section 44275 of the Health and Safety Code, as
22 added by Section 5.5 of Chapter 707 of the Statutes of 2004, is
23 amended to read:

24 44275. (a) As used in this chapter, the following terms have
25 the following meanings:

26 (1) “Advisory board” means the Carl Moyer Program Advisory
27 Board created by Section 44297.

28 (2) “Btu” means British thermal unit.

29 (3) “Commission” means the State Energy Resources
30 Conservation and Development Commission.

31 (4) “Cost-effectiveness” means dollars provided to a project
32 pursuant to subdivision (d) of Section 44283 for each ton of NO_x
33 reduction attributed to a project or to the program as a whole. In
34 calculating cost-effectiveness, one-time grants of funds made at
35 the beginning of a project shall be annualized using a time value
36 of public funds or discount rate determined for each project by the
37 state board, taking into account the interest rate on bonds, interest
38 earned by state funds, and other factors as determined appropriate
39 by the state board. Cost-effectiveness shall be calculated by

1 dividing annualized costs by average annual emissions reduction
2 of NO_x in this state.

3 (5) “Covered engine” includes any internal combustion engine
4 or electric motor and drive powering a covered source.

5 (6) “Covered source” includes onroad vehicles of 14,000 pounds
6 gross vehicle weight rating (GVWR) or greater, off-road
7 nonrecreational equipment and vehicles, locomotives, diesel marine
8 vessels, stationary agricultural engines, and, as determined by the
9 state board, other high-emitting diesel engine categories.

10 (7) “Covered vehicle” includes any vehicle or piece of
11 equipment powered by a covered engine.

12 (8) “District” means a county air pollution control district or an
13 air quality management district.

14 (9) “Fund” means the Air Pollution Control Fund established
15 pursuant to Section 43015.

16 (10) “Mobile Source Air Pollution Reduction Review
17 Committee” means the Mobile Source Air Pollution Reduction
18 Review Committee created by Section 44244.

19 (11) “Incremental cost” means the cost of the project less a
20 baseline cost that would otherwise be incurred by the applicant in
21 the normal course of business. Incremental costs may include
22 added lease or fuel costs pursuant to Section 44283 as well as
23 incremental capital costs.

24 (12) “New very low emission vehicle” means a vehicle that
25 qualifies as a very low emission vehicle when it is a new vehicle,
26 where new vehicle has the same meaning as defined in Section
27 430 of the Vehicle Code, or that is modified with the approval and
28 warranty of the original equipment manufacturer to qualify as a
29 very low emission vehicle within 12 months of delivery to an
30 owner for private or commercial use.

31 (13) “NO_x” means oxides of nitrogen.

32 (14) “Program” means the Carl Moyer Memorial Air Quality
33 Standards Attainment Program created by subdivision (a) of
34 Section 44280.

35 (15) “Repower” means replacing an engine with a different
36 engine. The term repower, as used in this chapter, generally refers
37 to replacing an older, uncontrolled engine with a new,
38 emissions-certified engine, although replacing an older
39 emissions-certified engine with a newer engine certified to lower
40 emissions standards may be eligible for funding under this program.

1 (16) “Retrofit” means making modifications to the engine and
2 fuel system such that the retrofitted engine does not have the same
3 specifications as the original engine.

4 (17) “Very low emission vehicle” means a vehicle with
5 emissions significantly lower than otherwise applicable baseline
6 emission standards or uncontrolled emission levels pursuant to
7 Section 44282.

8 (b) This section shall become operative on January 1, 2024.

9 SEC. 16. Section 44280 of the Health and Safety Code, as
10 amended by Section 6 of Chapter 707 of the Statutes of 2004, is
11 amended to read:

12 44280. (a) There is hereby created the Carl Moyer Memorial
13 Air Quality Standards Attainment Program. The program shall be
14 administered by the state board in accordance with this chapter.
15 The administration of the program may be delegated to the districts.

16 (b) The program shall provide grants to offset the incremental
17 cost of projects that reduce covered emissions from covered sources
18 in California. Eligibility for grant awards shall be determined by
19 the state board, in consultation with the districts, in accordance
20 with this chapter.

21 (c) The program shall also provide funding for a fueling
22 infrastructure demonstration program and for technology
23 development efforts that are expected to result in commercially
24 available technologies in the near term that would improve the
25 ability of the program to achieve its goals. The infrastructure
26 demonstration and technology development portions of the program
27 shall be managed by the commission, in consultation with the state
28 board.

29 (d) This section shall remain in effect only until January 1, 2024,
30 and as of that date is repealed, unless a later enacted statute, that
31 is enacted before January 1, 2024, deletes or extends that date.

32 SEC. 17. Section 44280 of the Health and Safety Code, as
33 added by Section 6.5 of Chapter 707 of the Statutes of 2004, is
34 amended to read:

35 44280. (a) There is hereby created the Carl Moyer Memorial
36 Air Quality Standards Attainment Program. The program shall be
37 administered by the state board in accordance with this chapter.
38 The administration of the program may be delegated to the districts.

39 (b) The program shall provide grants to offset the incremental
40 cost of projects that reduce emissions of NO_x from covered sources

1 in California. Eligibility for grant awards shall be determined by
2 the state board, in consultation with the districts, in accordance
3 with this chapter.

4 (c) The program shall also provide funding for a fueling
5 infrastructure demonstration program and for technology
6 development efforts that are expected to result in commercially
7 available technologies in the near term that would improve the
8 ability of the program to achieve its goals. The infrastructure
9 demonstration and technology development portions of the program
10 shall be managed by the commission, in consultation with the state
11 board.

12 (d) This section shall become operative on January 1, 2024.

13 SEC. 18. Section 44281 of the Health and Safety Code, as
14 amended by Section 7 of Chapter 707 of the Statutes of 2004, is
15 amended to read:

16 44281. (a) Eligible projects include, but are not limited to, any
17 of the following:

18 (1) Purchase of new very low or zero-emission covered vehicles
19 or covered heavy-duty engines.

20 (2) Emission-reducing retrofit of covered engines, or
21 replacement of old engines powering covered sources with newer
22 engines certified to more stringent emissions standards than the
23 engine being replaced, or with electric motors or drives.

24 (3) Purchase and use of emission-reducing add-on equipment
25 that has been verified by the state board for covered vehicles.

26 (4) Development and demonstration of practical, low-emission
27 retrofit technologies, repower options, and advanced technologies
28 for covered engines and vehicles with very low emissions of NO_x.

29 (5) Light- and medium-duty vehicle projects in compliance with
30 guidelines adopted by the state board pursuant to Title 13 of the
31 California Code of Regulations.

32 (b) No project shall be funded under this chapter after the
33 compliance date required by any local, state, or federal statute,
34 rule, regulation, memoranda of agreement or understanding, or
35 other legally binding document, except that an otherwise qualified
36 project may be funded even if the state implementation plan
37 assumes that the change in equipment, vehicles, or operations will
38 occur, if the change is not required by the compliance date of a
39 statute, regulation, or other legally binding document in effect as
40 of the date the grant is awarded. No project funded by the program

1 shall be used for credit under any state or federal emissions
2 averaging, banking, or trading program. No emission reduction
3 generated by the program shall be used as marketable emission
4 reduction credits or to offset any emission reduction obligation of
5 any person or entity. Projects involving new engines that would
6 otherwise generate marketable credits under state or federal
7 averaging, banking, and trading programs shall include transfer
8 of credits to the engine end user and retirement of those credits
9 toward reducing air emissions in order to qualify for funding under
10 the program. A purchase of a low-emission vehicle or of equipment
11 pursuant to a corporate or a controlling board's policy, but not
12 otherwise required by law, shall generate surplus emissions
13 reductions and may be funded by the program.

14 (c) The program may also provide funding toward installation
15 of fueling or electrification infrastructure as provided in Section
16 44284.

17 (d) Eligible applicants may be any individual, company, or
18 public agency that owns one or more covered vehicles that operate
19 primarily within California or otherwise contribute substantially
20 to the NO_x, particulate matter (PM), or reactive organic gas (ROG)
21 emissions inventory in California.

22 (e) It is the intent of the Legislature that all emission reductions
23 generated by this chapter shall contribute to public health by
24 reducing, for the life of the vehicle being funded, the total amount
25 of emissions in California.

26 (f) This section shall remain in effect only until January 1, 2024,
27 and as of that date is repealed, unless a later enacted statute, that
28 is enacted before January 1, 2024, deletes or extends that date.

