

BOARD MEETING DATE: April 7, 2017

AGENDA NO. 20

REPORT: Legislative Committee

SYNOPSIS: The Legislative Committee held a meeting on Friday, March 10, 2017. The next Legislative Committee meeting is scheduled for Friday, April 14, 2017, at 9 a.m.

Agenda Item	Recommendation
AB 582 (C. Garcia) Vehicles: emissions: surveillance	Support with Amendments
AB 615 (Cooper) Air Quality Improvement Program: Clean Vehicle Rebate Project	Support
AB 1081 (Burke) Sales and use taxes: exclusion: low-emission motor vehicle: trade-in	Support with Amendments
AB 1083 (Burke) Transportation electrification: electric vehicle charging infrastructure: state parks and beaches	Support
SB 174 (Lara) Diesel-fueled vehicles: registration	Support with Amendments
Proposed Policy Principles Regarding Amendments to Greenhouse Gas Funding and/or Reauthorization Legislation	Approve

RECOMMENDED ACTION:

Receive and file this report, and approve agenda items as specified in this letter.

Judith Mitchell, Chair
Legislative Committee

DJA:PFC:MK:jns

Attendance [Attachment 1]

The Legislative Committee met on March 10, 2017. Committee Chair Judith Mitchell was present at the South Coast Air Quality Management District's (SCAQMD) Diamond Bar headquarters. Committee Members Shawn Nelson, Dr. Clark E. Parker, Sr. and Janice Rutherford attended via videoconference. Dr. William A. Burke was appointed to the committee for this meeting and participated via videoconference. Committee Vice-Chair Joe Buscaino was absent.

Update on Federal Legislative Issues [Attachment 2]

SCAQMD's federal legislative consultants (Carmen Group, Cassidy & Associates, and Kadesh & Associates) each provided a written report on various key Washington, D.C. issues. Mr. Gary Hoitsma of the Carmen Group provided a verbal update as well.

Mr. Hoitsma clarified information he previously provided in his firm's report regarding the proposed potential U.S. EPA budget cuts. He noted that a leaked document from the Office of Management and Budget (OMB) which demonstrated the first of proposed budget cuts by the Trump Administration was included in his report. Mr. Hoitsma mentioned that these types of proposed budget cuts are occurring with other federal agencies as well, not just with the EPA. Also, the EPA Administrator stated that he does not agree with all of the proposed cuts. Furthermore, Republicans and Democrats in Congress and interest groups are pushing back against the proposed EPA cuts. The budget will have to go through Congress to be approved, and this process will take some time before anything is finalized. Mr. Hoitsma reported that in the coming weeks it is expected that the Trump Administration will issue its version of the federal budget after consultations with EPA and OMB. Mr. Hoitsma also commented that there is speculation that the EPA Deputy Administrator position could be filled by Andrew Wheeler, former staffer on the Senate Environment Committee.

In response to an inquiry from Councilmember Mitchell, Mr. Hoitsma responded that OMB is proposing to zero out DERA, targeted air shed grants, as well as other programs, but that there would likely be pushback from Congress and possibly from EPA's Administrator. Mr. Wayne Nastri, Executive Officer, commented that DERA funding was wiped out every year under the Obama Administration, and that these funds were zeroed out every year because it was known that there was support for DERA in Congress and that Congress would reinstate those funds. Mr. Nastri stated that it is not so surprising that the Trump Administration is taking the same approach. Mr. Nastri also noted that he expects DERA to be reauthorized this year.

In response to an inquiry from Dr. Parker, Dr. Matt Miyasato, Deputy Executive Officer for the Science and Technology Advancement Office, responded that SCAQMD regularly applies to get grant money from DERA, and that the District typically receives about \$5-\$10 million per year through the program. Mr. Nastri voiced his concerns about the potential impacts of the proposed cuts to EPA's budget particularly as they might reduce Section 103 and 105 grant funding from EPA.

A discussion regarding the state of the EPA followed. Supervisor Nelson's Board Consultant, Mr. Denis Bilodeau, gave a brief report on his recent visit to EPA. Supervisor Rutherford also gave a brief report on her visit to EPA.

Update on State Legislative Issues [Attachment 3]

SCAQMD's state legislative consultants (Joe A. Gonsalves & Son and Gonzalez, Quintana, Hunter & Cruz, LLC) also provided written reports on various key issues in

Sacramento. Mr. Will Gonzalez of Gonzalez, Quintana, Hunter & Cruz, LLC provided a verbal update as well.

Mr. Gonzalez reported on the following two state bills that were introduced on behalf of SCAQMD:

- 1) AB 1132, which is sponsored by SCAQMD and authored by Assemblymember Cristina Garcia. The bill addresses issues arising from the Paramount situation and gives authority to the Executive Officer to issue a temporary Order for Abatement to a facility that is causing a substantial endangerment to the public health or environment. Staff is working to address possible amendments to the bill in light of discussions by the Legislative Committee during the February meeting.
- 2) AB 1274, which is sponsored by SCAQMD and authored by Assemblymember Patrick O'Donnell, addresses the Smog Check Program. The bill would extend the exemption for a smog check from six years to eight years. Drivers would be required to pay a smog abatement fee in lieu of getting a smog check. Mr. Gonzalez indicated that the funds collected would benefit air districts' mobile incentive programs by funding the Carl Moyer program, and at the same time relieve consumers from having to get a smog check for newer vehicles.

Mr. Gonzalez also stated that both bills would be ready to go to their first committee hearings within the next two to four weeks.

Recommend Position on State Bills [Attachment 4]

AB 582 (C. Garcia) Vehicles: emissions: surveillance

Mr. Derrick Alatorre, Deputy Executive Officer of Legislative, Public Affairs & Media, presented AB 582 to the Committee. Mr. Alatorre explained that this bill would require the State Air Resources Board (CARB) to enhance its surveillance of emissions from new motor vehicles to detect defeat devices or other software used to evade the surveillance of emissions. The bill would also authorize CARB to impose a fee on the manufacturers of new motor vehicles to recover CARB's costs associated with the enhanced surveillance. AB 582 would also direct CARB to enhance their new motor vehicle emission testing program to include more testing under real-world conditions.

SCAQMD STAFF PROPOSED AMENDMENT: Staff recommends amendments to expand the application of this legislation to cover medium and heavy-duty vehicles.

Staff recommended a position of SUPPORT WITH AMENDMENTS

Moved by Parker; seconded by Mitchell; unanimously approved.

Ayes: Burke, Nelson, Parker, Rutherford, Mitchell

Noes: None

Absent: Buscaino

Recommend Position on State Bill

AB 615 (Cooper) Air Quality Improvement Program: Clean Vehicle Rebate Project

Mr. Philip Crabbe, Community Relations Manager in Legislative, Public Affairs & Media, presented AB 615 to the Committee. Mr. Crabbe stated that this bill would remove the sunset date on current provisions regarding the Clean Vehicle Rebate Project (CVRP). Specifically, this bill would remove the sunset date of July 1, 2017 on CVRP provisions that: 1) require CARB to offer rebates to applicants who purchase an eligible vehicle and have a specified maximum gross annual income; 2) increase rebate payments by \$500 for low-income applicants; and 3) prioritize rebate payments for low-income applicants.

In response to an inquiry from Dr. Parker, Mr. Crabbe clarified that heavy-duty trucks are excluded from CVRP, and that reductions in criteria pollutants achieved through this program come from light-duty tailpipe emissions.

Staff recommended a position of SUPPORT

Moved by Parker; seconded by Nelson; unanimously approved.

Ayes: Burke, Nelson, Parker, Rutherford, Mitchell

Noes: None

Absent: Buscaino

Recommend Position on State Bill

AB 1081 (Burke) Sales and use taxes: exclusion: low-emission motor vehicle: trade-in

Mr. Crabbe presented AB 1081 to the Committee. Mr. Crabbe explained that this bill would provide a sales tax incentive for the purchase of alternative-fueled vehicles. California currently imposes sales tax measured by the full price of a purchased vehicle not taking into account the value of any trade-in vehicle provided. AB 1081 would exclude from the terms “gross receipts” and “sales price” the value of a motor vehicle traded in for a clean motor vehicle purchase, if that trade-in value is separately stated on an invoice or bill of sale.

SCAQMD STAFF PROPOSED AMENDMENT: Staff recommends that the bill language be amended to require that there be a “net emissions benefit” in comparison to the vehicle traded in versus the clean vehicle purchased. In other words, the car traded in must be classified as having higher criteria and/or toxic pollutant tailpipe emissions than the clean car purchased, in order for the tax benefit to be available.

Supervisor Nelson raised concerns regarding cities’ potential loss of sales tax revenue from the sales tax incentive proposed by AB 1081. A discussion regarding the potential loss of tax revenue for cities from vehicle sales ensued as well as a desire for the District to work with the bill author to explore other types of tax incentive options for this bill, such as an income tax deduction. The Committee directed staff to work with

the author on this issue and to explore how this proposal may interface with the Enhanced Fleet Modernization Program (EFMP).

Staff recommended a position of SUPPORT WITH AMENDMENTS

Moved by Nelson; seconded by Parker; unanimously approved.

Ayes: Burke, Nelson, Parker, Rutherford, Mitchell

Noes: None

Absent: Buscaino

Recommend Position on State Bill

AB 1083 (Burke) Transportation electrification: electric vehicle charging infrastructure: state parks and beaches

Mr. Marc Carrel, Program Supervisor in Legislative, Public Affairs & Media, presented AB 1083 to the Committee. Mr. Carrel reported that this bill would promote use of electric vehicles at state parks and beaches by facilitating the installation of electric vehicle charging stations at state parks and beaches. Specifically, this bill would require each electrical utility, in consultation with the Public Utilities Commission (PUC), Energy Commission, and CARB, to develop a plan to create a robust charging network at all state parks and beaches within its service territory by July 31, 2018.

Staff recommended a position of SUPPORT

Moved by Parker; seconded by Nelson; unanimously approved.

Ayes: Burke, Nelson, Parker, Rutherford, Mitchell

Noes: None

Absent: Buscaino

Recommend Position on State Bill

SB 174 (Lara) Diesel-fueled vehicles: registration

Mr. Carrel presented SB 174 to the Committee. Mr. Carrel explained that this bill would require proof of compliance with California's Truck and Bus Regulation as a condition of DMV registration, similar to smog certification requirements for most vehicles on the road today. As part of this process, the bill would establish a phase-out of older diesel-fueled medium-duty and heavy-duty vehicles by January 1, 2023. Specifically, this bill would require that beginning in 2020, prior to registering or transferring ownership of a diesel-fueled medium-duty or heavy-duty vehicle, the Department of Motor Vehicles must confirm that the vehicles either comply with, or are exempt from, applicable air pollution control technology requirements.

