

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

## ASSEMBLY BILL

**No. 1717**

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**Introduced by Assembly Member Hadley**

January 27, 2016

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An act to amend Section ~~44270.3~~ 39719 of the Health and Safety Code, relating to ~~vehicular air pollution~~, greenhouse gases, and making an appropriation therefor.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1717, as amended, Hadley. ~~California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007~~. Greenhouse Gas Reduction Fund.

*The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act authorizes the state board to include use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation. Existing law continuously appropriates 60% of the annual proceeds of the fund for various purposes, including 10% for the Transit and Intercity Rail Capital Program administered by the Transportation Agency and 25% for certain components of the initial operating segment and Phase I Blended System of the high-speed rail project as described in the 2012 business plan adopted by the High-Speed Rail Authority.*

*This bill would reappropriate the 25% share of the annual proceeds of the fund designated for the high-speed rail project to the*

*Transportation Agency for the Transit and Intercity Rail Capital Program under specified conditions. The bill would make legislative findings and declarations.*

~~Existing law establishes the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007, which includes the Alternative and Renewable Fuel and Vehicle Technology Program and the Air Quality Improvement Program. Existing law defines specified terms for purposes of the act.~~

~~This bill would make nonsubstantive changes to those definitions.~~

Vote: majority. Appropriation: ~~no~~ yes. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

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

1     *SECTION 1. The Legislature finds and declares all of the*  
2     *following:*

3     *(a) According to the American Lung Association’s 2015 State*  
4     *of the Air report, “Southern California remains home to some of*  
5     *the most polluted air in the United States. Emissions from the*  
6     *transportation sector are the leading source of pollution in the*  
7     *region, bringing significant lung health burdens.”*

8     *(b) Senate Bill No. 535 (Chapter 830, Statutes of 2012) requires*  
9     *that 25 percent of funds generated by the state’s cap-and-trade*  
10    *program must benefit disadvantaged communities. Disadvantaged*  
11    *communities include “areas disproportionately affected by*  
12    *environmental pollution” and “areas with concentrations of people*  
13    *that are of low income, high unemployment, low levels of*  
14    *homeownership, high rent burden, sensitive populations, or low*  
15    *levels of educational attainment.”*

16    *(c) More than 50 percent of the most disadvantaged census*  
17    *tracts identified by the California Environmental Protection Agency*  
18    *are located in southern California.*

19    *(d) Less than 5 percent of disadvantaged census tracts are*  
20    *located in the nine San Francisco Bay Area counties.*

21    *(e) Senate Bill No. 862 (Chapter 36, Statutes of 2014)*  
22    *continuously appropriates 25 percent of cap-and-trade funds for*  
23    *the high-speed rail program. Prior to obtaining this funding, the*  
24    *High-Speed Rail Authority committed in a June 14, 2014, letter to*  
25    *Senator Fran Pavley “to accelerate reductions in greenhouse gas*  
26    *emissions (GHG) and put new emphasis on improvements in urban*

1 areas utilizing the funding that would be provided through the  
2 ongoing commitment of cap and trade proceeds, as contained in  
3 Senate Bill (SB) 862.... At the same time, with cap and trade funds  
4 we would accelerate work on the segment from Burbank to  
5 Palmdale, so that we would be building the initial operating  
6 segment from two directions, north to south, and south to north.  
7 The Burbank-Palmdale segment, which potentially could become  
8 an operating segment on its own, would accelerate benefits to the  
9 Los Angeles region.”

10 (f) The High-Speed Rail Authority further committed to this  
11 approach through adoption of Board Resolution #14-19 declaring  
12 “The Authority Board concurs with the priority to move forward  
13 with the approach outlined in the CEO’s letter to State Senator  
14 Fran Pavley, including the prioritization of the Palmdale to  
15 Burbank project section for expenditure of cap and trade proceeds  
16 as they become available and in accordance with provisions of  
17 the law.”

18 (g) The Legislature approved cap-and-trade funds for  
19 high-speed rail only for purposes consistent with this commitment.  
20 SB 862 establishes that the first operating high-speed rail segment  
21 must reach southern California, “as described in the 2012 business  
22 plan.”

23 (h) SB 862 specifies that any subsequent decision by the  
24 High-Speed Rail Authority to deprioritize southern California and  
25 direct construction funding for an alternative route would not be  
26 eligible for funding.

27 (i) SB 862 requires that any redirection of cap-and-trade  
28 investments away from some of the state’s most disadvantaged  
29 communities in southern California would require reauthorization  
30 by the Legislature.

31 (j) It is the intent of the Legislature to establish conditions for  
32 use of any cap-and-trade funds voluntarily forfeited by the  
33 High-Speed Rail Authority. Nothing in this act shall be interpreted  
34 to alter or in any way affect the conditions of funding eligibility  
35 established by SB 862.

36 SEC. 2. Section 39719 of the Health and Safety Code is  
37 amended to read:

38 39719. (a) The Legislature shall appropriate the annual  
39 proceeds of the fund for the purpose of reducing greenhouse gas

emissions in this state in accordance with the requirements of Section 39712.

