

Date of Hearing: June 17, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

SB 1158 (Archuleta) – As Amended April 16, 2024

SENATE VOTE: 37-0

SUBJECT: Carl Moyer Memorial Air Quality Standards Attainment Program

SUMMARY: Extends the deadline for a local air district to liquidate funds reserved under the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) from four years after the date of reservation of the funds to six years after the date of disbursement of the funds to the air district, after which any unused funds revert to the California Air Resources Board (CARB) for future allocation.

EXISTING LAW:

- 1) Establishes CARB as the air pollution control agency in California and requires CARB, among other things, to control emissions from a wide array of mobile sources and coordinate with local air districts to control emission from stationary sources in order to implement the Federal Clean Air Act. (Health and Safety Code (HSC) 39602; HSC 39602.5)
- 2) Establishes the Carl Moyer Program, administered by the CARB and local air districts (Air Quality Management Districts (AQMDs) and Air Pollution Control Districts (APCDs), funds the incremental cost of cleaner-than-required vehicles, engines, and equipment. The objective of the program is to achieve air quality emission reductions that would not otherwise occur through regulations or other legal mandates. (HSC 44275, et seq.)
- 3) Establishes the Air Quality Improvement Program, administered by CARB, and the Air Pollution Control Fund (APCF), with the primary purpose of funding air quality improvement projects relating to fuel and vehicle technologies that reduce criteria air pollutants and improve air quality, including but not limited to providing Carl Moyer Program grants. (HSC 43015, 44274, and 44275)
- 4) Expands the Carl Moyer Program to cover additional pollutants and engines, imposes a \$1 fee on tire sales to fund the Carl Moyer Program, and establishes air quality improvement programs through local air districts. (HSC 41081, 44225, 44229, 44275, 44280, 44281, 44282, 44283, 44287, and 44299.1; Public Resources Code 42885 and 42889; and Vehicle Code 9250.2)
- 5) Authorizes the Carl Moyer Program to fund projects that reduce emissions from covered sources and the collection of supporting fees and surcharges until January 1, 2034. (*Ibid.*)
- 6) Requires CARB to reserve Carl Moyer Program funds for an air district and disburse the funds to the air district within two years of reservation. Further requires that an air district return to CARB any Carl Moyer Program funds not used within four years after reservation for future allocation under the Program. Beginning January 1, 2034, air districts must return any program funds unused within two years after reservation. (HSC 44287)

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS: The Legislature has set a number of goals to address climate change, including reducing statewide greenhouse gas (GHG) emissions to 40% below the 1990 level by 2030. The transportation sector generates nearly 40% of state GHG emissions. Furthermore, as reported in CARB's 2022 Scoping Plan, transportation generates significant toxic air pollution, accounting for over 80% of statewide NO_x emissions and 30% of fine particulate matter emissions. The state continues to push towards the use of cleaner vehicles, including zero-emission vehicles (ZEVs).

CARB administers a variety of incentive programs intended to reduce mobile source emissions, including the Carl Moyer Program. The Legislature created the Program in 1998 through a one-time budget allocation (and codified it a year later) to promote adoption of vehicle technology, engines and other equipment that are cleaner-than-required by state rules or regulations. A variety of fees, largely from vehicle registration surcharges adopted by local air districts in "nonattainment" areas not meeting federal air quality standards, fees on new tires, and smog abatement fees go into the Air Pollution Control Fund (APCF) and fund the program. AB 2836 (E. Garcia), Chapter 355, Statutes of 2022 recently re-authorized the Program through 2033.

The Carl Moyer Program has been highly successful, achieving significant reductions in air pollution. Many of the projects funded by the program to date have focused on cleaning up the combustion-based powertrains of existing vehicles. As of June 2021, the Program has allocated \$1.6 billion towards 69,900 projects, reducing over 200,000 tons of reactive organic gases and over 7,000 tons of particulate matter.

Since the inception of the Program, air quality standards and the technologies to achieve them have advanced substantially. However, with state regulations requiring adoption of increasingly low emission, and in some instances zero-emission, technologies, the threshold for "cleaner-than-required" has also increased. The Carl Moyer Program has adapted to fund zero-emission technology in on-road and off-road vehicles and marine vessels, as well as supporting fueling or charging infrastructure. No longer are Carl Moyer eligible projects simply characterized by upgrades to newer engines of the same fuel type or retrofits of existing vehicles with filters. Eligibility and approval for Carl Moyer Program funds can and often does require a transition to an entirely different technology than before.