29 SEC. 19. Section 44281 of the Health and Safety Code, as
30 added by Section 7.5 of Chapter 707 of the Statutes of 2004, is
31 amended to read:

32 44281. (a) Eligible projects are any of the following:

33 (1) Purchase of new very low or zero-emission covered vehicles
34 or covered engines.

35 (2) Emission-reducing retrofit of covered engines, or
36 replacement of old engines powering covered sources with newer
37 engines certified to more stringent emissions standards than the
38 engine being replaced, or with electric motors or drives.

39 (3) Purchase and use of emission-reducing add-on equipment
40 for covered vehicles.

1 (4) Development and demonstration of practical, low-emission
2 retrofit technologies, repower options, and advanced technologies
3 for covered engines and vehicles with very low emissions of NO_x.

4 (b) No new purchase, retrofit, repower, or add-on equipment
5 shall be funded under this chapter if it is required by any local,
6 state, or federal statute, rule, regulation, memoranda of agreement
7 or understanding, or other legally binding document, except that
8 an otherwise qualified project may be funded even if the state
9 implementation plan assumes that the change in equipment,
10 vehicles, or operations will occur, if the change is not required by
11 a statute, regulation, or other legally binding document in effect
12 as of the date the grant is awarded. No project funded by the
13 program shall be used for credit under any state or federal
14 emissions averaging, banking, or trading program. No emission
15 reduction generated by the program shall be used as marketable
16 emission reduction credits or to offset any emission reduction
17 obligation of any entity. Projects involving new engines that would
18 otherwise generate marketable credits under state or federal
19 averaging, banking, and trading programs shall include transfer
20 of credits to the engine end user and retirement of those credits
21 toward reducing air emissions in order to qualify for funding under
22 the program. A purchase of a low-emission vehicle or of equipment
23 pursuant to a corporate or a controlling board's policy, but not
24 otherwise required by law, shall generate surplus emissions
25 reductions and may be funded by the program.

26 (c) The program may also provide funding toward installation
27 of fueling or electrification infrastructure as provided in Section
28 44284.

29 (d) Eligible applicants may be any individual, company, or
30 public agency that owns one or more covered vehicles that operate
31 primarily within California or otherwise contribute substantially
32 to the NO_x emissions inventory in California.

33 (e) It is the intent of the Legislature that all emission reductions
34 generated by this chapter shall contribute to public health by
35 reducing, for the life of the vehicle being funded, the total amount
36 of emissions in California.

37 (f) This section shall become operative on January 1, 2024.

38 SEC. 20. Section 44282 of the Health and Safety Code, as
39 amended by Section 8 of Chapter 707 of the Statutes of 2004, is
40 amended to read:

1 44282. The following criteria apply to all projects to be funded
2 through the program except for projects funded through the
3 infrastructure demonstration program:

4 (a) The state board may establish project criteria, including
5 minimum project life for source categories, in the guidelines
6 described in Section 44287. For previously unregulated source
7 categories, project criteria shall consider the timing of newly
8 established regulatory requirements.

9 (b) To be eligible, projects shall meet the cost-effectiveness per
10 ton of covered emissions reduced requirements of Section 44283.

11 (c) To be eligible, retrofits, repowers, and installation of add-on
12 equipment for covered vehicles shall be performed, or new covered
13 vehicles delivered to the end user, or covered vehicles scrapped
14 on or after the date the program is implemented.

15 (d) Retrofit technologies, new engines, and new vehicles shall
16 be certified for sale or under experimental permit for operation in
17 California.

18 (e) Repower projects that replace older, uncontrolled engines
19 with new, emissions-certified engines or that replace
20 emissions-certified engines with new engines certified to a more
21 stringent NO_x emissions standard are approvable subject to the
22 other applicable selection criteria. The state board shall determine
23 appropriate baseline emission levels for the uncontrolled engines
24 being replaced.

25 (f) For heavy-duty-vehicle projects, retrofit and add-on
26 equipment projects shall document a NO_x or PM emission
27 reduction of at least 25 percent and no increase in other covered
28 emissions compared to the applicable baseline emissions accepted
29 by the state board for that engine year and application. The state
30 board shall determine appropriate baseline emission levels.
31 Acceptable documentation shall be defined by the state board.
32 After study of available emission reduction technologies and after
33 public notice and comment, the state board may revise the
34 minimum percentage emission reduction criterion for retrofits and
35 add-on equipment provided for in this section to improve the ability
36 of the program to achieve its goals.

37 (g) (1) For heavy-duty-vehicle projects involving the purchase
38 of new very low or zero-emission vehicles, engines shall be
39 certified to an optional low NO_x emissions standard established
40 by the state board, except as provided for in paragraph (2).

1 (2) For heavy-duty-vehicle projects involving the purchase of
2 new very low or zero-emission covered vehicles for which no
3 optional low NO_x emission standards are available, documentation
4 shall be provided showing that the low or zero-emission engine
5 emits not more than 70 percent of the NO_x or NO_x plus
6 hydrocarbon emissions of a new engine certified to the applicable
7 baseline NO_x or NO_x plus hydrocarbon emission standard for that
8 engine and meets applicable particulate standards. The state board
9 shall specify the documentation required. If no baseline emission
10 standard exists for new vehicles in a particular category, the state
11 board shall determine an appropriate baseline emission level for
12 comparison.

13 (h) For projects other than heavy-duty-vehicle projects, the state
14 board shall determine appropriate criteria under the provisions of
15 Section 44287.

16 (i) This section shall remain in effect only until January 1, 2024,
17 and as of that date is repealed, unless a later enacted statute, that
18 is enacted before January 1, 2024, deletes or extends that date.

19 SEC. 21. Section 44282 of the Health and Safety Code, as
20 added by Section 8.5 of Chapter 707 of the Statutes of 2004, is
21 amended to read:

22 44282. The following criteria apply to all projects to be funded
23 through the program except for projects funded through the
24 infrastructure demonstration program:

25 (a) Except for projects involving marine vessels, 75 percent or
26 more of vehicle miles traveled or hours of operation shall be
27 projected to be in California for at least five years following the
28 grant award. Projects involving marine vessels and engines shall
29 be limited to those that spend enough time operating in California
30 air basins over the lifetime of the project to meet the
31 cost-effectiveness criteria based on NO_x reductions in California,
32 as provided in Section 44283.

33 (b) To be eligible, projects shall meet cost-effectiveness per ton
34 of NO_x reduced requirements of Section 44283.

35 (c) To be eligible, retrofits, repowers, and installation of add-on
36 equipment for covered vehicles shall be performed, or new covered
37 vehicles delivered to the end user, on or after the date the program
38 is implemented.

1 (d) Retrofit technologies, new engines, and new vehicles shall
2 be certified for sale or under experimental permit for operation in
3 California.

4 (e) Repower projects that replace older, uncontrolled engines
5 with new, emissions-certified engines or that replace
6 emissions-certified engines with new engines certified to a more
7 stringent NO_x emissions standard are approvable subject to the
8 other applicable selection criteria. The state board shall determine
9 appropriate baseline emission levels for the uncontrolled engines
10 being replaced.

11 (f) Retrofit and add-on equipment projects shall document a
12 NO_x emission reduction of at least 25 percent and no increase in
13 particulate emissions compared to the applicable baseline emissions
14 accepted by the state board for that engine year and application.
15 The state board shall determine appropriate baseline emission
16 levels. Acceptable documentation shall be defined by the state
17 board. After study of available emission reduction technologies
18 and after public notice and comment, the state board may revise
19 the minimum percentage NO_x reduction criterion for retrofits and
20 add-on equipment provided for in this section to improve the ability
21 of the program to achieve its goals.

22 (g) (1) For projects involving the purchase of new very low or
23 zero-emission vehicles, engines shall be certified to an optional
24 low NO_x emissions standard established by the state board, except
25 as provided for in paragraph (2).

26 (2) For projects involving the purchase of new very low or
27 zero-emission covered vehicles for which no optional low NO_x
28 emission standards are available, documentation shall be provided
29 showing that the low or zero-emission engine emits not more than
30 70 percent of the NO_x or NO_x plus hydrocarbon emissions of a
31 new engine certified to the applicable baseline NO_x or NO_x plus
32 hydrocarbon emission standard for that engine and meets applicable
33 particulate standards. The state board shall specify the
34 documentation required. If no baseline emission standard exists
35 for new vehicles in a particular category, the state board shall
36 determine an appropriate baseline emission level for comparison.

37 (h) This section shall become operative on January 1, 2024.