SCAQMD STAFF PROPOSED AMENDMENT: Staff recommends technical amendments to the bill's language to adjust its reference to the medium- and heavy-duty truck model year phase-out schedules, so that it can better reflect CARB's Truck and Bus Regulation:

Diesel-fueled medium-duty trucks will be phased out according to the following schedule:

- Effective January 1, 2020, for vehicles model year ~~2004~~ 2003 and older.
- Effective January 1, 2021, vehicle model years ~~2007~~ 2006 and older.
- Effective January 1, 2023, vehicle model years ~~2010~~ 2009 and older.

Diesel-fueled heavy-duty trucks will be phased out according to the following schedule:

- Effective January 1, 2020, vehicle model years ~~2000~~ 1999 and older.
- Effective January 1, 2021, vehicle model years ~~2005~~ 2004 and older.
- Effective January 1, 2022, vehicle model years ~~2007~~ 2006 and older.
- Effective January 1, 2023, vehicle model years ~~2010~~ 2009 and older.

Supervisor Nelson voiced concerns regarding the cost of heavy-duty vehicles and the expected time to fully pay off such a vehicle and the impact this legislation may have on owners of those vehicles.

A discussion occurred regarding how trucks driven into California from other states are inspected at highway checkpoints and how that might be a good opportunity to enforce compliance of CARB's Truck and Bus Rule. Supervisor Nelson and Councilmember Mitchell requested clarifying information from staff about how inspections of trucks are conducted in California and what happens when a violation is found.

Staff recommended a position of SUPPORT WITH AMENDMENTS

Moved by Parker; seconded by Mitchell; unanimously approved.

Ayes: Burke, Nelson, Parker, Rutherford, Mitchell

Noes: None

Absent: Buscaino

Proposed Policy Principles Regarding Amendments to Greenhouse Gas Funding and/or Reauthorization Legislation [Attachment 5]

Mr. Crabbe presented for approval, proposed Amendment Concept Principles for Greenhouse Gas Reduction Fund and/or Cap & Trade Reauthorization related legislation. These principles state that: at least 20% of total allocated annual Greenhouse Gas Reduction Fund (GGRF) monies should be distributed in areas of the state that are designated, based on the most recent standards, as severe or extreme nonattainment for ozone. This allocation of GGRF monies is to be used in a way that maximizes criteria and toxics emission reduction co-benefits, including to support the development and deployment of near-zero and zero-emission heavy-duty vehicles, off-road equipment, and federal sources (e.g. freight locomotives and ocean-going vessels), and to address air quality and public health impacts, along with simultaneous reductions in GHG emissions. A priority would be given to spend such funding in disadvantaged communities.

In response to an inquiry from Dr. Parker, Mr. Crabbe clarified that staff is seeking approval for these policy principles regarding possible amendments to multiple cap-and-trade bills as well as any bills focused on greenhouse gas reduction funds in general.

Mr. Nastri suggested that these policies serve as guiding principles, and that any such amendments proposed on specific bills would come before the Legislative Committee. Supervisor Nelson commented that GGRF funding has been low.

Staff recommended that the Committee APPROVE the Proposed Policy Principles Regarding Amendments to Greenhouse Gas Funding and/or Reauthorization Legislation

Moved by Burke; seconded by Parker.

Ayes: Burke, Parker, Rutherford, Mitchell

Noes: Nelson

Absent: Buscaino

Report from SCAQMD Home Rule Advisory Group [Attachment 6]

Please refer to Attachment 6 for the written report.

Other Business:

None

Public Comment Period:

None

The committee adjourned until Friday, April 14, 2017.

Attachments

1. Attendance Record
2. Update on Federal Legislative Issues –Written Reports
3. Update on State Legislative Issues – Written Reports
4. Recommended Position on State Bills
5. Proposed Policy Principles Regarding Amendments to Greenhouse Gas Funding and/or Reauthorization Legislation
6. SCAQMD Home Rule Advisory Group Report – Written Report

ATTACHMENT 1
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
LEGISLATIVE COMMITTEE MEETING
ATTENDANCE RECORD –March 10, 2017

Councilmember Judith Mitchell.....	SCAQMD Board Member
Supervisor Janice Rutherford (Videoconference).....	SCAQMD Board Member
Dr. William A. Burke (Videoconference).....	SCAQMD Board Member
Supervisor Shawn Nelson (Videoconference).....	SCAQMD Board Member
Dr. Clark E. Parker, Sr. (Videoconference).....	SCAQMD Board Member
Mark Abramowitz.....	Board Consultant (Lyou)
David Czamanske	Board Consultant (Cacciotti)
Gary Hoitsma (teleconference)	The Carmen Group
Amelia Jenkins (teleconference).....	Cassidy & Associates
Chris Kierig (teleconference).....	Kadesh & Associates
Dave Ramey (teleconference).....	Kadesh & Associates
Paul Gonsalves (teleconference).....	Joe A. Gonsalves & Son
Will Gonzalez (teleconference)	Gonzalez, Quintana, Hunter & Cruz
Jacob Moss (teleconference).....	Gonzalez, Quintana, Hunter & Cruz
Dr. Genghmun Eng.....	Self
Tom Gross.....	SCE
Andrew Dugowson	SCE
Michele Grubbs.....	PMSA
Bill LaMarr	California Small Business Alliance
Rita Loof	RadTech
Eddie Marquez	Alt Air
David Rothbart.....	Los Angeles County Sanitation Districts
Susan Stark	Tesoro
Derrick Alatorre	SCAQMD Staff
Debra Ashby	SCAQMD Staff
Marc Carrel	SCAQMD Staff
Jessica Chavez	SCAQMD Staff
Tina Cox	SCAQMD Staff
Philip Crabbe	SCAQMD Staff
Philip Fine.....	SCAQMD Staff
Monika Kim.....	SCAQMD Staff
Matt Miyasato	SCAQMD Staff
Wayne Natri	SCAQMD Staff
Robert Paud.....	SCAQMD Staff
Jeanette Short.....	SCAQMD Staff
Lijin Sun	SCAQMD Staff
Laki Tisopulos	SCAQMD Staff
Veera Tyagi.....	SCAQMD Staff
Kim White.....	SCAQMD Staff
Todd Warden	SCAQMD Staff
Fabian Wesson	SCAQMD Staff
Jill Whynot.....	SCAQMD Staff
Kurt Wiese	SCAMQD Staff

ATTACHMENT 2

MEMORANDUM

To: South Coast AQMD Legislative Committee

From: Carmen Group

Date: March 2017

Re: Federal Update -- Executive Branch

Status of Trump Cabinet Appointments *(As of March 2)*

<u>Position</u>	<u>Appointee</u>	<u>Confirmation Vote (Y-N)</u>
Vice President	Mike Pence.....	N/A
Secretary of State	Rex Tillerson.....	56-43
Treasury Secretary	Steven Mnuchin	53-47
Defense Secretary	James Mattis.....	98-1
Attorney General	Jeff Sessions	52-47
Interior Secretary	Ryan Zinke	68-31
Agriculture Secretary	Sonny Perdue.....	
Commerce Secretary	Wilbur Ross	72-27
Labor Secretary	Alexander Acosta.....	
HHS Secretary	Tom Price.....	52-47
HUD Secretary	Ben Carson	58-41
Transportation Secretary	Elaine Chao.....	93-6
Energy Secretary	Rick Perry.....	62-37
Education Secretary	Betsy DeVos.....	51-50
Veterans Affairs Secretary	David Shulkin.....	100-0
Homeland Security Sec.	John Kelly.....	88-11
White House Chief of Staff	Reince Priebus.....	N/A
OMB Director	Rep. Mick Mulvaney	51-49
EPA Administrator	Scott Pruitt.....	52-46
US Trade Representative	Robert Lighthizer.....	
UN Ambassador	Nikki Haley.....	96-4
SBA Administrator	Linda McMahon.....	81-19
CEQ Chair	--	

Administration

Potential EPA Budget Cuts: In anticipation of the release of the President's formal budget proposal for FY 2018, there has been a flurry of anonymously-sourced leaks in recent days suggesting what may be proposed for the EPA. An untitled document appearing to be an OMB or EPA transition-team wish list shows how cuts to 42 EPA programs would add up to the agency's budget being reduced by 24 percent and its staff by 20 percent. It is said that the President wants to increase defense spending by \$54 billion and pay for it through cuts in non-defense areas, especially from the Department of State and the EPA. The proposed EPA cuts call for the full elimination of seven programs including DERA and Target Airshed Grants as well as SF Bay, Multipurpose Grants, US-Mexico Border Watershed Grants, Beach Water Testing Grants and Radon Grants. Other programs targeted for serious cuts include Great Lakes Restoration, Environmental Education, Environmental Justice, Climate Protection, and Brownfields among many others. (*See leaked document attached below*).

Meanwhile, new EPA Administrator Scott Pruitt sought to tamp down speculation by emphasizing that no decisions on the EPA budget are yet final, and that he (Pruitt) has recently spoken with the new OMB director in defense of certain EPA grant programs that he believes are "important" in protecting the Nation's air and water quality.

Council on Environmental Quality: The new Administration appears to be downgrading (or otherwise transforming) the White House Council on Environmental Quality (CEQ), a 50-person office that has traditionally helped lead and coordinate environmental policies across the range of all the other federal agencies. Without any specific announcement, here are some of the "tea leaves" that outside observers are adding up in their early assessments about what is happening:

- ✓ The President has not yet named a new CEQ Chair.
- ✓ Administration transition teams have had little interaction with CEQ personnel.
- ✓ The CEQ website was taken down after the inauguration and remains dark.
- ✓ CEQ staffers were moved out of their offices into less prestigious quarters.
- ✓ A Jan. 23 Presidential Memorandum designed to expedite approval of "high priority" infrastructure projects tasked the CEQ Chair with coordinating such approvals by establishing expedited procedures and deadlines for completion of environmental reviews for such projects -- a role not traditionally associated with the office.

Executive Order on Regulatory Reform: On Feb. 24, the White House issued the "Presidential Executive Order on Enforcing the Regulatory Reform Agenda." The order requires the head of each federal agency to designate its own "Regulatory Reform Officer" and "Regulatory Reform Task Force," which are tasked with reviewing agency regulations and making recommendations regarding their repeal, replacement or modification based on their impacts on jobs, costs, effectiveness, or consistency with administration policies.

