

AMENDED IN SENATE JUNE 2, 2015

AMENDED IN SENATE MAY 12, 2015

AMENDED IN SENATE APRIL 6, 2015

SENATE BILL

No. 513

Introduced by Senator Beall

February 26, 2015

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: 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 the funding of 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 that is a covered source, as defined, or a specified eligible project; 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 for use by the program 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, as defined, the moneys by a specified date 4 years following the year of allocation and to return, as defined, 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.

Vote: majority. 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 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
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

1 from all or part of the surcharge any category of low-emission
2 motor vehicle.

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

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

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

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

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

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

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

37 (E) The replacement of onboard natural gas fuel tanks on
38 schoolbuses that are 14 years or older or the enhancement of
39 deteriorating natural gas fueling dispensers of fueling infrastructure,

1 pursuant to the Lower-Emission School Bus Program adopted by
2 the state board.

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

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

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

22 (g) 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. 2. Section 44223 of the Health and Safety Code is
26 amended to read:

27 44223. (a) In addition to any other fees specified in this code,
28 the Vehicle Code, and the Revenue and Taxation Code, a district,
29 except the Sacramento district, may levy a fee of up to two dollars
30 (\$2) on motor vehicles registered within the district. A district may
31 impose the fee only if the district board adopts a resolution
32 providing for both the fee and a corresponding program for the
33 reduction of air pollution from motor vehicles pursuant to, and for
34 related planning, monitoring, enforcement, and technical studies
35 necessary for the implementation of, the California Clean Air Act
36 of 1988 (Chapter 1568 of the Statutes of 1988), or for the
37 attainment or maintenance of state or federal ambient air quality
38 standards or the reduction of toxic air contaminant emissions from
39 motor vehicles.

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

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

8 SEC. 3. Section 44225 of the Health and Safety Code, as
9 amended by Section 6 of Chapter 401 of the Statutes of 2013, is
10 amended to read:

11 44225. A district may increase the fee established under Section
12 44223 to up to six dollars (\$6). A district may increase the fee only
13 if the following conditions are met:

14 (a) A resolution providing for both the fee increase and a
15 corresponding program for expenditure of the increased fees for
16 the reduction of air pollution from motor vehicles pursuant to, and
17 for related planning, monitoring, enforcement, and technical studies
18 necessary for the implementation of, the California Clean Air Act
19 of 1988 (Chapter 1568 of the Statutes of 1988), or for the
20 attainment or maintenance of state or federal ambient air quality
21 standards or the reduction of toxic air contaminant emissions from
22 motor vehicles, is adopted and approved by the governing board
23 of the 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 remain in effect only until January 1, 2024,
32 and as of that date is repealed, unless a later enacted statute, that
33 is enacted before January 1, 2024, deletes or extends that date.

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

37 44229. (a) After deducting all administrative costs it incurs
38 through collection of fees pursuant to Section 44227, the
39 Department of Motor Vehicles shall distribute the revenues to
40 districts, which shall use the revenues resulting from the first four

1 dollars (\$4) of each fee imposed to reduce air pollution from motor
2 vehicles and to carry out related planning, monitoring, enforcement,
3 and technical studies necessary for implementation of the California
4 Clean Air Act of ~~(1988~~ 1988 (Chapter 1568 of the Statutes of
5 ~~1988)~~, 1988). Fees collected by the Department of Motor Vehicles
6 pursuant to this chapter shall be distributed to districts based upon
7 the amount of fees collected from motor vehicles registered within
8 each district.

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

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

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

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

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

35 (5) The replacement of onboard natural gas fuel tanks on
36 schoolbuses that are 14 years or older or the enhancement of
37 deteriorating natural gas fueling dispensers or fueling infrastructure,
38 pursuant to the Lower-Emission School Bus Program adopted by
39 the state board.

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

3 (c) The Department of Motor Vehicles may annually expend
4 not more than 1 percent of the fees collected pursuant to Section
5 44227 on administrative costs.

6 (d) 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 (e) 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. 5. Section 44233 of the Health and Safety Code is
24 amended to read:

25 44233. Not more than 6.25 percent of the fees distributed to
26 any district pursuant to Section 44229, or distributed by a district
27 to any other public agency pursuant to this chapter, shall be used
28 by the district or other public agency for administrative costs.