38 SEC. 22. Section 44283 of the Health and Safety Code, as
39 amended by Section 1 of Chapter 571 of the Statutes of 2010, is
40 amended to read:

1 44283. (a) Grants shall not be made for projects with a
2 cost-effectiveness, calculated in accordance with this section, of
3 more than thirteen thousand six hundred dollars (\$13,600) per ton
4 of NO_x reduced in California or a higher value that reflects state
5 consumer price index adjustments on or after January 1, 2006, as
6 determined by the state board. For projects obtaining reactive
7 organic gas and particulate matter reductions, the state board shall
8 determine appropriate adjustment factors to calculate a weighted
9 cost-effectiveness.

10 (b) Only covered emission reductions occurring in this state
11 shall be included in the cost-effectiveness determination. The
12 extent to which emissions generated at sea contribute to air quality
13 in California nonattainment areas shall be incorporated into these
14 methodologies based on a reasonable assessment of currently
15 available information and modeling assumptions.

16 (c) The state board shall develop protocols for calculating the
17 surplus covered emission reductions in California from
18 representative project types over the life of the project.

19 (d) The cost of the covered emission reduction is the amount
20 of the grant from the program, including matching funds provided
21 pursuant to subdivision (e) of Section 44287, plus any other state
22 funds, or funds under the district's budget authority or fiduciary
23 control, provided toward the project, not including funds described
24 in paragraphs (1) and (2) of subdivision (a) of Section 44287.2.
25 The state board shall establish reasonable methodologies for
26 evaluating project cost-effectiveness, consistent with the definition
27 contained in paragraph (4) of subdivision (a) of Section 44275,
28 and with accepted methods, taking into account a fair and
29 reasonable discount rate or time value of public funds.

30 (e) A grant shall not be made that, net of taxes, provides the
31 applicant with funds in excess of the incremental cost of the project.
32 Incremental lease costs may be capitalized according to guidelines
33 adopted by the state board so that these incremental costs may be
34 offset by a one-time grant award.

35 (f) Funds under a district's budget authority or fiduciary control
36 may be used to pay for the incremental cost of liquid or gaseous
37 fuel, other than standard gasoline or diesel, which is integral to a
38 covered emission reducing technology that is part of a project
39 receiving grant funding under the program. The fuel shall be
40 approved for sale by the state board. The incremental fuel cost

1 over the expected lifetime of the vehicle may be offset by the
2 district if the project as a whole, including the incremental fuel
3 cost, meets all of the requirements of this chapter, including the
4 maximum allowed cost-effectiveness. The state board shall develop
5 an appropriate methodology for converting incremental fuel costs
6 over the vehicle lifetime into an initial cost for the purposes of
7 determining project cost-effectiveness. Incremental fuel costs shall
8 not be included in project costs for fuels dispensed from any facility
9 that was funded, in whole or in part, from the fund.

10 (g) For purposes of determining any grant amount pursuant to
11 this chapter, the incremental cost of any new purchase, retrofit,
12 repower, or add-on equipment shall be reduced by the value of
13 any current financial incentive that directly reduces the project
14 price, including any tax credits or deductions, grants, or other
15 public financial assistance, not including funds described in
16 paragraphs (1) and (2) of subdivision (a) of Section 44287.2.
17 Project proponents applying for funding shall be required to state
18 in their application any other public financial assistance to the
19 project.

20 (h) For projects that would repower off-road equipment by
21 replacing uncontrolled diesel engines with new, certified diesel
22 engines, the state board may establish maximum grant award
23 amounts per repower. A repower project shall also be subject to
24 the incremental cost maximum pursuant to subdivision (e).

25 (i) After study of available emission reduction technologies and
26 costs and after public notice and comment, the state board may
27 reduce the values of the maximum grant award criteria stated in
28 this section to improve the ability of the program to achieve its
29 goals. Every year the state board shall adjust the maximum
30 cost-effectiveness amount established in subdivision (a) and any
31 per-project maximum set by the state board pursuant to subdivision
32 (h) to account for inflation.

33 (j) This section shall remain in effect only until January 1, 2024,
34 and as of that date is repealed, unless a later enacted statute, that
35 is enacted before January 1, 2024, deletes or extends that date.

36 SEC. 23. Section 44283 of the Health and Safety Code, as
37 amended by Section 2 of Chapter 571 of the Statutes of 2010, is
38 amended to read:

39 44283. (a) Grants shall not be made for projects with a
40 cost-effectiveness, calculated in accordance with this section, of

1 more than twelve thousand dollars (\$12,000) per ton of NO_x
2 reduced in California or a higher value that reflects state consumer
3 price index adjustments on or after January 1, 2024, as determined
4 by the state board.

5 (b) Only NO_x reductions occurring in this state shall be included
6 in the cost-effectiveness determination. The extent to which
7 emissions generated at sea contribute to air quality in California
8 nonattainment areas shall be incorporated into these methodologies
9 based on a reasonable assessment of currently available information
10 and modeling assumptions.

11 (c) The state board shall develop protocols for calculating the
12 surplus NO_x reductions in California from representative project
13 types over the life of the project.

14 (d) The cost of the NO_x reduction is the amount of the grant
15 from the program, including matching funds provided pursuant to
16 subdivision (e) of Section 44287, plus any other state funds, or
17 funds under the district's budget authority or fiduciary control,
18 provided toward the project, not including funds described in
19 paragraphs (1) and (2) of subdivision (a) of Section 44287.2. The
20 state board shall establish reasonable methodologies for evaluating
21 project cost-effectiveness, consistent with the definition contained
22 in paragraph (4) of subdivision (a) of Section 44275, and with
23 accepted methods, taking into account a fair and reasonable
24 discount rate or time value of public funds.

25 (e) A grant shall not be made that, net of taxes, provides the
26 applicant with funds in excess of the incremental cost of the project.
27 Incremental lease costs may be capitalized according to guidelines
28 adopted by the state board so that these incremental costs may be
29 offset by a one-time grant award.

30 (f) Funds under a district's budget authority or fiduciary control
31 may be used to pay for the incremental cost of liquid or gaseous
32 fuel, other than standard gasoline or diesel, which is integral to a
33 NO_x reducing technology that is part of a project receiving grant
34 funding under the program. The fuel shall be approved for sale by
35 the state board. The incremental fuel cost over the expected lifetime
36 of the vehicle may be offset by the district if the project as a whole,
37 including the incremental fuel cost, meets all of the requirements
38 of this chapter, including the maximum allowed cost-effectiveness.
39 The state board shall develop an appropriate methodology for
40 converting incremental fuel costs over the vehicle lifetime into an

1 initial cost for the purposes of determining project
2 cost-effectiveness. Incremental fuel costs shall not be included in
3 project costs for fuels dispensed from any facility that was funded,
4 in whole or in part, from the fund.

5 (g) For purposes of determining any grant amount pursuant to
6 this chapter, the incremental cost of any new purchase, retrofit,
7 repower, or add-on equipment shall be reduced by the value of
8 any current financial incentive that directly reduces the project
9 price, including any tax credits or deductions, grants, or other
10 public financial assistance, not including funds described in
11 paragraphs (1) and (2) of subdivision (a) of Section 44287.2.
12 Project proponents applying for funding shall be required to state
13 in their application any other public financial assistance to the
14 project.

15 (h) For projects that would repower off-road equipment by
16 replacing uncontrolled diesel engines with new, certified diesel
17 engines, the state board may establish maximum grant award
18 amounts per repower. A repower project shall also be subject to
19 the incremental cost maximum pursuant to subdivision (e).

20 (i) After study of available emission reduction technologies and
21 costs and after public notice and comment, the state board may
22 reduce the values of the maximum grant award criteria stated in
23 this section to improve the ability of the program to achieve its
24 goals. Every year the state board shall adjust the maximum
25 cost-effectiveness amount established in subdivision (a) and any
26 per-project maximum set by the state board pursuant to subdivision
27 (h) to account for inflation.

28 (j) This section shall become operative on January 1, 2024.

29 SEC. 24. Section 44287 of the Health and Safety Code, as
30 amended by Section 10 of Chapter 707 of the Statutes of 2004, is
31 amended to read:

32 44287. (a) The state board shall establish or update grant
33 criteria and guidelines consistent with this chapter for covered
34 vehicle projects as soon as practicable, but not later than January
35 1, 2006. The adoption of guidelines is exempt from the rulemaking
36 provisions of the Administrative Procedure Act, Chapter 3.5
37 (commencing with Section 11340) of Part 1 of Division 3 of Title
38 2 of the Government Code. The state board shall solicit input and
39 comment from the districts during the development of the criteria
40 and guidelines and shall make every effort to develop criteria and

1 guidelines that are compatible with existing district programs that
2 are also consistent with this chapter. Guidelines shall include
3 protocols to calculate project cost-effectiveness. The grant criteria
4 and guidelines shall include safeguards to ensure that the project
5 generates surplus emissions reductions. Guidelines shall enable
6 and encourage districts to cofund projects that provide emissions
7 reductions in more than one district. The state board shall make
8 draft criteria and guidelines available to the public 45 days before
9 final adoption, and shall hold at least one public meeting to
10 consider public comments before final adoption. The state board
11 may develop separate guidelines and criteria for the different types
12 of eligible projects described in subdivision (a) of Section 44281.

