

AMENDED IN SENATE APRIL 6, 2015

SENATE BILL

No. 513

Introduced by Senator Beall

February 26, 2015

~~An act relating to vehicular air pollution.~~ *An act to amend Sections 41081, 44223, 44225, 44229, 44233, 44275, 44281, 44282, 44283, 44286, 44287, 44287.1, 44287.2, 44288, 44291, and 44299.2 of, and to amend and repeal Section 44299.1 of, the Health and Safety Code, relating to vehicular air pollution.*

LEGISLATIVE COUNSEL'S DIGEST

SB 513, as amended, Beall. ~~Carl Moyer Memorial Air Quality Standards Attainment Program.~~ *Carl Moyer Memorial Air Quality Standards Attainment Program: fees.*

(1) Existing law authorizes the Sacramento Metropolitan Air Quality Management District to adopt a \$6 surcharge on motor vehicle registration fees applicable to motor vehicles registered within the district. Existing law requires the collected fees to be used for specified purposes, including, among others, awarding grants eligible for funding under the Carl Moyer Memorial Air Quality Standards Attainment Program.

This bill would additionally authorize those fees to be used for projects that involve alternative fuel and electric infrastructure, as specified.

(2) Existing law authorizes an air pollution control or air quality management district, except the Sacramento district, that has been designated by the State Air Resources Board as a state nonattainment area for any pollutant emitted by motor vehicles to levy a fee of up to \$6 on motor vehicles registered within the air district, subject to specified conditions.

This bill instead would authorize any air district, except the Sacramento district, regardless of its state attainment designation to levy a fee of up to \$6 on motor vehicles registered within the air district. The bill also would authorize those fees to be used for the attainment or maintenance of state or federal ambient air quality standards or the reduction of toxic air contaminant emissions from motor vehicles and for alternative fuel and electric infrastructure projects, as specified.

(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 vehicular sources in the state and for funding a fueling infrastructure demonstration program and technology development efforts.

This bill would revise and recast provisions of the program, including, among others, changing the definition of covered source to include any marine vessel and any other category necessary for the state and air districts to meet air quality goals; authorizing the state board to adjust, rather than just reduce, the values of the maximum grant award criteria to improve the ability of the program to achieve its goals; authorizing the state board to reserve up to 10% of the program moneys available each year to directly fund any project the state board determines contributes toward the achievement of state air quality goals; removing the prohibition on using specified motor vehicle registration fees as matching funds; requiring the state board, instead of the State Energy Resources Conservation and Development Commission, to publish procedures to monitor and audit infrastructure projects; increasing the authorization for support and outreach costs from not more than 2% to not more than 2.5% of the moneys in the Air Pollution Control Fund; removing the repeal date of January 1, 2024, from the provisions on how moneys in the Air Pollution Control Fund are allocated and segregated; removing the repeal date of January 1, 2024, from the provisions regarding the terms and conditions for an allocation of moneys to an air district; and requiring an air district to liquidate the moneys by a specified date 4 years following the year of allocation and to return those moneys that have not been liquidated to the state board within 90 days.

(4) The California Global Warming Solutions Act of 2006 establishes the state board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. The act authorizes the state board to include the use of market-based compliance mechanisms.

Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation by the Legislature.

This bill would authorize the state board to allocate moneys from the Greenhouse Gas Reduction Fund and other specified sources for the Carl Moyer Memorial Air Quality Standards Attainment Program without those other moneys being required to be factored into the criteria emission reduction cost-effectiveness calculations.

~~Existing law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program, which is administered by the State Air Resources Board, to provide grants to offset the incremental cost of eligible projects that reduce emissions of air pollutants from vehicular sources in the state and for funding a fueling infrastructure demonstration program and technology development efforts.~~

~~This bill would state the intent of the Legislature to enact legislation to amend the program to achieve even greater air quality benefits.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-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 of Chapter 401 of the Statutes of 2013, 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

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 six dollars (\$6).

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 by that district as follows:

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

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

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

24 (B) The new purchase, retrofit, repower, or add-on of equipment
25 for previously unregulated agricultural sources of air pollution, as
26 defined in Section 39011.5, within the Sacramento district, for a
27 minimum of three years from the date of adoption of an applicable
28 rule or standard, or until the compliance date of that rule or
29 standard, whichever is later, if the state board has determined that
30 the rule or standard complies with Sections 40913, 40914, and
31 41503.1, after which period of time, a new purchase, retrofit,
32 repower, or add-on of equipment shall not be funded pursuant to
33 this chapter. The district shall follow any guidelines developed
34 under subdivision (a) of Section 44287 for awarding grants under
35 this program.

36 (C) The purchase of ~~new~~, *new schoolbuses, or the purchase for*
37 *the repower or retrofit of emissions control equipment for existing,*
38 *for existing schoolbuses pursuant to the Lower-Emission School*
39 *Bus Program adopted by the state board.*

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

4 (E) The replacement of onboard natural gas fuel tanks on
5 schoolbuses ~~owned by a school district that are 14 years or older,~~
6 ~~not to exceed twenty thousand dollars (\$20,000) per bus, older or~~
7 *the enhancement of deteriorating natural gas fueling dispensers*
8 *of fueling infrastructure*, pursuant to the Lower-Emission School
9 Bus Program adopted by the state board.

10 ~~(F) The enhancement of deteriorating natural gas fueling~~
11 ~~dispensers of fueling infrastructure operated by a school district~~
12 ~~with a one-time funding amount not to exceed five hundred dollars~~
13 ~~(\$500) per dispenser, pursuant to the Lower-Emission School Bus~~
14 ~~Program adopted by the state board.~~

15 *(F) The funding of alternative fuel and electric infrastructure*
16 *projects solicited and selected through a competitive bid process.*

17 (e) Not more than ~~5~~ 6.25 percent of the funds collected pursuant
18 to this section shall be used by the district for administrative
19 expenses.

20 (f) A project funded by the program shall not be used for credit
21 under any state or federal emissions averaging, banking, or trading
22 program. An emission reduction generated by the program shall
23 not be used as marketable emission reduction credits or to offset
24 any emission reduction obligation of any person or entity. Projects
25 involving new engines that would otherwise generate marketable
26 credits under state or federal averaging, banking, and trading
27 programs shall include transfer of credits to the engine end user
28 and retirement of those credits toward reducing air emissions in
29 order to qualify for funding under the program. A purchase of a
30 low-emission vehicle or of equipment pursuant to a corporate or
31 a controlling board's policy, but not otherwise required by law,
32 shall generate surplus emissions reductions and may be funded by
33 the program.