Depending on the size, scope and geographic location of funded projects, the timing and costs associated with planning, permitting and building infrastructure to support newer zero-emission technologies can be a huge barrier to ZEV adoption. For example, according to the CEC's 2023 Annual Assessment of Hydrogen Refueling Network in California, the median total development time for hydrogen fueling stations completed during the pandemic ranged from two to four years before the COVID-19 pandemic. For electric vehicle charging stations, the CTC estimates current charging station development ranging from between six years to more than eight years on average per station. Moreover, while some air districts with large urban centers may already have electric charging stations to support ZEVs, they, as well as many smaller, rural air districts that lack stations outright, may still need to work with their local utility companies to upgrade grid transmission capacity to accommodate even more ZEVs, which can take an additional 10 years.

According to the author, "The Carl Moyer Program is a proven cost-effective clean air program administered by local air districts that provides incentives to private businesses and public agencies to voluntarily clean up older, dirtier vehicle and mobile off-road engines with cleaner-

than-required engines, equipment and emission reduction technologies. It is the gold standard of incentive programs in California. However, current global economic trends have amplified the need for the Moyer program to be modernized. The economic impacts of the War in Ukraine, inflation, and supply chain issues have negatively impacted air districts' ability to operate this valuable program. By expanding liquidation time, we will ensure that California's air districts are able to continue successfully implementing this vital program.”

As noted by the bill's sponsor, South Coast Air Quality Management District (SCAQMD), “Deployment of zero emission (ZE) equipment requires construction of supporting ZE infrastructure: Funded projects now include more and more infrastructure rather than just vehicles and equipment...Both new technology deployment and infrastructure take time”. The bill's sponsor further writes that: “SB 1158 will help move this highly effective program into the next phase of technology development and deployment by making adjustments that allow it to promote zero emissions type projects more effectively... Expanded funding liquidation time is needed due in part to the following: Supply chain challenges on equipment components often slow the process;...Parts and labor shortages greatly impact the delivery timeline of new clean equipment; ...yearlong delays in permitting and acquiring components such as switch gears used to control, protect and isolate electrical equipment; and Circuit capacity limitations at many sites cause additional problems; and Many projects require CARB's lengthy case-by-case approvals before they start.”

Committee comments: This bill extends the deadline for funds allocated to local air districts under the Carl Moyer Program from four years after reservation to six years after disbursement, after which deadline the funds revert to CARB for future allocation under the Program. Under existing law, and unchanged by the bill, CARB must disburse reserved funds to an air district within two years of the initial reservation date.

As noted in the analysis by Senate Committee on Transportation, local air districts' failure to expend funds “by the four-year deadline does not necessarily reduce the total resources available to the Program moving forward” and “the extension to six years may avoid some delays and inconveniences related to return of funds and reallocation” on CARB's end. On the other hand, adjusting the deadline to six years after the date of disbursement for air districts to utilize Carl Moyer Program funds could be immensely impactful for air districts and their grant awardees. The provision of an additional two years (assuming minimal delay between reservation and disbursement) could offer a small but significant assurance of extra time and financial support for grant awardees to see their cleaner-than-required projects to completion.

Double referral: This bill is double referred to the Assembly Natural Resources Committee, and will be heard by that Committee as it relates to issues under its jurisdiction.

Related legislation: AB 2836 (E. Garcia), Chapter 355, Statutes of 2022, extends the various fees that support the Carl Moyer Program until January 1, 2034.

SB 513 (Beall), Chapter 610, Statutes of 2015, updates the Carl Moyer Program including recognizing GHG reductions so that funded projects can achieve both criteria pollutant and GHG emissions reductions, adjusting the cost-effectiveness formula, streamlining program administrative requirements.

AB 8 (Perea), Chapter 401, Statutes of 2013, extends Carl Moyer, as amended by AB 923, until January 1, 2024, including the 75-cent per tire fee on tire sales to fund Carl Moyer.

AB 2522 (Arambula), Chapter 677, Statutes of 2008, authorizes the San Joaquin Valley Unified Air Pollution Control District to increase the motor vehicle registration fee surcharge to up to, but not exceeding, \$30 for incentive-based programs to achieve surplus emissions reductions, as specified.

AB 923 (Firebaugh), Chapter 707, Statutes of 2004, expanded Carl Moyer Program to cover additional pollutants and engines and imposed a 75-cent per tire fee on tire sales to fund Carl Moyer Program. Its provisions sunset January 1, 2015.

AB 1571 (Villaraigosa), Chapter 923, Statutes of 1999, establishes Carl Moyer through which CARB provides grants to offset the incremental costs of purchasing or retrofitting engines in order to reduce specified air emissions. Carl Moyer originally received General Fund appropriations.

REGISTERED SUPPORT / OPPOSITION:

Support

South Coast Air Quality Management District (sponsor)
Bay Area Air Quality Management District
California Air Pollution Control Officers Association
California Council for Environmental & Economic Balance
San Diego County Air Pollution Control District
The Gualco Group

Opposition

None on File

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