Pruitt on Regulatory Policy: In welcoming remarks to EPA employees on Feb. 21, Administrator Scott Pruitt said: "*Regulations ought to make things regular. Regulators exist to give certainty to those that they regulate. Those that we regulate ought to know what we expect of them, so that they can plan and allocate resources to comply. That's really the job of the*

regulator, and the process we engage in. I seek to ensure that we engender the trust of those at the state level, that those at the state level see us as partners and not as adversaries.”

	FY 2016 (millions)	FY 2018 (millions)	
SF Bay	4.8	0	-100%
Great Lakes restoration	300	10	-97%
Endocrine disruptors	7.5	0.445	-94%
Enviro education	8.7	0.555	-94%
Chesapeake Bay	73	5	-93%
Puget Sound	28	2	-93%
US Mexico border	3	0.275	-91%
Radon	2.9	0.505	-83%
Gulf of Mexico	4.5	1	-78%
Environmental justice	6.7	1.5	-78%
Small minority business assistance	1.7	0.4	-76%
climate protection	95	29	-69%
Research – air climate energy	92	46	-50%
Sustainable and Health Communities	140	76	-46%
Brownfields	25	14	-44%
Safe and sustainable water resources	107	70	-35%
Research – chem safety and sustainability	89	62	-30%
Lead RRP	13.3	9.4	-29%
LUST	11.3	8	-29%
Right to Know (TRI)	13.9	10.7	-23%
Tribal capacity building	14.4	11.8	-18%
Marine Pollution	10.1	8.6	-15%
compliance monitoring	101	88	-13%
Civil Enforcement	171	153	-11%
State grant programs			
Diesel emissions reduction act	50	0	-100%
Multipurpose grants	21	0	-100%
Targeted airsheds	20	0	-100%
US-Mexico border targeted watershed	10	0	-100%
Beach water quality testing	9.5	0	-100%
Radon	8	0	-100%
Brownfields	48	33	-31%
Tribes – air quality management	12.9	8.9	-31%
Pesticides implementation	12.7	8.8	-31%
Toxic substances compliance	4.9	3.4	-31%
Wetlands	14.7	10.2	-31%
Underground injection	10.5	7.3	-30%
Drinking water grants	102	71	-30%
Nonpoint source pollution	165	115	-30%
Air quality grants	228	159	-30%
Water pollution control	230	161	-30%
Lead	14	9.8	-30%
Tribal general assistance program	65	46	-29%
Total Budget	8,200	6,155	-25%
Employees (FTE)	15,376	12,397	-19%

To: South Coast Air Quality Management District

From: Cassidy & Associates

Date: March 3, 2017

Re: Federal Update – House of Representatives

Issues of Interest to SCAQMD

House Republicans continue the 115th Congress with votes on legislation to roll back the regulations of the Obama Administration, and transform the regulatory process.

The House Energy and Commerce Committee has been especially focused with creating and moving the repeal of the Affordable Care Act, while the House Appropriations Committee has recently begun discussions about the potential of moving a series of “minibus” packages of appropriations bills that would fund the government for the remainder of FY17. Currently the Continuing Resolution (CR) expires at the end of April.

Ozone Standards Implementation Act of 2017 (H.R. 806, S. 263)

Both the House and Senate reintroduced legislation to **delay the effective day of the 70 ppb ozone standard to 2025**. The Senate version of the *Ozone Standards Implementation Act of 2017*, S. 263 is led by Shelley Moore Capito (R-WV), and has five original cosponsors, including one Democrat (Joe Manchin). The House version HR 806 is led by Pete Olsen (R-TX) and has 19 original cosponsors, including 3 Democrats.

Under the current ozone standard, final attainment designations are scheduled for October of this year. The bills would also prevent EPA from reconsidering the current standard before 2025, and would stretch the “reconsideration timeline” in the Clean Air Act from every five years to every 10 years.

Similar legislation was offered last Congress, but at that time it faced a certain veto threat from President Obama. The House is nearly certain to pass it and will likely move quickly to do so, given the October compliance timeline. The question is whether seven other Democrats in the Senate would also vote to do so.

Wasteful EPA Programs Elimination Act of 2017

In February Rep. Johnson (R-TX) introduced HR 958, the Wasteful EPA Programs Elimination Act of 2017. Among other things, this bill would prohibit EPA from implementing any new ozone standards in the future, both primary and secondary. It does not seem that this bill would address previously-set ozone standard. It currently has no cosponsors and the path forward is unclear at this time, but the Cassidy team believes that it is worth monitoring given the uncertainty.

Searching for and Cutting Regulations that are Unnecessarily Burdensome (SCRUB) Act

The House voted to pass H.R. 998, the “Searching for and Cutting Regulations that are Unnecessarily Burdensome (SCRUB) Act.” The Act calls for the establishment of a commission that would review and propose regulations for repeal based on considerations pertaining to the utility and economic impacts of the regulation. It also directs agencies to ensure that the costs of new rules are offset by the repeal of old rules. The path forward for this legislation is unclear as it is unlikely to garner the necessary democratic votes to move on the Senate floor.

Termination of Environmental Protection Agency (H.R. 861)

On February 3, Rep. Gaetz (R-FL) introduced H.R. 861 to terminate the Environmental Protection Agency on December 31, 2018. This bill is cosponsored by Rep. Massie (R-KY), Rep. Palazzo (R-MS) and Rep. Loudermilk (R-GA). The bill has been referred to the House Energy and Commerce Committee, House Agriculture Committee, House Transportation and Infrastructure Committee and the House Science Committee. The bill has not received action in any of the committees and is unlikely to gain serious traction for passage.

VW Consent Decree: California ZEV Funds

EPA consent decree commits **\$800 million to California** to promote zero-emission vehicles over a ten-year period through activities like installing EV charging stations, public relations campaigns, and car-sharing. VW itself will conduct the outlays and installations of infrastructure (that is, California will not be dispensing this \$800 million itself). VW will submit its plans for disbursement to CARB every 30 months, describing its plans to disburse \$200 million chunks of the \$800 million, and CARB will have an opportunity to comment and approve these plans before the expenditures begin. If SCAQMD or partners want to recommend specific proposals or high-level considerations for this pot of money, visit electrifyamerica.com.

Cross State Air Pollution Rule (CSAPR)

Senator Toomey (R-PA) has offered a resolution to axe the **Cross State Air Pollution Rule (CSAPR) as it relates to ozone** using the Congressional Review Act. This resolution would totally nullify CSAPR for ozone and prevent EPA from issuing anything similar in the future.

We anticipate this resolution would pass the House, but it is not yet clear if it would have the necessary 51 votes in the Senate. This would mean no Democrats need to support the resolution, but it's not clear whether Republicans in the western states immediately downwind who have ozone problems of their own would support it. Also note that CSAPR applies to SO_x and NO_x as well, but those pollutants are not addressed in Senator Toomey's resolution. The map of upwind states affected by CSAPR (mostly in the east) is below.



- States controlled for both fine particles (annual SO_2 and NO_x) and ozone (ozone season NO_x) (20 States)
- States controlled for fine particles only (annual SO_2 and NO_x) (3 States)
- States controlled for ozone only (ozone season NO_x) (5 States)
- States not covered by the Cross-State Air Pollution Rule

KADESH & ASSOCIATES, LLC

MEMORANDUM

To: South Coast AQMD Legislative Committee
From: Kadesh & Associates
Date: March 3, 2017
Re: Federal Legislative Update - Senate

Senate Confirmations

The Senate continues to work through nominations and, this week, confirmed Rick Perry (Energy), Ben Carson (HUD), Wilbur Ross (Commerce), and Ryan Zinke (Interior). The remaining cabinet posts are for Labor and Agriculture; the DNI post also remains open.

Appropriations Update

House and Senate appropriations staff have been directed to complete action on the FY17 bills. The House plans to complete and pass conference reports for the remaining appropriations bills over the next few weeks. The first of these will be the FY17 Defense Appropriations bill which will be on the House floor next week.

The Senate has already said that they are unlikely to get to FY17 Appropriations bills until much closer to the current CR expiration date (April 28). The Senate is expected to compile the conference reports into a single package for consideration as an omnibus or CR/omnibus and send it back to the House. At this point, it is unclear which FY17 appropriations bills will be considered in the omnibus and which will simply be extended as a part of the CR.

President's Budget

Senate appropriators and Budget Committee members and staff are eagerly awaiting the release of President Trump's "skinny budget" on March 13. They are next expecting great details from this document and are, instead, hoping to receive enough information to begin the FY18 budget resolution while waiting for the more traditional budget documents in the coming months to begin the FY18 appropriations bills.

The Trump Administration has indicated the order of major legislation will be Repeal/Replace the ACA; tax reform; and then infrastructure. The President's full FY18 budget request is expected sometime in the April/May timeframe.

Kadesh & Associates will continue to monitor and report on new developments as they occur.

ATTACHMENT 3



Joe A. Gonsalves & Son

Anthony D. Gonsalves

Jason A. Gonsalves

Paul A. Gonsalves

PROFESSIONAL LEGISLATIVE REPRESENTATION

925 L ST. • SUITE 250 • SACRAMENTO, CA 95814-3766

916 441-0697 • FAX 916 441-5061

Email: gonsalves@gonsalvi.com

TO: SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

FROM: ANTHONY, JASON, AND PAUL GONSALVES

SUBJECT: MARCH LEGISLATIVE UPDATE

DATE: FRIDAY, MARCH 3, 2017

The 2017-18 Legislative session resumed on Wednesday, January 4, 2017 with the deadline to introduce all bills falling on February 17, 2017. This year, the Legislature introduced 2652 bills, resolutions, and constitutional amendments. All bills must be in print for 30 days before a Legislative Committee can hear them. This will make a majority of the bills eligible to be heard in Committee after March 17, 2017.

The following will provide you of issues of interest to the District:

- [Legislative Calendar](#)
- [Legislation](#)
- [Cap and Trade Auction](#)

LEGISLATIVE CALENDAR

The following will provide you with the upcoming Legislative deadlines for the 2017-18 legislative session:

April 6-17, 2017 – Spring Recess

April 28, 2017 – Last day for Policy Committees to Hear Fiscal Bills

May 12, 2017 – Last Day for Policy Committees to Hear Non-Fiscal Bills

May 19, 2017 – Last day for Policy Committees to Meet Prior to June 5, 2017

May 26, 2017 – Last Day for Fiscal Committees to Meet.

May 30-June 2, 2017 – Floor Session Only

June 2, 2017 – Last Day to Pass Bills out of Their House of Origin.