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

37 *SEC. 2. Section 44223 of the Health and Safety Code is*
38 *amended to read:*

39 44223. (a) In addition to any other fees specified in this code,
40 the Vehicle Code, and the Revenue and Taxation Code, a district,

1 except the Sacramento district, ~~which has been designated by the~~
2 ~~state board as a state nonattainment area for any pollutant emitted~~
3 ~~by motor vehicles~~ may levy a fee of up to two dollars (\$2) on motor
4 vehicles registered within the district. A district may impose the
5 fee only if the district board adopts a resolution providing for both
6 the fee and a corresponding program for the reduction of air
7 pollution from motor vehicles pursuant to, and for related planning,
8 monitoring, enforcement, and technical studies necessary for the
9 implementation of, the California Clean Air Act of 1988 (Chapter
10 1568 of the Statutes of 1988), *or for the attainment or maintenance*
11 *of state or federal ambient air quality standards or the reduction*
12 *of toxic air contaminant emissions from motor vehicles.*

13 (b) In districts with nonelected officials on their boards, a
14 resolution adopted pursuant to subdivision (a) shall be approved
15 by both a majority of the board and a majority of the board
16 members who are elected officials.

17 (c) A fee imposed pursuant to this section shall become
18 effective on either April 1 or October 1, as provided in the
19 resolution adopted by the board pursuant to subdivision (a).

20 *SEC. 3. Section 44225 of the Health and Safety Code, as*
21 *amended by Section 6 of Chapter 401 of the Statutes of 2013, is*
22 *amended to read:*

23 44225. A district may increase the fee established under Section
24 44223 to up to six dollars (\$6). A district may increase the fee only
25 if the following conditions are met:

26 (a) A resolution providing for both the fee increase and a
27 corresponding program for expenditure of the increased fees for
28 the reduction of air pollution from motor vehicles pursuant to, and
29 for related planning, monitoring, enforcement, and technical studies
30 necessary for the implementation of, the California Clean Air Act
31 of 1988, *or for the attainment or maintenance of state or federal*
32 *ambient air quality standards or the reduction of toxic air*
33 *contaminant emissions from motor vehicles*, is adopted and
34 approved by the governing board of the district.

35 (b) In districts with nonelected officials on their governing
36 boards, the resolution shall be adopted and approved by both a
37 majority of the governing board and a majority of the board
38 members who are elected officials.

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

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

7 *SEC. 4. Section 44229 of the Health and Safety Code, as*
8 *amended by Section 8 of Chapter 401 of the Statutes of 2013, is*
9 *amended to read:*

10 44229. (a) After deducting all administrative costs it incurs
11 through collection of fees pursuant to Section 44227, the
12 Department of Motor Vehicles shall distribute the revenues to
13 districts, which shall use the revenues resulting from the first four
14 dollars (\$4) of each fee imposed to reduce air pollution from motor
15 vehicles and to carry out related planning, monitoring, enforcement,
16 and technical studies necessary for implementation of the California
17 Clean Air Act of 1988. Fees collected by the Department of Motor
18 Vehicles pursuant to this chapter shall be distributed to districts
19 based upon the amount of fees collected from motor vehicles
20 registered within each district.

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

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

29 (2) The new purchase, retrofit, repower, or add-on equipment
30 for previously unregulated agricultural sources of air pollution, as
31 defined in Section 39011.5, for a minimum of three years from
32 the date of adoption of an applicable rule or standard, or until the
33 compliance date of that rule or standard, whichever is later, if the
34 state board has determined that the rule or standard complies with
35 Sections 40913, 40914, and 41503.1, after which period of time,
36 a new purchase, retrofit, repower, or add-on of equipment shall
37 not be funded pursuant to this chapter. The districts shall follow
38 any guidelines developed under subdivision (a) of Section 44287
39 for awarding grants under this program.

1 (3) The purchase of ~~new~~, *new schoolbuses*, or *the purchase for*
2 *the repower or retrofit* of emissions control equipment for ~~existing~~,
3 *existing* schoolbuses pursuant to the Lower-Emission School Bus
4 Program adopted by the state board.

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

8 (5) The replacement of onboard natural gas fuel tanks on
9 schoolbuses ~~owned by a school district~~ that are 14 years or ~~older~~,
10 ~~not to exceed twenty thousand dollars (\$20,000) per bus~~, *older or*
11 *the enhancement of deteriorating natural gas fueling dispensers*,
12 pursuant to the Lower-Emission School Bus Program adopted by
13 the state board.

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

19 *(6) The funding of alternative fuel and electric infrastructure*
20 *projects solicited and selected through a competitive bid process.*

21 (c) The Department of Motor Vehicles may annually expend
22 not more than 1 percent of the fees collected pursuant to Section
23 44227 on administrative costs.

24 (d) A project funded by the program shall not be used for credit
25 under any state or federal emissions averaging, banking, or trading
26 program. An emission reduction generated by the program shall
27 not be used as marketable emission reduction credits or to offset
28 any emission reduction obligation of any person or entity. Projects
29 involving new engines that would otherwise generate marketable
30 credits under state or federal averaging, banking, and trading
31 programs shall include transfer of credits to the engine end user
32 and retirement of those credits toward reducing air emissions in
33 order to qualify for funding under the program. A purchase of a
34 low-emission vehicle or of equipment pursuant to a corporate or
35 a controlling board's policy, but not otherwise required by law,
36 shall generate surplus emissions reductions and may be funded by
37 the program.

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

1 SEC. 5. Section 44233 of the Health and Safety Code is
2 amended to read:

3 44233. Not more than ~~5~~ 6.25 percent of the fees distributed to
4 any district pursuant to Section 44229, or distributed by a district
5 to any other public agency pursuant to this chapter, shall be used
6 by the district or other public agency for administrative costs.