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

32 44275. (a) As used in this chapter, the following terms have
33 the following meanings:

34 ~~(1) (A) "Ancillary benefits" means air quality, climate, and~~
35 ~~public health benefits beyond the reductions in covered emissions.~~
36 ~~Those benefits may include greenhouse gas reductions, short-lived~~
37 ~~climate pollutant reductions, benefits to communities described in~~
38 ~~subdivision (a) of Section 43023.5, fuel efficiency improvements,~~
39 ~~or the deployment of advanced technology.~~

1 ~~(B) The state board shall identify ancillary benefits pursuant to~~
2 ~~the process described in Section 44287.~~

3 (1) *[Reserved]*

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

5 (3) “Commission” means the State Energy Resources
6 Conservation and Development Commission.

7 (4) “Cost-effectiveness” means dollars provided to a project
8 pursuant to subdivision (d) of Section 44283 for each ton of
9 covered emission reduction attributed to a project or to the program
10 as a whole. In calculating cost-effectiveness, one-time grants of
11 funds made at the beginning of a project shall be annualized using
12 a time value of public funds or discount rate determined for each
13 project by the state board, taking into account the interest rate on
14 bonds, interest earned by state funds, and other factors as
15 determined appropriate by the state board. Cost-effectiveness shall
16 be calculated by dividing annualized costs by average annual
17 emissions reduction. The state board, in consultation with the
18 districts and concerned members of the public, shall establish
19 appropriate cost-effective limits for oxides of nitrogen, particulate
20 matter, and reactive organic gases and a reasonable system for
21 comparing the cost-effectiveness of proposed projects as described
22 in subdivision (a) of Section 44283.

23 (5) “Covered emissions” include emissions of oxides of nitrogen,
24 particulate matter, and reactive organic gases from any covered
25 source.

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

28 (7) “Covered source” includes onroad vehicles, off-road
29 nonrecreational equipment and vehicles, locomotives, marine
30 vessels, agricultural sources of air pollution, as defined in Section
31 39011.5, and, as determined by the state board, other categories
32 necessary for the state and districts to meet air quality goals.

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

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

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

39 (11) “Incremental cost” means the cost of the project less a
40 baseline cost that would otherwise be incurred by the applicant in

1 the normal course of business. Incremental costs may include
2 added lease, energy, or fuel costs pursuant to Section 44283 as
3 well as incremental capital costs.

4 (12) “Liquidated” means that all moneys for a specified fiscal
5 year have been spent by a district to reimburse grantees for valid
6 and eligible project invoices and district administrative costs.
7 Payments withheld from the grantee by a district until all
8 contractual reporting requirements are met may be excluded from
9 these amounts for the purposes of liquidation.

10 (13) “Mobile Source Air Pollution Reduction Review
11 Committee” means the Mobile Source Air Pollution Reduction
12 Review Committee created by Section 44244.

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

20 (15) “NO_x” means oxides of nitrogen.

21 (16) “Program” means the Carl Moyer Memorial Air Quality
22 Standards Attainment Program created by subdivision (a) of
23 Section 44280.

24 (17) “Recaptured” means those moneys that are returned to a
25 district or the state board by a grantee because that grantee did not
26 meet contractual obligations.

27 (18) “Repower” means replacing an engine with a different
28 engine. The term repower, as used in this chapter, generally refers
29 to replacing an older, uncontrolled engine with a new,
30 emissions-certified engine, although replacing an older
31 emissions-certified engine with a newer engine certified to lower
32 emissions standards may be eligible for funding under this program.

33 (19) “Retrofit” means making modifications to the engine and
34 fuel system so that the retrofitted engine does not have the same
35 specifications as the original engine.

36 (20) “Returned” means those moneys sent by a district to the
37 state board for reallocation because those moneys are not liquidated
38 by a liquidation deadline.

39 (21) “Very low emission vehicle” means a heavy-duty vehicle
40 with emissions significantly lower than otherwise applicable

1 baseline emission standards or uncontrolled emission levels
2 pursuant to Section 44282.

