# AMENDED IN ASSEMBLY AUGUST 19, 2016 AMENDED IN SENATE APRIL 7, 2016

## SENATE BILL

No. 1387

### Introduced by Senators De León, Allen, and Lara

February 19, 2016

An act to-amend amend, repeal, and add Sections—39616, 40420, 40420 and 40424-of of, and to add Section 40426.1 to, the Health and Safety Code, relating to nonvehicular air pollution.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1387, as amended, De León. Nonvehicular air pollution: market-based incentive programs: South Coast Air Quality Management District board.

(1) Existing law authorizes the board of an air pollution control or air quality management district to adopt a market-based incentive program as an element of a district's plan for the attainment of the state or federal ambient air quality standards. Existing law requires a district board, within 5 years from the date of the adoption of a market-based incentive program, to commence public hearings to reassess the program and, within 7 years from the date of the air district's initial adoption of the program, to ratify specified findings with the concurrence of the State Air Resources Board.

This bill instead would require a district board to submit to the State Air Resources Board for review and approval the district's plan for attainment or a revision to that plan, as specified. The bill also would require a district board to submit to the state board for review and approval the district's market-based incentive program and any revisions to that program, as specified. The bill would prescribe specified actions for the state board to take if the state board determines that a plan for

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attainment, a revision of a plan for attainment, a market-based incentive program, or a revision to a market-based incentive program do not comply with law. By adding to the duties of air districts, this bill would impose a state-mandated local program.

# (2) Existing

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Existing law establishes the South Coast Air Quality Management District vested with the authority to regulate air emissions from stationary sources located in the South Coast Air Basin and establishes a district board, consisting of 13 members.

This-bill bill, until January 1, 2025, would add 3 members to the district board, as specified. The bill would make various conforming changes.

This bill also would prohibit a member of the south coast district board from being issued a vehicle from the south coast district for greater than 7 days in a 30-day period if the board member is eligible for a vehicle or vehicle allowance from the local government from which he or she is appointed.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

- SECTION 1. Section 39616 of the Health and Safety Code is amended to read:
  - 39616. (a) The Legislature hereby finds and declares all of the following:
  - (1) Several regions in California suffer from some of the worst air quality in the United States.
- 7 (2) While traditional command and control air quality regulatory 8 programs are effective in cleaning up the air, other options for 9 improvement in air quality, such as market-based incentive
- 10 programs, may be explored, provided that those programs result
- 11 in greater emission reductions while ensuring disadvantaged
- 12 communities, as identified pursuant to Section 39711, are not
- 13 disproportionately impacted by pollution.

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(3) The purpose of this section is to establish requirements under which a district board may adopt market-based incentive programs in a manner that achieves the greatest air quality improvement while strengthening the state's economy and preserving jobs.

- (b) (1) A district board may adopt a market-based incentive program as an element of the district's plan for the attainment of the state or federal ambient air quality standards.
- (2) A market-based incentive program that satisfies the conditions in this section may substitute for current command and control regulations and future air quality measures that would otherwise have been adopted as part of the district's plan for attainment, and may be implemented in lieu of some or all of the control measures adopted by the district pursuant to Chapter 10 (commencing with Section 40910) of Part 3.
- (c) In adopting rules to implement a market-based incentive program, a district board shall, at the time that the rules are adopted, make express findings, and shall, at the time that the rules are submitted to the state board, submit appropriate information to substantiate the basis for making the findings that each of the following conditions is met on an overall districtwide basis:
- (1) The program will result in an equivalent or greater reduction in emissions at equivalent or less cost compared with current command and control regulations and future air quality measures that would otherwise have been adopted as part of the district's plan for attainment.
- (2) The program will provide a level of enforcement and monitoring, to ensure compliance with emission reduction requirements, comparable with command and control air quality measures that would otherwise have been adopted by the district for inclusion in the district's plan for attainment.
- (3) The program will establish a baseline methodology that provides appropriate credit so that stationary sources of air pollution that have been modified prior to implementation of the program to reduce stationary source emissions are treated equitably.
- (4) The program will not result in a greater loss of jobs or more significant shifts from higher to lower skilled jobs, on an overall districtwide basis, than that which would exist under command and control air quality measures that would otherwise have been adopted as part of the district's plan for attainment. A finding of

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compliance with this requirement may be made in the same manner as the analyses made by the district to meet the requirements of Section 40728.5.