7 SEC. 6. Section 44275 of the Health and Safety Code, as
8 amended by Section 15 of Chapter 401 of the Statutes of 2013, is
9 amended to read:

10 44275. (a) As used in this chapter, the following terms have
11 the following meanings:

12 ~~(1) "Advisory board" means the Carl Moyer Program Advisory~~
13 ~~Board created by Section 44297.~~

14 (1) (A) "Ancillary benefits" includes additional project benefits
15 beyond the reductions in covered emissions, including reductions
16 in greenhouse gases, short-lived climate pollutants, and other
17 benefits, such as benefits to communities described in subdivision
18 (a) of Section 43023.5, fuel-efficiency improvements, or the
19 deployment of advanced technology.

20 (B) The state board shall define ancillary benefits pursuant to
21 the process described in Section 44287.

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

23 (3) "Commission" means the State Energy Resources
24 Conservation and Development Commission.

25 (4) "Cost-effectiveness" means dollars provided to a project
26 pursuant to subdivision (d) of Section 44283 for each ton of
27 covered emission reduction attributed to a project or to the program
28 as a whole. In calculating cost-effectiveness, one-time grants of
29 funds made at the beginning of a project shall be annualized using
30 a time value of public funds or discount rate determined for each
31 project by the state board, taking into account the interest rate on
32 bonds, interest earned by state funds, and other factors as
33 determined appropriate by the state board. Cost-effectiveness shall
34 be calculated by dividing annualized costs by average annual
35 emissions reduction. The state board, in consultation with the
36 districts and concerned members of the public, shall establish
37 appropriate cost-effective limits for oxides of nitrogen, particulate
38 matter, and reactive organic gases and a reasonable system for
39 comparing the cost-effectiveness of proposed projects as described
40 in subdivision (a) of Section 44283.

1 (5) “Covered emissions” include emissions of oxides of nitrogen,
2 particulate matter, and reactive organic gases from any covered
3 source.

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

6 (7) “Covered source” includes onroad vehicles, off-road
7 nonrecreational equipment and vehicles, locomotives, ~~diesel~~ marine
8 vessels, agricultural sources of air pollution, as defined in Section
9 39011.5, and, as determined by the state board, other ~~high-emitting~~
10 ~~engine~~ categories *necessary for the state and districts to meet air*
11 *quality goals*.

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

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

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

18 (11) “Mobile Source Air Pollution Reduction Review
19 Committee” means the Mobile Source Air Pollution Reduction
20 Review Committee created by Section 44244.

21 (12) “Incremental cost” means the cost of the project ~~less a~~
22 ~~baseline cost~~ that would *not* otherwise be incurred by the applicant
23 in the normal course of business. Incremental costs may include
24 added ~~lease~~ *lease, energy*, or fuel costs pursuant to Section 44283
25 as well as incremental capital costs.

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

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

34 (15) “Program” means the Carl Moyer Memorial Air Quality
35 Standards Attainment Program created by subdivision (a) of
36 Section 44280.

37 (16) “Repower” means replacing an engine with a different
38 engine. The term repower, as used in this chapter, generally refers
39 to replacing an older, uncontrolled engine with a new,
40 emissions-certified engine, although replacing an older

1 emissions-certified engine with a newer engine certified to lower
2 emissions standards may be eligible for funding under this program.

3 (17) “Retrofit” means making modifications to the engine and
4 fuel system such so that the retrofitted engine does not have the
5 same specifications as the original engine.

6 (18) “Very low emission vehicle” means a heavy-duty vehicle
7 with emissions significantly lower than otherwise applicable
8 baseline emission standards or uncontrolled emission levels
9 pursuant to Section 44282.

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

13 *SEC. 7. Section 44281 of the Health and Safety Code, as*
14 *amended by Section 19 of Chapter 401 of the Statutes of 2013, 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 *covered* emission
3 reduction generated by the program shall be used as marketable
4 emission reduction credits or to offset any emission reduction
5 obligation of any person or entity. Projects involving new engines
6 that would otherwise generate marketable credits under state or
7 federal averaging, banking, and trading programs shall include
8 transfer of credits to the engine end user and retirement of those
9 credits toward reducing air emissions in order to qualify for funding
10 under the program. A purchase of a low-emission vehicle or of
11 equipment pursuant to a corporate or a controlling board's policy,
12 but not 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 *the*
15 installation of fueling or ~~electrification infrastructure as provided~~
16 ~~in Section 44284.~~ *energy infrastructure to fuel or power covered*
17 *sources.*

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

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

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

30 *SEC. 8. Section 44282 of the Health and Safety Code, as*
31 *amended by Section 21 of Chapter 401 of the Statutes of 2013, is*
32 *amended to read:*

33 44282. The following criteria apply to all projects to be funded
34 through the program except for projects funded through the
35 infrastructure demonstration program *and infrastructure projects,*
36 *pursuant to subdivision (c) of Section 44281 and Section 44284:*

37 (a) The state board may establish project criteria, including
38 minimum project life for source categories, in the guidelines
39 described in Section 44287. For previously unregulated source

1 categories, project criteria shall consider the timing of newly
2 established regulatory requirements.

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

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

9 (d) Retrofit technologies, new engines, and new vehicles shall
10 be certified for sale or under experimental permit for operation in
11 California.

12 (e) Repower projects that replace older, uncontrolled engines
13 with new, emissions-certified engines or that replace
14 emissions-certified engines with new engines certified to a more
15 stringent NO_x emissions standard are approvable subject to the
16 other applicable selection criteria. The state board shall determine
17 appropriate baseline emission levels for the uncontrolled engines
18 being replaced.

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

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

35 (2) For heavy-duty-vehicle projects involving the purchase of
36 new very low or zero-emission covered vehicles for which no
37 optional low NO_x emission standards are available, documentation
38 shall be provided showing that the low or zero-emission engine
39 emits not more than 70 percent of the NO_x or NO_x plus
40 hydrocarbon emissions of a new engine certified to the applicable

1 baseline NO_x or NO_x plus hydrocarbon emission standard for that
2 engine and meets applicable particulate standards. The state board
3 shall specify the documentation required. If no baseline emission
4 standard exists for new vehicles in a particular category, the state
5 board shall determine an appropriate baseline emission level for
6 comparison.

