

Date of Hearing: April 8, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1262 (O'Donnell) – As Amended March 28, 2019

SUBJECT: Greenhouse Gas Reduction Fund: California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program.

SUMMARY: Continuously appropriates, beginning in the 2019-20 fiscal year, an unspecified amount of Greenhouse Gas Reduction Fund (GGRF) funds to the California Air Resources Board (ARB) for the Clean Truck, Bus, and Off-Road Vehicle Equipment Technology program (Clean Truck Program).

EXISTING LAW:

- 1) Requires ARB, pursuant to California Global Warming Solutions Act of 2006 [AB 32 (Núñez), Chapter 488, Statutes of 2006], to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020 and adopt regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions. AB 32 authorizes ARB to permit the use of market-based compliance mechanisms to comply with GHG reduction regulations (cap and trade).
- 2) Requires ARB to ensure that statewide GHG emissions are reduced to at least 40% below 1990 levels by 2030.
- 3) Establishes the GGRF in the State Treasury, requires all moneys, except for fines and penalties, collected pursuant to cap and trade be deposited in the fund and requires the Department of Finance, in consultation with ARB and any other relevant state agency, to develop, as specified, an investment plan for the moneys deposited in the GGRF, and makes the GGRF funds available for appropriation by the Legislature.
- 4) Requires the Legislature to allocate GGRF annual proceeds as follows:
 - a) 35% for transit, affordable housing and sustainable communities programs.
 - b) 25% to the High-Speed Rail Authority to fund the High-Speed Rail Project.
- 5) Requires that a certain minimum amount of funds, as specified, from cap and trade are allocated to projects in and benefiting disadvantaged and low-income communities.
- 6) Establishes the Clean Truck Program, administered by ARB in conjunction with California Energy Commission, to use GGRF funds for development, demonstration, pre-commercial pilot, and early commercial deployment of zero- and near zero-emission truck, bus, and off-road vehicle and equipment technologies.
- 7) Establishes the Federal Clean Air Act (FCAA), with its implementing regulations:
 - a) Setting National Ambient Air Quality Standards (NAAQS) for six criteria pollutants,
 - b) Designating air basins that do not achieve NAAQS as non-attainment, and,
 - c) Requiring states with non-attainment areas to submit a State Implementation Plan detailing how they will achieve compliance with NAAQS.

FISCAL EFFECT: Unknown.

COMMENTS: Nearly 40% of California's GHG emissions are generated by the transportation sector, which includes both the light-duty (passenger cars) and medium- and heavy-duty fleets (such as, trucks, buses, off-road equipment). While cleaning up the entire transportation sector is important, efforts to improve the heavy-duty vehicle fleet is a high priority because this sector contributes greatly to GHG emissions as well as produces a variety of smog-forming pollutants such as oxides of nitrogen (NOx), particulate matter, reactive organic gasses, and other toxic air contaminants that contribute to poor air quality and associated health impacts. To comply with the FCAA and meet attainment, California through its State Implementation Plan has identified that major changes and investments need to be made to clean up the heavy-duty transportation sector.

Throughout the years, ARB has implemented various regulations to reduce emissions from the heavy-duty sector. There are more than 30 current or proposed regulations that effect the heavy-duty transportation sector including but not limited to: the Innovative Clean Transit Rule (requires new transit bus purchases to be zero-emission), the Drayage Truck Regulation (limits drayage engines of specified model years from entering ports and railyards), the Cargo Handling Regulation (sets emission standards for cargo handling equipment at ports and rail yards) and the Truck and Bus Regulation (requires retrofits, and accelerates the turnover of old truck and buses to 2010 engine standards). Further, in 2015, Governor Brown issued Executive Order B-32-15, which directed key agencies to create a sustainable freight plan. Among other goals, the three main targets of the Sustainable Freight Action Plan include: 1) Improve freight system efficiency 25 % by 2030 2) Deploy over 100,000 freight vehicles and equipment capable of zero emission operation and maximize near-zero emission freight vehicles and equipment powered by renewable energy by 2030 and, 3) Establish a target or targets for increased state freight competitiveness.

To fund and accelerate the deployment of medium-duty and heavy-duty zero- and near zero-emission technologies, the Legislature established the Clean Truck Program, to be administered by ARB in conjunction with CEC. Specifically, the Clean Truck Program provides GGRF funds for projects that develop technology, and demonstrate and pilot commercial and early-commercial deployment of zero- and near-zero emission medium- and heavy-duty bus and truck, off-road and equipment technologies. Within the Clean Truck Program, funding priority is generally given to projects that benefit disadvantaged communities, can leverage additional public and private funding, and can help achieve broad market acceptance. To guide and plan Clean Truck Program investments, ARB is required to develop a funding framework and a three year investment strategy for heavy-duty vehicles and off-road equipment.

ARB carries out the Clean Truck Program in concert with the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), which provides point-of-sale voucher discounts to fleet owners, and the Zero-Emission Truck and Bus Pilot Commercial Deployment Project, which provides funding for large scale deployments of medium- and heavy-duty truck and buses, as well as, accompanying fueling infrastructure and supporting vehicle service and repair facility upgrades. The Clean Truck program has also been instrumental in the development of the new Zero- and Near-Zero-Emission Freight Facilities (ZANZEFF) program. Through the ZANZEFF program, ARB funds freight equipment advanced demonstration and pilot commercial deployment projects, including ships at berth.