June 15, 2017 – Budget Bill Must be Adopted

July 14, 2017 – Last day for Policy Committees to Hear Fiscal Bills

July 21, 2017 – Last day for Policy Committees to Hear Bills.

July 21-August 21, 2017 – Summer Recess

September 1, 2017 – Last Day for Fiscal Committees to Hear Bills

September 5-15, 2017 – Floor Session Only

September 8, 2017 – Last Day to Amend on the Floor

September 15, 2017 – Last Day of Session

LEGISLATION

As you know, February 17, 2017 was the last day to introduce legislation. The Assembly introduced 1777 bills and the Senate introduced 875 bills, totaling 2652 bills for this year. Many of these are “spot” bills, which will be amended with substance over the next month. Our firm will continue to monitor all bills and every amendment to identify bills of interest to the District. The following will provide you with a summary of bills of interest to the District:

AB 1073 (E. Garcia)

The California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program funds zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies and related projects. Existing law requires the state board, when funding a specified class of projects, to allocate, until January 1, 2018, no less than 20% of that available funding to support the early commercial deployment of existing zero- and near-zero-emission heavy-duty truck technology.

This bill proposes to require the state board, when funding a specified class of projects, to allocate, until January 1, 2023, no less than 20% of that available funding to support the early commercial deployment or existing zero- and near-zero-emission heavy-duty truck technology.

This bill has not been referred to Committee as it is not eligible to be heard in Committee until March 19, 2017.

AB 1082 (Burke)

This bill would require an electrical corporation to file with the PUC, by July 30, 2018, a program proposal for the installation of vehicle charging stations at school facilities. The bill would require the PUC to review and approve, or modify and approve, the program proposal filed by the electrical corporation by December 31, 2018.

The bill would also authorize the use of these charging stations by faculty, students, and parents before, during, and after school hours at those times that the school facilities are operated for purposes of providing education or school-related activities. The bill would require the electrical corporation to install, own, operate, and maintain the charging equipment and would require that the approved program include a reasonable mechanism for cost recovery by the electrical corporation.

Lastly, the bill would require that schools receiving charging stations pursuant to the approved program participate in a time-variant rate approved by the commission.

This bill has not been referred to Committee as it is not eligible to be heard in Committee until March 19, 2017.

AB 1341 (Calderon)

This bill proposes, on and after January 1, 2018, to exclude from “gross receipts” and “sales price” that portion of the cost of a new near-zero or zero-emission vehicle purchased by a low-income purchaser that does not exceed \$40,000.

The bill would, for taxable years between January 1, 2018 and January 1, 2026, allow a credit under the Personal Income Tax Law to a qualified taxpayer who purchased a new near-zero or zero-emission vehicle during the taxable year. The bill would also allow, during the same time period, a specified deduction in computing adjusted gross income to a qualified taxpayer who purchased a used near-zero or zero-emission vehicle during the taxable year.

This bill would require, on or before January 1, 2019, the state board to develop and implement a comprehensive program comprised of a portfolio of incentives to promote zero-emission and near-zero-emission vehicle deployment in the state to drastically increase the use of those vehicles and to meet specified goals established by the Governor and the Legislature.

This bill has not been referred to Committee as it is not eligible to be heard in Committee until March 21, 2017.

AB 1646 (Muratsuchi)

This bill would require the risk management plan of a petroleum refinery to be posted on the Internet Web site of the Office of Emergency Services or on the Internet Web site of the UPA that has jurisdiction over the petroleum refinery.

In addition to existing requirements for the contents of a risk management plan, the bill would require the plan to provide for a system of automatic notification for residents who live within a 5-mile radius of the petroleum refinery, an audible alarm system that can be heard within a 10-mile radius of the petroleum refinery, and an emergency alert system for schools, public facilities, hospitals, and residential care homes located within a 10-mile radius of the petroleum refinery. The bill would require a petroleum refinery to implement those systems on or before January 1, 2019.

This bill has not been referred to Committee as it is not eligible to be heard in Committee until March 21, 2017.

AB 1647 (Muratsuchi)

This bill is the companion bill to AB 1646. The bill proposes to require an air district to require the owner or operator of a petroleum refinery to install a community air monitoring system on or before January 1, 2020, and to install a fence-line monitoring system on or before January 1, 2019.

The bill would also require the owner or operator of a refinery to collect real-time data from these monitoring systems, to make that data available to the public at the time of collection in a publicly accessible format, and to maintain records of that data.

This bill has not been referred to Committee as it is not eligible to be heard in Committee until March 21, 2017.

SB 57 (Stern)

This bill would change the law (SB 380) specific to the Aliso Canyon natural gas storage facility to require the third-party root cause analysis of the SS-25 well leak be completed and released to the public prior to the supervisor determining the facility is safe to re-start injections of natural gas. In addition, the bill would require the proceeding initiated by the CPUC to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas facility be completed by December 31, 2017.

SB 57 is an urgency bill, which requires 2/3 vote, and is double referred to the Senate Natural Resources and Water Committee and the Senate Energy, Utilities and Communications Committee.

The bill was heard on February 9, 2017, in the Senate Natural Resources and Water Committee and passed on a 7-2 vote. The bill has been referred to the Senate Energy, Utilities and Communications Committee but has not been set for a hearing date yet.

CAP AND TRADE AUCTION

The results for February's Cap and Trade Auction were disappointing, with only 16.5% of the 74.8 million metric tons of emission allowances being sold at the floor price of \$13.57 per ton.

February's auction was being closely watched by market analysts because the last three quarterly auctions in 2016 posted sub-par results. Almost all of February's proceeds went either to California's utilities, who sell allowances they receive free from the Air Resources Board, or the Canadian province of Quebec, which offers emission allowances through California. Both are first in line when auction proceeds are apportioned.

The California Air Resources Board offered 43.7 million tons of state-owned emission allowances, but sold just 602,340 tons of advance 2020 allowances, which means the state will see only \$8.2 million, rather than the nearly \$600 million it could have received from a sellout.

The disappointing auction revenues could have an impact on Governor Brown's 2017-18 budget plan to spend \$2.2 billion on a variety of climate-related programs and projects. It could also play a role in the motivation for the Legislature to approve the necessary legislation to remove the legal uncertainty around the cap and trade program, which will require a 2/3 vote of the Legislature. As you will recall, Governor Brown included the reauthorization of the program in his January Budget Proposal.



SCAQMD Report
Gonzalez, Quintana, Hunter & Cruz, LLC
March 3, 2017

General Update

The Legislature has been fairly quiet for the past month, as most policy committees have not yet begun to hear bills. Of note, however, was an incident in which Senator Nguyen was removed from the Senate Floor by the Sergeants after trying to make a statement about the late Tom Hayden and his opposition to the Vietnam War. Senator de Leon apologized in a subsequent Senate Floor session and has promised a full investigation of the events and a review of Senate rules.

This year the Assembly and Senate introduced a total of 2,652 bills this year. Many of these are spot or intent bills, which will be amended over the coming weeks. As these bills are amended, our firm will keep you updated. The following will provide you with a summary of legislation of interest to the District:

SCAQMD Sponsored Legislation

AB 1132 (C. Garcia) Nonvehicular air pollution: order of abatement.

Current law regulates the emission of air pollutants by stationary sources and authorizes the regional air quality management districts and air pollution control districts to enforce those requirements.

Current law authorizes the governing boards and the hearing boards of air districts to issue an order for abatement, after notice and a hearing, whenever they find a violation of those requirements.

This bill would authorize the air pollution control officer, if he or she determines that a person has violated those requirements and the violation presents an imminent and substantial endangerment to the public health or welfare, or the environment, to issue an order for abatement pending a hearing before the hearing board of the air district.

This bill has not been referred to Committee as it is not eligible to be heard in Committee until March 21, 2017.

AB 1274 (O'Donnell) Carl Moyer Memorial Air Quality Standards Attainment Program. Smog Abatement Fee.

Current law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program, which is administered by the State Air Resources Board. The program authorizes the state board to provide grants to offset the incremental cost of eligible projects that reduce emissions from covered vehicular sources. The program also authorizes funding for a fueling infrastructure demonstration program and for technology development efforts that are expected to result in commercially available technologies in the near-term that would improve the ability of the program to achieve its goals.

This bill is currently in spot bill form. We are continuing to work with in-house SCAQMD counsel and staff to develop bill language to allow the money collected by this smog abatement fee proposal to be directed only toward the Carl Moyer Program for the reduction of criteria and toxic pollutants in the air district in which the money was collected.

This bill has not been referred to Committee as it is not eligible to be heard in Committee until March 21, 2017. Because this bill is currently a spot bill, it will not be referred until we offer substantive language to the Assembly Rules Committee.

The following bills might be of interest to SCAQMD:

AB 151 (Burke) California Global Warming Solutions Act of 2006: market-based compliance mechanisms: scoping plan: report.

Would require the State Air Resources Board to report to the appropriate policy and fiscal committees of the Legislature to receive input, guidance, and assistance before adopting guidelines and regulations implementing the scoping plan and a regulation ensuring statewide greenhouse gas emissions are reduced to at least 40% below the 1990 level by 2030.

Per the March 2nd amendment, the bill:

- 1) Removes the Sunset on the market based compliance mechanism.
- 2) Adds legislative oversight by requiring CARB to "report and receive input" from legislative committees prior to approving the Scoping Plan.
- 3) Establishes tiers for offsets that puts DACs at the top.
- 4) Adds a host of training/education requirements.

AB 630 (Cooper) Vehicles: retirement and replacement.

Would establish the Plus Up Program to be administered by the State Air Resources Board to focus on achieving reductions in the emissions of greenhouse gases, improvements in air quality, and benefits to low-income state residents through the replacement of high-polluting motor vehicles, as specified.

The bill also would require the state board, no later than July 1, 2018, to update the guidelines for the enhanced fleet modernization program, as specified.

AB 739 (Chau) State vehicle fleet: purchases.

Would require, by December 31, 2030, at least 30% of heavy-duty vehicles purchased by the Department of General Services and other state agencies for the state fleet to be zero-emission.

AB 964 (Gomez) Economic development: Capital Access Loan Program: low emission vehicles.

Would create the California Affordable Clean Vehicle Program to assist low-income or high financial risk individuals in the purchase of low-emission vehicles.

The bill would require the California Pollution Control Financing Authority to adopt regulations to implement the program.

The bill would establish the California Affordable Clean Vehicle Program Fund, a continuously appropriated fund, for purposes of the program, and would transfer \$50,000,000 from the Greenhouse Gas Reduction Fund to the California Affordable Clean Vehicle Program Fund.