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

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

13 *SEC. 9. Section 44283 of the Health and Safety Code, as*
14 *amended by Section 23 of Chapter 401 of the Statutes of 2013, is*
15 *amended to read:*

16 ~~44283. (a) Grants shall not be made for projects with a~~
17 ~~cost-effectiveness, calculated in accordance with this section, of~~
18 ~~more than thirteen thousand six hundred dollars (\$13,600) per ton~~
19 ~~of NO_x reduced in California or a higher value that reflects state~~
20 ~~consumer price index adjustments on or after January 1, 2006, as~~
21 ~~determined by the state board. For projects obtaining reactive~~
22 ~~organic gas and particulate matter reductions, the state board shall~~
23 ~~determine appropriate adjustment factors to calculate a weighted~~
24 ~~cost-effectiveness.~~

25 *44283. (a) (1) For all projects funded pursuant to this chapter,*
26 *except for an infrastructure project described in subdivision (c)*
27 *of Section 44281, the following cost-effectiveness criteria shall*
28 *apply:*

29 (A) (i) *Project grants shall not be made that exceed a*
30 *cost-effectiveness, calculated in accordance with this section.*

31 (ii) *The state board, in collaboration with the districts, shall*
32 *establish cost-effectiveness values in the guidelines issued pursuant*
33 *to Section 44287, taking into consideration factors, including, but*
34 *not limited to, the following:*

35 (I) *The ability of the project to provide ancillary benefits, as*
36 *defined in paragraph (1) of subdivision (a) of Section 44275, such*
37 *as reductions in greenhouse gases and short-lived climate*
38 *pollutants, benefits to communities described in subdivision (a) of*
39 *Section 43023.5, fuel-efficiency improvements, or the deployment*
40 *of advanced technology.*

1 (II) *The cost of emission control technologies identified in*
2 *Section 44281.*

3 (III) *The cost-effectiveness values for NOx, particulate matter,*
4 *or reactive organic gases for any adopted rule or control measure*
5 *in any district's approved state implementation plan, or rule*
6 *adopted by the state board.*

7 (B) *For projects obtaining reactive organic gas and particulate*
8 *matter reductions, the state board shall determine appropriate*
9 *adjustment factors to calculate a weighted cost-effectiveness.*

10 (2) *When a district board approves funding for a project or*
11 *project category, the district board:*

12 (A) *May recognize the ancillary benefit, as defined in paragraph*
13 *(1) of subdivision (a) of Section 44275, when determining the grant*
14 *amount for a project or project category.*

15 (B) *Shall, for the meeting approving funding for the project or*
16 *project category, include in its agenda or supporting materials a*
17 *brief statement of the rationale for funding that source category,*
18 *including the basis for selection and the importance of that project*
19 *type.*

20 (b) *Only covered emission reductions occurring in this state*
21 *shall be included in the cost-effectiveness determination. The*
22 *extent to which emissions generated at sea contribute to air quality*
23 *in California nonattainment areas shall be incorporated into these*
24 *methodologies based on a reasonable assessment of currently*
25 *available information and modeling assumptions.*

26 (c) *The state board shall develop protocols for calculating the*
27 *surplus covered emission reductions in California from*
28 *representative project types over the life of the project.*

29 (d) *The cost of the covered emission reduction is the amount*
30 *of the grant from the program, including matching funds provided*
31 *pursuant to subdivision (e) of Section 44287, ~~plus any other state~~*
32 *~~funds, or funds under the district's budget authority or fiduciary~~*
33 *~~control, provided toward the project, or funding provided pursuant~~*
34 *~~to paragraph (2) of subdivision (d) of Section 41081 or subdivision~~*
35 *~~(b) of Section 44229, not including funds described in paragraphs~~*
36 *~~(1) and (2) of subdivision (a) of Section 44287.2. The state board~~*
37 *shall establish reasonable methodologies for evaluating project*
38 *cost-effectiveness, consistent with the definition contained in*
39 *paragraph (4) of subdivision (a) of Section 44275, and with*

1 accepted methods, taking into account a fair and reasonable
2 discount rate or time value of public funds.

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

8 (f) Funds under a district's budget authority or fiduciary control
9 may be used to pay for the incremental cost of *energy or* liquid or
10 gaseous fuel, other than standard gasoline or diesel, which is
11 integral to a covered emission reducing technology that is part of
12 a project receiving grant funding under the program. The fuel shall
13 be approved for sale ~~by the state board. in the state.~~ The
14 incremental *energy or* fuel cost over the expected lifetime of the
15 vehicle may be offset by the district if the project as a whole,
16 including the incremental *energy or* fuel cost, meets all of the
17 requirements of this chapter, including the maximum allowed
18 cost-effectiveness. The state board shall develop an appropriate
19 methodology for converting incremental *energy or* fuel costs over
20 the vehicle lifetime into an initial cost for the purposes of
21 determining project cost-effectiveness. Incremental *energy or* fuel
22 costs shall not be included in project costs for fuels dispensed from
23 any facility that was funded, in whole or in part, from the fund.

24 (g) For ~~the~~ purposes of determining any grant amount pursuant
25 to this chapter, ~~the incremental cost of any new purchase, retrofit,~~
26 ~~repower, or add-on equipment shall be reduced by the value of~~
27 ~~any current financial incentive that directly reduces the project~~
28 ~~price, including any tax credits or deductions, grants, or other~~
29 ~~public financial assistance, not including funds described in~~
30 ~~paragraphs (1) and (2) of subdivision (a) of Section 44287.2.~~
31 Project ~~project~~ proponents applying for funding shall be required
32 to state in their application any other public financial assistance
33 to the project.

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

39 (i) After study of available emission reduction technologies and
40 costs and after public notice and comment, the state board may

1 ~~reduce~~ *adjust* the values of the maximum grant award criteria stated
2 in this section to improve the ability of the program to achieve its
3 goals. Every year the state board shall adjust the maximum
4 cost-effectiveness amount established in subdivision (a) and any
5 per-project maximum set by the state board pursuant to subdivision
6 (h) to account for inflation *and other economic factors, as*
7 *determined by the state board.*

8 (j) 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. 10. Section 44286 of the Health and Safety Code is*
12 *amended to read:*

13 44286. (a) The responsibilities of the state board include
14 management of program funds and program oversight. The state
15 board is responsible for producing guidelines, protocols, and
16 criteria for covered vehicle projects and developing methodologies
17 for evaluating project cost-effectiveness in accordance with this
18 chapter. The state board shall have primary responsibility for the
19 reporting aspects of the program.

