

Date of Hearing: April 26, 2021

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

AB 363 (Medina) – As Amended April 12, 2021

SUBJECT: Carl Moyer Memorial Air Quality Standards Attainment Program

SUMMARY: Makes various changes to the Carl Moyer Memorial Air Quality Standards Attainment (Carl Moyer) Program. Specifically, **this bill:**

- 1) Requires, by July 1, 2022, the California Air Resources Board (CARB) to revise the grant criteria and guidelines for the Carl Moyer Program to do the following:
 - a. Provide additional incentives for projects eligible for program funding that are deployed in disadvantaged communities.
 - b. For the purposes of the On-Road Heavy-Duty Voucher Incentive Program (VIP), to allow for the following:
 - i. No model year restrictions on the scrappage requirement, provided the model year is authorized to be registered in the state with the Department of Motor Vehicles (DMV).
 - ii. All on-road heavy-duty vehicles, regardless of vehicle type or application, to participate in VIP.
 - iii. Existing engines to be replaced with new engines with lower emissions.
 - iv. Fleets participating in VIP to lease replacement vehicles with a lease term of at least three years.
 - v. Existing vehicles registered outside of the state to participate in VIP, if they operate in state at least 75% of the time.
 - vi. No fleet size restrictions, but CARB is authorized to limit the number of vouchers per fleet per year, to no less than 10 vouchers per fleet per year.
- 2) Defines “existing engine” or “existing vehicle” as an engine or vehicle that will be turned in by an applicant for dismantling or destruction under VIP.

EXISTING LAW:

- 1) Creates the Carl Moyer Program which CARB oversees and develops guidelines, protocols, and criteria for covered vehicle projects and that the state’s air pollution control and air quality management districts (air districts) select, fund, and monitor specific clean air projects.
- 2) Requires CARB to establish or update grant criteria and guidelines for the Carl Moyer Program and exempts the adoption of guidelines from the rulemaking provisions of the Administrative Procedure Act. Requires CARB to solicit input and comment from the

districts during the development of the criteria and guidelines and make every effort to develop criteria and guidelines that are compatible with existing district programs. Requires CARB to make the draft criteria and guidelines available to the public 45 days before final adoption and hold at least one public meeting to consider public comments before adoption.

- 3) Requires the grant criteria and guidelines to include safeguards to ensure that the projects funded generate surplus emissions reductions.
- 4) Prohibits the funding of projects after the compliance date required by any local, state, or federal statute, rule, regulation, memoranda of agreement or understanding, or other legally binding document, except that an otherwise qualified project may be funded even if the state implementation plan assumes that the change in equipment, vehicles or operations will occur, if the change is not required by the compliance date of a statute regulation, or other legally binding document in effect as of the date the grant is awarded.
- 5) Requires a purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, to generate surplus emissions reductions and authorizes that purchase to be funded by the program.

FISCAL EFFECT: Unknown

COMMENTS: The Moyer Program provides grant funding for cleaner-than-required engines, equipment, and other sources of air pollution in order to encourage customers to purchase cleaner technologies, and to stimulate the marketplace to manufacture cleaner technologies. The Moyer Program's primary objective is to obtain cost-effective and surplus emission reductions to be credited toward California's obligations in the State Implementation Plan (SIP) – California's road map for attaining health-based national ambient air quality standards. The Carl Moyer Program is implemented as a partnership between CARB and California's 35 local air pollution control and quality management districts (air districts). CARB works collaboratively with the air districts and other stakeholders to set guidelines and ensure the program reduces pollution and provides cleaner air for Californians.

This bill makes changes to the Carl Moyer Program On-Road Heavy-Duty Vehicles Voucher Incentive Program (VIP). VIP provides a streamlined approach for smaller fleets to reduce emissions by replacing existing, high-polluting vehicles with newer, lower-emission vehicles. VIP provides emission benefits by retiring a high-polluting vehicle earlier than would have been expected through normal attrition or by regulation. Purchasers use Carl Moyer Program vouchers (ranging from \$10,000 to \$100,000 depending on emissions standards, vehicle weight, and annual usage) to offset part of the cost of the replacement vehicle.

