

Date of Hearing: July 13, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

SB 513 (Beall) – As Amended June 2, 2015

**SENATE VOTE:** 40-0

**SUBJECT:** Carl Moyer Memorial Air Quality Standards Attainment Program: fees.

**SUMMARY:** Updates the Carl Moyer Air Quality Standards Attainment Program (Moyer Program) and local incentive programs (AB 923 Program). Specifically, **this bill:**

- 1) Clarifies that local air districts can continue to levy program fees, even after they come into compliance with National and California Ambient Air Quality Standards (attainment), in order to maintain compliance with the standards.
- 2) Adjusts the cost-effectiveness formula for projects to more effectively incentivize the statewide deployment of cleaner technologies.
- 3) Encourages leveraging of other public funding sources to more readily accomplish program goals.
- 4) Recognizes greenhouse gas (GHG) reductions so that funded projects can achieve both criteria pollutant and GHG emissions reductions.
- 5) Streamlines and updates program administrative requirements.
- 6) Deletes references to obsolete and redundant code sections, revises and recasts a number of provisions, defines a variety of terms, and makes related, clarifying amendments.

**EXISTING LAW:**

- 1) Established the Moyer Program [AB 1571 (Villaraigosa), Chapter 923, Statutes of 1999], administered by the Air Resources Board (ARB) and local air districts, to fund the incremental cost of cleaner-than-required vehicles, engines, and equipment. The primary objective of the program is to achieve air quality improvements that would not otherwise occur through regulations or other legal mandates. The Moyer Program is funded by vehicle registration surcharges adopted by local air districts in non-attainment areas.
- 2) Expanded the Moyer Program [AB 923 (Firebaugh), Chapter 707, Statutes of 2004] to cover additional pollutants and engines, imposes a \$1 fee on tire sales to fund the Moyer Program and CalRecycle, and established air quality improvement programs through local air districts.
- 3) Extended the date for each of the various fees and surcharges that support the Moyer Program and the AB 923 Program [AB 8 (Perea), Chapter 401, Statutes of 2013] until January 1, 2024, and requires ARB to convene a workgroup to evaluate the Moyer and AB 923 Programs and make recommendations for updates.

**FISCAL EFFECT:** According to the Senate Appropriations Committee, this bill would result in:

- 1) Minor and absorbable costs to the Air Pollution Control Fund (APCF) for ARB to update regulations;
- 2) Unknown cost pressures, at least in the millions of dollars, from the APCF for increased uses of the AB 923 Program; and,
- 3) Unknown cost pressures, at least in the millions of dollars to the Greenhouse Gas Reduction Fund (GGRF) for projects that may seek funding from both the GGRF and Moyer Program.

**COMMENTS:** The Moyer Program provides grants through the state's 35 local air districts for deployment of engines, equipment, and emission-reduction technologies that are cleaner-than-required by current laws or regulations. The Moyer Program was expanded upon in 2004 with the passage of AB 923 which authorized, among other things, an increase in the surcharge local air districts are allowed to levy on motor vehicle registrations within their jurisdictions from \$4 to \$6, expanded the types of emissions covered by the Moyer Program and increased the tire fee by \$0.75 to fund programs under ARB and local air districts to mitigate or remediate air pollution caused by tires.

AB 8 (Perea), Chapter 401, Statutes of 2013, included a provision extending the fees to fund the Moyer Program until January 1, 2024, and required ARB to convene a workgroup to evaluate the program. To satisfy this requirement, ARB and the California Air Pollution Control Officers Association, the sponsor of SB 513, held two public workgroup meetings to solicit input from stakeholders. Specifically, stakeholders were asked to identify program limitations and identify program improvements.