13 (b) The state board, in consultation with the participating
14 districts, may propose revisions to the criteria and guidelines
15 established pursuant to subdivision (a) as necessary to improve
16 the ability of the program to achieve its goals. A proposed revision
17 shall be made available to the public 45 days before final adoption
18 of the revision and the state board shall hold at least one public
19 meeting to consider public comments before final adoption of the
20 revision.

21 (c) The state board shall reserve funds for, and disburse funds
22 to, districts from the fund for administration pursuant to this section
23 and Section 44299.1.

24 (d) The state board shall develop guidelines for a district to
25 follow in applying for the reservation of funds, in accordance with
26 this chapter. It is the intent of the Legislature that district
27 administration of any reserved funds be in accordance with the
28 project selection criteria specified in Sections 44281, 44282, and
29 44283 and all other provisions of this chapter. The guidelines shall
30 be established and published by the state board as soon as
31 practicable, but not later than January 1, 2006.

32 (e) Funds shall be reserved by the state board for administration
33 by a district that adopts an eligible program pursuant to this chapter
34 and offers matching funds at a ratio of one dollar (\$1) of matching
35 funds committed by the district or the Mobile Source Air Pollution
36 Reduction Review Committee for every two dollars (\$2) committed
37 from the fund. Funds available to the Mobile Source Air Pollution
38 Reduction Review Committee may be counted as matching funds
39 for projects in the South Coast Air Basin only if the committee
40 approves the use of these funds for matching purposes. Matching

1 funds may be any funds under the district's budget authority that
2 are committed to be expended in accordance with the program.
3 Funds committed by a port authority or a local government, in
4 cooperation with a district, to be expended in accordance with the
5 program may also be counted as district matching funds. Matching
6 funds provided by a port authority or a local government may not
7 exceed 30 percent of the total required matching funds in any
8 district that applies for more than three hundred thousand dollars
9 (\$300,000) of the state board funds. Only a district, or a port
10 authority or a local government teamed with a district, may provide
11 matching funds.

12 (f) The state board may adjust the ratio of matching funds
13 described in subdivision (e), if it determines that an adjustment is
14 necessary in order to maximize the use of, or the air quality benefits
15 provided by, the program, based on a consideration of the financial
16 resources of the district.

17 (g) Notwithstanding subdivision (e), a district need not provide
18 matching funds for state board funds allocated to the district for
19 program outreach activities pursuant to paragraph (4) of subdivision
20 (a) of Section 44299.1.

21 (h) A district may include within its matching funds a reasonable
22 estimate of direct or in-kind costs for assistance in providing
23 program outreach and application evaluation. In-kind and direct
24 matching funds shall not exceed 15 percent of the total matching
25 funds offered by a district. A district may also include within its
26 matching funds any money spent on or after February 25, 1999,
27 that would have qualified as matching funds but were not
28 previously claimed as matching funds.

29 (i) A district desiring a reservation of funds shall apply to the
30 state board following the application guidelines established
31 pursuant to this section. The state board shall approve or disapprove
32 a district application not later than 60 days after receipt. Upon
33 approval of any district application, the state board shall
34 simultaneously approve a reservation of funding for that district
35 to administer. Reserved funds shall be disbursed to the district so
36 that funding of a district-approved project is not impeded.

37 (j) Notwithstanding any other provision of this chapter, districts
38 and the Mobile Source Air Pollution Reduction Review Committee
39 shall not use funds collected pursuant to Section 41081 or Chapter
40 7 (commencing with Section 44220), or pursuant to Section

1 9250.11 of the Vehicle Code, as matching funds to fund a project
2 with stationary or portable engines, locomotives, or marine vessels.

3 (k) Any funds reserved for a district pursuant to this section are
4 available to the district for a period of not more than two years
5 from the time of reservation. Funds not expended by June 30 of
6 the second calendar year following the date of the reservation shall
7 revert back to the state board as of that June 30, and shall be
8 deposited in the fund for use by the program. The funds may then
9 be redirected based on applications to the fund. Regardless of any
10 reversion of funds back to the state board, the district may continue
11 to request other reservations of funds for local administration. Each
12 reservation of funds shall be accounted for separately, and unused
13 funds from each application shall revert back to the state board as
14 specified in this subdivision.

15 (l) The state board shall specify a date each year when district
16 applications are due. If the eligible applications received in any
17 year oversubscribe the available funds, the state board shall reserve
18 funds on an allocation basis, pursuant to Section 44299.2. The
19 state board may accept a district application after the due date for
20 a period of months specified by the state board. Funds may be
21 reserved in response to those applications, in accordance with this
22 chapter, out of funds remaining after the original reservation of
23 funds for the year.

24 (m) Guidelines for a district application shall require information
25 from an applicant district to the extent necessary to meet the
26 requirements of this chapter, but shall otherwise minimize the
27 information required of a district.

28 (n) A district application shall be reviewed by the state board
29 immediately upon receipt. If the state board determines that an
30 application is incomplete, the applicant shall be notified within 10
31 working days with an explanation of what is missing from the
32 application. A completed application fulfilling the criteria shall be
33 approved as soon as practicable, but not later than 60 working days
34 after receipt.

35 (o) The commission, in consultation with the districts, shall
36 establish project approval criteria and guidelines for infrastructure
37 projects consistent with Section 44284 as soon as practicable, but
38 not later than February 15, 2000. The commission shall make draft
39 criteria and guidelines available to the public 45 days before final

1 adoption, and shall hold at least one public meeting to consider
2 public comments before final adoption.

3 (p) The commission, in consultation with the participating
4 districts, may propose revisions to the criteria and guidelines
5 established pursuant to subdivision (o) as necessary to improve
6 the ability of the program to achieve its goals. A revision may be
7 proposed at any time, or may be proposed in response to a finding
8 made in the annual report on the program published by the state
9 board pursuant to Section 44295. A proposed revision shall be
10 made available to the public 45 days before final adoption of the
11 revision and the commission shall hold at least one public meeting
12 to consider public comments before final adoption of the revision.

13 (q) Unclaimed funds will be allocated by the state board in
14 accordance with Section 44299.2.

15 (r) This section shall remain in effect only until January 1, 2024,
16 and as of that date is repealed, unless a later enacted statute, that
17 is enacted before January 1, 2024, deletes or extends that date.

18 SEC. 25. Section 44287 of the Health and Safety Code, as
19 added by Section 10.5 of Chapter 707 of the Statutes of 2004, is
20 amended to read:

21 44287. (a) The state board shall establish grant criteria and
22 guidelines consistent with this chapter for covered vehicle projects
23 as soon as practicable, but not later than January 1, 2000. The
24 adoption of guidelines is exempt from the rulemaking provisions
25 of the Administrative Procedure Act, Chapter 3.5 (commencing
26 with Section 11340) of Part 1 of Division 3 of Title 2 of the
27 Government Code. The state board shall solicit input and comment
28 from the districts during the development of the criteria and
29 guidelines and shall make every effort to develop criteria and
30 guidelines that are compatible with existing district programs that
31 are also consistent with this chapter. Guidelines shall include
32 protocols to calculate project cost-effectiveness. The grant criteria
33 and guidelines shall include safeguards to ensure that the project
34 generates surplus emissions reductions. Guidelines shall enable
35 and encourage districts to cofund projects that provide emissions
36 reductions in more than one district. The state board shall make
37 draft criteria and guidelines available to the public 45 days before
38 final adoption, and shall hold at least one public meeting to
39 consider public comments before final adoption.

1 (b) The state board, in consultation with the participating
2 districts, may propose revisions to the criteria and guidelines
3 established pursuant to subdivision (a) as necessary to improve
4 the ability of the program to achieve its goals. A proposed revision
5 shall be made available to the public 45 days before final adoption
6 of the revision and the state board shall hold at least one public
7 meeting to consider public comments before final adoption of the
8 revision.

9 (c) The state board shall reserve funds for, and disburse funds
10 to, districts from the fund for administration pursuant to this section
11 and Section 44299.1.