(b) To carry out a portion of the requirements of subdivision (a), annual proceeds are continuously appropriated for the following:

(1) Beginning in the 2015–16 fiscal year, and notwithstanding Section 13340 of the Government Code, 35 percent of annual proceeds are continuously appropriated, without regard to fiscal years, for transit, affordable housing, and sustainable communities programs as following:

(A) Ten percent of the annual proceeds of the fund is hereby continuously appropriated to the Transportation Agency for the Transit and Intercity Rail Capital Program created by Part 2 (commencing with Section 75220) of Division 44 of the Public Resources Code.

(B) Five percent of the annual proceeds of the fund is hereby continuously appropriated to the Low Carbon Transit Operations Program created by Part 3 (commencing with Section 75230) of Division 44 of the Public Resources Code. Funds shall be allocated by the Controller, according to requirements of the program, and pursuant to the distribution formula in subdivision (b) or (c) of Section 99312 of, and Sections 99313 and 99314 of, the Public Utilities Code.

(C) Twenty percent of the annual proceeds of the fund is hereby continuously appropriated to the Strategic Growth Council for the Affordable Housing and Sustainable Communities Program created by Part 1 (commencing with Section 75200) of Division 44 of the Public Resources Code. Of the amount appropriated in this subparagraph, no less than 10 percent of the annual proceeds, shall be expended for affordable housing, consistent with the provisions of that program.

(2) Beginning in the 2015–16 fiscal year, notwithstanding Section 13340 of the Government Code, 25 percent of the annual proceeds of the fund is hereby continuously appropriated to the High-Speed Rail Authority for the following components of the initial operating segment and Phase I Blended System as described in the 2012 business plan adopted pursuant to Section 185033 of the Public Utilities Code:

(A) Acquisition and construction costs of the project.

(B) Environmental review and design costs of the project.

1 (C) Other capital costs of the project.

2 (D) Repayment of any loans made to the authority to fund the  
3 project.

4 (c) *If the high-speed rail project becomes ineligible for funding*  
5 *under paragraph (2) of subdivision (b) due to selection by the*  
6 *High-Speed Rail Authority of an alternative initial operating*  
7 *segment that is not as described in the authority's 2012 business*  
8 *plan, the proceeds in paragraph (2) of subdivision (b) shall instead*  
9 *be continuously appropriated to the Transportation Agency for*  
10 *the Transit and Intercity Rail Capital Program created by Part 2*  
11 *(commencing with Section 75220) of Division 44 of the Public*  
12 *Resources Code.*

13 (e)

14 (d) In determining the amount of annual proceeds of the fund  
15 for purposes of the calculation in subdivision (b), the funds subject  
16 to Section 39719.1 shall not be included.

17 ~~SECTION 1. Section 44270.3 of the Health and Safety Code~~  
18 ~~is amended to read:~~

19 ~~44270.3. For purposes of this chapter, the following terms have~~  
20 ~~the following meanings:~~

21 (a) ~~“Benefit-cost score,” for the Alternative and Renewable Fuel~~  
22 ~~and Vehicle Technology Program created pursuant to Section~~  
23 ~~44272, means a project's expected or potential greenhouse gas~~  
24 ~~emissions reduction per dollar awarded by the commission to the~~  
25 ~~project from the Alternative and Renewable Fuel and Vehicle~~  
26 ~~Technology Fund.~~

27 (b) ~~“Commission” means the State Energy Resources~~  
28 ~~Conservation and Development Commission.~~

29 (c) ~~“Full fuel-cycle assessment” or “life-cycle assessment”~~  
30 ~~means evaluating and comparing the full environmental and health~~  
31 ~~impacts of each step in the life cycle of a fuel, including, but not~~  
32 ~~limited to, all of the following:~~

33 (1) ~~Feedstock production, extraction, cultivation, transport, and~~  
34 ~~storage, and the transportation and use of water and changes in~~  
35 ~~land use and land cover therein.~~

36 (2) ~~Fuel production, manufacture, distribution, marketing,~~  
37 ~~transport, and storage, and the transportation and use of water~~  
38 ~~therein.~~

39 (3) ~~Vehicle operation, including refueling, combustion,~~  
40 ~~conversion, permeation, and evaporation.~~

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

4     ~~(e) For purposes of the Air Quality Improvement Program~~  
5 ~~created pursuant to Section 44274, the following terms have the~~  
6 ~~following meanings:~~

7     ~~(1) “Benefit-cost score” means the reasonably expected or~~  
8 ~~potential criteria pollutant emission reductions achieved per dollar~~  
9 ~~awarded by the state board for the project.~~

10    ~~(2) “Project” means a category of investments identified for~~  
11 ~~potential funding by the state board, including, but not limited to,~~  
12 ~~competitive grants, revolving loans, loan guarantees, loans,~~  
13 ~~vouchers, rebates, and other appropriate funding measures for~~  
14 ~~specific vehicles, equipment, technologies, or initiatives authorized~~  
15 ~~by Section 44274.~~