Air districts utilize Carl Moyer guidelines in implementing VIP. Air districts must follow all VIP guidelines in order to offer vouchers as a funding option. Air districts have the discretion to set certain local eligibility requirements based upon local priorities. Currently, only the Bay Area Air Quality Management District and the South Coast Air Quality Management District implement VIP.

Recent changes in heavy-duty regulations and funding: On August 27, 2020, CARB approved the Heavy-Duty Low NOx Omnibus Regulation (Omnibus Regulation), which requires heavy-duty truck manufacturers to achieve stringent nitrogen oxide (NOx) emission standards. The

Omnibus Regulation follows the board's June 2020 approval of the Advanced Clean Trucks regulation, which requires medium- and heavy-duty truck manufacturers to increase the sales of zero-emission models. Both rules require that certain compliance milestones be met by 2024.

The Omnibus Regulation reduces the NOx emission standards by approximately 75% below current standards in 2024 and by 90% below current standards in 2027. In addition to the NOx emission standards, the Omnibus Regulation establishes numerous requirements on new heavy-duty trucks and engines. These requirements, which will be phased in, include a substantial reduction in particulate matter emissions, new in-use engine testing procedures, idling requirements, and extension of engine warranties.

Following this new regulation, Governor Newsom issued Executive Order (EO) N-79-20 calling for 100% zero-emission medium- and heavy-duty trucks by 2045 for all operations where feasible. Consistent with this goal, CARB's 2020-21 funding plan for Low Carbon Transportation and Air Quality Improvement Program investments implements its decision to graduate certain low NOx vehicles from the Hybrid and Zero-Emission Heavy-Duty Voucher Incentive Project (HVIP) eligibility. These actions resulted in reduced options to obtain incentives for near-zero-emission vehicles through HVIP.

The sponsors of this bill and others worked with CARB to simplify and increase funding options for near-zero technologies in the Carl Moyer Program. However, recently released guidelines for Carl Moyer VIP did not address all their concerns. The table below compares current VIP guidelines to the changes this bill would require CARB to make.

Policy	Current 2021 VIP guideline	Bill requirement:
Scrappage eligibility: Model Year (MY)	The MY of the existing engine must be 2009 or older. If the existing vehicle is a drayage truck, the existing engine MY may only be 2007-2009.	Remove restrictions on MY eligibility by allowing all existing vehicle MYs to be eligible, provided that the MY is authorized to be registered by DMV.
Vehicle type	No restrictions by vehicle type <i>per se</i> . However, vehicles and MYs subject to various existing CARB regulations are not eligible for funding. Vehicles with a GVWR of 14,000 pounds or less are not eligible.	Allow all types of on-road heavy-duty vehicles to participate in VIP.
Engine repower	Engine repower not allowed.	Allow existing engines to be replaced with new engines with lower emissions.
Lease eligibility	Vehicle leasing is not allowed.	Allow fleets participating in VIP to lease replacement vehicles for at least three years.
Out of state vehicles	Existing vehicle must either be 1) currently registered and have been registered in CA for the past 24 months or 2) must have been registered in CA	Allow existing vehicles registered outside of the state to participate in VIP, if the vehicle has operated at least 75% of the time in the state during each

	for the previous 8 consecutive months, supplemented by documentations showing CA operation for the past 24 months.	12-month period for the previous 24 months. Replacement vehicles must be registered in state with DMV
Fleet size	Only fleets with ten or fewer vehicles are eligible to participate.	Allow any size of fleet to participate in VIP, but limit the number of vouchers to less 10 vouchers per fleet per year.

Most of the changes this bill would make appear reasonable and consistent with the objectives of the Carl Moyer Program. However, certain changes such as requiring CARB to allow all on-road heavy-duty vehicles, regardless of vehicle type, to participate in VIP may make VIP more administratively burdensome because restricting eligible vehicle types allows the program to be more streamlined for grant applicants. Specifically, currently VIP allows small business owners to work directly with dealers to get an “on the hood” rebate, whereas the regular Carl Moyer Program has a much longer application process. In making the changes this bill suggests, it may be more difficult for VIP to provide the faster turnaround that makes it a highly sought after option.