AB 582 (C. Garcia)
Vehicles: emissions: surveillance.

Summary: This bill would require the State Air Resources Board to enhance its surveillance of emissions from new motor vehicles to detect defeat devices or other software used to evade the surveillance of emissions. The bill would authorize the state board to impose a fee on the manufacturers of new motor vehicles to cover the state board's costs associated with the enhanced surveillance.

Background: New motor vehicles and engines must be certified by the Air Resources Board (ARB) for emission compliance before they are legal for sale, use, or registration in California. New motor vehicles are subject to emission tests to verify that compliance. According to a Volkswagen PowerPoint presentation that was discovered as part of the defeat device investigation, Volkswagen engineers realized ten years ago that the emissions control equipment installed in their diesel engines did not have the durability to meet federal and California emissions standards. Durable and effective emissions control equipment would have cost Volkswagen hundreds of dollars more per vehicle and would have increased the price to consumers. Instead of pursuing the more expensive emission control equipment, Volkswagen developed software, known as a defeat device, that could detect when the vehicle was being put through an emission test and activate the emissions control equipment only for the purposes of passing the test. This would extend the life of the emissions control equipment and allow Volkswagen to appear to be in compliance with federal and California emissions standards. However, when not being tested, the vehicles were emitting nitrogen oxides (NOx) up to 40 times the legal limit.

The events that lead to the discovery of Volkswagen's defeat device began when the Center for Alternative Fuels, Engines and Emissions at West Virginia University was attempting to understand the difference between vehicle emissions in real-world conditions and lab performance in both America and Europe. The real-world emissions of a Volkswagen Passat and Jetta were much higher than the lab tests at ARB's El Monte lab. The University turned its data over to ARB. This prompted ARB to open an investigation on the discrepancy. Subsequently, Volkswagen's engineers admitted they were using defeat devices to ARB.

There were over 70,000 2.0L and almost 15,000 3.0L Volkswagen diesel vehicles registered in California that have emitted excess tons of NOx emissions. NOx emissions create particulate matter, and contribute to ozone pollution. California has made large strides in cleaning up the air, but Volkswagen's cheating was particularly harmful because in many parts of the state our air quality is still so much worse than anywhere else in the nation: 23 million Californians live within the nation's only severe non-attainment areas for ozone pollution, and 12 million Californians live in areas with nation-leading levels of fine particle pollution. These pollutants cause lung disease, heart disease, and premature death, especially among the most vulnerable populations.

Recently, ARB has discovered that other automakers may also be using defeat devices.

Status: 2/27/2017 - Referred to Assembly Comms. on NAT. RES. and TRANS.

Specific Provisions – Specifically, this bill would:

- Require the State Air Resources Board to enhance its surveillance of emissions from new motor vehicles to detect defeat devices or other software used to evade the surveillance of emissions.
- The enhancement shall include, but need not be limited to, all of the following:
 - Partnerships with academic institutions, national laboratories, and private laboratories.
 - Increased utilization of real-world conditions emissions testing.
 - Contracts with experts in the surveillance of emissions and motor vehicle software to develop new surveillance methods and test cycles and to perform testing on behalf of the state board.
- Authorize the state board to impose a fee on the manufacturers of new motor vehicles to cover the state board's costs associated with the enhanced surveillance.

Impacts on SCAQMD's mission, operations or initiatives: This bill would provide new tools and resources to ARB to assist them in staying current on any new vehicle technology that could circumvent California clean air laws. This includes partnerships with academic institutions, laboratories, and experts. AB 582 would direct ARB to enhance their new motor vehicle emission testing program to include more real-world condition testing. AB 582 would also give ARB the ability to secure additional funding to perform more independent testing. AB 582 will keep ARB at the forefront of protecting California's air from deceitful polluters. This bill would likely result in a reduction of mobile source pollution within the South Coast region which will help reduce harmful diesel and NOx emissions, thereby protecting public health and facilitating the attainment of state and federal clean air standards.

SCAQMD STAFF PROPOSED AMENDMENT: Expand the application of this legislation to cover medium and heavy-duty vehicles.

Recommended Position: SUPPORT WITH AMENDMENTS

ASSEMBLY BILL

No. 582

Introduced by Assembly Member Cristina Garcia

February 14, 2017

An act to amend Section 43203 of, and to add Section 43202.5 to, the Health and Safety Code, relating to vehicular air pollution, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 582, as introduced, Cristina Garcia. Vehicles: emissions: surveillance.

Existing law requires a manufacturer of a new motor vehicle to allow the State Air Resources Board to conduct surveillance emissions testing at its assembly facilities or at any other location where the manufacturer's assembly line testing is performed and testing records are kept. Existing law authorizes the sale and registration of a new motor vehicle to be rescinded or withheld if a manufacturer of a new motor vehicle prevents the state board from conducting surveillance of assembly line testing. Existing law authorizes the state board to impose a fee on the manufacturers of new motor vehicles to recover the state board's costs associated with this surveillance. Existing law continuously appropriates those fees to the state board.

This bill would require the state board to enhance its surveillance of emissions from new motor vehicles to detect defeat devices or other software used to evade the surveillance of emissions, as specified. The bill would authorize the state board to impose a fee on the manufacturers of new motor vehicles to cover the state board's costs associated with the enhanced surveillance. By expanding an existing continuous appropriation, this bill would make an appropriation.

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

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

- 1 SECTION 1. Section 43202.5 is added to the Health and Safety
2 Code, to read:
3 43202.5. The state board shall enhance its surveillance of
4 emissions from new motor vehicles to detect defeat devices or
5 other software used to evade the surveillance of emissions. The
6 enhancement shall include, but need not be limited to, all of the
7 following:
8 (a) Partnerships with academic institutions, national laboratories,
9 and private laboratories.
10 (b) Increased utilization of real-world conditions emissions
11 testing.
12 (c) Contracts with experts in the surveillance of emissions and
13 motor vehicle software to develop new surveillance methods and
14 test cycles and to perform testing on behalf of the state board.
15 SEC. 2. Section 43203 of the Health and Safety Code is
16 amended to read:
17 43203. (a) (1) In connection with *the* surveillance of emissions
18 from new motor vehicles prior to their retail ~~sale~~, *sale pursuant to*
19 ~~Section 43202~~, the state ~~board may, by regulation~~, *board, by*
20 ~~regulation~~, *may* impose fees on manufacturers of these *motor*
21 vehicles to recover the state board's costs in conducting this
22 surveillance.
23 (2) *In connection with the surveillance of emissions from new*
24 *motor vehicles pursuant to Section 43202.5, the state board, by*
25 *regulation, may impose fees on manufacturers of these motor*
26 *vehicles to recover the state board's costs in conducting this*
27 *surveillance.*
28 (b) A manufacturer who fails to pay a fee imposed pursuant to
29 this section within 60 days after receiving an invoice shall pay the
30 state board an additional fee equal to 10 percent of the fee specified
31 in subdivision (a). If the manufacturer notifies the state board,
32 within 60 days after receiving the invoice, that additional
33 information is needed to honor the invoice, the state board shall
34 grant an additional 90 days for payment without the imposition of
35 an additional fee. An additional interest fee equal to the rate of

1 interest earned by the Pooled Money Investment ~~Fund~~ *Account*
2 shall be imposed upon the fee specified in subdivision (a) and the
3 additional fees specified in this subdivision and subdivision (c)
4 for each 30-day period for which they remain unpaid, commencing
5 60 days after the receipt of the original invoice.

6 (c) A manufacturer who fails to pay all the fees imposed
7 pursuant to this section within one year from the date of receipt
8 of the original invoice shall pay a penalty fee equal to 100 percent
9 of the fees imposed pursuant to subdivisions (a) and (b). A
10 manufacturer who fails to pay all the fees and penalties imposed
11 pursuant to this section within two years from the date of receipt
12 of the original invoice shall pay a penalty equal to 100 percent of
13 the fees and penalties imposed pursuant to subdivisions (a) and
14 (b) and to this subdivision, for each one-year period for which they
15 remain unpaid.

16 (d) Fees authorized by this section shall be imposed only for
17 *the* surveillance of emissions from new motor vehicles actually
18 conducted.

19 (e) Notwithstanding Section 13340 of the Government Code,
20 all fees collected pursuant to subdivision (a) are continuously
21 appropriated to the state board, to be credited as a reimbursement
22 of the board's costs incurred in its program for the surveillance of
23 emissions from new *motor* vehicles. All fees collected pursuant
24 to subdivisions (b) and (c) shall be deposited by the state board
25 into the Air Pollution Control Fund.

AB 615 (Cooper)

Air Quality Improvement Program: Clean Vehicle Rebate Project.

Summary: Existing law, until July 1, 2017, requires the Air Resources Board (ARB), for the purposes of the Clean Vehicle Rebate Project (CVRP), to, among other things, offer rebates only to applicants who purchase an eligible vehicle and have a specified maximum gross annual income; and increase rebate payments by \$500 for low-income applicants, and prioritize rebate payments for low-income applicants. This bill would remove the sunset date of July 1, 2017 of these provisions.

Background:

- CVRP is designed to accelerate on-road deployment of zero-tailpipe-emission-capable passenger vehicles – including fuel-cell, all-battery, and plug-in hybrid electric vehicles – and to encourage clean technology innovation.
- CVRP provides consumer rebates for the purchase of zero-emission and plug-in hybrid passenger vehicles. In addition to providing rebates for the purchase or lease of new, eligible vehicles, CVRP provides clean-vehicle market information to California consumers and stakeholders.
- Since 2010, CVRP has issued more than \$377 million in rebates for more than 175,000 vehicles, according to the Center for Sustainable Energy, which administers the ARB program. Rebates cover a range of battery electric, plug-in hybrid electric and fuel cell vehicles.
- The demand for CVRP has seen steady growth over time and has exceeded funding available through AB 118. As CVRP expenditures have grown, questions have been raised around the program's equity and cost effectiveness. For example, over 50% of rebate recipients' household incomes are over \$150,000 annually and over 20% of rebate recipients' household incomes are over \$250,000 a year. Additionally, rebate dollars statistics found that 88% of recipients are Caucasian, 75% of recipients are male and 83% are college graduates. Vehicles with prices ranges from \$70,000 to over \$100,000 accounted for approximately 22,000 rebates (\$56 million).

Status: 02/15/2017 -- From printer. May be heard in committee March 17.