20 (b) The responsibilities of a district include local administration
21 of project funds, monitoring funded projects, and reporting results
22 to the state board, in accordance with this chapter. Any project
23 funds awarded to a successful applicant shall be disbursed by the
24 district.

25 (c) Relative to the allocation of funds in the south coast district,
26 for purposes of this program, Mobile Source Air Pollution
27 Reduction Review Committee funds shall only be used as matching
28 funds upon approval, by minute action, of the Mobile Source Air
29 Pollution Reduction Review Committee.

30 (d) The state board may reserve up to 10 percent of the program
31 funds available each year to directly fund any project *described*
32 *in Section 44281* that is multidistrict in nature *or the state board*
33 *determines contributes toward the achievement of state air quality*
34 *goals.* A project that is multidistrict in nature shall be funded by
35 the state board in coordination with the appropriate districts. The
36 state board shall coordinate outreach efforts with a participating
37 district to ensure that any parallel availability of a district grant
38 and a grant from the state board is clear to an eligible applicant.
39 Reserved funds not committed to a project funded directly by the

1 state board by the end of the fiscal year shall be made available to
2 the districts in the following year.

3 (e) The commission, in consultation with the state board, shall
4 manage the Advanced Technology Account and the Infrastructure
5 Demonstration Program in accordance with this chapter.

6 (f) The state board shall work closely with the commission and
7 the districts for the duration of this program to maximize the ability
8 of the program to achieve its goals.

9 (g) The state board and the districts shall take all appropriate
10 and necessary actions to ensure that emissions reductions achieved
11 through the program are credited by the United States
12 Environmental Protection Agency to the appropriate emission
13 reduction objectives in the State Implementation Plan.

14 *SEC. 11. Section 44287 of the Health and Safety Code, as*
15 *amended by Section 25 of Chapter 401 of the Statutes of 2013, is*
16 *amended to read:*

17 44287. (a) The state board shall establish or update grant
18 criteria and guidelines consistent with this chapter for covered
19 vehicle *and infrastructure* projects as soon as practicable, but not
20 later than ~~January 1, 2006~~ *July 1, 2017*. The adoption of guidelines
21 is exempt from the rulemaking provisions of the Administrative
22 Procedure Act, Chapter 3.5 (commencing with Section 11340) of
23 Part 1 of Division 3 of Title 2 of the Government Code. The state
24 board shall solicit input and comment from the districts during the
25 development of the criteria and guidelines and shall make every
26 effort to develop criteria and guidelines that are compatible with
27 existing district programs that are also consistent with this chapter.
28 Guidelines shall include protocols to calculate project
29 cost-effectiveness. The grant criteria and guidelines shall include
30 safeguards to ensure that the project generates surplus emissions
31 reductions. Guidelines shall enable and encourage districts to
32 cofund projects that provide emissions reductions in more than
33 one district. The state board shall make draft criteria and guidelines
34 available to the public 45 days before final adoption, and shall
35 hold at least one public meeting to consider public comments
36 before final adoption. The state board may develop separate
37 guidelines and criteria for the different types of eligible projects
38 described in subdivision (a) of Section 44281.

39 (b) The state board, in consultation with the participating
40 districts, may propose revisions to the criteria and guidelines

1 established pursuant to subdivision (a) as necessary to improve
2 the ability of the program to achieve its goals. A proposed revision
3 shall be made available to the public 45 days before final adoption
4 of the revision and the state board shall hold at least one public
5 meeting to consider public comments before final adoption of the
6 revision.

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

10 (d) The state board shall develop guidelines for a district to
11 follow in applying for the reservation of funds, in accordance with
12 this chapter. It is the intent of the Legislature that district
13 administration of any reserved funds be in accordance with the
14 project selection criteria specified in Sections 44281, 44282, and
15 44283 and all other provisions of this chapter. The guidelines shall
16 be established and published by the state board as soon as
17 practicable, but not later than January 1, 2006.

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

38 (f) The state board may adjust the ratio of matching funds
39 described in subdivision (e), if it determines that an adjustment is
40 necessary in order to maximize the use of, or the air quality benefits

1 provided by, the program, based on a consideration of the financial
2 resources of the district.

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

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

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

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

29 ~~(k)~~

30 (j) Any funds reserved for a district *by the state board* pursuant
31 to this section are available *for disbursement* to the district for a
32 period of not more than two years from the time of reservation.
33 Funds ~~not expended~~ *liquidated by a district* by June 30 of the
34 ~~second~~ *fourth* calendar year following the date of the reservation
35 shall ~~revert back to the state board as of that June 30, and shall be~~
36 ~~deposited in the fund for use by the program. The funds may then~~
37 ~~be redirected based on applications to the fund. Regardless of any~~
38 ~~reversion of funds back to the state board, the district may continue~~
39 ~~to request other reservations of funds for local administration. be~~
40 *returned to the state board within 90 days for future allocation*

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

5 ~~(t)~~

6 (k) The state board shall specify a date each year when district
7 applications are due. If the eligible applications received in any
8 year oversubscribe the available funds, the state board shall reserve
9 funds on an allocation basis, pursuant to Section 44299.2. The
10 state board may accept a district application after the due date for
11 a period of months specified by the state board. Funds may be
12 reserved in response to those applications, in accordance with this
13 chapter, out of funds remaining after the original reservation of
14 funds for the year.

15 ~~(m)~~

16 (l) Guidelines for a district application shall require information
17 from an applicant district to the extent necessary to meet the
18 requirements of this chapter, but shall otherwise minimize the
19 information required of a district.

20 ~~(n)~~

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

28 ~~(o)~~

29 (n) The commission, in consultation with the districts, shall
30 establish project approval criteria and guidelines for infrastructure
31 projects consistent with Section 44284 as soon as practicable, but
32 not later than February 15, 2000. The commission shall make draft
33 criteria and guidelines available to the public 45 days before final
34 adoption, and shall hold at least one public meeting to consider
35 public comments before final adoption.

36 ~~(p)~~

37 (o) The commission, in consultation with the participating
38 districts, may propose revisions to the criteria and guidelines
39 established pursuant to subdivision (o) as necessary to improve
40 the ability of the program to achieve its goals. A revision may be

1 proposed at any time, or may be proposed in response to a finding
2 made in the annual report on the program published by the state
3 board pursuant to Section 44295. A proposed revision shall be
4 made available to the public 45 days before final adoption of the
5 revision and the commission shall hold at least one public meeting
6 to consider public comments before final adoption of the revision.