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

6 SEC. 7. Section 44275 of the Health and Safety Code, as
7 amended by Section 16 of Chapter 401 of the Statutes of 2013, is
8 amended to read:

9 44275. (a) As used in this chapter, the following terms have
10 the following meanings:

11 (1) ~~“Advisory board” means the Carl Moyer Program Advisory~~
12 ~~Board created by Section 44297.~~

13 (1) *[Reserved]*

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

15 (3) “Commission” means the State Energy Resources
16 Conservation and Development Commission.

17 (4) “Cost-effectiveness” means dollars provided to a project
18 pursuant to subdivision (d) of Section 44283 for each ton of NO_x
19 reduction attributed to a project or to the program as a whole. In
20 calculating cost-effectiveness, one-time grants of funds made at
21 the beginning of a project shall be annualized using a time value
22 of public funds or discount rate determined for each project by the
23 state board, taking into account the interest rate on bonds, interest
24 earned by state funds, and other factors as determined appropriate
25 by the state board. Cost-effectiveness shall be calculated by
26 dividing annualized costs by average annual emissions reduction
27 of NO_x in this state.

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

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

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

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

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

1 (10) “Incremental cost” means the cost of the project less a
2 baseline cost that would otherwise be incurred by the applicant in
3 the normal course of business. Incremental costs may include
4 added lease or fuel costs pursuant to Section 44283 as well as
5 incremental capital costs.

6 (11) “Liquidated” means that all moneys for a specified fiscal
7 year have been spent by a district to reimburse grantees for valid
8 and eligible project invoices and district administrative costs.
9 Payments withheld from the grantee by a district until all
10 contractual reporting requirements are met may be excluded from
11 these amounts for the purposes of liquidation.

12 (12) “Mobile Source Air Pollution Reduction Review
13 Committee” means the Mobile Source Air Pollution Reduction
14 Review Committee created by Section 44244.

15 (13) “New very low emission vehicle” means a vehicle that
16 qualifies as a very low emission vehicle when it is a new vehicle,
17 where new vehicle has the same meaning as defined in Section
18 430 of the Vehicle Code, or that is modified with the approval and
19 warranty of the original equipment manufacturer to qualify as a
20 very low emission vehicle within 12 months of delivery to an
21 owner for private or commercial use.

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

23 (15) “Program” means the Carl Moyer Memorial Air Quality
24 Standards Attainment Program created by subdivision (a) of
25 Section 44280.

26 (16) “Recaptured” means those moneys that are returned to a
27 district or the state board by a grantee because that grantee did not
28 meet contractual obligations.

29 (17) “Repower” means replacing an engine with a different
30 engine. The term repower, as used in this chapter, generally refers
31 to replacing an older, uncontrolled engine with a new,
32 emissions-certified engine, although replacing an older
33 emissions-certified engine with a newer engine certified to lower
34 emissions standards may be eligible for funding under this program.

35 (18) “Retrofit” means making modifications to the engine and
36 fuel system such that the retrofitted engine does not have the same
37 specifications as the original engine.

38 (19) “Returned” means those moneys sent by a district to the
39 state board for reallocation because those moneys are not liquidated
40 by a liquidation deadline.

1 (20) “Very low emission vehicle” means a vehicle with
2 emissions significantly lower than otherwise applicable baseline
3 emission standards or uncontrolled emission levels pursuant to
4 Section 44282.

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

6 SEC. 8. Section 44281 of the Health and Safety Code, as
7 amended by Section 19 of Chapter 401 of the Statutes of 2013, is
8 amended to read:

9 44281. (a) Eligible projects include, but are not limited to, any
10 of the following:

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

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

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

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

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

25 (b) No project shall be funded under this chapter after the
26 compliance date required by any local, state, or federal statute,
27 rule, regulation, memoranda of agreement or understanding, or
28 other legally binding document, except that an otherwise qualified
29 project may be funded even if the state implementation plan
30 assumes that the change in equipment, vehicles, or operations will
31 occur, if the change is not required by the compliance date of a
32 statute, regulation, or other legally binding document in effect as
33 of the date the grant is awarded. No project funded by the program
34 shall be used for credit under any state or federal emissions
35 averaging, banking, or trading program. No covered emission
36 reduction generated by the program shall be used as marketable
37 emission reduction credits or to offset any emission reduction
38 obligation of any person or entity. Projects involving new engines
39 that would otherwise generate marketable credits under state or
40 federal averaging, banking, and trading programs shall include

1 transfer of credits to the engine end user and retirement of those
2 credits toward reducing air emissions in order to qualify for funding
3 under the program. A purchase of a low-emission vehicle or of
4 equipment pursuant to a corporate or a controlling board's policy,
5 but not otherwise required by law, shall generate surplus emissions
6 reductions and may be funded by the program.