The workgroup identified a number of program improvements and many were addressed by ARB through updates to the Moyer Program Guidelines in 2014. The remaining recommendations, those that required specific statutory changes, are addressed in SB 513. Specifically, SB 513 addresses a number of issues to make the Moyer Program and AB 923 Program more effective by, among other things, clarifying that local air districts can continue to levy program fees even after they achieve attainment, making adjustments to cost-effectiveness calculations to incentivize the statewide deployment of cleaner technologies, encouraging leveraging of other public funding sources, recognizing GHG reductions so that funded projects can achieve both criteria pollutant and GHG emissions reductions, and streamlining and creating efficiencies in the administration of the program.

*Leveraging Funding Sources:* One of the primary objectives of the Moyer Program is to obtain cost-effective emission reductions. In order to be eligible for funding, a project must meet a cost-effectiveness test. The air district reviewing the project application calculates the project's cost-effectiveness by dividing the annualized cost of the potential project (dollars per year) by the annual weighted surplus emission reductions the project will achieve (tons per year). Initially, other public funds had to be deducted from the cost-effectiveness calculation. The intent of this requirement is to help ensure the program does not overpay for projects receiving funds from other sources, as well as to ensure that participants provide a meaningful financial commitment to the project. AB 1507 (Lieu), Chapter 571, Statutes of 2010, required ARB to revise program guidelines to exclude from the calculation, funds from federal GHG emission

reduction programs and the California Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Program. AB 1507 aimed to address the unintended consequence of discouraging projects that accomplish multiple goals. SB 513 requires ARB, by July 1, 2017, to revise the guidelines to exclude funds from federal, state, and local programs, or other funding sources, from the cost-effectiveness calculation including, but not limited to, the GGRF, energy diversity programs, and programs that are intended to provide emissions reductions but do not require those reductions to count toward federal air quality standards. With this change, multiple project sources can be used cumulatively for projects that achieve multiple goals.

*Changing Cost-Effectiveness Calculations:* The Moyer Program prohibits grants for projects with a cost-effectiveness of more than \$13,600 per ton of nitrogen oxide (NO<sub>x</sub>) reduced in the state. For projects obtaining reactive organic gas and particulate matter (PM) reductions, ARB determines appropriate adjustment factors to calculate a weighted cost-effectiveness. SB 513 removes the requirement that grants not be made for projects with a cost-effectiveness calculation of more than \$13,600 per ton of NO<sub>x</sub> and instead requires ARB, in collaboration with air districts, to establish cost-effectiveness values that considers additional factors such as the cost of emission control technologies and the cost-effectiveness values for NO<sub>x</sub>, PM, or reactive organic gases for any adopted rule or control measure in any district's approved state implementation plan or ARB rule.

SB 513 originally included provisions allowing ARB and air districts to consider "ancillary benefits" when calculating the cost-effectiveness of projects and for project selection; however, in response to concerns voiced by the Senate Environmental Quality Committee about the definition of ancillary benefits being too broad, the author amended SB 513 in the Senate Appropriations Committee to narrow the definition. The Senate Appropriations Committee felt the definition was still too broad and removed the ancillary benefits provisions altogether. The author has indicated his intention to continue to work on the ancillary benefits language and reinsert the language at a later date, pending approval by Senate and Assembly policy committees.

*Expanding Project Categories:* Under the AB 923 Program, eligible projects include the purchase of new school buses or retrofit of existing school buses; vehicle retirement or repair; replacement of natural gas fuel tanks on school buses owned by a school district that are 14 years or older, not to exceed \$20,000 per bus; and enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure operated by a school district with a one-time funding amount of not more than \$500 per dispenser. Additionally, air districts are prohibited from using more than 5% of funds collected for administrative expenses. Eligible projects under the Moyer Program include the purchase of new very low or zero-emission vehicles or heavy-duty engines; retrofit of engines or replacement of old engines with engines certified to more stringent emissions standards or with electric motors and drives; purchase and use of emission-reducing add-on equipment; and light- and medium-duty vehicle projects.