7 ~~(q)~~

8 (p) Unclaimed funds will be allocated by the state board in
9 accordance with Section 44299.2.

10 ~~(r)~~

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

14 *SEC. 12. Section 44287.1 of the Health and Safety Code is*
15 *amended to read:*

16 44287.1. (a) The state board shall, at its first opportunity,
17 revise the grant criteria and guidelines adopted pursuant to Section
18 44287 to incorporate projects in which an applicant turns in
19 nonroad internal combustion technology and equipment that the
20 applicant owns and that still has some useful life, coupled with the
21 purchase of new nonroad zero-emission technology and equipment
22 that is in a similar category or that can perform the same work.

23 (b) When it evaluates the benefits of a project described in
24 subdivision (a), the state board shall count both of the following
25 emission reduction streams, provided that they are real, enforceable,
26 quantifiable, and surplus emission reductions:

27 (1) The displacement of the emissions from the older nonroad
28 internal combustion technology and equipment for its remaining
29 life with the new nonroad zero-emission technology and equipment.

30 (2) After the time period specified in paragraph (1), the
31 displacement of emissions from new nonroad internal combustion
32 technology and equipment meeting the emission standards in place
33 at time of purchase, with the new nonroad zero-emission
34 technology and equipment over its remaining life.

35 (c) A project described in subdivision (a) shall meet the
36 cost-effectiveness criteria in Section 44283 and all other criteria
37 of the program, including the requirement that the emission
38 reductions be real, enforceable, quantifiable, and surplus.

39 (d) The incremental cost of a project described in subdivision
40 (a) may include, at the discretion of the applicant, some or all of

1 the reasonable salvage value of the nonroad internal combustion
2 technology and equipment turned in, as determined by the state
3 board, and some or all of any additional costs incurred for
4 necessary recharging equipment or infrastructure as determined
5 by the state board. However, an applicant that elects to include
6 these costs shall be required to meet the cost-effectiveness criteria
7 in Section 44283.

8 *SEC. 13. Section 44287.2 of the Health and Safety Code is*
9 *amended to read:*

10 44287.2. (a) By July 1, ~~2011~~, 2017, the state board shall revise
11 project grant criteria and guidelines pursuant to Section 44287;
12 ~~for a project that reduces greenhouse gas emissions~~, to allow funds
13 from ~~all of the following programs or federal, state, and local~~
14 ~~programs or other public~~ funding sources to be used for a project
15 also funded under this chapter without those additional public
16 funds being factored into the criteria emission reduction
17 ~~cost-effectiveness calculations; calculations, if the projects are~~
18 ~~eligible under those programs and meet all criteria associated~~
19 ~~with those funding sources. Those other projects include, but are~~
20 ~~not limited to, any of the following:~~

21 (1) Federal funding from programs designed to reduce
22 greenhouse gas emissions.

23 ~~(2) Alternative and Renewable Fuel and Vehicle Technology~~
24 ~~Program (Article 2 (commencing with Section 44272) of Chapter~~
25 ~~8.9).~~

26 (2) *State and local funding from programs designed to reduce*
27 *greenhouse gas emissions, including the Greenhouse Gas*
28 *Reduction Fund, created pursuant to Section 16428.8 of the*
29 *Government Code, and the Alternative and Renewable Fuel and*
30 *Vehicle Technology Program (Article 2 (commencing with Section*
31 *44272) of Chapter 8.9).*

32 (3) *Funding from programs designed to support energy diversity.*

33 (4) *Funding from programs that are intended to provide covered*
34 *emissions reductions but do not require those reductions to be*
35 *able to be credited to the state implementation plan.*

36 (b) Nothing in this section authorizes the expenditure of funds
37 for a project that does not meet all of the requirements of this
38 chapter, including requirements that require cost sharing or *the*
39 ~~matching of funds. Subdivision (a) does not apply if the additional~~
40 ~~expenditure would not provide an incremental greenhouse gas~~

1 ~~emission reduction benefit greater than what would otherwise be~~
2 ~~achieved by the program. The state board shall not exclude funds~~
3 ~~from the cost-effectiveness calculation pursuant to subdivision (a),~~
4 ~~if excluding those funds would reduce the emission reduction~~
5 ~~benefits expected to be achieved from this chapter, federal~~
6 ~~greenhouse gas emission reduction programs, or the Alternative~~
7 ~~and Renewable Fuel and Vehicle Technology Program. The sum~~
8 ~~of the total grants shall not exceed the project cost. The covered~~
9 ~~emissions reductions paid for pursuant to this chapter shall not~~
10 ~~be claimed by the other funding sources.~~

11 *(c) Subdivision (a) shall not apply to funds used pursuant to*
12 *paragraph (2) of subdivision (d) of Section 41081 or subdivision*
13 *(b) of Section 44229.*

14 *SEC. 14. Section 44288 of the Health and Safety Code is*
15 *amended to read:*

16 44288. (a) An application for a project grant shall be reviewed
17 by the administering district immediately upon receipt. If the
18 administering district determines that an application is incomplete,
19 the applicant shall be notified within ~~five~~ 30 working days with
20 an explanation of what is missing from the application. The date
21 and time of receipt of each application determined to be complete
22 shall be recorded and the completed application shall be evaluated
23 with respect to the appropriate project selection criteria. A district
24 shall make every effort to process an application and grant an
25 award rapidly and to coordinate project approval with any purchase
26 or installation timing constraint on an applicant. Notwithstanding
27 any other provision of this chapter, the administering district may
28 determine that an application is not in good faith, not credible, or
29 not in compliance with this chapter and its objectives.

30 (b) A participating district may request assistance from the state
31 board on an ~~as-needed~~ *as-needed* basis to clarify project evaluation
32 protocols or to obtain information necessary to properly evaluate
33 an application.

34 (c) An application for a grant for an infrastructure project shall
35 be reviewed by the commission immediately upon receipt. If the
36 commission determines that an application is incomplete, the
37 applicant shall be notified within five working days with an
38 explanation of what is missing from the application. The date and
39 time of receipt of each application determined to be complete shall
40 be recorded and the completed application shall be evaluated with

1 respect to the appropriate project selection criteria. A complete
2 grant application fulfilling the project selection criteria shall be
3 approved as soon as practicable, but not later than 60 working days
4 after receipt. Notwithstanding any other provision of this chapter,
5 the commission may determine that an application is not in good
6 faith, not credible, or not in compliance with this chapter and its
7 objectives. The commission shall expedite the processing of an
8 application and shall grant an award as rapidly as possible.