Vehicle residence and lease requirements: Other changes this bill makes, such as somewhat expanding current guidelines to allow vehicles that are registered out of state, but primarily operated in California to be eligible appear reasonable and consistent with the goals of the Carl Moyer Program.

This bill’s proposed change to allow engine repower in VIP where it is allowed under existing law also seems reasonable.

Finally, this bill would require CARB to allow participation by any size fleet. This change does not appear to conflict with existing law; however, it does depart from VIP’s equity focus in helping small fleet purchasers go through a streamlined application process.

According to the author, “Reducing NOx and greenhouse gas emissions (GHGs) continues to be a priority for California. This bill addresses the former while providing a substantial co-benefit to the latter. AB 363 complements Executive Order N-79-20 by providing near-term emissions reductions that are not included. Furthermore, heavy duty vehicles are also a dominant source of harmful air pollution, which disproportionately impacts disadvantaged communities, especially those located along freight hubs. These communities need clean air sooner rather than later.”

In support a coalition including the bill’s sponsor, the California Natural Gas Vehicle Coalition, writes, “While California has long-term GHG and NOx emissions reduction strategies, recent policy decisions have resulted in a void of a near-term (6-10 year) local air quality strategy. There is not any effective incentive funding to drive adoption of clean commercially available trucks today. This void is causing historically advantaged diesel to be the truck of choice because of its lower cost and consistent utility. We believe AB 363 will drive necessary improvements in the Moyer Program by reducing inherent barriers to clean truck adoption. The current application, evaluation and award process can take 18 months, making it ineffective in achieving near-term reductions and serves to eliminate fleet participation. CARB eliminated incentive funding in December 2020 for low NOx trucks in California’s HVIP, the Volkswagen Environmental Mitigation Trust primarily incentivizes public sector vehicles, and low NOx truck incentive funding was eliminated several years ago from the Clean Transportation Program by

the California Energy Commission. The Moyer Program is the only remaining incentive program for diesel truck displacement, and it needs modernizing.”

Committee comments: This bill requires CARB to revise the Carl Moyer VIP guidelines. These changes could make VIP more administratively burdensome. The streamlined nature of VIP exists partly because the program has been narrowly tailored. It will be important for CARB to report on the impact of the changes on the Carl Moyer Program after such changes, and for the Legislature to evaluate those changes. Therefore the committee suggests that going forward the author add a sunset date to this bill and reporting requirements based on input from the air districts that implement VIP.

Related and previous legislation: AB 794 (Carillo) of this session would establish labor and workforce standards as a cobenefit of incentive programs for the purchase of vehicles that are based on clean air standards and conditions eligibility for incentives on first meeting the clean air standard and then meeting the labor and workforce standards. AB 794 is in the Assembly Labor Committee, and will come to Assembly Transportation should it pass out of that committee.

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 extended the Carl Moyer Program, as amended by AB 923, until January 1, 2024, including the 75-cent per tire fee on tire sales to fund the Carl Moyer Program.

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

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

REGISTERED SUPPORT / OPPOSITION:

Support

California Natural Gas Vehicle Coalition (sponsor)
Bioenergy Association of California
Brightmark
California Compost Coalition
California Waste Haulers Council
Clean Energy
Clean Fleets
Cummins Westport
E.J. Harrison and Sons, Inc.
Frontline Bioenergy
Hexagon Agility

Inland Empire Disposal Association
Los Angeles County Sanitation Districts
Momentum Fuel Technologies
Mustang Renewable Power Ventures
Natural Gas Vehicles for America
Resource Recovery Coalition of California
Rush Enterprises
San Joaquin Renewables, LLC
Trillium USA Company, LLC d.b.a. Trillium CNG
TruStar Energy
TSS Consultants
USA Renewable Energy
Western Propane Gas Association

Opposition

Bay Area Air Quality Management District

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