

AMENDED IN ASSEMBLY AUGUST 17, 2015

AMENDED IN SENATE JUNE 2, 2015

AMENDED IN SENATE MAY 12, 2015

AMENDED IN SENATE APRIL 6, 2015

**SENATE BILL**

**No. 513**

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**Introduced by Senator Beall**

February 26, 2015

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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~~ *June 30 of the fourth year* 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 (Chapter 1568 of the Statutes of 1988). Fees  
5 collected by the Department of Motor Vehicles pursuant to this  
6 chapter shall be distributed to districts based upon the amount of  
7 fees collected from motor vehicles registered within each district.

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

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

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

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

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

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

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

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

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

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

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

23 44233. Not more than 6.25 percent of the fees distributed to  
24 any district pursuant to Section 44229, or distributed by a district  
25 to any other public agency pursuant to this chapter, shall be used  
26 by the district or other public agency for administrative costs.

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

30 44275. (a) As used in this chapter, the following terms have  
31 the following meanings:

32 (1) [Reserved]

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

34 (3) "Commission" means the State Energy Resources  
35 Conservation and Development Commission.

36 (4) "Cost-effectiveness" means dollars provided to a project  
37 pursuant to subdivision (d) of Section 44283 for each ton of  
38 covered emission reduction attributed to a project or to the program  
39 as a whole. In calculating cost-effectiveness, one-time grants of  
40 funds made at the beginning of a project shall be annualized using

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

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

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

17 (7) “Covered source” includes onroad vehicles, off-road  
18 nonrecreational equipment and vehicles, locomotives, marine  
19 vessels, agricultural sources of air pollution, as defined in Section  
20 39011.5, and, as determined by the state board, other categories  
21 necessary for the state and districts to meet air quality goals.

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

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

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

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

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

1 (13) “Mobile Source Air Pollution Reduction Review  
2 Committee” means the Mobile Source Air Pollution Reduction  
3 Review Committee created by Section 44244.

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

11 (15) “NO<sub>x</sub>” means oxides of nitrogen.

12 (16) “Program” means the Carl Moyer Memorial Air Quality  
13 Standards Attainment Program created by subdivision (a) of  
14 Section 44280.

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

18 (18) “Repower” means replacing an engine with a different  
19 engine. The term repower, as used in this chapter, generally refers  
20 to replacing an older, uncontrolled engine with a new,  
21 emissions-certified engine, although replacing an older  
22 emissions-certified engine with a newer engine certified to lower  
23 emissions standards may be eligible for funding under this program.

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

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

30 (21) “Very low emission vehicle” means a heavy-duty vehicle  
31 with emissions significantly lower than otherwise applicable  
32 baseline emission standards or uncontrolled emission levels  
33 pursuant to Section 44282.

34 (b) 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. 7. Section 44275 of the Health and Safety Code, as  
38 amended by Section 16 of Chapter 401 of the Statutes of 2013, is  
39 amended to read:

1 44275. (a) As used in this chapter, the following terms have  
2 the following meanings:

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 NO<sub>x</sub>  
9 reduction attributed to a project or to the program as a whole. In  
10 calculating cost-effectiveness, one-time grants of funds made at  
11 the beginning of a project shall be annualized using a time value  
12 of public funds or discount rate determined for each project by the  
13 state board, taking into account the interest rate on bonds, interest  
14 earned by state funds, and other factors as determined appropriate  
15 by the state board. Cost-effectiveness shall be calculated by  
16 dividing annualized costs by average annual emissions reduction  
17 of NO<sub>x</sub> in this state.

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

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

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

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

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

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

36 (11) “Liquidated” means that all moneys for a specified fiscal  
37 year have been spent by a district to reimburse grantees for valid  
38 and eligible project invoices and district administrative costs.  
39 Payments withheld from the grantee by a district until all

1 contractual reporting requirements are met may be excluded from  
2 these amounts for the purposes of liquidation.

3 (12) “Mobile Source Air Pollution Reduction Review  
4 Committee” means the Mobile Source Air Pollution Reduction  
5 Review Committee created by Section 44244.