9 (d) Funds shall be awarded in conjunction with the execution
10 of a contract that obligates the state board or a participating district
11 to make the grant and obligates the grantee to take the actions
12 described in the grant application. A contract shall incorporate the
13 recapturing provisions contained in subdivision (c) of Section
14 44291.

15 *SEC. 15. Section 44291 of the Health and Safety Code is*
16 *amended to read:*

17 44291. (a) The state board shall assist districts with developing
18 procedures to monitor whether the emission reductions projected
19 in successful grant applications are actually achieved. Monitoring
20 procedures may include project audits, and may also include
21 requirements, as part of the contract between the state board or
22 districts and the grant recipients, that each grant recipient provide
23 information about the project on an annual basis. Information
24 required from grant recipients should be minimized and the format
25 for reporting the information should be made simple and
26 convenient.

27 (b) As soon as practicable, ~~the commission,~~ *state board,* in
28 consultation with the districts, shall publish procedures to monitor
29 and audit infrastructure projects. These procedures shall ensure
30 that the amount of qualifying fuel dispensed annually is greater
31 than or equal to the amount upon which the grant award is based
32 and that any project qualifying for funding on the basis of public
33 accessibility or limited public accessibility is, in fact, providing
34 that accessibility.

35 (c) The monitoring and auditing procedures shall be sufficient
36 to allow emission reductions generated to be fully credited to air
37 quality plans. The monitoring procedures shall contain provisions
38 for recapturing grant awards in proportion to any loss of emission
39 reductions or underachievement in dispensing qualifying fuel
40 compared with the reductions and fuel dispensing projected in the

1 grant application. ~~Funds recaptured shall be deposited in the~~
 2 ~~accounts from which the funds were originally expended. From~~
 3 ~~time to time, monitoring~~ *Monitoring* and auditing procedures shall
 4 be revised as appropriate to enhance program effectiveness.

5 (d) The state board shall monitor district programs to ensure
 6 that participating districts conduct their programs consistent with
 7 the criteria and guidelines established by the state board and the
 8 commission pursuant to this chapter. The monitoring procedures
 9 shall contain provisions for ~~recapture~~ *return* of funds not yet
 10 awarded to approved projects if a district fails to show that they
 11 are implementing a program consistent with the approved program.
 12 If the state board determines, pursuant to this subdivision, that
 13 moneys from the fund allocated to a district should be ~~recaptured;~~
 14 *returned*, the state board shall hold at least one public meeting to
 15 consider public comments prior to ~~recapturing~~ *requiring the return*
 16 *of the allocated funds*. The state board shall make every effort to
 17 assist districts to implement programs in an approved manner and
 18 shall only ~~recapture~~ *require the return of* allocated funds if these
 19 efforts fail to address problems adequately. ~~Recaptured~~ *Returned*
 20 ~~funds shall be deposited in the Covered Vehicle Account.~~ *fund.*
 21 The state board shall not ~~recapture~~ *require the return of* funds
 22 already awarded to approved projects.

23 (e) *Program funds recaptured as a result of a settlement*
 24 *agreement executed by the state board shall be returned to the*
 25 *district that provided the funds to the grant recipient. A penalty*
 26 *resulting from a settlement agreement executed by the state board*
 27 *with a grant recipient or from a civil action brought by the Attorney*
 28 *General shall be deposited in the fund.*

29 *SEC. 16. Section 44299.1 of the Health and Safety Code, as*
 30 *amended by Section 28 of Chapter 401 of the Statutes of 2013, is*
 31 *amended to read:*

32 44299.1. (a) To ensure that emission reductions are obtained
 33 as needed from pollution sources, any moneys deposited in the
 34 fund for use by the program or appropriated to the program shall
 35 be segregated and administered as follows:

36 (1) Not more than ~~2~~ 2.5 percent of the moneys in the fund for
 37 use by the program shall be allocated to program support and
 38 outreach costs incurred by the state board and the commission
 39 directly associated with implementing the program pursuant to
 40 this chapter. These funds shall be allocated to the state board and

1 the commission in proportion to total program funds administered
2 by the state board and the commission.

3 (2) Not more than ~~2~~ 2.5 percent of the moneys in the fund for
4 use by the program shall be allocated to direct program outreach
5 activities. The state board may use these funds for program
6 outreach contracts or may allocate outreach funds to participating
7 districts in proportion to each district's allocation from the program
8 moneys in the fund. The state board shall report on the use of
9 outreach funds in their reports to the Legislature pursuant to Section
10 44295.

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

16 (b) Moneys in the fund shall be allocated to a district that
17 submits an eligible application to the state board pursuant to
18 Section 44287. The state board shall determine the maximum
19 amount of annual funding from the fund for use by the program
20 that each district may receive. This determination shall be based
21 on the population in each district as well as the relative importance
22 of obtaining covered emission reductions in each district,
23 specifically through the program.

24 (c) Not more than ~~5~~ 6.25 percent of the moneys allocated
25 pursuant to this chapter to a district with a population of one million
26 or more may be used by the district for indirect costs of
27 implementation of the program, including outreach costs that are
28 subject to the limitation in paragraph (2) of subdivision (a).

29 (d) Not more than ~~10~~ 12.5 percent of the moneys allocated
30 pursuant to this chapter to a district with a population of less than
31 one million may be used by the district for indirect costs of
32 implementation of the program, including outreach costs that are
33 subject to the limitation in paragraph (2) of subdivision (a).