7 (c) The program may also provide funding toward the
8 installation of fueling or energy infrastructure to fuel or power
9 covered sources.

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

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

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

22 SEC. 9. Section 44282 of the Health and Safety Code, as
23 amended by Section 21 of Chapter 401 of the Statutes of 2013, is
24 amended to read:

25 44282. The following criteria apply to all projects to be funded
26 through the program except for projects funded through the
27 infrastructure demonstration program and infrastructure projects,
28 pursuant to subdivision (c) of Section 44281 and Section 44284:

29 (a) The state board may establish project criteria, including
30 minimum project life for source categories, in the guidelines
31 described in Section 44287. For previously unregulated source
32 categories, project criteria shall consider the timing of newly
33 established regulatory requirements.

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

36 (c) To be eligible, retrofits, repowers, and installation of add-on
37 equipment for covered vehicles shall be performed, or new covered
38 vehicles delivered to the end user, or covered vehicles scrapped
39 on or after the date the program 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) For heavy-duty-vehicle projects, retrofit and add-on
12 equipment projects shall document a NO_x or PM emission
13 reduction of at least 25 percent and no increase in other covered
14 emissions compared to the applicable baseline emissions accepted
15 by the state board for that engine year and application. The state
16 board shall determine appropriate baseline emission levels.
17 Acceptable documentation shall be defined by the state board.
18 After study of available emission reduction technologies and after
19 public notice and comment, the state board may revise the
20 minimum percentage emission reduction criterion for retrofits and
21 add-on equipment provided for in this section to improve the ability
22 of the program to achieve its goals.

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

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

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

4 (i) 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. 10. Section 44283 of the Health and Safety Code, as
 8 amended by Section 23 of Chapter 401 of the Statutes of 2013, is
 9 amended to read:

10 44283. (a) (1) For all projects funded pursuant to this chapter,
 11 except for an infrastructure project described in subdivision (c) of
 12 Section 44281, the following cost-effectiveness criteria shall apply:

13 (A) (i) Project grants shall not be made that exceed
 14 cost-effectiveness calculated in accordance with this section.

15 (ii) The state board, in collaboration with the districts, shall
 16 establish cost-effectiveness values in the guidelines issued pursuant
 17 to Section 44287, taking into consideration factors, including, but
 18 not limited to, the following:

19 ~~(I) The ability of the project to provide identified ancillary~~
 20 ~~benefits, as defined in paragraph (1) of subdivision (a) of Section~~
 21 ~~44275.~~

22 ~~(II)~~

23 (I) The cost of emission control technologies identified in
 24 Section 44281.

25 ~~(III)~~

26 (II) The cost-effectiveness values for NO_x, particulate matter,
 27 or reactive organic gases for any adopted rule or control measure
 28 in any district's approved state implementation plan, or rule
 29 adopted by the state board.

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

33 (2) When a district board approves funding for a project or
 34 project category, the district board:

35 ~~(A) May recognize the ancillary benefit, as defined in paragraph~~
 36 ~~(1) of subdivision (a) of Section 44275, when determining the~~
 37 ~~grant amount for a project or project category.~~

38 ~~(B) Shall board shall include, in its agenda or supporting~~
 39 ~~materials for the meeting approving funding for the project or~~
 40 ~~project category, in its agenda or supporting materials a brief~~

1 statement of the rationale for funding that source category,
2 including the basis for selection and the importance of that project
3 type.

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

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

13 (d) The cost of the covered emission reduction is the amount
14 of the grant from the program, including matching funds provided
15 pursuant to subdivision (e) of Section 44287, or funding provided
16 pursuant to paragraph (2) of subdivision (d) of Section 41081 or
17 subdivision (b) of Section 44229, not including funds described
18 in subdivision (a) of Section 44287.2. The state board shall
19 establish reasonable methodologies for evaluating project
20 cost-effectiveness, consistent with the definition contained in
21 paragraph (4) of subdivision (a) of Section 44275, and with
22 accepted methods, taking into account a fair and reasonable
23 discount rate or time value of public funds.

