

Senate Bill 225 (Soto)
Carl Moyer Program
(Coauthor: Assembly Member Judy Chu)

Summary: This bill would allow the State Air Resources Board to determine a higher value for the cost effectiveness test in the Carl Moyer Program. The higher value would be tied to the state consumer price index. When adjusted for inflation, projects with a cost-effectiveness higher than \$13,600 per ton of NOx reduced in California would qualify for funding under the Carl Moyer Program.

Background: A major part of the discussion in the legislature this year has been about how to get additional funding for the Moyer Program, because last year's funding was a "down payment." The business community representatives have proposed a concept to tax 1¢ per gallon on all gasoline purchases. The proceeds of this tax would then be used to fund the Moyer Program, which in turn funds on-road and off-road engine emissions clean-up.

Status: Passed Senate (32-4) on May 26 and sent to the Assembly. Passed Senate Committee on Transportation and Housing on April 19 (11-1 vote). Passed Senate Committee on Environmental Quality on April 4 (8-0 vote).

*AQMD Staff plans to provide an update on the status of the tax proposal to obtain additional funding for the Carl Moyer Program mentioned in the background section of this analysis.

Specific Provisions: This bill would allow the California Air Resources Board to adjust the cost-effectiveness maximum for awards under the Carl Moyer Program by the California consumer price index in order to keep up with inflation. It is expected that this bill may serve as a vehicle for developing a method to provide an additional stable source of funding for the Moyer Program.

Operational Impacts on AQMD: Increased cost effectiveness calculated in accordance with the state's consumer price index would provide more money for projects funded by the Carl Moyer Program. The bill would only apply to projects that reduce NOx in California, and would not apply to Particulate Matter (PM10) or Hydrocarbons.

Position: Support (Approved by AQMD Governing Board on April 1, 2005)

Support:

California Air Pollution Control Officers Association
American Federation of State, County, and Municipal Employees (AFSCME)
AFL-CIO
Bay Area Air Quality Management District
Western States Petroleum Association

Opposition:

None received

<p>March 11, 2005 LEGISLATIVE COMMITTEE RECOMMENDED POSITION/COMMENTS: Support June 10, 2005 LEGISLATIVE COMMITTEE RECOMMENDED POSITION/COMMENTS: For Discussion Only</p>
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Introduced by Senator Soto
(Coauthor: Assembly Member Chu)

February 15, 2005

An act to amend Section 44283 of the Health and Safety Code, relating to air quality.

LEGISLATIVE COUNSEL'S DIGEST

SB 225, as introduced, Soto. Carl Moyer program.

Existing law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer program), which provides grants to offset the incremental cost of eligible projects that reduce oxides of nitrogen from heavy-duty mobile sources in the state. Existing law, until January 1, 2015, prohibits grants for projects with a cost-effectiveness of more than \$13,600 per ton of NO_x reduced in California, and on and after that date reduces that dollar amount to \$12,000.

This bill would allow the State Air Resources Board to determine a higher value that reflects state consumer price index adjustments.

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

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

- 1 SECTION 1. Section 44283 of the Health and Safety Code, as
- 2 amended by Section 9 of Chapter 707 of the Statutes of 2004, is
- 3 amended to read:
- 4 44283. (a) Grants shall not be made for projects with a
- 5 cost-effectiveness, calculated in accordance with this section, of
- 6 more than thirteen thousand six hundred dollars (\$13,600) per
- 7 ton of NO_x reduced in California *or a higher value that reflects*

1 *state consumer price index adjustments on or after January 1,*
2 *2006, as determined by the state board.* For projects obtaining
3 reactive organic gas and particulate matter reductions, the state
4 board shall determine appropriate adjustment factors to calculate
5 a weighted cost-effectiveness.

6 (b) Only covered emission reductions occurring in this state
7 shall be included in the cost-effectiveness determination. The
8 extent to which emissions generated at sea contribute to air
9 quality in California nonattainment areas shall be incorporated
10 into these methodologies based on a reasonable assessment of
11 currently available information and modeling assumptions.

12 (c) The state board shall develop protocols for calculating the
13 surplus covered emission reductions in California from
14 representative project types over the life of the project.

15 (d) The cost of the covered emission reduction is the amount
16 of the grant from the program, including matching funds
17 provided pursuant to subdivision (e) of Section 44287, plus any
18 other state funds, or funds under the district's budget authority or
19 fiduciary control, provided toward the project. The state board
20 shall establish reasonable methodologies for evaluating project
21 cost-effectiveness, consistent with the definition contained in
22 paragraph (4) of subdivision (a) of Section 44275, and with
23 accepted methods, taking into account a fair and reasonable
24 discount rate or time value of public funds.

25 (e) A grant shall not be made that, net of taxes, provides the
26 applicant with funds in excess of the incremental cost of the
27 project. Incremental lease costs may be capitalized according to
28 guidelines adopted by the state board so that these incremental
29 costs may be offset by a one-time grant award.