6 (13) “New very low emission vehicle” means a vehicle that  
7 qualifies as a very low emission vehicle when it is a new vehicle,  
8 where new vehicle has the same meaning as defined in Section  
9 430 of the Vehicle Code, or that is modified with the approval and  
10 warranty of the original equipment manufacturer to qualify as a  
11 very low emission vehicle within 12 months of delivery to an  
12 owner for private or commercial use.

13 (14) “NO<sub>x</sub>” means oxides of nitrogen.

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

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

20 (17) “Repower” means replacing an engine with a different  
21 engine. The term repower, as used in this chapter, generally refers  
22 to replacing an older, uncontrolled engine with a new,  
23 emissions-certified engine, although replacing an older  
24 emissions-certified engine with a newer engine certified to lower  
25 emissions standards may be eligible for funding under this program.

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

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

32 (20) “Very low emission vehicle” means a vehicle with  
33 emissions significantly lower than otherwise applicable baseline  
34 emission standards or uncontrolled emission levels pursuant to  
35 Section 44282.

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

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

1 44281. (a) Eligible projects include, but are not limited to, any  
2 of the following:

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

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

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

11 (4) Development and demonstration of practical, low-emission  
12 retrofit technologies, repower options, and advanced technologies  
13 for covered engines and vehicles with very low emissions of NO<sub>x</sub>.

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

17 (b) No project shall be funded under this chapter after the  
18 compliance date required by any local, state, or federal statute,  
19 rule, regulation, memoranda of agreement or understanding, or  
20 other legally binding document, except that an otherwise qualified  
21 project may be funded even if the state implementation plan  
22 assumes that the change in equipment, vehicles, or operations will  
23 occur, if the change is not required by the compliance date of a  
24 statute, regulation, or other legally binding document in effect as  
25 of the date the grant is awarded. No project funded by the program  
26 shall be used for credit under any state or federal emissions  
27 averaging, banking, or trading program. No covered emission  
28 reduction generated by the program shall be used as marketable  
29 emission reduction credits or to offset any emission reduction  
30 obligation of any person or entity. Projects involving new engines  
31 that would otherwise generate marketable credits under state or  
32 federal averaging, banking, and trading programs shall include  
33 transfer of credits to the engine end user and retirement of those  
34 credits toward reducing air emissions in order to qualify for funding  
35 under the program. A purchase of a low-emission vehicle or of  
36 equipment pursuant to a corporate or a controlling board's policy,  
37 but not otherwise required by law, shall generate surplus emissions  
38 reductions and may be funded by the program.

1 (c) The program may also provide funding toward the  
2 installation of fueling or energy infrastructure to fuel or power  
3 covered sources.

4 (d) Eligible applicants may be any individual, company, or  
5 public agency that owns one or more covered vehicles that operate  
6 primarily within California or otherwise contribute substantially  
7 to the NO<sub>x</sub>, particulate matter (PM), or reactive organic gas (ROG)  
8 emissions inventory in California.

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

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

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

19 44282. The following criteria apply to all projects to be funded  
20 through the program except for projects funded through the  
21 infrastructure demonstration program and infrastructure projects,  
22 pursuant to subdivision (c) of Section 44281 and Section 44284:

23 (a) The state board may establish project criteria, including  
24 minimum project life for source categories, in the guidelines  
25 described in Section 44287. For previously unregulated source  
26 categories, project criteria shall consider the timing of newly  
27 established regulatory requirements.

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

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

34 (d) Retrofit technologies, new engines, and new vehicles shall  
35 be certified for sale or under experimental permit for operation in  
36 California.

37 (e) Repower projects that replace older, uncontrolled engines  
38 with new, emissions-certified engines or that replace  
39 emissions-certified engines with new engines certified to a more  
40 stringent NO<sub>x</sub> emissions standard are approvable subject to the

1 other applicable selection criteria. The state board shall determine  
2 appropriate baseline emission levels for the uncontrolled engines  
3 being replaced.