Specific Provisions: Existing law, until July 1, 2017, requires ARB, for the purposes of CVRP, to, among other things, offer rebates only to applicants who purchase an eligible vehicle and have a specified maximum gross annual income; and increase rebate payments by \$500 for low-income applicants, and prioritize rebate payments for low-income applicants. This bill would remove the sunset date of July 1, 2017 of these provisions.

Impacts on AQMD’s Mission, Operations or Initiatives: By removing the sunset date of provisions relating to CVRP, this bill would make clean vehicles more accessible to California drivers living in communities with poor air quality by limiting eligibility by income, increasing rebates levels for low-income households and improving outreach to increase consumer awareness of the rebate project.

This bill is aligned with SCAQMD’s priorities regarding reducing criteria pollutant and toxic emissions within the South Coast region, especially those related to mobile source pollution. This bill would result in cleaner air by promoting the production and use of zero-emission vehicles through the availability of rebates for the purchase of those new vehicles.

Recommended Position: Support.

ASSEMBLY BILL

No. 615

Introduced by Assembly Member Cooper

February 14, 2017

An act to amend Section 44274.3 of the Health and Safety Code, relating to vehicular air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 615, as introduced, Cooper. Air Quality Improvement Program: Clean Vehicle Rebate Project.

Existing law establishes the Air Quality Improvement Program that is administered by the State Air Resources Board for the purposes of funding projects related to, among other things, the reduction of criteria air pollutants and improvement of air quality. Pursuant to its existing statutory authority, the state board has established the Clean Vehicle Rebate Project, as a part of the Air Quality Improvement Program, to promote the production and use of zero-emission vehicles by providing rebates for the purchase of new zero-emission vehicles. Existing law, until July 1, 2017, requires the state board, for the purposes of the Clean Vehicle Rebate Project, to, among other things, offer rebates only to applicants who purchase an eligible vehicle and have a specified maximum gross annual income; increase rebate payments by \$500 for low-income applicants, as defined; and prioritize rebate payments for low-income applicants.

This bill would no longer limit the application of those provisions to until July 1, 2017.

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

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

SECTION 1. Section 44274.3 of the Health and Safety Code is amended to read:

44274.3. (a) For purposes of this section, “low income” means a resident of the state whose household income is less than or equal to 300 percent of the federal poverty level.

(b) Beginning November 1, 2016, under the Clean Vehicle Rebate Project established as a part of the Air Quality Improvement Program, the state board shall do the following:

(1) Only offer rebates to applicants who purchase an eligible vehicle and have a gross annual income, as reported on the Internal Revenue Service Form 1040, the Internal Revenue Service Form 1040A, or the Internal Revenue Service Form 1040EZ, that does not exceed the following:

(A) One hundred fifty thousand dollars (\$150,000) for single filers.

(B) Two hundred four thousand dollars (\$204,000) for head-of-household filers.

(C) Three hundred thousand dollars (\$300,000) for joint filers.

(2) Increase the rebate payment by five hundred dollars (\$500) for a low-income applicant for all eligible vehicle types.

(3) Only offer rebates for plug-in hybrids that have an electric range of at least 20 miles.

(4) Provide outreach to low-income households to increase consumer awareness of the rebate project.

(5) Prioritize rebate payments to low-income applicants.

(c) The income restrictions set forth in paragraph (1) of subdivision (b) shall not apply to fuel cell vehicles.

~~(d) This section shall become inoperative on July 1, 2017, and, as of January 1, 2018, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2018, deletes or extends the dates on which it becomes inoperative and is repealed.~~

AB 1081 (Burke)

Sales and use taxes: exclusion: low-emission motor vehicle: trade-in

Summary: AB 1081 would exclude from the terms “gross receipts” and “sales price” the value of a motor vehicle traded in for a clean motor vehicle purchase, if the value of the trade-in motor vehicle is separately stated on the invoice or bill of sale provided to the purchaser.

Background: California is at the forefront of battling climate change, and a main pillar of the state’s climate strategy is reducing greenhouse gas emissions to 1990 levels and below. To help achieve this greenhouse gas emissions goal, CARB has required large vehicle manufacturers to produce a certain amount of zero-emission vehicles as a percentage of the overall number of vehicles the manufacturer makes for sale in the state. The present mandate is 15.4 percent of new vehicles delivered for sale by 2025. To reinforce this mandate, Governor Brown issued Executive Order, which set a long-term target of 1.5 million zero-emission vehicles on the road by 2025, with the hope and expectation that the market for these vehicles will become mainstream and self-sustaining for individuals, businesses, and public fleets. To be effective in cutting emissions and cleaning up air pollution, zero-emission and partial-zero-emission vehicles must attract consumers who would otherwise choose a traditional gasoline-fueled car. California has not tried sales tax incentives for the purchase or lease of alternative-fueled vehicles. However, sales tax incentives have been useful in other consumer products. California continues to be one of a few states that includes the value of a trade-in vehicle in the price of the vehicle, thus imposing tax measured by the full price of the vehicle purchased. It is the intent of the Legislature in enacting this act to provide a sales tax incentive that will help motivate customer demand of zero-emission vehicles and achieve the adoption of alternative-fueled vehicles to meet the state’s greenhouse gas emissions goals.

Status: 2/17/2017 - From Printer. May be heard in committee on 3/19

Specific Provisions:

- AB 1081 would exclude from the terms “gross receipts” and “sales price” the value of a motor vehicle traded in for a qualified motor vehicle, as defined, if the value of the trade-in motor vehicle is separately stated on the invoice or bill of sale or similar document provided to the purchaser.
- “Qualified motor vehicle” means a motor vehicle that meets either of the following:
 - California’s super ultra-low emission vehicle (SULEV) standard for exhaust emissions and the federal inherently low-emission vehicle (ILEV) evaporative emission standard, as defined in Part 88 (commencing with Section 88.101-94) of Title 40 of the Code of Federal Regulations as that part read on January 1, 2017.
 - California’s enhanced advanced technology partial zero-emission vehicle (enhanced AT PZEV) standard or transitional zero-emission vehicle (TZEV) standard.

Impacts on SCAQMD’s mission, operations or initiatives: California has long focused on increasing disadvantaged communities’ access to environmentally friendly technologies and green transportation options to benefit the health of residents and to enhance air quality. Older vehicles, which tend to be driven by lower income Californians, have a disproportionate impact on air quality. Incentives such as tax credits for zero- and partial-emission vehicles are crucial for continuing consumer interest in these vehicles, but greater investments are needed to significantly affect consumer buying behavior and the overall alternative-fueled vehicle marketplace, especially when it comes to economically disadvantaged communities. This bill will expand access to larger market of potential consumers on zero- and partial-zero-emission vehicles. Further, this bill will be able to achieve co-benefits in both criteria pollutant and toxic emission reductions, along with greenhouse gas emission reductions. AB 1081 would be in line with the District’s Environmental Justice’s (EJ) initiatives and will help improving air quality and public health in the South Coast region.

SCAQMD STAFF PROPOSED AMENDMENT: That the bill language be amended to require that there be a “net emissions benefit” in comparison to the vehicle traded in versus the clean vehicle purchased, in terms of eligibility for the tax exemptions. In other words, the car traded in must be classified as having higher criteria and/or toxic pollutant tailpipe emissions than the clean car purchased, in order for the tax benefit to be available.

Recommended Position: SUPPORT WITH AMENDMENTS

ASSEMBLY BILL

No. 1081

**Introduced by Assembly Member Burke
(Coauthor: Assembly Member Gray)**

February 16, 2017

An act to amend Sections 6011 and 6012 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1081, as introduced, Burke. Sales and use taxes: exclusion: low-emission motor vehicle: trade-in.

Existing sales and use tax laws impose taxes on retailers measured by gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state, measured by sales price. The Sales and Use Tax Law defines the terms “gross receipts” and “sales price.”

This bill would exclude from the terms “gross receipts” and “sales price” the value of a motor vehicle traded in for a qualified motor vehicle, as defined, if the value of the trade-in motor vehicle is separately stated on the invoice or bill of sale or similar document provided to the purchaser.

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing laws authorize districts, as specified, to impose transactions and use taxes in accordance with the Transactions and Use Tax Law, which generally conforms to the

Sales and Use Tax Law. Amendments to the Sales and Use Tax Law are automatically incorporated into the local tax laws.

Existing law requires the state to reimburse cities and counties for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding these provisions, no appropriation is made and the state shall not reimburse cities and counties for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

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. The Legislature finds and declares all of the
2 following:

3 (a) California is at the forefront of battling climate change, and
4 a main pillar of the state's climate strategy is reducing greenhouse
5 gas emissions to 1990 levels.

6 (b) To help achieve this greenhouse gas emissions goal, the
7 State Air Resources Board has required large vehicle manufacturers
8 to produce a certain amount of zero-emission vehicles as a
9 percentage of the overall number of vehicles the manufacturer
10 makes for sale in the state. The present mandate is 15.4 percent of
11 new vehicles delivered for sale by 2025.

12 (c) To reinforce this mandate, Governor Brown issued Executive
13 Order B-16-2012, which set a long-term target of 1,500,000
14 zero-emission vehicles on the road by 2025, with the hope and
15 expectation that the market for these vehicles will become
16 mainstream and self-sustaining for individuals, businesses, and
17 public fleets.

18 (d) The widespread adoption and purchase of zero-emission
19 vehicles can help the environment and further the state's goals by
20 mitigating emissions and easing air pollution.

21 (e) To be effective in cutting emissions and cleaning up air
22 pollution, zero-emission and partial-zero-emission vehicles must
23 attract consumers who would otherwise choose a traditional
24 gasoline-fueled car.

1 (f) The current market for zero-emission vehicles has excessive
2 barriers, including the high relative purchase price associated with
3 zero-emission vehicles, limited range capability, inadequate
4 charging infrastructure, resale value, length of commute, and
5 existing low gas prices.

6 (g) In 2015, California's new car dealers sold over 2,000,000
7 new vehicles with a combined 3.1 percent of those sales comprising
8 zero-emission vehicles and partial-zero-emission vehicles. That
9 represents a drop in market share for these vehicles, which was
10 3.2 percent in 2014.

11 (h) Using 2015's 2,000,000 new vehicle sales as an estimate of
12 2025 vehicle sales by covered manufacturers, the 15.4 percent
13 mandate by the State Air Resources Board would require 308,000
14 zero-emission vehicles and partial-zero-emission vehicles be
15 delivered for sale in the state that year. If the current 41.5 percent
16 of new vehicle sales will continue to be made up of sport utility
17 vehicles, pickups, and vans, over 25 percent of the remaining
18 1,201,000 passenger vehicles delivered for sale just nine years
19 from now must be electric or plug-in electric vehicles.