- (5) The program will promote the privatization of compliance and the availability of data in computer format. The district shall endeavor to provide sources with the option to keep records by way of electronic or computer data storage systems, rather than mechanical devices, such as strip chart recorders.
- (6) The program will not in any manner delay, postpone, or otherwise hinder district compliance with Chapter 10 (commencing with Section 40910) of Part 3.
- (7) The program will not result in disproportionate impacts, measured on an aggregate basis, on those stationary sources included in the program compared to other permitted stationary sources in the district's plan for attainment.
- (d) (1) A district's plan for attainment or plan revision submitted to the state board shall achieve equivalent emission reductions and reduced cost and job impacts compared to current command and control regulations and future air quality measures that would otherwise have been adopted as part of the district's plan for attainment. A district shall not implement a market-based incentive program or any revisions to an adopted market-based incentive program unless the state board has determined that the plan or plan revision complies with this paragraph.
- (2) (A) A plan or plan revision shall meet the provisions of subdivision (c) and Section 40440.1 if applicable. The state board shall review, approve, disapprove, or amend and approve the plan or plan revision prior to program implementation, and shall make its determination not later than 60 days from the date of submission of the plan or plan revision.
- (B) (i) If the state board determines that a plan or plan revision submitted pursuant to this paragraph does not comply with this section, the state board within 60 days of the date of the submission of the plan or plan revision, shall do all of the following:
  - (I) Notify the district.
- (II) Revise the plan or plan revision so that the plan or plan revision complies with this section.
  - (III) Approve the plan or plan revision.

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(ii) If the state board approves a plan or plan revision pursuant to this subparagraph, the plan or plan revision shall take effect immediately and be binding on the district.

- (3) (A) Upon the adoption of rules to implement the program in accordance with subdivision (c), the district shall submit the rules to the state board. The state board shall, within 90 days from the date of submission, determine whether the rules meet the requirements of this section and Section 40440.1, if applicable. This paragraph does not prohibit the district from implementing the program upon the approval of the plan or plan revision and prior to submission of the rules.
- (B) (i) If the state board determines that a district rule does not comply with this section, the state board, within 60 days of the date of the submission of the rule, shall do all of the following:
  - (I) Notify the district.

- (II) Revise the rule so that the rule complies with this section.
- (III) Adopt the rule.
- (ii) If the state board approves a rule pursuant to this subparagraph, the rule shall take effect immediately and have the same legal force and effect as a district rule.
- (e) Within five years from the date of the adoption of a market-based incentive program, the district board shall commence public hearings to reassess the program and shall, not later than seven years from the date of the district's initial adoption of the program, ratify the findings required pursuant to paragraphs (1), (2), (5), and (6) of subdivision (e) and the district's compliance with Section 40440.1, if applicable, with the concurrence of the state board. If the district board fails to ratify the findings within the seven-year period, the district board shall make appropriate revisions to the district's plan for attainment.
- (f) The district board shall reassess a market-based incentive program if the market price of emission trading units exceeds a predetermined level set by the district board. The district board may take action to revise the program. A predetermined market price review level shall be set in a public hearing in consideration of the costs of command and control air quality measures that would otherwise have been adopted as part of the district's plan for attainment, costs and factors submitted by interested parties, and any other factors considered appropriate by the district board. The district board may revise the market price review level for

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emission trading units every three years during attainment plan updates required under Section 40925. In revising the market price review level, the district board shall consider the factors used in setting the initial market price review level as well as other economic impacts, including the overall impact of the program on job loss, rate of business formation, and rate of business closure.

- (g) For sources not included in market-based incentive programs, this section does not apply to, and shall in no way limit, existing district authority to facilitate compliance with particular emission control measures by imposing or authorizing sourcewide emission caps, alternative emission control plans, stationary for mobile source emission trades, mobile for mobile source emission trades, and similar measures, whether imposed or authorized by rule or permit condition.
- (h) This section does not apply to the implementation of market-based transportation control measures that do not involve emissions trading.