12 (d) The state board shall develop guidelines for a district to
13 follow in applying for the reservation of funds, in accordance with
14 this chapter. It is the intent of the Legislature that district
15 administration of any reserved funds be in accordance with the
16 project selection criteria specified in Sections 44281, 44282, and
17 44283 and all other provisions of this chapter. The guidelines shall
18 be established and published by the state board as soon as
19 practicable, but not later than January 1, 2000.

20 (e) Funds shall be reserved by the state board for administration
21 by a district that adopts an eligible program pursuant to this chapter
22 and offers matching funds at a ratio of one dollar (\$1) of matching
23 funds committed by the district or the Mobile Source Air Pollution
24 Reduction Review Committee for every two dollars (\$2) committed
25 from the fund. Funds available to the Mobile Source Air Pollution
26 Reduction Review Committee may be counted as matching funds
27 for projects in the South Coast Air Basin only if the committee
28 approves the use of these funds for matching purposes. Matching
29 funds may be any funds under the district's budget authority that
30 are committed to be expended in accordance with the program.
31 Funds committed by a port authority or a local government, in
32 cooperation with a district, to be expended in accordance with the
33 program may also be counted as district matching funds. Matching
34 funds provided by a port authority or a local government may not
35 exceed 30 percent of the total required matching funds in any
36 district that applies for more than three hundred thousand dollars
37 (\$300,000) of the state board funds. Only a district, or a port
38 authority or a local government teamed with a district, may provide
39 matching funds.

1 (f) The state board may adjust the ratio of matching funds
2 described in subdivision (e), if it determines that an adjustment is
3 necessary in order to maximize the use of, or the air quality benefits
4 provided by, the program, based on a consideration of the financial
5 resources of the district.

6 (g) Notwithstanding subdivision (e), a district need not provide
7 matching funds for state board funds allocated to the district for
8 program outreach activities pursuant to paragraph (4) of subdivision
9 (a) of Section 44299.1.

10 (h) A district may include within its matching funds a reasonable
11 estimate of direct or in-kind costs for assistance in providing
12 program outreach and application evaluation. In-kind and direct
13 matching funds shall not exceed 15 percent of the total matching
14 funds offered by a district. A district may also include within its
15 matching funds any money spent on or after February 25, 1999,
16 that would have qualified as matching funds but were not
17 previously claimed as matching funds.

18 (i) A district desiring a reservation of funds shall apply to the
19 state board following the application guidelines established
20 pursuant to this section. The state board shall approve or disapprove
21 a district application not later than 60 days after receipt. Upon
22 approval of any district application, the state board shall
23 simultaneously approve a reservation of funding for that district
24 to administer. Reserved funds shall be disbursed to the district so
25 that funding of a district-approved project is not impeded.

26 (j) Notwithstanding any other provision of this chapter, districts
27 and the Mobile Source Air Pollution Reduction Review Committee
28 shall not use funds collected pursuant to Section 41081 or Chapter
29 7 (commencing with Section 44220), or pursuant to Section
30 9250.11 of the Vehicle Code, as matching funds to fund a project
31 with stationary or portable engines, locomotives, or marine vessels.

32 (k) Any funds reserved for a district pursuant to this section are
33 available to the district for a period of not more than two years
34 from the time of reservation. Funds not expended by June 30 of
35 the second calendar year following the date of the reservation shall
36 revert back to the state board as of that June 30, and shall be
37 deposited in the fund for use by the program. The funds may then
38 be redirected based on applications to the fund. Regardless of any
39 reversion of funds back to the state board, the district may continue
40 to request other reservations of funds for local administration. Each

1 reservation of funds shall be accounted for separately, and unused
2 funds from each application shall revert back to the state board as
3 specified in this subdivision.

4 (l) The state board shall specify a date each year when district
5 applications are due. If the eligible applications received in any
6 year oversubscribe the available funds, the state board shall reserve
7 funds on an allocation basis, pursuant to subdivision (b) of Section
8 44299.1. The state board may accept a district application after
9 the due date for a period of months specified by the state board.
10 Funds may be reserved in response to those applications, in
11 accordance with this chapter, out of funds remaining after the
12 original reservation of funds for the year.

13 (m) Guidelines for a district application shall require information
14 from an applicant district to the extent necessary to meet the
15 requirements of this chapter, but shall otherwise minimize the
16 information required of a district.

17 (n) A district application shall be reviewed by the state board
18 immediately upon receipt. If the state board determines that an
19 application is incomplete, the applicant shall be notified within 10
20 working days with an explanation of what is missing from the
21 application. A completed application fulfilling the criteria shall be
22 approved as soon as practicable, but not later than 60 working days
23 after receipt.

24 (o) The state board, in consultation with the districts, shall
25 establish project approval criteria and guidelines for infrastructure
26 projects consistent with Section 44284 as soon as practicable, but
27 not later than February 15, 2000. The commission shall make draft
28 criteria and guidelines available to the public 45 days before final
29 adoption, and shall hold at least one public meeting to consider
30 public comments before final adoption.

31 (p) The state board, in consultation with the participating
32 districts, may propose revisions to the criteria and guidelines
33 established pursuant to subdivision (o) as necessary to improve
34 the ability of the program to achieve its goals. A revision may be
35 proposed at any time, or may be proposed in response to a finding
36 made in the annual report on the program published by the state
37 board pursuant to Section 44295. A proposed revision shall be
38 made available to the public 45 days before final adoption of the
39 revision and the commission shall hold at least one public meeting
40 to consider public comments before final adoption of the revision.

1 (q) This section shall become operative on January 1, 2024.

2 SEC. 26. Section 44299 of the Health and Safety Code is
3 repealed.

4 SEC. 27. Section 44299.1 of the Health and Safety Code, as
5 amended by Section 3 of Chapter 627 of the Statutes of 2006, is
6 amended to read:

7 44299.1. (a) To ensure that emission reductions are obtained
8 as needed from pollution sources, any moneys deposited in the
9 fund for use by the program or appropriated to the program shall
10 be segregated and administered as follows:

11 (1) Not more than 2 percent of the moneys in the fund for use
12 by the program shall be allocated to program support and outreach
13 costs incurred by the state board and the commission directly
14 associated with implementing the program pursuant to this chapter.
15 These funds shall be allocated to the state board and the
16 commission in proportion to total program funds administered by
17 the state board and the commission.

18 (2) Not more than 2 percent of the moneys in the fund for use
19 by the program shall be allocated to direct program outreach
20 activities. The state board may use these funds for program
21 outreach contracts or may allocate outreach funds to participating
22 districts in proportion to each district's allocation from the program
23 moneys in the fund. The state board shall report on the use of
24 outreach funds in their reports to the Legislature pursuant to Section
25 44295.

26 (3) The balance shall be deposited in the fund to be expended
27 to offset added costs of new very low or zero-emission vehicle
28 technologies, and emission reducing repowers, retrofits, and add-on
29 equipment for covered vehicles and engines, and other projects
30 specified in Section 44281.

31 (b) Moneys in the fund shall be allocated to a district that
32 submits an eligible application to the state board pursuant to
33 Section 44287. The state board shall determine the maximum
34 amount of annual funding from the fund for use by the program
35 that each district may receive. This determination shall be based
36 on the population in each district as well as the relative importance
37 of obtaining covered emission reductions in each district,
38 specifically through the program.

39 (c) Not more than 5 percent of the moneys allocated pursuant
40 to this chapter to a district with a population of one million or more

1 may be used by the district for indirect costs of implementation of
2 the program, including outreach costs that are subject to the
3 limitation in paragraph (2) of subdivision (a).

4 (d) Not more than 10 percent of the moneys allocated pursuant
5 to this chapter to a district with a population of less than one
6 million may be used by the district for indirect costs of
7 implementation of the program, including outreach costs that are
8 subject to the limitation in paragraph (2) of subdivision (a).

9 (e) This section shall remain in effect only until January 1, 2024,
10 and as of that date is repealed, unless a later enacted statute, that
11 is enacted before January 1, 2024, deletes or extends that date.

12 SEC. 28. Section 44299.1 of the Health and Safety Code, as
13 added by Section 11.5 of Chapter 707 of the Statutes of 2004, is
14 amended to read:

15 44299.1. (a) To ensure that emission reductions are obtained
16 as needed from pollution sources, any moneys deposited in the
17 fund for use by the program or appropriated to the program shall
18 be segregated and administered as follows:

19 (1) Ten percent, not to exceed two million dollars (\$2,000,000),
20 shall be allocated to the infrastructure demonstration project to be
21 used pursuant to Section 44284.