4 (f) For heavy-duty-vehicle projects, retrofit and add-on  
5 equipment projects shall document a NO<sub>x</sub> or PM emission  
6 reduction of at least 25 percent and no increase in other covered  
7 emissions compared to the applicable baseline emissions accepted  
8 by the state board for that engine year and application. The state  
9 board shall determine appropriate baseline emission levels.  
10 Acceptable documentation shall be defined by the state board.  
11 After study of available emission reduction technologies and after  
12 public notice and comment, the state board may revise the  
13 minimum percentage emission reduction criterion for retrofits and  
14 add-on equipment provided for in this section to improve the ability  
15 of the program to achieve its goals.

16 (g) (1) For heavy-duty-vehicle projects involving the purchase  
17 of new very low or zero-emission vehicles, engines shall be  
18 certified to an optional low NO<sub>x</sub> emissions standard established  
19 by the state board, except as provided for in paragraph (2).

20 (2) For heavy-duty-vehicle projects involving the purchase of  
21 new very low or zero-emission covered vehicles for which no  
22 optional low NO<sub>x</sub> emission standards are available, documentation  
23 shall be provided showing that the low or zero-emission engine  
24 emits not more than 70 percent of the NO<sub>x</sub> or NO<sub>x</sub> plus  
25 hydrocarbon emissions of a new engine certified to the applicable  
26 baseline NO<sub>x</sub> or NO<sub>x</sub> plus hydrocarbon emission standard for that  
27 engine and meets applicable particulate standards. The state board  
28 shall specify the documentation required. If no baseline emission  
29 standard exists for new vehicles in a particular category, the state  
30 board shall determine an appropriate baseline emission level for  
31 comparison.

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

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

38 SEC. 10. Section 44283 of the Health and Safety Code, as  
39 amended by Section 23 of Chapter 401 of the Statutes of 2013, is  
40 amended to read:

1 44283. (a) (1) For all projects funded pursuant to this chapter,  
2 except for an infrastructure project described in subdivision (c) of  
3 Section 44281, the following cost-effectiveness criteria shall apply:  
4 (A) (i) Project grants shall not be made that exceed  
5 cost-effectiveness *values* calculated in accordance with this section.  
6 (ii) The state board, in collaboration with the districts, shall  
7 establish cost-effectiveness values in the guidelines issued pursuant  
8 to Section 44287, taking into consideration factors, including, but  
9 not limited to, the following:  
10 (I) The cost of emission control technologies identified in  
11 Section 44281.  
12 (II) The cost-effectiveness values for NO<sub>x</sub>, particulate matter,  
13 or reactive organic gases for any adopted rule or control measure  
14 in any district's approved state implementation plan, or rule  
15 adopted by the state board.  
16 (B) For projects obtaining reactive organic gas and particulate  
17 matter reductions, the state board shall determine appropriate  
18 adjustment factors to calculate a ~~weighted-cost-effectiveness-~~  
19 *cost-effectiveness value*.  
20 (2) When a district board approves funding for a project or  
21 project category, the district board shall include, in its agenda or  
22 supporting materials for the meeting approving funding for the  
23 project or project category, a brief statement of the rationale for  
24 funding that source category, including the basis for selection and  
25 the importance of that project type.  
26 (b) Only covered emission reductions occurring in this state  
27 shall be included in the cost-effectiveness determination. The  
28 extent to which emissions generated at sea contribute to air quality  
29 in California nonattainment areas shall be incorporated into these  
30 methodologies based on a reasonable assessment of currently  
31 available information and modeling assumptions.  
32 (c) The state board shall develop protocols for calculating the  
33 surplus covered emission reductions in California from  
34 representative project types over the life of the project.  
35 (d) The cost of the covered emission reduction is the amount  
36 of the grant from the program, including matching funds provided  
37 pursuant to subdivision (e) of Section 44287, or funding provided  
38 pursuant to paragraph (2) of subdivision (d) of Section 41081 or  
39 subdivision (b) of Section 44229, not including funds described  
40 in subdivision (a) of Section 44287.2. The state board shall

1 establish reasonable methodologies for evaluating project  
2 cost-effectiveness, consistent with the definition contained in  
3 paragraph (4) of subdivision (a) of Section 44275, and with  
4 accepted methods, taking into account a fair and reasonable  
5 discount rate or time value of public funds.