<del>SEC. 2.</del>

SECTION 1. Section 40420 of the Health and Safety Code is amended to read:

- 40420. (a) The south coast district shall be governed by a district board consisting of 16 members appointed as follows:
- (1) (A) Two members appointed by the Governor, with the advice and consent of the Senate.
- (B) One member appointed pursuant to this paragraph shall-be a representative of a bona fide nonprofit environmental justice organization that advocates for clean air and pollution reductions in one or more communities within the South Coast Air Basin. reside in and work directly with communities in the South Coast Air Basin that are disproportionately burdened by and vulnerable to high levels of pollution and issues of environmental justice, including, but not limited to, communities with diverse racial and ethnic populations and communities with low-income populations. In addition to any other applicant who may be considered, the Governor shall accept an application from a member of a city council or county board of supervisors who meets the criteria in this subparagraph and shall give appropriate consideration to appointing that applicant.
- (2) (A) Two members appointed by the Senate Committee on Rules.

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(B) One member appointed pursuant to this paragraph shall be a representative of a bona fide nonprofit environmental justice organization that advocates for clean air and pollution reductions in one or more communities within the South Coast Air Basin. reside in and work directly with communities in the South Coast Air Basin that are disproportionately burdened by and vulnerable to high levels of pollution and issues of environmental justice, including, but not limited to, communities with diverse racial and ethnic populations and communities with low-income populations. In addition to any other applicant who may be considered, the Senate Committee on Rules shall accept an application from a member of a city council or county board of supervisors who meets the criteria in this subparagraph and shall give appropriate consideration to appointing that applicant.

- (3) (A) Two members appointed by the Speaker of the Assembly.
- (B) One member appointed pursuant to this paragraph shall-be a representative of a bona fide nonprofit environmental justice organization that advocates for clean air and pollution reductions in one or more communities within the South Coast Air Basin. reside in and work directly with communities in the South Coast Air Basin that are disproportionately burdened by and vulnerable to high levels of pollution and issues of environmental justice, including, but not limited to, communities with diverse racial and ethnic populations and communities with low-income populations. In addition to any other applicant who may be considered, the Speaker of the Assembly shall accept an application from a member of a city council or county board of supervisors who meets the criteria in this subparagraph and shall give appropriate consideration to appointing that applicant.
- (4) Four members appointed by the boards of supervisors of the counties in the south coast district. Each board of supervisors shall appoint one of these members, who shall be one of the following:
- (A) A member of the board of supervisors of the county making the appointment.
- (B) A mayor or member of a city council from a city in the portion of the county making the appointment that is included in the south coast district.
- (5) Three members appointed by cities in the south coast district.
   The city selection committee of Orange, Riverside, and San

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1 Bernardino Counties shall each appoint one of these members, 2 who shall be either a mayor or a member of the city council of a 3 city in the portion of the county included in the south coast district.

- 4 (6) A member appointed by the cities of the western region of 5 Los Angeles County, consisting of the Cities of Agoura Hills, Artesia, Avalon, Bell, Bellflower, Bell Gardens, Beverly Hills, Calabasas, Carson, Cerritos, Commerce, Compton, Cudahy, Culver 8 City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Hermosa Beach, Hidden Hills, Huntington Park, 10 Inglewood, La Habra Heights, La Mirada, Lakewood, Lawndale, Lomita, Long Beach, Lynwood, Malibu, Manhattan Beach, 11 12 Maywood, Montebello, Norwalk, Palos Verdes Estates, Paramount, 13 Pico Rivera, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Santa Fe Springs, Santa Monica, Signal Hill, 14 15 South Gate, Torrance, Vernon, West Hollywood, Westlake Village, 16 and Whittier. These cities shall organize as a city selection 17 committee for the purposes of subdivision (f), and shall be known 18 as the city selection committee of the western region of Los 19 Angeles County. The member appointed shall be either a mayor 20 or a member of the city council of a city in the western region.
  - (7) A member appointed by the cities of the eastern region of Los Angeles County, consisting of the cities in Los Angeles County that are not listed in paragraph (6) or (8), and excluding the Cities of Lancaster, Los Angeles, and Palmdale. These cities shall organize as a city selection committee for the purposes of subdivision (f), and shall be known as the city selection committee of the eastern region of Los Angeles County. The member appointed shall be either a mayor or a member of the city council of a city in the eastern region.
  - (8) A member appointed by the Mayor of the City of Los Angeles from among the members of the Los Angeles City Council.
  - (b) All members shall be appointed on the basis of their demonstrated interest and proven ability in the field of air pollution control and their understanding of the needs of the general public in connection with air pollution problems of the South Coast Air Basin.
  - (c) The member appointed by the Governor who is not the member appointed pursuant to subparagraph (B) of paragraph (1) of subdivision (a) shall be either a physician who has training and

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experience in the health effects of air pollution, an environmental engineer, a chemist, a meteorologist, or a specialist in air pollution control.