22 (2) Ten percent shall be deposited in the fund for use by the
23 program to be used to support research, development,
24 demonstration, and commercialization of advanced low-emission
25 technologies for covered sources that show promise of contributing
26 to the goals of the program.

27 (3) Not more than 2 percent of the moneys in the fund for use
28 by the program shall be allocated to program support and outreach
29 costs incurred by the state board and the commission directly
30 associated with implementing the program pursuant to this chapter.
31 These funds shall be allocated to the state board and the
32 commission in proportion to total program funds administered by
33 the state board and the commission.

34 (4) Not more than 2 percent of the moneys in the fund for use
35 by the program shall be allocated to direct program outreach
36 activities. The state board may use these funds for program
37 outreach contracts or may allocate outreach funds to participating
38 air districts in proportion to each district's allocation from the fund
39 for use by the program. The state board shall report on the use of

1 outreach funds in their reports to the Legislature pursuant to Section
2 44295.

3 (5) The balance shall be deposited in the fund for use by the
4 program to be expended to offset added costs of new very low or
5 zero-emission vehicle technologies, and emission reducing
6 repowers, retrofits, and add-on equipment for covered vehicles
7 and engines.

8 (b) Moneys in the fund for use by the program shall be allocated
9 to a district that submits an eligible application to the state board
10 pursuant to Section 44287. The state board shall determine the
11 maximum amount of annual funding from the fund for use by the
12 program that each district may receive. This determination shall
13 be based on the population in each district as well as the relative
14 importance of obtaining NO_x reductions in each district,
15 specifically through the program.

16 (c) This section shall become operative on January 1, 2024.

17 SEC. 29. Section 44299.2 of the Health and Safety Code is
18 amended to read:

19 44299.2. Funds shall be allocated to districts, and shall be
20 subject to administrative terms and conditions as follows:

21 (a) Available funds shall be distributed to districts taking into
22 consideration the population of the area, the severity of the air
23 quality problems experienced by the population, and the historical
24 allocation of the program funds, except that the south coast district
25 shall be allocated a percentage of the total funds available to
26 districts that is proportional to the percentage of the total state
27 population residing within the jurisdictional boundaries of that
28 district. For the purposes of this subdivision, population shall be
29 determined by the state board based on the most recent data
30 provided by the Department of Finance. The allocation to the south
31 coast district shall be subtracted from the total funds available to
32 districts. Each district, except the south coast district, shall be
33 awarded a minimum allocation of two hundred thousand dollars
34 (\$200,000), and the remainder, which shall be known as the
35 “allocation amount,” shall be allocated to all districts as follows:

36 (1) The state board shall distribute 35 percent of the allocation
37 amount to the districts in proportion to the percentage of the total
38 residual state population that resides within each district’s
39 boundaries. For purposes of this paragraph, “total residual state

1 population” means the total state population, less the total
2 population that resides within the south coast district.

3 (2) The state board shall distribute 35 percent of the allocation
4 amount to the districts in proportion to the severity of the air quality
5 problems to which each district’s population is exposed. The
6 severity of the exposure shall be calculated as follows:

7 (A) Each district shall be awarded severity points based on the
8 district’s attainment designation and classification, as most recently
9 promulgated by the federal Environmental Protection Agency for
10 the National Ambient Air Quality Standard for ozone averaged
11 over eight hours, as follows:

12 (i) A district that is designated attainment for the federal
13 eight-hour ozone standard shall be awarded one point.

14 (ii) A district that is designated nonattainment for the federal
15 eight-hour ozone standard shall be awarded severity points based
16 on classification. Two points shall be awarded for transitional,
17 basic, or marginal classifications, three points for moderate
18 classification, four points for serious classification, five points for
19 severe classification, six points for severe-17 classification, and
20 seven points for extreme classification.

21 (B) Each district shall be awarded severity points based on the
22 annual diesel particulate emissions in the air basin, as determined
23 by the state board. One point shall be awarded to the district, in
24 increments, for each 1,000 tons of diesel particulate emissions. In
25 making this determination, 0 to 999 tons shall be awarded no
26 points, 1,000 to 1,999 tons shall be awarded one point, 2,000 to
27 2,999 tons shall be awarded two points, and so forth. If a district
28 encompasses more than one air basin, the air basin with the greatest
29 diesel particulate emissions shall be used to determine the points
30 awarded to the district. The San Diego County Air Pollution
31 Control District and the Imperial County Air Pollution Control
32 District shall be awarded one additional point each to account for
33 annual diesel particulate emissions transported from Mexico.

34 (C) The points awarded under subparagraphs (A) and (B), shall
35 be added together for each district, and the total shall be multiplied
36 by the population residing within the district boundaries, to yield
37 the local air quality exposure index.

38 (D) The local air quality exposure index for each district shall
39 be summed together to yield a total state exposure index. Funds
40 shall be allocated under this paragraph to each district in proportion

1 to its local air quality exposure index divided by the total state
2 exposure index.

3 (3) The state board shall distribute 30 percent of the allocation
4 amount to the districts in proportion to the allocation of funds from
5 the program moneys in the fund, as follows:

6 (A) Because each district is awarded a minimum allocation
7 pursuant to subdivision (a), there shall be no additional minimum
8 allocation from the program historical allocation funds. The total
9 amount allocated in this way shall be subtracted from total funding
10 previously awarded to the district under the program, and the
11 remainder, which shall be known as directed funds, shall be
12 allocated pursuant to subparagraph (B).

13 (B) Each district with a population that is greater than or equal
14 to 1 percent of the state's population shall receive an additional
15 allocation based on the population of the district and the district's
16 relative share of emission reduction commitments in the state
17 implementation plan to attain the National Ambient Air Quality
18 Standard for ozone averaged over one hour. This additional
19 allocation shall be calculated as a percentage share of the directed
20 funds for each district, derived using a ratio of each district's share
21 amount to the base amount, which shall be calculated as follows:

22 (i) The base amount shall be the total program funds allocated
23 by the state board to the districts in the 2002–03 fiscal year, less
24 the total of the funds allocated through the minimum allocation to
25 each district in the 2002–03 fiscal year.

26 (ii) The share amount shall be the allocation that each district
27 received in the 2002–03 fiscal year, not including the minimum
28 allocation. There shall be one share amount for each district.

29 (iii) The percentage share shall be calculated for each district
30 by dividing the district's share amount by the base amount, and
31 multiplying the result by the total directed funds available under
32 this subparagraph.

33 (b) Funds shall be distributed as expeditiously as reasonably
34 practicable, and a report of the distribution shall be made available
35 to the public.

36 (c) All funds allocated pursuant to this section shall be expended
37 as provided in the guidelines adopted pursuant to Section 44287
38 within two years from the date of allocation. Funds not expended
39 within the two years shall be returned to the program moneys in

1 the fund within 60 days and shall be subject to further allocation
2 as follows:

3 (1) Within 30 days of the deadline to return funds, the state
4 board shall notify the districts of the total amount of returned funds
5 available for reallocation, and shall list those districts that request
6 supplemental funds from the reallocation and that are able to
7 expend those funds within one year.

8 (2) Within 90 days of the deadline to return funds, the state
9 board shall allocate the returned funds to the districts listed
10 pursuant to paragraph (1).

11 (3) All supplemental funds distributed under this subdivision
12 shall be expended consistent with the program within one year of
13 the date of supplemental allocation. Funds not expended within
14 one year shall be returned to the program moneys in the fund and
15 shall be distributed at the discretion of the state board to districts,
16 taking into consideration each district's ability to expeditiously
17 utilize the remaining funds consistent with the program.

18 (d) This section shall remain in effect only until January 1, 2024,
19 and as of that date is repealed, unless a later enacted statute, that
20 is enacted before January 1, 2024, deletes or extends that date.

21 SEC. 30. Section 42885 of the Public Resources Code, as
22 amended by Section 55 of Chapter 77 of the Statutes of 2006, is
23 amended to read:

24 42885. (a) For purposes of this section, "California tire fee"
25 means the fee imposed pursuant to this section.

26 (b) (1) A person who purchases a new tire, as defined in
27 subdivision (g), shall pay a California tire fee of one dollar and
28 seventy-five cents (\$1.75) per tire.

29 (2) The retail seller shall charge the retail purchaser the amount
30 of the California tire fee as a charge that is separate from, and not
31 included in, any other fee, charge, or other amount paid by the
32 retail purchaser.