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

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

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

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

36 (i) After study of available emission reduction technologies and  
37 costs and after public notice and comment, the state board may  
38 adjust the values of the maximum grant award criteria stated in  
39 this section to improve the ability of the program to achieve its  
40 goals. Every year the state board shall adjust the maximum

1 cost-effectiveness amount established in subdivision (a) and any  
2 per-project maximum set by the state board pursuant to subdivision  
3 (h) to account for inflation and other factors as authorized by this  
4 section.

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

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

10 44286. (a) The responsibilities of the state board include  
11 management of program funds and program oversight. The state  
12 board is responsible for producing guidelines, protocols, and  
13 criteria for covered vehicle projects and developing methodologies  
14 for evaluating project cost-effectiveness in accordance with this  
15 chapter. The state board shall have primary responsibility for the  
16 reporting aspects of the program.

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

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

27 (d) The state board may reserve up to 10 percent of the program  
28 funds available each year to directly fund any project that is a  
29 covered source and is described in Section 44281. A project that  
30 is multidistrict in nature shall be funded by the state board in  
31 coordination with the appropriate districts. The state board shall  
32 coordinate outreach efforts with a participating district to ensure  
33 that any parallel availability of a district grant and a grant from  
34 the state board is clear to an eligible applicant. Reserved funds not  
35 committed to a project funded directly by the state board by the  
36 end of the fiscal year shall be made available to the districts in the  
37 following year.

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

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

4 (g) The state board and the districts shall take all appropriate  
5 and necessary actions to ensure that emissions reductions achieved  
6 through the program are credited by the United States  
7 Environmental Protection Agency to the appropriate emission  
8 reduction objectives in the state implementation plan.

9 SEC. 12. Section 44287 of the Health and Safety Code, as  
10 amended by Section 25 of Chapter 401 of the Statutes of 2013, is  
11 amended to read:

12 44287. (a) The state board shall establish or update grant  
13 criteria and guidelines consistent with this chapter for covered  
14 vehicle and infrastructure projects as soon as practicable, but not  
15 later than July 1, 2017. The adoption of guidelines is exempt from  
16 the rulemaking provisions of the Administrative Procedure Act  
17 (Chapter 3.5 (commencing with Section 11340) of Part 1 of  
18 Division 3 of Title 2 of the Government Code). The state board  
19 shall solicit input and comment from the districts during the  
20 development of the criteria and guidelines and shall make every  
21 effort to develop criteria and guidelines that are compatible with  
22 existing district programs that are also consistent with this chapter.  
23 Guidelines shall include protocols to calculate project  
24 cost-effectiveness. The grant criteria and guidelines shall include  
25 safeguards to ensure that the project generates surplus emissions  
26 reductions. Guidelines shall enable and encourage districts to  
27 cofund projects that provide emissions reductions in more than  
28 one district. The state board shall make draft criteria and guidelines  
29 available to the public 45 days before final adoption, and shall  
30 hold at least one public meeting to consider public comments  
31 before final adoption. The state board may develop separate  
32 guidelines and criteria for the different types of eligible projects  
33 described in subdivision (a) of Section 44281.

34 (b) The state board, in consultation with the participating  
35 districts, may propose revisions to the criteria and guidelines  
36 established pursuant to subdivision (a) as necessary to improve  
37 the ability of the program to achieve its goals. A proposed revision  
38 shall be made available to the public 45 days before final adoption  
39 of the revision and the state board shall hold at least one public

1 meeting to consider public comments before final adoption of the  
2 revision.

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

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

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

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

39 (g) Notwithstanding subdivision (e), a district need not provide  
40 matching funds for state board funds allocated to the district for

1 program outreach activities pursuant to paragraph (4) of subdivision  
2 (a) of Section 44299.1.