20 (i) California has long focused on increasing disadvantaged
21 communities' access to environmentally friendly technologies and
22 green transportation options to benefit the health of residents and
23 to enhance air quality.

24 (j) Compared to gasoline-fueled vehicles, alternative-fueled
25 vehicles reduce the country's dependence on foreign oil and
26 substantially lower consumers' fuel costs.

27 (k) Automakers and new car dealers face numerous inherent
28 market challenges when introducing and retailing the
29 alternative-fueled vehicles required by the State Air Resources
30 Board's vehicle mandates, including complex incentives, uncertain
31 policy support, purchase price disparity, lengthy sales transactions,
32 low gasoline prices, poor after-sale electric vehicle infrastructure,
33 and sophisticated, constantly changing technology.

34 (l) Incentives, such as rebates, tax credits, and high occupancy
35 vehicle lane access for zero- and partial-emission vehicles, are
36 crucial for continuing consumer interest in these vehicles, but
37 greater investments are needed to significantly affect consumer
38 buying behavior and the overall alternative-fueled vehicle
39 marketplace, especially when it comes to economically
40 disadvantaged communities.

(m) California has not tried sales tax incentives for the purchase or lease of alternative-fueled vehicles. However, sales tax incentives have been useful in other consumer products. California continues to be one of a few states that includes the value of a trade-in vehicle in the price of the vehicle, thus imposing tax measured by the full price of the vehicle purchased.

(m) Accordingly, it is the intent of the Legislature in enacting this act to provide a sales tax incentive that will help move customer demand of zero-emission vehicles and achieve the adoption of alternative-fueled vehicles to meet the state's greenhouse gas emissions goals.

SEC. 2. Section 6011 of the Revenue and Taxation Code is amended to read:

6011. (a) "Sales price" means the total amount for which tangible personal property is sold or leased or rented, as the case may be, valued in money, whether paid in money or otherwise, without any deduction on account of any of the following:

(1) The cost of the property sold.

(2) The cost of materials used, labor or service cost, interest charged, losses, or any other expenses.

(3) The cost of transportation of the property, except as excluded by other provisions of this section.

(b) The total amount for which the property is sold or leased or rented includes all of the following:

(1) Any services that are a part of the sale.

(2) Any amount for which credit is given to the purchaser by the seller.

(3) The amount of any tax imposed by the United States upon producers and importers of gasoline and the amount of any tax imposed pursuant to Part 2 (commencing with Section 7301) of this division.

(c) "Sales price" does not include any of the following:

(1) Cash discounts allowed and taken on sales.

(2) The amount charged for property returned by customers when that entire amount is refunded either in cash or credit, but this exclusion shall not apply in any instance when the customer, in order to obtain the refund, is required to purchase other property at a price greater than the amount charged for the property that is returned. For the purpose of this section, refund or credit of the entire amount shall be deemed to be given when the purchase price

1 less rehandling and restocking costs are refunded or credited to
2 the customer. The amount withheld for rehandling and restocking
3 costs may be a percentage of the sales price determined by the
4 average cost of rehandling and restocking returned merchandise
5 during the previous accounting cycle.

6 (3) The amount charged for labor or services rendered in
7 installing or applying the property sold.

8 (4) (A) The amount of any tax (not including, however, any
9 manufacturers' or importers' excise tax, except as provided in
10 subparagraph (B)) imposed by the United States upon or with
11 respect to retail sales whether imposed upon the retailer or the
12 consumer.

13 (B) The amount of manufacturers' or importers' excise tax
14 imposed pursuant to Section 4081 or ~~4091~~ of the Internal Revenue
15 Code for which the purchaser certifies that he or she is entitled to
16 either a direct refund or credit against his or her income tax for
17 the federal excise tax paid or for which the purchaser issues a
18 certificate pursuant to Section 6245.5.

19 (5) The amount of any tax imposed by any city, county, city
20 and county, or rapid transit district within the State of California
21 upon or with respect to retail sales of tangible personal property,
22 measured by a stated percentage of sales price or gross receipts,
23 whether imposed upon the retailer or the consumer.

24 (6) The amount of any tax imposed by any city, county, city
25 and county, or rapid transit district within the State of California
26 with respect to the storage, use or other consumption in that city,
27 county, city and county, or rapid transit district of tangible personal
28 property measured by a stated percentage of sales price or purchase
29 price, whether the tax is imposed upon the retailer or the consumer.

30 (7) Separately stated charges for transportation from the
31 retailer's place of business or other point from which shipment is
32 made directly to the purchaser, but the exclusion shall not exceed
33 a reasonable charge for transportation by facilities of the retailer
34 or the cost to the retailer of transportation by other than facilities
35 of the retailer. However, if the transportation is by facilities of the
36 retailer, or the property is sold for a delivered price, this exclusion
37 shall be applicable solely with respect to transportation which
38 occurs after the purchase of the property is made.

39 (8) Charges for transporting landfill from an excavation site to
40 a site specified by the purchaser, either if the charge is separately

1 stated and does not exceed a reasonable charge or if the entire
2 consideration consists of payment for transportation.

3 (9) The amount of any motor vehicle, mobilehome, or
4 commercial coach fee or tax imposed by and paid the State of
5 California that has been added to or is measured by a stated
6 percentage of the sales or purchase price of a motor vehicle,
7 mobilehome, or commercial coach.

8 (10) (A) The amount charged for intangible personal property
9 transferred with tangible personal property in any technology
10 transfer agreement, if the technology transfer agreement separately
11 states a reasonable price for the tangible personal property.

12 (B) If the technology transfer agreement does not separately
13 state a price for the tangible personal property, and the tangible
14 personal property or like tangible personal property has been
15 previously sold or leased, or offered for sale or lease, to third
16 parties at a separate price, the price at which the tangible personal
17 property was sold, leased, or offered to third parties shall be used
18 to establish the retail fair market value of the tangible personal
19 property subject to tax. The remaining amount charged under the
20 technology transfer agreement is for the intangible personal
21 property transferred.

22 (C) If the technology transfer agreement does not separately
23 state a price for the tangible personal property, and the tangible
24 personal property or like tangible personal property has not been
25 previously sold or leased, or offered for sale or lease, to third
26 parties at a separate price, the retail fair market value shall be equal
27 to 200 percent of the cost of materials and labor used to produce
28 the tangible personal property subject to tax. The remaining amount
29 charged under the technology transfer agreement is for the
30 intangible personal property transferred.

31 (D) For purposes of this paragraph, “technology transfer
32 agreement” means any agreement under which a person who holds
33 a patent or copyright interest assigns or licenses to another person
34 the right to make and sell a product or to use a process that is
35 subject to the patent or copyright interest.

36 (11) The amount of any tax imposed upon diesel fuel pursuant
37 to Part 31 (commencing with Section 60001).

38 (12) (A) The amount of tax imposed by any Indian tribe within
39 the State of California with respect to a retail sale of tangible
40 personal property measured by a stated percentage of the sales or

1 purchase price, whether the tax is imposed upon the retailer or the
2 consumer.

3 (B) The exclusion authorized by subparagraph (A) shall only
4 apply to those retailers who are in substantial compliance with this
5 part.

6 (13) (A) *The value of a motor vehicle traded in for a qualified*
7 *motor vehicle if the value of the trade-in motor vehicle is separately*
8 *stated on the invoice or bill of sale or similar document provided*
9 *to the purchaser.*

10 (B) *For purposes of this paragraph, “qualified motor vehicle”*
11 *means a motor vehicle that meets either of the following:*

12 (i) *California’s super ultra-low emission vehicle (SULEV)*
13 *standard for exhaust emissions and the federal inherently*
14 *low-emission vehicle (ILEV) evaporative emission standard, as*
15 *defined in Part 88 (commencing with Section 88.101-94) of Title*
16 *40 of the Code of Federal Regulations as that part read on January*
17 *1, 2017.*

18 (ii) *California’s enhanced advanced technology partial*
19 *zero-emission vehicle (enhanced AT PZEV) standard or*
20 *transitional zero-emission vehicle (TZEV) standard.*

21 SEC. 3. Section 6012 of the Revenue and Taxation Code is
22 amended to read:

23 6012. (a) “Gross receipts” mean the total amount of the sale
24 or lease or rental price, as the case may be, of the retail sales of
25 retailers, valued in money, whether received in money or otherwise,
26 without any deduction on account of any of the following:

27 (1) The cost of the property sold. However, in accordance with
28 any rules and regulations as the board may prescribe, a deduction
29 may be taken if the retailer has purchased property for some other
30 purpose than resale, has reimbursed his or her vendor for tax which
31 the vendor is required to pay to the state or has paid the use tax
32 with respect to the property, and has resold the property prior to
33 making any use of the property other than retention, demonstration,
34 or display while holding it for sale in the regular course of business.
35 If that deduction is taken by the retailer, no refund or credit will
36 be allowed to his or her vendor with respect to the sale of the
37 property.

38 (2) The cost of the materials used, labor or service cost, interest
39 paid, losses, or any other expense.

(3) The cost of transportation of the property, except as excluded by other provisions of this section.

(4) The amount of any tax imposed by the United States upon producers and importers of gasoline and the amount of any tax imposed pursuant to Part 2 (commencing with Section 7301) of this division.

(b) The total amount of the sale or lease or rental price includes all of the following:

(1) Any services that are a part of the sale.

(2) All receipts, cash, credits and property of any kind.

(3) Any amount for which credit is allowed by the seller to the purchaser.

(c) "Gross receipts" do not include any of the following:

(1) Cash discounts allowed and taken on sales.

(2) Sale price of property returned by customers when that entire amount is refunded either in cash or credit, but this exclusion shall not apply in any instance when the customer, in order to obtain the refund, is required to purchase other property at a price greater than the amount charged for the property that is returned. For the purpose of this section, refund or credit of the entire amount shall be deemed to be given when the purchase price less rehandling and restocking costs are refunded or credited to the customer. The amount withheld for rehandling and restocking costs may be a percentage of the sales price determined by the average cost of rehandling and restocking returned merchandise during the previous accounting cycle.

(3) The price received for labor or services used in installing or applying the property sold.

(4) (A) The amount of any tax (not including, however, any manufacturers' or importers' excise tax, except as provided in subparagraph (B)) imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.

(B) The amount of manufacturers' or importers' excise tax imposed pursuant to Section 4081 or 4091 of the Internal Revenue Code for which the purchaser certifies that he or she is entitled to either a direct refund or credit against his or her income tax for the federal excise tax paid or for which the purchaser issues a certificate pursuant to Section 6245.5.