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

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

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

5 (g) For the purposes of determining any grant amount pursuant
6 to this chapter, project proponents applying for funding shall be
7 required to state in their application any other public financial
8 assistance to the project.

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

14 (i) After study of available emission reduction technologies and
15 costs and after public notice and comment, the state board may
16 adjust the values of the maximum grant award criteria stated in
17 this section to improve the ability of the program to achieve its
18 goals. Every year the state board shall adjust the maximum
19 cost-effectiveness amount established in subdivision (a) and any
20 per-project maximum set by the state board pursuant to subdivision
21 (h) to account for inflation and other factors as authorized by this
22 section.

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

26 SEC. 11. Section 44286 of the Health and Safety Code is
27 amended to read:

28 44286. (a) The responsibilities of the state board include
29 management of program funds and program oversight. The state
30 board is responsible for producing guidelines, protocols, and
31 criteria for covered vehicle projects and developing methodologies
32 for evaluating project cost-effectiveness in accordance with this
33 chapter. The state board shall have primary responsibility for the
34 reporting aspects of the program.

35 (b) The responsibilities of a district include local administration
36 of project funds, monitoring funded projects, and reporting results
37 to the state board, in accordance with this chapter. Any project
38 funds awarded to a successful applicant shall be disbursed by the
39 district.

1 (c) Relative to the allocation of funds in the south coast district,
2 for purposes of this program, Mobile Source Air Pollution
3 Reduction Review Committee funds shall only be used as matching
4 funds upon approval, by minute action, of the Mobile Source Air
5 Pollution Reduction Review Committee.

6 (d) The state board may reserve up to 10 percent of the program
7 funds available each year to directly fund any project ~~described in~~
8 ~~paragraph (7) of subdivision (a) of Section 44275~~ *that is a covered*
9 *source and is described in Section 44281*. A project that is
10 multidistrict in nature shall be funded by the state board in
11 coordination with the appropriate districts. The state board shall
12 coordinate outreach efforts with a participating district to ensure
13 that any parallel availability of a district grant and a grant from
14 the state board is clear to an eligible applicant. Reserved funds not
15 committed to a project funded directly by the state board by the
16 end of the fiscal year shall be made available to the districts in the
17 following year.

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

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

24 (g) The state board and the districts shall take all appropriate
25 and necessary actions to ensure that emissions reductions achieved
26 through the program are credited by the United States
27 Environmental Protection Agency to the appropriate emission
28 reduction objectives in the state implementation plan.

29 SEC. 12. Section 44287 of the Health and Safety Code, as
30 amended by Section 25 of Chapter 401 of the Statutes of 2013, 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 and infrastructure projects as soon as practicable, but not
35 later than July 1, 2017. The adoption of guidelines is exempt from
36 the rulemaking provisions of the Administrative Procedure Act
37 (Chapter 3.5 (commencing with Section 11340) of Part 1 of
38 Division 3 of Title 2 of the Government Code). The state board
39 shall solicit input and comment from the districts during the
40 development of the criteria and guidelines and shall make every

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

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

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

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

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

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

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

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

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

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

38 (j) Any funds reserved for a district by the state board pursuant
39 to this section are available for disbursement to the district for a
40 period of not more than two years from the time of reservation.

1 Funds not liquidated by a district by June 30 of the fourth calendar
2 year following the date of the reservation shall be returned to the
3 state board within 90 days for future allocation pursuant to this
4 chapter. Each reservation of funds shall be accounted for separately,
5 and unused funds from each application shall revert back to the
6 state board for use pursuant to this chapter as specified in this
7 subdivision.

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

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

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

35 (o) The commission, in consultation with the participating
36 districts, may propose revisions to the criteria and guidelines
37 established pursuant to subdivision (n) as necessary to improve
38 the ability of the program to achieve its goals. A revision may be
39 proposed at any time, or may be proposed in response to a finding
40 made in the annual report on the program published by the state

1 board pursuant to Section 44295. A proposed revision shall be
2 made available to the public 45 days before final adoption of the
3 revision and the commission shall hold at least one public meeting
4 to consider public comments before final adoption of the revision.