33 (3) The retail seller shall collect the California tire fee from the
34 retail purchaser at the time of sale and may retain 1 ½ percent of
35 the fee as reimbursement for any costs associated with the
36 collection of the fee. The retail seller shall remit the remainder to
37 the state on a quarterly schedule for deposit in the California Tire
38 Recycling Management Fund, which is hereby created in the State
39 Treasury.

1 (c) The department, or its agent authorized pursuant to Section
2 42882, shall be reimbursed for its costs of collection, auditing, and
3 making refunds associated with the California Tire Recycling
4 Management Fund, but not to exceed 3 percent of the total annual
5 revenue deposited in the fund.

6 (d) The California tire fee imposed pursuant to subdivision (b)
7 shall be separately stated by the retail seller on the invoice given
8 to the customer at the time of sale. Any other disposal or
9 transaction fee charged by the retail seller related to the tire
10 purchase shall be identified separately from the California tire fee.

11 (e) A person or business who knowingly, or with reckless
12 disregard, makes a false statement or representation in a document
13 used to comply with this section is liable for a civil penalty for
14 each violation or, for continuing violations, for each day that the
15 violation continues. Liability under this section may be imposed
16 in a civil action and shall not exceed twenty-five thousand dollars
17 (\$25,000) for each violation.

18 (f) In addition to the civil penalty that may be imposed pursuant
19 to subdivision (e), the department may impose an administrative
20 penalty in an amount not to exceed five thousand dollars (\$5,000)
21 for each violation of a separate provision or, for continuing
22 violations, for each day that the violation continues, on a person
23 who intentionally or negligently violates a permit, rule, regulation,
24 standard, or requirement issued or adopted pursuant to this chapter.
25 The department shall adopt regulations that specify the amount of
26 the administrative penalty and the procedure for imposing an
27 administrative penalty pursuant to this subdivision.

28 (g) For purposes of this section, “new tire” means a pneumatic
29 or solid tire intended for use with onroad or off-road motor
30 vehicles, motorized equipment, construction equipment, or farm
31 equipment that is sold separately from the motorized equipment,
32 or a new tire sold with a new or used motor vehicle, as defined in
33 Section 42803.5, including the spare tire, construction equipment,
34 or farm equipment. “New tire” does not include retreaded, reused,
35 or recycled tires.

36 (h) The California tire fee shall not be imposed on a tire sold
37 with, or sold separately for use on, any of the following:

- 38 (1) A self-propelled wheelchair.
- 39 (2) A motorized tricycle or motorized quadricycle, as defined
40 in Section 407 of the Vehicle Code.

1 (3) A vehicle that is similar to a motorized tricycle or motorized
2 quadricycle and is designed to be operated by a person who, by
3 reason of the person’s physical disability, is otherwise unable to
4 move about as a pedestrian.

5 (i) This section shall remain in effect only until January 1, 2024,
6 and as of that date is repealed, unless a later enacted statute, that
7 is enacted before January 1, 2024, deletes or extends that date.

8 SEC. 31. Section 42885 of the Public Resources Code, as added
9 by Section 13.5 of Chapter 707 of the Statutes of 2004, is amended
10 to read:

11 42885. (a) For purposes of this section, “California tire fee”
12 means the fee imposed pursuant to this section.

13 (b) (1) Every person who purchases a new tire, as defined in
14 subdivision (g), shall pay a California tire fee of seventy-five cents
15 (\$0.75) per tire.

16 (2) The retail seller shall charge the retail purchaser the amount
17 of the California tire fee as a charge that is separate from, and not
18 included in, any other fee, charge, or other amount paid by the
19 retail purchaser.

20 (3) The retail seller shall collect the California tire fee from the
21 retail purchaser at the time of sale and may retain 3 percent of the
22 fee as reimbursement for any costs associated with the collection
23 of the fee. The retail seller shall remit the remainder to the state
24 on a quarterly schedule for deposit in the California Tire Recycling
25 Management Fund, which is hereby created in the State Treasury.

26 (c) The department, or its agent authorized pursuant to Section
27 42882, shall be reimbursed for its costs of collection, auditing, and
28 making refunds associated with the California Tire Recycling
29 Management Fund, but not to exceed 3 percent of the total annual
30 revenue deposited in the fund.

31 (d) The California tire fee imposed pursuant to subdivision (b)
32 shall be separately stated by the retail seller on the invoice given
33 to the customer at the time of sale. Any other disposal or
34 transaction fee charged by the retail seller related to the tire
35 purchase shall be identified separately from the California tire fee.

36 (e) Any person or business who knowingly, or with reckless
37 disregard, makes any false statement or representation in any
38 document used to comply with this section is liable for a civil
39 penalty for each violation or, for continuing violations, for each
40 day that the violation continues. Liability under this section may

1 be imposed in a civil action and shall not exceed twenty-five
2 thousand dollars (\$25,000) for each violation.

3 (f) In addition to the civil penalty that may be imposed pursuant
4 to subdivision (e), the department may impose an administrative
5 penalty in an amount not to exceed five thousand dollars (\$5,000)
6 for each violation of a separate provision or, for continuing
7 violations, for each day that the violation continues, on any person
8 who intentionally or negligently violates any permit, rule,
9 regulation, standard, or requirement issued or adopted pursuant to
10 this chapter. The department shall adopt regulations that specify
11 the amount of the administrative penalty and the procedure for
12 imposing an administrative penalty pursuant to this subdivision.

13 (g) For purposes of this section, “new tire” means a pneumatic
14 or solid tire intended for use with onroad or off-road motor
15 vehicles, motorized equipment, construction equipment, or farm
16 equipment that is sold separately from the motorized equipment,
17 or a new tire sold with a new or used motor vehicle, as defined in
18 Section 42803.5, including the spare tire, construction equipment,
19 or farm equipment. “New tire” does not include retreaded, reused,
20 or recycled tires.

21 (h) The California tire fee may not be imposed on any tire sold
22 with, or sold separately for use on, any of the following:

- 23 (1) Any self-propelled wheelchair.
- 24 (2) Any motorized tricycle or motorized quadricycle, as defined
25 in Section 407 of the Vehicle Code.
- 26 (3) Any vehicle that is similar to a motorized tricycle or
27 motorized quadricycle and is designed to be operated by a person
28 who, by reason of the person’s physical disability, is otherwise
29 unable to move about as a pedestrian.

30 (i) This section shall become operative on January 1, 2024.

31 SEC. 32. Section 42889 of the Public Resources Code, as
32 amended by Section 3 of Chapter 333 of the Statutes of 2009, is
33 amended to read:

34 42889. (a) Of the moneys collected pursuant to Section 42885,
35 an amount equal to seventy-five cents (\$0.75) per tire on which
36 the fee is imposed shall be transferred by the State Board of
37 Equalization to the Air Pollution Control Fund. The state board
38 shall expend those moneys, or allocate those moneys to the districts
39 for expenditure, to fund programs and projects that mitigate or
40 remediate air pollution caused by tires in the state, to the extent

1 that the state board or the applicable district determines that the
2 program or project remediates air pollution harms created by tires
3 upon which the fee described in Section 42885 is imposed.

4 (b) The remaining moneys collected pursuant to Section 42885
5 shall be used to fund the waste tire program, and shall be
6 appropriated to the department in the annual Budget Act in a
7 manner consistent with the five-year plan adopted and updated by
8 the department. These moneys shall be expended for the payment
9 of refunds under this chapter and for the following purposes:

10 (1) To pay the administrative overhead cost of this chapter, not
11 to exceed 6 percent of the total revenue deposited in the fund
12 annually, or an amount otherwise specified in the annual Budget
13 Act.

14 (2) To pay the costs of administration associated with collection,
15 making refunds, and auditing revenues in the fund, not to exceed
16 3 percent of the total revenue deposited in the fund, as provided
17 in subdivision (c) of Section 42885.

18 (3) To pay the costs associated with operating the tire recycling
19 program specified in Article 3 (commencing with Section 42870).

20 (4) To pay the costs associated with the development and
21 enforcement of regulations relating to the storage of waste tires
22 and used tires. The department shall consider designating a city,
23 county, or city and county as the enforcement authority of
24 regulations relating to the storage of waste tires and used tires, as
25 provided in subdivision (c) of Section 42850, and regulations
26 relating to the hauling of waste and used tires, as provided in
27 subdivision (b) of Section 42963. If the department designates a
28 local entity for that purpose, the department shall provide sufficient,
29 stable, and noncompetitive funding to that entity for that purpose,
30 based on available resources, as provided in the five-year plan
31 adopted and updated as provided in subdivision (a) of Section
32 42885.5. The department may consider and create, as appropriate,
33 financial incentives for citizens who report the illegal hauling or
34 disposal of waste tires as a means of enhancing local and statewide
35 waste tire and used tire enforcement programs.