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

37 *SEC. 17. Section 44299.1 of the Health and Safety Code, as*
38 *amended by Section 29 of Chapter 401 of the Statutes of 2013, is*
39 *repealed.*

1 ~~44299.1. (a) To ensure that emission reductions are obtained~~
2 ~~as needed from pollution sources, any moneys deposited in the~~
3 ~~fund for use by the program or appropriated to the program shall~~
4 ~~be segregated and administered as follows:~~

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

8 ~~(2) Ten percent shall be deposited in the fund for use by the~~
9 ~~program to be used to support research, development,~~
10 ~~demonstration, and commercialization of advanced low-emission~~
11 ~~technologies for covered sources that show promise of contributing~~
12 ~~to the goals of the program.~~

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

20 ~~(4) Not more than 2 percent of the moneys in the fund for use~~
21 ~~by the program shall be allocated to direct program outreach~~
22 ~~activities. The state board may use these funds for program~~
23 ~~outreach contracts or may allocate outreach funds to participating~~
24 ~~districts in proportion to each district's allocation from the fund~~
25 ~~for use by the program. The state board shall report on the use of~~
26 ~~outreach funds in their reports to the Legislature pursuant to Section~~
27 ~~44295.~~

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

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

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

2 *SEC. 18. Section 44299.2 of the Health and Safety Code is*
3 *amended to read:*

4 44299.2. Funds shall be allocated to districts, and shall be
5 subject to administrative terms and conditions as follows:

6 (a) Available funds shall be distributed to districts taking into
7 consideration the population of the area, the severity of the air
8 quality problems experienced by the population, and the historical
9 allocation of the program funds, except that the south coast district
10 shall be allocated a percentage of the total funds available to
11 districts that is proportional to the percentage of the total state
12 population residing within the jurisdictional boundaries of that
13 district. For the purposes of this subdivision, population shall be
14 determined by the state board based on the most recent data
15 provided by the Department of Finance. The allocation to the south
16 coast district shall be subtracted from the total funds available to
17 districts. Each district, except the south coast district, shall be
18 awarded a minimum allocation of two hundred thousand dollars
19 (\$200,000), and the remainder, which shall be known as the
20 “allocation amount,” shall be allocated to all districts as follows:

21 (1) The state board shall distribute 35 percent of the allocation
22 amount to the districts in proportion to the percentage of the total
23 residual state population that resides within each district’s
24 boundaries. For purposes of this paragraph, “total residual state
25 population” means the total state population, less the total
26 population that resides within the south coast district.

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

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

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

38 (ii) A district that is designated nonattainment for the federal
39 eight-hour ozone standard shall be awarded severity points based
40 on classification. Two points shall be awarded for transitional,

1 basic, or marginal classifications, three points for moderate
2 classification, four points for serious classification, five points for
3 severe classification, six points for severe-17 classification, and
4 seven points for extreme classification.

5 (B) Each district shall be awarded severity points based on the
6 annual diesel particulate emissions in the air basin, as determined
7 by the state board. One point shall be awarded to the district, in
8 increments, for each 1,000 tons of diesel particulate emissions. In
9 making this determination, 0 to 999 tons shall be awarded no
10 points, 1,000 to 1,999 tons shall be awarded one point, 2,000 to
11 2,999 tons shall be awarded two points, and so forth. If a district
12 encompasses more than one air basin, the air basin with the greatest
13 diesel particulate emissions shall be used to determine the points
14 awarded to the district. The San Diego County Air Pollution
15 Control District and the Imperial County Air Pollution Control
16 District shall be awarded one additional point each to account for
17 annual diesel particulate emissions transported from Mexico.

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

22 (D) The local air quality exposure index for each district shall
23 be summed together to yield a total state exposure index. Funds
24 shall be allocated under this paragraph to each district in proportion
25 to its local air quality exposure index divided by the total state
26 exposure index.

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

30 (A) Because each district is awarded a minimum allocation
31 pursuant to subdivision (a), there shall be no additional minimum
32 allocation from the program historical allocation funds. The total
33 amount allocated in this way shall be subtracted from total funding
34 previously awarded to the district under the program, and the
35 remainder, which shall be known as directed funds, shall be
36 allocated pursuant to subparagraph (B).

37 (B) Each district with a population that is greater than or equal
38 to 1 percent of the state's population shall receive an additional
39 allocation based on the population of the district and the district's
40 relative share of emission reduction commitments in the state

1 implementation plan to attain the National Ambient Air Quality
2 Standard for ozone averaged over one hour. This additional
3 allocation shall be calculated as a percentage share of the directed
4 funds for each district, derived using a ratio of each district's share
5 amount to the base amount, which shall be calculated as follows:

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

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

13 (iii) The percentage share shall be calculated for each district
14 by dividing the district's share amount by the base amount, and
15 multiplying the result by the total directed funds available under
16 this subparagraph.

17 (b) Funds shall be distributed as expeditiously as reasonably
18 practicable, and a report of the distribution shall be made available
19 to the public.

20 ~~(c) All funds allocated pursuant to this section shall be expended
21 as provided in the guidelines adopted pursuant to Section 44287
22 within two years from the date of allocation. Funds not expended
23 within the two years shall be returned to the program moneys in
24 the fund within 60 days and shall be subject to further allocation
25 as follows:~~

26 ~~(1) Within 30 days of the deadline to return funds, the state
27 board shall notify the districts of the total amount of returned funds
28 available for reallocation, and shall list those districts that request
29 supplemental funds from the reallocation and that are able to
30 expend those funds within one year.~~

31 ~~(2) Within 90 days of the deadline to return funds, the state
32 board shall allocate the returned funds to the districts listed
33 pursuant to paragraph (1).~~

34 ~~(3) All supplemental funds distributed under this subdivision
35 shall be expended consistent with the program within one year of
36 the date of supplemental allocation. Funds not expended within
37 one year shall be returned to the program moneys in the fund and
38 shall be distributed at the discretion of the state board to districts,
39 taking into consideration each district's ability to expeditiously
40 utilize the remaining funds consistent with the program.~~

1 ~~(d) 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 ~~(c) All funds allocated pursuant to this section shall be~~
5 ~~liquidated as provided for in the guidelines adopted pursuant to~~
6 ~~Section 44287 by June 30 four years following the year of~~
7 ~~allocation. Funds not liquidated within the four years shall be~~
8 ~~returned to the state board within 90 days for future allocation~~
9 ~~pursuant to this chapter.~~
10 ~~SECTION 1. It is the intent of the Legislature to enact~~
11 ~~legislation to amend the Carl Moyer Memorial Air Quality~~
12 ~~Standards Attainment Program (Chapter 9 (commencing with~~
13 ~~Section 44275) of Part 5 of Division 26 of the Health and Safety~~
14 ~~Code) to achieve even greater air quality benefits.~~