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

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

10 SEC. 13. Section 44287.1 of the Health and Safety Code is
11 amended to read:

12 44287.1. (a) The state board shall, at its first opportunity,
13 revise the grant criteria and guidelines adopted pursuant to Section
14 44287 to incorporate projects in which an applicant turns in
15 nonroad internal combustion technology and equipment that the
16 applicant owns and that still has some useful life, coupled with the
17 purchase of new nonroad zero-emission technology and equipment
18 that is in a similar category or that can perform the same work.

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

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

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

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

35 (d) The incremental cost of a project described in subdivision
36 (a) may include, at the discretion of the applicant, some or all of
37 the reasonable salvage value of the nonroad internal combustion
38 technology and equipment turned in, as determined by the state
39 board. However, an applicant that elects to include these costs

1 shall be required to meet the cost-effectiveness criteria in Section
2 44283.

3 SEC. 14. Section 44287.2 of the Health and Safety Code is
4 amended to read:

5 44287.2. (a) By July 1, 2017, the state board shall revise
6 project grant criteria and guidelines pursuant to Section 44287 to
7 allow funds from federal, state, and local programs or other public
8 funding sources to be used for a project also funded under this
9 chapter without those additional public funds being factored into
10 the criteria emission reduction cost-effectiveness calculations, if
11 the projects are eligible under those programs and meet all criteria
12 associated with those funding sources. Those other projects include,
13 but are not limited to, any of the following:

14 (1) Federal funding from programs designed to reduce
15 greenhouse gas emissions.

16 (2) State and local funding from programs designed to reduce
17 greenhouse gas emissions, including the Greenhouse Gas Reduction
18 Fund, created pursuant to Section 16428.8 of the Government
19 Code, and the Alternative and Renewable Fuel and Vehicle
20 Technology Program (Article 2 (commencing with Section 44272)
21 of Chapter 8.9).

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

23 (4) Funding from programs that are intended to provide covered
24 emissions reductions but do not require those reductions to be able
25 to be credited to the state implementation plan.

26 (b) Nothing in this section authorizes the expenditure of funds
27 for a project that does not meet all of the requirements of this
28 chapter, including requirements that require cost sharing or the
29 matching of funds. The sum of the total grants shall not exceed
30 the project cost. The covered emissions reductions paid for pursuant
31 to this chapter shall not be claimed by the other funding sources.

32 (c) Subdivision (a) shall not apply to funds used pursuant to
33 paragraph (2) of subdivision (d) of Section 41081 or subdivision
34 (b) of Section 44229.

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

37 44288. (a) An application for a project grant shall be reviewed
38 by the administering district immediately upon receipt. If the
39 administering district determines that an application is incomplete,
40 the applicant shall be notified within 30 working days with an

1 explanation of what is missing from the application. The date and
2 time of receipt of each application determined to be complete shall
3 be recorded and the completed application shall be evaluated with
4 respect to the appropriate project selection criteria. A district shall
5 make every effort to process an application and grant an award
6 rapidly and to coordinate project approval with any purchase or
7 installation timing constraint on an applicant. Notwithstanding
8 any other provision of this chapter, the administering district may
9 determine that an application is not in good faith, not credible, or
10 not in compliance with this chapter and its objectives.

11 (b) A participating district may request assistance from the state
12 board on an as-needed basis to clarify project evaluation protocols
13 or to obtain information necessary to properly evaluate an
14 application.

15 (c) An application for a grant for an infrastructure project shall
16 be reviewed by the commission immediately upon receipt. If the
17 commission determines that an application is incomplete, the
18 applicant shall be notified within five working days with an
19 explanation of what is missing from the application. The date and
20 time of receipt of each application determined to be complete shall
21 be recorded and the completed application shall be evaluated with
22 respect to the appropriate project selection criteria. A complete
23 grant application fulfilling the project selection criteria shall be
24 approved as soon as practicable, but not later than 60 working days
25 after receipt. Notwithstanding any other provision of this chapter,
26 the commission may determine that an application is not in good
27 faith, not credible, or not in compliance with this chapter and its
28 objectives. The commission shall expedite the processing of an
29 application and shall grant an award as rapidly as possible.