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- (d) Each member shall be appointed on the basis of his or her ability to attend substantially all meetings of the south coast district board, to discharge all duties and responsibilities of a member of the south coast district board on a regular basis, and to participate actively in the affairs of the south coast district. A member shall not designate an alternate for any purpose or otherwise be represented by another in his or her capacity as a member of the south coast district board.
- (e) Each appointment by a board of supervisors shall be considered and acted on at a duly noticed, regularly scheduled hearing of the board of supervisors, which shall provide an opportunity for testimony on the qualifications of the candidates for appointment.
- (f) The appointments by cities in the south coast district shall be considered and acted on at a duly noticed meeting of the city selection committee, which shall meet in a government building and provide an opportunity for testimony on the qualifications of the candidates for appointment. Each appointment shall be made by not less than a majority of all the cities in the portion of the county included in the south coast district having not less than a majority of the population of all the cities in the portion of the county included in the south coast district. Population shall be determined on the basis of the most recent verifiable census data developed by the Department of Finance. Persons residing in unincorporated areas or areas of a county outside the south coast district shall not be considered for the purposes of this subdivision.
- (g) The members appointed by the Senate Committee on Rules and the Speaker of the Assembly who are not the members appointed pursuant to subparagraph (B) of paragraph (2) or subparagraph (B) of paragraph (3) of subdivision (a) shall have one or more of the qualifications specified in subdivision (c) or shall be a public member. None of those Those appointed members may *not* be a locally elected official.
  - (h) All members shall be residents of the district.
- (i) (1) The member who was serving on the district board as of June 1, 2007, who had been appointed to represent the eastern region of Los Angeles County shall be deemed on January 1, 2008,

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to be the member appointed to represent the western region of Los Angeles County pursuant to paragraph (6) of subdivision (a) and shall serve from January 1, 2008, until the end of the term of office for the member who had been appointed to represent the western region of Los Angeles County. At the end of that term, the city selection committee of the western region of Los Angeles County shall make an appointment pursuant to paragraph (6) of subdivision (a).

- (2) The member who was serving on the district board as of June 1, 2007, who had been appointed to represent the western region of Los Angeles County shall be deemed on January 1, 2008, to be the member appointed pursuant to paragraph (8) of subdivision (a) until the end of that member's term. At the end of that term, the Mayor of the City of Los Angeles shall make an appointment pursuant to paragraph (8) of subdivision (a).
- (3) On or after January 1, 2008, the city selection committee of the eastern region of Los Angeles County shall convene promptly to make an appointment pursuant to paragraph (7) of subdivision (a).
- (j) This section shall remain in effect only until January 1, 2025, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2025, deletes or extends that date.
- SEC. 2. Section 40420 is added to the Health and Safety Code, to read:
- 40420. (a) The south coast district shall be governed by a district board consisting of 13 members appointed as follows:
- (1) One member appointed by the Governor, with the advice and consent of the Senate.
  - (2) One member appointed by the Senate Committee on Rules.
  - (3) One member appointed by the Speaker of the Assembly.
- (4) Four members appointed by the boards of supervisors of the counties in the south coast district. Each board of supervisors shall appoint one of these members, who shall be one of the following:
- (A) A member of the board of supervisors of the county making the appointment.
- (B) A mayor or member of a city council from a city in the portion of the county making the appointment that is included in the south coast district.

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(5) Three members appointed by cities in the south coast district. The city selection committee of Orange, Riverside, and San Bernardino Counties shall each appoint one of these members, who shall be either a mayor or a member of the city council of a city in the portion of the county included in the south coast district.