SB 513 would add repowering of school buses as an eligible project and remove the \$20,000 cap on replacement of natural gas fuel tanks on school buses. SB 513 also removes the requirement that the bus be owned by a school district, removes the \$500 cap on enhancement of deteriorating natural gas fueling dispensers, adds funding of alternative fuel and electric infrastructure projects solicited and selected through a competitive bid process; and increases the administrative set-aside to 6.25%. Additionally, SB 513 changes "fueling or electrification

infrastructure” to “fueling or energy infrastructure to fuel or power covered sources” to allow funding to go toward a variety of alternative energy fueling programs.

*Committee comments:* The Moyer and AB 923 Programs have been widely successful and have helped private businesses and public agencies voluntarily clean up older, dirtier engines and improve air quality. The programs have resulted in the retrofit or replacement of an estimated 48,000 engines and reduced 146,000 tons of ozone precursors and 6,000 tons of diesel particulates through the investment of over \$980 million in state and local funds.

While the Moyer Program is intended to fund "surplus" improvements, the sponsor correctly notes that for many years, virtually all mobile emission reductions were surplus; however, as the Legislature and ARB have enacted more laws and regulations in this arena, the bar has moved higher for achieving surplus reductions. Also, cleaner technology is more costly-- making it more expensive for business owners to clean up their equipment. SB 513 provides opportunities for ARB and local air districts to take on more sophisticated, advanced technology projects and leverage additional funds, where needed. SB 513 also broadens the scope of the programs to help them continue to achieve their stated goals.

*Related legislation:* AB 857 (Perea), establishes five-year set aside of 50% or \$100 million, whichever is greater, per year of funds from the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program for commercial deployment of existing zero- and near-zero-emission heavy-duty Class 7 and 8 trucks that meet or exceed ARBs low NOx emission standard. AB 857 is pending in the Senate Appropriations Committee.

*Previous legislation:* AB 1571 (Villaraigosa), Chapter 923, Statutes of 1999, established the Moyer Program through which ARB provides grants to offset the incremental costs of purchasing or retrofitting engines in order to reduce specified emissions.

AB 923 (Firebaugh), Chapter 707, Statutes of 2004, expanded the Moyer Program to include agricultural sources of air pollution as well as cars and light-duty trucks and to include hydrocarbon and particulate matter pollution. AB 923 also provided additional funding for the Moyer Program from an adjustment to the tire fee, and authorized local air districts to increase motor vehicle registration fees by up to \$2 for programs to reduce air pollution.

AB 1507 (Lieu), Chapter 571, Statutes of 2010, required ARB, by July 1, 2011, to revise project guidelines for a project that reduces GHG emissions to allow funds from specified programs and funding sources to be used for a project also funded under the Moyer Program or the goods Movement Emission Reduction Program without those additional public funds being factored into the criteria emission reduction cost-effectiveness calculations under either of those programs.

AB 8 (Perea), Chapter 401, Statutes of 2013, extended programs that accelerate the turnover of older vehicles and equipment and invest in the development and deployment of advanced technologies necessary to achieve the California’s air quality, climate, and energy goals until January 1, 2024.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Air Pollution Control Officers Association (Sponsor)  
American Lung Association of California  
Antelope Valley Air Quality Management District  
Bay Area Air Quality Management District  
Butte County Air Quality Management District  
California Electric Transportation Coalition  
California Fresh Fruit Association  
California Natural Gas Vehicle Coalition  
CALSTART  
Clean Energy  
California Trucking Association  
Coalition for Clean Air  
Glen County Board of Supervisors  
Green California  
Imperial County Air Pollution Control District  
Imperial County Board of Supervisors  
Northern Sierra Air Quality Management District  
Rural County Representatives of California  
San Joaquin Valley Air Pollution Control District  
Sacramento Municipal Utility District  
Sacramento Metropolitan Air Quality Management District  
Santa Barbara County Air Pollution Control District  
South Coast Air Quality Management District  
Tehema County Board of Supervisors  
US Hybrid  
Ventura County Air Pollution Control District  
Yolo-Solano Air Quality Management District

**Opposition**

None on file

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