30 (d) Funds shall be awarded in conjunction with the execution
31 of a contract that obligates the state board or a participating district
32 to make the grant and obligates the grantee to take the actions
33 described in the grant application. A contract shall incorporate the
34 recapturing provisions contained in subdivision (c) of Section
35 44291.

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

38 44291. (a) The state board shall assist districts with developing
39 procedures to monitor whether the emission reductions projected
40 in successful grant applications are actually achieved. Monitoring

1 procedures may include project audits, and may also include
2 requirements, as part of the contract between the state board or
3 districts and the grant recipients, that each grant recipient provide
4 information about the project on an annual basis. Information
5 required from grant recipients should be minimized and the format
6 for reporting the information should be made simple and
7 convenient.

8 (b) As soon as practicable, the state board, in consultation with
9 the districts, shall publish procedures to monitor and audit
10 infrastructure projects. These procedures shall ensure that the
11 amount of qualifying fuel dispensed annually is greater than or
12 equal to the amount upon which the grant award is based and that
13 any project qualifying for funding on the basis of public
14 accessibility or limited public accessibility is, in fact, providing
15 that accessibility.

16 (c) The monitoring and auditing procedures shall be sufficient
17 to allow emission reductions generated to be fully credited to air
18 quality plans. The monitoring procedures shall contain provisions
19 for recapturing grant awards in proportion to any loss of emission
20 reductions or underachievement in dispensing qualifying fuel
21 compared with the reductions and fuel dispensing projected in the
22 grant application. Monitoring and auditing procedures shall be
23 revised as appropriate to enhance program effectiveness.

24 (d) The state board shall monitor district programs to ensure
25 that participating districts conduct their programs consistent with
26 the criteria and guidelines established by the state board and the
27 commission pursuant to this chapter. The monitoring procedures
28 shall contain provisions for return of funds not yet awarded to
29 approved projects if a district fails to show that they are
30 implementing a program consistent with the approved program.
31 If the state board determines, pursuant to this subdivision, that
32 moneys from the fund allocated to a district should be returned,
33 the state board shall hold at least one public meeting to consider
34 public comments prior to requiring the return of the allocated
35 funds. The state board shall make every effort to assist districts to
36 implement programs in an approved manner and shall only require
37 the return of allocated funds if these efforts fail to address problems
38 adequately. Returned funds shall be deposited in the fund. The
39 state board shall not require the return of funds already awarded
40 to approved projects.

1 (e) Program funds recaptured as a result of a settlement
2 agreement executed by the state board shall be returned to the
3 district that provided the funds to the grant recipient. A penalty
4 resulting from a settlement agreement executed by the state board
5 with a grant recipient or from a civil action brought by the Attorney
6 General shall be deposited in the fund.

7 SEC. 17. Section 44299.1 of the Health and Safety Code, as
8 amended by Section 28 of Chapter 401 of the Statutes of 2013, is
9 amended to read:

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

14 (1) Not more than 2.5 percent of the moneys in the fund for use
15 by the program shall be allocated to program support and outreach
16 costs incurred by the state board and the commission directly
17 associated with implementing the program pursuant to this chapter.
18 These funds shall be allocated to the state board and the
19 commission in proportion to total program funds administered by
20 the state board and the commission.

21 (2) Not more than 2.5 percent of the moneys in the fund for use
22 by the program shall be allocated to direct program outreach
23 activities. The state board may use these funds for program
24 outreach contracts or may allocate outreach funds to participating
25 districts in proportion to each district's allocation from the program
26 moneys in the fund. The state board shall report on the use of
27 outreach funds in their reports to the Legislature pursuant to Section
28 44295.

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

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

1 of obtaining covered emission reductions in each district,
2 specifically through the program.

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

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

13 SEC. 18. Section 44299.1 of the Health and Safety Code, as
14 amended by Section 29 of Chapter 401 of the Statutes of 2013, is
15 repealed.

16 SEC. 19. Section 44299.2 of the Health and Safety Code is
17 amended to read:

18 44299.2. Funds shall be allocated to districts, and shall be
19 subject to administrative terms and conditions as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 (c) All funds allocated pursuant to this section shall be liquidated
35 as provided for in the guidelines adopted pursuant to Section 44287
36 by June 30 four years following the year of allocation. Funds not
37 liquidated within the four years shall be returned to the state board
38 within 90 days for future allocation pursuant to this chapter.

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