As part of the 2014-15 state budget, SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, continuously appropriated 60% of the proceeds of the state's cap and trade program for transit, affordable housing, sustainable communities and the high-speed rail project. Four agencies receive a set portion of each quarterly auction through continuous appropriations and the Legislature makes additional annual investments through the Budget Act. SB 901 (Dodd, Chapter 626, Statutes of 2018) states that these annual Budget Acts appropriations shall include \$200 million through Fiscal Year (FY) 2023–24 for forest health, fire prevention, and fuel reduction programs. Funding from cap and trade supports programs and projects that facilitate in-state GHG emissions reductions and delivers major economic, environmental, and public health benefits for Californians, including meaningful benefits to the most disadvantaged communities, low-income communities, and low-income households. As of November 30, 2018, cumulative appropriations for GGRF investments have been approximately \$9.3 billion of which \$1.72 billion have gone to the Low Carbon Transportation program. ARB's Low Carbon Transportation Program is designed to accelerate the transition to advanced technology for both the light-duty and heavy-duty transportation sector.

For FY 2018-19, the Legislature directed a total of \$180 million from the GGRF, through Low Carbon Transportation Program for heavy-duty vehicle and off-road equipment projects. This includes \$125 million to continue funding the HVIP. The allocation also includes \$55 million to the ZANZEFF program. This year, Governor Newsom is proposing \$132 million from GGRF through the Low Carbon Transportation Program for heavy-duty vehicle and off-road equipment projects.

According to the author, "The Clean Truck program is the state's premier investment tool to support research, development, and deployment of next-generation near-zero-emission and zero-emission vehicle and equipment technologies. Multi-year funding for this program is needed to develop and deploy new technologies to market that often take a series of investments to implement. Advanced technology innovators need certainty that public support will be available several years ahead, in order to better leverage private investment."

Writing in support, CALSTART notes, "In a few short years, the effects of robust incentive funding have dramatically impacted the market...However, the state must remain committed to offering purchase incentives to ensure the continued expansion of this market, if the state is to reach its 2030 and 2050 GHG emission reduction targets. AB 1262 will send a strong market signal that California remains committed to its clean vehicle technology research, demonstration, and deployment."

Committee Comments: This bill currently allocates an unspecified amount of GGRF funds to the Clean Truck program. Due to timing constraints, the author's office has indicated that they will work with the following committee to amend the bill to add a specified amount.

Double referral: This bill will be referred to the Assembly Natural Resources Committee should it pass out of this committee.

Related legislation: AB 1411 (Reyes) of the current legislative session would establish as a state goal the deployment of 200,000 zero-emission medium- and heavy-duty vehicles and off-road vehicles and equipment, and the corresponding infrastructure to support them, by 2030, and requires specified state agencies to develop, an integrated action plan for sustainable freight. AB 1411 has been referred to the Assembly Transportation Committee.

AB 371 (Frazier) of the current legislative session would require Go-Biz, in consultation with ARB, the California Transportation Commission, and the Transportation Agency, to prepare a statewide economic vitality assessment of the California freight industry on or before December 31, 2021, and to update the assessment at least once every five years. AB 371 is scheduled to be heard on April 22, 2019 in the Assembly Transportation Committee.

SB 44 (Skinner) of the current legislative session would, require ARB, no later than January 1, 2021, to develop a comprehensive strategy for the deployment of medium-duty and heavy-duty vehicles that results in bringing the state into compliance with federal ambient air quality standards, and appropriates 10% of GGRF funds to ARB for the Clean Truck Program. SB 44 is scheduled to be heard on April 10, 2019 in the Senate Environmental Quality Committee.

Previous Legislation: AB 1167 (Mathis) of 2019 would eliminate the allocation of 25% of GGRF annual proceeds to the California high-speed rail program and redirects the funding to the Department of Forestry and Fire Protection (CalFIRE). AB 1667 failed passage in the Assembly Transportation Committee.

SB 32 (Pavley), Chapter 249, Statutes of 2016, required ARB to ensure that statewide GHG emissions are reduced at least 40% below 1990 levels by 2030.

AB 857 (Perea) of 2015, would have reserved 50% or \$100 million annually, whichever is greater, of GGRF monies that are allocated to the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program to support the commercial deployment of existing zero- and near-zero emission heavy-duty truck technology that meets or exceeds the ARB's optional low NOx standard between 2018 and 2023. AB 857 was held on the Senate Appropriations Committee suspense file.

SB 1204 (Lara), Chapter 524, Statutes of 2014, created the Clean Truck Program to fund development, demonstration, pre-commercial pilot, and early commercial deployment of zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies.

AB 32 (Núñez), Chapter 488, Statutes of 2006, required ARB to develop a plan of how to reduce emissions to 1990 levels by the year 2020.

REGISTERED SUPPORT / OPPOSITION:

Support

California Trucking Association
CALSTART
Los Angeles County Metropolitan Transportation Authority
Sysco
Textile Rental Services Association

Opposition

None on File

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