30 (f) Funds under a district's budget authority or fiduciary
31 control may be used to pay for the incremental cost of liquid or
32 gaseous fuel, other than standard gasoline or diesel, which is
33 integral to a covered emission reducing technology that is part of
34 a project receiving grant funding under the program. The fuel
35 shall be approved for sale by the state board. The incremental
36 fuel cost over the expected lifetime of the vehicle may be offset
37 by the district if the project as a whole, including the incremental
38 fuel cost, meets all of the requirements of this chapter, including
39 the maximum allowed cost-effectiveness. The state board shall
40 develop an appropriate methodology for converting incremental

1 fuel costs over the vehicle lifetime into an initial cost for the
2 purposes of determining project cost-effectiveness. Incremental
3 fuel costs may not be included in project costs for fuels dispensed
4 from any facility that was funded, in whole or in part, from the
5 fund.

6 (g) For purposes of determining any grant amount pursuant to
7 this chapter, the incremental cost of any new purchase, retrofit,
8 repower, or add-on equipment shall be reduced by the value of
9 any current financial incentive that directly reduces the project
10 price, including any tax credits or deductions, grants, or other
11 public financial assistance. Project proponents applying for
12 funding shall be required to state in their application any other
13 public financial assistance to the project.

14 (h) For projects that would repower offroad equipment by
15 replacing uncontrolled diesel engines with new, certified diesel
16 engines, the state board may establish maximum grant award
17 amounts per repower. A repower project shall also be subject to
18 the incremental cost maximum pursuant to subdivision (e).

19 (i) After study of available emission reduction technologies
20 and costs and after public notice and comment, the state board
21 may reduce the values of the maximum grant award criteria
22 stated in this section to improve the ability of the program to
23 achieve its goals. Every year the state board shall adjust the
24 maximum cost-effectiveness amount established in subdivision
25 (a) and any per-project maximum set by the state board pursuant
26 to subdivision (h) to account for inflation.

27 (j) This section shall remain in effect only until January 1,
28 2015, and as of that date is repealed, unless a later enacted
29 statute, that is enacted before January 1, 2015, deletes or extends
30 that date.

31 SEC. 2. Section 44283 of the Health and Safety Code, as
32 added by Chapter 707 of the Statutes of 2004, is amended to
33 read:

34 44283. (a) Grants shall not be made for projects with a
35 cost-effectiveness, calculated in accordance with this section, of
36 more than twelve thousand dollars (\$12,000) per ton of NO_x
37 reduced in California *or a higher value that reflects state*
38 *consumer price index adjustments on or after January 1, 2015,*
39 *as determined by the state board.*

1 (b) Only NO_x reductions occurring in this state shall be
2 included in the cost-effectiveness determination. The extent to
3 which emissions generated at sea contribute to air quality in
4 California nonattainment areas shall be incorporated into these
5 methodologies based on a reasonable assessment of currently
6 available information and modeling assumptions.

7 (c) The state board shall develop protocols for calculating the
8 surplus NO_x reductions in California from representative project
9 types over the life of the project.

10 (d) The cost of the NO_x reduction is the amount of the grant
11 from the program, including matching funds provided pursuant to
12 subdivision (e) of Section 44287, plus any other state funds, or
13 funds under the district's budget authority or fiduciary control,
14 provided toward the project. The state board shall establish
15 reasonable methodologies for evaluating project
16 cost-effectiveness, consistent with the definition contained in
17 subdivision (c) of Section 44275, and with accepted methods,
18 taking into account a fair and reasonable discount rate or time
19 value of public funds.

20 (e) A grant shall not be made that, net of taxes, provides the
21 applicant with funds in excess of the incremental cost of the
22 project. Incremental lease costs may be capitalized according to
23 guidelines adopted by the state board so that these incremental
24 costs may be offset by a one-time grant award.

25 (f) Funds under a district's budget authority or fiduciary
26 control may be used to pay for the incremental cost of liquid or
27 gaseous fuel, other than standard gasoline or diesel, which is
28 integral to a NO_x reducing technology that is part of a project
29 receiving grant funding under the program. The fuel shall be
30 approved for sale by the state board. The incremental fuel cost
31 over the expected lifetime of the vehicle may be offset by the
32 district if the project as a whole, including the incremental fuel
33 cost, meets all of the requirements of this chapter, including the
34 maximum allowed cost-effectiveness. The state board shall
35 develop an appropriate methodology for converting incremental
36 fuel costs over the vehicle lifetime into an initial cost for the
37 purposes of determining project cost-effectiveness. Incremental
38 fuel costs may not be included in project costs for fuels dispensed
39 from any facility that was funded, in whole or in part, from the
40 fund.

1 (g) For purposes of determining any grant amount pursuant to
2 this chapter, the incremental cost of any new purchase, retrofit,
3 repower, or add-on equipment shall be reduced by the value of
4 any current financial incentive that directly reduces the project
5 price, including any tax credits or deductions, grants, or other
6 public financial assistance. Project proponents applying for
7 funding shall be required to state in their application any other
8 public financial assistance to the project.

9 (h) For projects that would repower offroad equipment by
10 replacing uncontrolled diesel engines with new, certified diesel
11 engines, the state board may establish maximum grant award
12 amounts per repower. A repower project shall also be subject to
13 the incremental cost maximum pursuant to subdivision (e).

14 (i) After study of available emission reduction technologies
15 and costs and after public notice and comment, the state board
16 may reduce the values of the maximum grant award criteria
17 stated in this section to improve the ability of the program to
18 achieve its goals. Every year the state board shall adjust the
19 maximum cost-effectiveness amount established in subdivision
20 (a) and any per-project maximum set by the state board pursuant
21 to subdivision (h) to account for inflation.

22 (j) This section shall become operative on January 1, 2015.