36 (5) To pay the costs of cleanup, abatement, removal, or other
37 remedial action related to waste tire stockpiles throughout the state,
38 including all approved costs incurred by other public agencies
39 involved in these activities by contract with the department. Not
40 less than six million five hundred thousand dollars (\$6,500,000)

1 shall be expended by the department during each of the following
2 fiscal years for this purpose: 2001–02 to 2006–07, inclusive.

3 (6) To make studies and conduct research directed at promoting
4 and developing alternatives to the landfill disposal of waste tires.

5 (7) To assist in developing markets and new technologies for
6 used tires and waste tires. The department’s expenditure of funds
7 for purposes of this subdivision shall reflect the priorities for waste
8 management practices specified in subdivision (a) of Section
9 40051.

10 (8) To pay the costs associated with implementing and operating
11 a waste tire and used tire hauler program and manifest system
12 pursuant to Chapter 19 (commencing with Section 42950).

13 (9) To pay the costs to create and maintain an emergency
14 reserve, which shall not exceed one million dollars (\$1,000,000).

15 (10) To pay the costs of cleanup, abatement, or other remedial
16 action related to the disposal of waste tires in implementing and
17 operating the Farm and Ranch Solid Waste Cleanup and Abatement
18 Grant Program established pursuant to Chapter 2.5 (commencing
19 with Section 48100) of Part 7.

20 (11) To fund border region activities specified in paragraph (8)
21 of subdivision (b) of Section 42885.5.

22 (c) This section shall remain in effect only until January 1, 2024,
23 and as of that date is repealed, unless a later enacted statute that
24 is enacted before January 1, 2024, deletes or extends that date.

25 SEC. 33. Section 42889 of the Public Resources Code, as
26 amended by Section 4 of Chapter 333 of the Statutes of 2009, is
27 amended to read:

28 42889. Funding for the waste tire program shall be appropriated
29 to the department in the annual Budget Act. The moneys in the
30 fund shall be expended for the payment of refunds under this
31 chapter and for the following purposes:

32 (a) To pay the administrative overhead cost of this chapter, not
33 to exceed 5 percent of the total revenue deposited in the fund
34 annually, or an amount otherwise specified in the annual Budget
35 Act.

36 (b) To pay the costs of administration associated with collection,
37 making refunds, and auditing revenues in the fund, not to exceed
38 3 percent of the total revenue deposited in the fund, as provided
39 in subdivision (b) of Section 42885.

1 (c) To pay the costs associated with operating the tire recycling
2 program specified in Article 3 (commencing with Section 42870).

3 (d) To pay the costs associated with the development and
4 enforcement of regulations relating to the storage of waste tires
5 and used tires. The department shall consider designating a city,
6 county, or city and county as the enforcement authority of
7 regulations relating to the storage of waste tires and used tires, as
8 provided in subdivision (c) of Section 42850, and regulations
9 relating to the hauling of waste and used tires, as provided in
10 subdivision (b) of Section 42963. If the department designates a
11 local entity for that purpose, the department shall provide sufficient,
12 stable, and noncompetitive funding to that entity for that purpose,
13 based on available resources, as provided in the five-year plan
14 adopted and updated as provided in subdivision (a) of Section
15 42885.5. The department may consider and create, as appropriate,
16 financial incentives for citizens who report the illegal hauling or
17 disposal of waste tires as a means of enhancing local and statewide
18 waste tire and used tire enforcement programs.

19 (e) To pay the costs of cleanup, abatement, removal, or other
20 remedial action related to waste tire stockpiles throughout the state,
21 including all approved costs incurred by other public agencies
22 involved in these activities by contract with the department. Not
23 less than six million five hundred thousand dollars (\$6,500,000)
24 shall be expended by the department during each of the following
25 fiscal years for this purpose: 2001–02 to 2006–07, inclusive.

26 (f) To fund border region activities specified in paragraph (8)
27 of subdivision (b) of Section 42885.5.

28 (g) This section shall become operative on January 1, 2024.

29 SEC. 34. Section 9250.1 of the Vehicle Code is amended to
30 read:

31 9250.1. (a) Beginning July 1, 2008, the fee described in Section
32 9250 shall be increased by three dollars (\$3).

33 (b) Two dollars (\$2) of the increase shall be deposited into the
34 Alternative and Renewable Fuel and Vehicle Technology Fund
35 created by Section 44273 of the Health and Safety Code, and one
36 dollar (\$1) shall be deposited into the Enhanced Fleet
37 Modernization Subaccount created by Section 44126 of the Health
38 and Safety Code.

1 (c) This section shall remain in effect only until January 1, 2024,
2 and as of that date is repealed, unless a later enacted statute, that
3 is enacted before January 1, 2024, deletes or extends that date.

4 SEC. 35. Section 9250.2 of the Vehicle Code, as amended by
5 Section 15 of Chapter 707 of the Statutes of 2004, is amended to
6 read:

7 9250.2. (a) The department, if requested by the Sacramento
8 Metropolitan Air Quality Management District pursuant to Section
9 41081 of the Health and Safety Code, shall impose and collect a
10 surcharge on the registration fees for every motor vehicle registered
11 in that district, not to exceed the amount of six dollars (\$6), as
12 specified by the governing body of that district.

13 (b) This section shall remain in effect only until January 1, 2024,
14 and as of that date is repealed, unless a later enacted statute, that
15 is enacted before January 1, 2024, deletes or extends that date.

16 SEC. 36. Section 9250.2 of the Vehicle Code, as added by
17 Section 15.5 of Chapter 707 of the Statutes of 2004, is amended
18 to read:

19 9250.2. (a) The department, if requested by the Sacramento
20 Metropolitan Air Quality Management District pursuant to Section
21 41081 of the Health and Safety Code, shall impose and collect a
22 surcharge on the registration fees for every motor vehicle registered
23 in that district, not to exceed four dollars (\$4).

24 (b) This section shall become operative on January 1, 2024.

25 SEC. 37. Section 9261.1 of the Vehicle Code is amended to
26 read:

27 9261.1. (a) Beginning July 1, 2008, the fee described in Section
28 9261, as adjusted pursuant to Section 1678, shall be increased by
29 five dollars (\$5).

30 (b) Two dollars and fifty cents (\$2.50) of the increase shall be
31 deposited into the Alternative and Renewable Fuel and Vehicle
32 Technology Fund created by Section 44273 of the Health and
33 Safety Code, and two dollars and fifty cents (\$2.50) shall be
34 deposited into the Air Quality Improvement Fund created by
35 Section 44274.5 of the Health and Safety Code.

36 (c) This section shall remain in effect only until January 1, 2024,
37 and as of that date is repealed, unless a later enacted statute, that
38 is enacted before January 1, 2024, deletes or extends that date.

39 SEC. 38. Section 9853.6 of the Vehicle Code is amended to
40 read:

1 9853.6. (a) (1) Beginning July 1, 2008, the fee described in
2 paragraph (1) of subdivision (b) of Section 9853 shall be increased
3 by ten dollars (\$10).

4 (2) Five dollars (\$5) of the increase shall be deposited into the
5 Alternative and Renewable Fuel and Vehicle Technology Fund
6 created by Section 44273 of the Health and Safety Code and five
7 dollars (\$5) shall be deposited into the Air Quality Improvement
8 Fund created by Section 44274.5 of the Health and Safety Code.

9 (b) (1) Beginning July 1, 2008, the fee described in paragraph
10 (2) of subdivision (b) of Section 9853 shall be increased by twenty
11 dollars (\$20).

12 (2) Ten dollars (\$10) of the increase shall be deposited into the
13 Alternative and Renewable Fuel and Vehicle Technology Fund
14 created by Section 44273 of the Health and Safety Code and ten
15 dollars (\$10) shall be deposited into the Air Quality Improvement
16 Fund created by Section 44274.5 of the Health and Safety Code.

17 (c) This section shall remain in effect only until January 1, 2024,
18 and as of that date is repealed, unless a later enacted statute, that
19 is enacted before January 1, 2024, deletes or extends that date.

20 SEC. 39. This act is an urgency statute necessary for the
21 immediate preservation of the public peace, health, or safety within
22 the meaning of Article IV of the Constitution and shall go into
23 immediate effect. The facts constituting the necessity are:

24 To ensure stable funding for programs to reduce air pollution
25 for the protection of the public health and safety, it is necessary
26 for this measure to take effect immediately.