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

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

19 (j) Any funds reserved for a district by the state board pursuant  
20 to this section are available for disbursement to the district for a  
21 period of not more than two years from the time of reservation.  
22 Funds not liquidated by a district by June 30 of the fourth calendar  
23 year following the date of the reservation shall be returned to the  
24 state board within 90 days for future allocation pursuant to this  
25 chapter. Each reservation of funds shall be accounted for separately,  
26 and unused funds from each application shall revert back to the  
27 state board for use pursuant to this chapter as specified in this  
28 subdivision.

29 (k) The state board shall specify a date each year when district  
30 applications are due. If the eligible applications received in any  
31 year oversubscribe the available funds, the state board shall reserve  
32 funds on an allocation basis, pursuant to Section 44299.2. The  
33 state board may accept a district application after the due date for  
34 a period of months specified by the state board. Funds may be  
35 reserved in response to those applications, in accordance with this  
36 chapter, out of funds remaining after the original reservation of  
37 funds for the year.

38 (l) Guidelines for a district application shall require information  
39 from an applicant district to the extent necessary to meet the

1 requirements of this chapter, but shall otherwise minimize the  
2 information required of a district.

3 (m) A district application shall be reviewed by the state board  
4 immediately upon receipt. If the state board determines that an  
5 application is incomplete, the applicant shall be notified within 10  
6 working days with an explanation of what is missing from the  
7 application. A completed application fulfilling the criteria shall be  
8 approved as soon as practicable, but not later than 60 working days  
9 after receipt.

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

17 (o) The commission, in consultation with the participating  
18 districts, may propose revisions to the criteria and guidelines  
19 established pursuant to subdivision (n) as necessary to improve  
20 the ability of the program to achieve its goals. A revision may be  
21 proposed at any time, or may be proposed in response to a finding  
22 made in the annual report on the program published by the state  
23 board pursuant to Section 44295. A proposed revision shall be  
24 made available to the public 45 days before final adoption of the  
25 revision and the commission shall hold at least one public meeting  
26 to consider public comments before final adoption of the revision.

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

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

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

34 44287.1. (a) The state board shall, at its first opportunity,  
35 revise the grant criteria and guidelines adopted pursuant to Section  
36 44287 to incorporate projects in which an applicant turns in  
37 nonroad internal combustion technology and equipment that the  
38 applicant owns and that still has some useful life, coupled with the  
39 purchase of new nonroad zero-emission technology and equipment  
40 that is in a similar category or that can perform the same work.

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

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

8 (2) After the time period specified in paragraph (1), the  
9 displacement of emissions from new nonroad internal combustion  
10 technology and equipment meeting the emission standards in place  
11 at time of purchase, with the new nonroad zero-emission  
12 technology and equipment over its remaining life.

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

17 (d) The incremental cost of a project described in subdivision  
18 (a) may include, at the discretion of the applicant, some or all of  
19 the reasonable salvage value of the nonroad internal combustion  
20 technology and equipment turned in, as determined by the state  
21 board. However, an applicant that elects to include these costs  
22 shall be required to meet the cost-effectiveness criteria in Section  
23 44283.

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

26 44287.2. (a) By July 1, 2017, the state board shall revise  
27 project grant criteria and guidelines pursuant to Section 44287 to  
28 allow funds from federal, state, and local programs or other public  
29 funding sources to be used for a project also funded under this  
30 chapter without those additional public funds being factored into  
31 the criteria emission reduction cost-effectiveness calculations, if  
32 the projects are eligible under those programs and meet all criteria  
33 associated with those funding sources. Those other projects include,  
34 but are not limited to, any of the following:

35 (1) Federal funding from programs designed to reduce  
36 greenhouse gas emissions.

37 (2) State and local funding from programs designed to reduce  
38 greenhouse gas emissions, including the Greenhouse Gas Reduction  
39 Fund, created pursuant to Section 16428.8 of the Government  
40 Code, and the Alternative and Renewable Fuel and Vehicle

1 Technology Program (Article 2 (commencing with Section 44272)  
2 of Chapter 8.9).

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

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

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

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

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

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

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

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

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

11 (d) Funds shall be awarded in conjunction with the execution  
12 of a contract that obligates the state board or a participating district  
13 to make the grant and obligates the grantee to take the actions  
14 described in the grant application. A contract shall incorporate the  
15 recapturing provisions contained in subdivision (c) of Section  
16 44291.