- (6) A member appointed by the cities of the western region of Los Angeles County, consisting of the Cities of Agoura Hills, Artesia, Avalon, Bell, Bellflower, Bell Gardens, Beverly Hills, Calabasas, Carson, Cerritos, Commerce, Compton, Cudahy, Culver City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Hermosa Beach, Hidden Hills, Huntington Park, Inglewood, La Habra Heights, La Mirada, Lakewood, Lawndale, Lomita, Long Beach, Lynwood, Malibu, Manhattan Beach, Maywood, Montebello, Norwalk, Palos Verdes Estates, Paramount, Pico Rivera, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Santa Fe Springs, Santa Monica, Signal Hill, South Gate, Torrance, Vernon, West Hollywood, Westlake Village, and Whittier. These cities shall organize as a city selection committee for the purposes of subdivision (f), and shall be known as the city selection committee of the western region of Los Angeles County. The member appointed shall be either a mayor or a member of the city council of a city in the western region.
  - (7) A member appointed by the cities of the eastern region of Los Angeles County, consisting of the cities in Los Angeles County that are not listed in paragraph (6) or (8), and excluding the Cities of Lancaster, Los Angeles, and Palmdale. These cities shall organize as a city selection committee for the purposes of subdivision (f), and shall be known as the city selection committee of the eastern region of Los Angeles County. The member appointed shall be either a mayor or a member of the city council of a city in the eastern region.
  - (8) A member appointed by the Mayor of the City of Los Angeles from among the members of the Los Angeles City Council.
  - (b) All members shall be appointed on the basis of their demonstrated interest and proven ability in the field of air pollution control and their understanding of the needs of the general public in connection with air pollution problems of the South Coast Air Basin.
- 39 (c) The member appointed by the Governor shall be either a 40 physician who has training and experience in the health effects of

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air pollution, an environmental engineer, a chemist, a meteorologist, or a specialist in air pollution control.

- (d) Each member shall be appointed on the basis of his or her ability to attend substantially all meetings of the south coast district board, to discharge all duties and responsibilities of a member of the south coast district board on a regular basis, and to participate actively in the affairs of the south coast district. A member shall not designate an alternate for any purpose or otherwise be represented by another in his or her capacity as a member of the south coast district board.
- (e) Each appointment by a board of supervisors shall be considered and acted on at a duly noticed, regularly scheduled hearing of the board of supervisors, which shall provide an opportunity for testimony on the qualifications of the candidates for appointment.
- (f) The appointments by cities in the south coast district shall be considered and acted on at a duly noticed meeting of the city selection committee, which shall meet in a government building and provide an opportunity for testimony on the qualifications of the candidates for appointment. Each appointment shall be made by not less than a majority of all the cities in the portion of the county included in the south coast district having not less than a majority of the population of all the cities in the portion of the county included in the south coast district. Population shall be determined on the basis of the most recent verifiable census data developed by the Department of Finance. Persons residing in unincorporated areas or areas of a county outside the south coast district shall not be considered for the purposes of this subdivision.
- (g) The members appointed by the Senate Committee on Rules and the Speaker of the Assembly shall have one or more of the qualifications specified in subdivision (c) or shall be a public member. None of those appointed members may be a locally elected official.
  - (h) All members shall be residents of the district.
  - (i) This section shall become operative on January 1, 2025.
- 36 SEC. 3. Section 40424 of the Health and Safety Code is amended to read:
  - 40424. (a) Except as provided in subdivision (b), nine members of the south coast district board shall constitute a quorum, and no official action shall be taken by the south coast district board except

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in the presence of a quorum and upon the affirmative votes of a majority of the members of the south coast district board.

- (b) Notwithstanding subdivision (a), whenever there are two or more vacancies on the south coast district board, eight members shall constitute a quorum, and the two vacant positions shall not be counted toward the majority required for official action by the south coast district board. Thereafter, whenever at least one of those vacancies is filled, the quorum and voting requirements of subdivision (a) shall apply.
- (c) This section shall remain in effect only until January 1, 2025, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2025, deletes or extends that date.
- SEC. 4. Section 40424 is added to the Health and Safety Code, to read:
- 40424. (a) Except as provided in subdivision (b), seven members of the south coast district board shall constitute a quorum, and no official action shall be taken by the south coast district board except in the presence of a quorum and upon the affirmative votes of a majority of the members of the south coast district board.
- (b) Notwithstanding subdivision (a), whenever there are two or more vacancies on the south coast district board, six members shall constitute a quorum, and the two vacant positions shall not be counted toward the majority required for official action by the south coast district board. Thereafter, whenever at least one of those vacancies is filled, the quorum and voting requirements of subdivision (a) shall apply.
- (c) This section shall become operative on January 1, 2025. SEC. 5. Section 40426.1 is added to the Health and Safety Code, to read:
- 40426.1. A member of the south coast district board who is eligible for a vehicle or vehicle allowance from the local government from which he or she is appointed shall not be issued a vehicle from the south coast district for greater than seven days in a 30-day period.
- SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or

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- level of service mandated by this act, within the meaning of Section
  17556 of the Government Code.