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

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

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

37 (c) The monitoring and auditing procedures shall be sufficient  
38 to allow emission reductions generated to be fully credited to air  
39 quality plans. The monitoring procedures shall contain provisions  
40 for recapturing grant awards in proportion to any loss of emission

1 reductions or underachievement in dispensing qualifying fuel  
2 compared with the reductions and fuel dispensing projected in the  
3 grant application. Monitoring and auditing procedures shall be  
4 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 return of funds not yet awarded to  
10 approved projects if a district fails to show that they are  
11 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 returned,  
14 the state board shall hold at least one public meeting to consider  
15 public comments prior to requiring the return of the allocated  
16 funds. The state board shall make every effort to assist districts to  
17 implement programs in an approved manner and shall only require  
18 the return of allocated funds if these efforts fail to address problems  
19 adequately. Returned funds shall be deposited in the fund. The  
20 state board shall not require the return of funds already awarded  
21 to approved projects.

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

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

31 44299.1. (a) To ensure that emission reductions are obtained  
32 as needed from pollution sources, any moneys deposited in the  
33 fund for use by the program or appropriated to the program shall  
34 be segregated and administered as follows:

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

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

3 (2) Not more than 2.5 percent of the moneys in the fund for use  
4 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 6.25 percent of the moneys allocated pursuant  
25 to this chapter to a district with a population of one million or more  
26 may be used by the district for indirect costs of implementation of  
27 the program, including outreach costs that are subject to the  
28 limitation in paragraph (2) of subdivision (a).

29 (d) Not more than 12.5 percent of the moneys allocated pursuant  
30 to this chapter to a district with a population of less than one  
31 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 SEC. 18. Section 44299.1 of the Health and Safety Code, as  
35 amended by Section 29 of Chapter 401 of the Statutes of 2013, is  
36 repealed.

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

39 44299.2. Funds shall be allocated to districts, and shall be  
40 subject to administrative terms and conditions as follows:

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

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

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

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

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

33 (ii) A district that is designated nonattainment for the federal  
34 eight-hour ozone standard shall be awarded severity points based  
35 on classification. Two points shall be awarded for transitional,  
36 basic, or marginal classifications, three points for moderate  
37 classification, four points for serious classification, five points for  
38 severe classification, six points for severe-17 classification, and  
39 seven points for extreme classification.

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

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

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

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

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

33 (B) Each district with a population that is greater than or equal  
34 to 1 percent of the state's population shall receive an additional  
35 allocation based on the population of the district and the district's  
36 relative share of emission reduction commitments in the state  
37 implementation plan to attain the National Ambient Air Quality  
38 Standard for ozone averaged over one hour. This additional  
39 allocation shall be calculated as a percentage share of the directed

1 funds for each district, derived using a ratio of each district’s share  
2 amount to the base amount, which shall be calculated as follows:  
3 (i) The base amount shall be the total program funds allocated  
4 by the state board to the districts in the 2002–03 fiscal year, less  
5 the total of the funds allocated through the minimum allocation to  
6 each district in the 2002–03 fiscal year.  
7 (ii) The share amount shall be the allocation that each district  
8 received in the 2002–03 fiscal year, not including the minimum  
9 allocation. There shall be one share amount for each district.  
10 (iii) The percentage share shall be calculated for each district  
11 by dividing the district’s share amount by the base amount, and  
12 multiplying the result by the total directed funds available under  
13 this subparagraph.  
14 (b) Funds shall be distributed as expeditiously as reasonably  
15 practicable, and a report of the distribution shall be made available  
16 to the public.  
17 (c) All funds allocated pursuant to this section shall be liquidated  
18 as provided for in the guidelines adopted pursuant to Section 44287  
19 by June 30 ~~four years~~ *of the fourth year* following the year of  
20 allocation. Funds not liquidated within the four years shall be  
21 returned to the state board within 90 days for future allocation  
22 pursuant to this chapter.