1 (5) The amount of any tax imposed by any city, county, city
2 and county, or rapid transit district within the State of California
3 upon or with respect to retail sales of tangible personal property
4 measured by a stated percentage of sales price or gross receipts
5 whether imposed upon the retailer or the consumer.

6 (6) The amount of any tax imposed by any city, county, city
7 and county, or rapid transit district within the State of California
8 with respect to the storage, use or other consumption in that city,
9 county, city and county, or rapid transit district of tangible personal
10 property measured by a stated percentage of sales price or purchase
11 price, whether the tax is imposed upon the retailer or the consumer.

12 (7) Separately stated charges for transportation from the
13 retailer's place of business or other point from which shipment is
14 made directly to the purchaser, but the exclusion shall not exceed
15 a reasonable charge for transportation by facilities of the retailer
16 or the cost to the retailer of transportation by other than facilities
17 of the retailer. However, if the transportation is by facilities of the
18 retailer, or the property is sold for a delivered price, this exclusion
19 shall be applicable solely with respect to transportation which
20 occurs after the sale of the property is made to the purchaser.

21 (8) Charges for transporting landfill from an excavation site to
22 a site specified by the purchaser, either if the charge is separately
23 stated and does not exceed a reasonable charge or if the entire
24 consideration consists of payment for transportation.

25 (9) The amount of any motor vehicle, mobilehome, or
26 commercial coach fee or tax imposed by and paid to the State of
27 California that has been added to or is measured by a stated
28 percentage of the sales or purchase price of a motor vehicle,
29 mobilehome, or commercial coach.

30 (10) (A) The amount charged for intangible personal property
31 transferred with tangible personal property in any technology
32 transfer agreement, if the technology transfer agreement separately
33 states a reasonable price for the tangible personal property.

34 (B) If the technology transfer agreement does not separately
35 state a price for the tangible personal property, and the tangible
36 personal property or like tangible personal property has been
37 previously sold or leased, or offered for sale or lease, to third
38 parties at a separate price, the price at which the tangible personal
39 property was sold, leased, or offered to third parties shall be used
40 to establish the retail fair market value of the tangible personal

1 property subject to tax. The remaining amount charged under the
2 technology transfer agreement is for the intangible personal
3 property transferred.

4 (C) If the technology transfer agreement does not separately
5 state a price for the tangible personal property, and the tangible
6 personal property or like tangible personal property has not been
7 previously sold or leased, or offered for sale or lease, to third
8 parties at a separate price, the retail fair market value shall be equal
9 to 200 percent of the cost of materials and labor used to produce
10 the tangible personal property subject to tax. The remaining amount
11 charged under the technology transfer agreement is for the
12 intangible personal property transferred.

13 (D) For purposes of this paragraph, “technology transfer
14 agreement” means any agreement under which a person who holds
15 a patent or copyright interest assigns or licenses to another person
16 the right to make and sell a product or to use a process that is
17 subject to the patent or copyright interest.

18 (11) The amount of any tax imposed upon diesel fuel pursuant
19 to Part 31 (commencing with Section 60001).

20 (12) (A) The amount of tax imposed by any Indian tribe within
21 the State of California with respect to a retail sale of tangible
22 personal property measured by a stated percentage of the sales or
23 purchase price, whether the tax is imposed upon the retailer or the
24 consumer.

25 (B) The exclusion authorized by subparagraph (A) shall only
26 apply to those retailers who are in substantial compliance with this
27 part.

28 For purposes of the sales tax, if the retailers establish to the
29 satisfaction of the board that the sales tax has been added to the
30 total amount of the sale price and has not been absorbed by them,
31 the total amount of the sale price shall be deemed to be the amount
32 received exclusive of the tax imposed. Section 1656.1 of the Civil
33 Code shall apply in determining whether or not the retailers have
34 absorbed the sales tax.

35 (13) (A) *The value of a motor vehicle traded in for a qualified*
36 *motor vehicle if the value of the trade-in motor vehicle is separately*
37 *stated on the invoice or bill of sale or similar document provided*
38 *to the purchaser.*

39 (B) *For purposes of this paragraph, “qualified motor vehicle”*
40 *means a motor vehicle that meets either of the following:*

1 (i) *California's super ultra-low emission vehicle (SULEV)*
2 *standard for exhaust emissions and the federal inherently*
3 *low-emission vehicle (ILEV) evaporative emission standard, as*
4 *defined in Part 88 (commencing with Section 88.101-94) of Title*
5 *40 of the Code of Federal Regulations as that part read on January*
6 *1, 2017.*

7 (ii) *California's enhanced advanced technology partial*
8 *zero-emission vehicle (enhanced AT PZEV) standard or*
9 *transitional zero-emission vehicle (TZEV) standard.*

10 SEC. 4. Notwithstanding Section 2230 of the Revenue and
11 Taxation Code, no appropriation is made by this act and the state
12 shall not reimburse any local agency for any sales and use tax
13 revenues lost by it under this act.

14 SEC. 5. This act provides for a tax levy within the meaning of
15 Article IV of the California Constitution and shall go into
16 immediate effect. However, the provisions of this act shall become
17 operative on the first day of the first calendar quarter commencing
18 more than 90 days after the effective date of this act.

AB 1083 (Burke)

Transportation electrification: electric vehicle charging infrastructure: state parks and beaches

Summary: AB 1083 would promote of use of electric vehicles at state parks and beaches by facilitating the installation of electric vehicle charging stations.

Background: It is the policy of the state and the intent of the Legislature to encourage transportation electrification. The state is behind schedule in attaining the Governor's goal that by 2015 all major cities in California will have adequate infrastructure intended to support the goal of 1.5 million zero-emission vehicles by 2025. The 2020 goal of establishing adequate infrastructure to support one million zero-emission vehicles is also behind schedule. More needs to be done to install electric vehicle charging infrastructure that will support and enable these critical electric vehicle goals. To reach the aggressive goals for reducing emissions of greenhouse gases, the entire state motor vehicle fleet, both public and private, will need to make a dramatic transition to transportation electrification.

Status: 2/17/2017 – From Printer. May be heard in committee on 3/19.

Specific Provisions: Specifically, this bill would:

- 1) Require each electrical corporation, in consultation with the Public Utilities Commission (PUC), Energy Commission, and state board, to develop a plan to create a robust charging network at all state parks and beaches within its service territory by July 31, 2018;
- 2) Require an electrical corporation to file with the PUC, by September 30, 2018, a program proposal for the installation of electric vehicle charging stations at state parks and beaches;
- 3) Require the PUC to review and approve, or modify and approve, the program proposal filed by the electrical corporation by December 31, 2018.
- 4) Require the electrical corporation to install, own, operate, and maintain the charging equipment;
- 5) Require that the approved program include a reasonable mechanism for cost recovery by the electrical corporation;
- 6) Require that state parks and beaches receiving charging stations pursuant to the approved program participate in a time-variant rate approved by the commission;

Impacts on SCAQMD's mission, operations or initiatives: Electric vehicle charging station usage has soared over the past few years. As electric vehicles become more commonplace, public recreational facilities such as state parks and beaches will need to provide more charging options for visitors. Locating charging stations in popular destinations will make it easier and more convenient to use electric vehicles as well as encourage more people to purchase electric vehicles. Visitors can enjoy staying at a park or

beach longer knowing you can charge your car there. This bill will provide additional EV charging options for EV drivers and thus expand access to larger EV market. AB 1082 coincides with the District's long-term initiative to enhance EV charging infrastructure in this region. This bill will also facilitate the reduction of mobile source emissions and thereby help protect public health and move towards attainment of federal air quality standards in the South Coast region.

Recommended Position: SUPPORT

ASSEMBLY BILL

No. 1083

Introduced by Assembly Member Burke

February 16, 2017

An act to add Section 740.14 to the Public Utilities Code, relating to transportation electrification.

LEGISLATIVE COUNSEL'S DIGEST

AB 1083, as introduced, Burke. Transportation electrification: electric vehicle charging infrastructure: state parks and beaches.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations and gas corporations. Existing law requires the PUC, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), the State Air Resources Board (state board), electrical corporations, and the motor vehicle industry, to evaluate policies to develop infrastructure sufficient to overcome any barriers to the widespread deployment and use of plug-in hybrid and electric vehicles and, by July 1, 2011, to adopt rules that address specified issues. Existing law requires the PUC, in cooperation with the Energy Commission, the state board, air quality management districts and air pollution control districts, electrical and gas corporations, and the motor vehicle industry, to evaluate and implement policies to promote the development of equipment and infrastructure needed to facilitate the use of electric power and natural gas to fuel low-emission vehicles. Existing law, enacted as part of the Clean Energy and Pollution Reduction Act of 2015, requires the PUC, in consultation with the Energy Commission and state board, to direct electrical corporations to file applications for programs and investments

to accelerate widespread transportation electrification to reduce dependence on petroleum, meet air quality standards, achieve the goals set forth in the Charge Ahead California Initiative, and reduce emissions of greenhouse gases to 40% below 1990 levels by 2030 and to 80% below 1990 levels by 2050.

This bill would require each electrical corporation, in consultation with the PUC, Energy Commission, and state board, to develop a plan to create a robust charging network at all state parks and beaches within its service territory by July 31, 2018. The bill would require an electrical corporation to file with the PUC, by September 30, 2018, a program proposal for the installation of electric vehicle charging stations at state parks and beaches. The bill would require the PUC to review and approve, or modify and approve, the program proposal filed by the electrical corporation by December 31, 2018. The bill would require the electrical corporation to install, own, operate, and maintain the electric vehicle charging equipment and would require that the approved program include a reasonable mechanism for cost recovery by the electrical corporation. The bill would require that state parks and beaches receiving charging stations pursuant to the approved program participate in a time-variant rate approved by the commission.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill are within the act and require action by the commission to implement its requirements, a violation of which would be a crime, this bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

1 SECTION 1. The Legislature finds and declares all of the
2 following:

1 (a) It is the policy of the state and the intent of the Legislature
2 to encourage transportation electrification as described in Section
3 740.12 of the Public Utilities Code.

4 (b) To reach the aggressive goals for reducing emissions of
5 greenhouse gases set forth in subparagraph (D) of paragraph (1)
6 of subdivision (a) of Section 740.12 of the Public Utilities Code,
7 the entire state motor vehicle fleet, both public and private, will
8 need to make a dramatic transition to transportation electrification.

9 (c) The state is behind schedule in attaining the Governor's
10 2015 goal that all major cities in California have adequate
11 infrastructure to support the goal of 1.5 million zero-emission
12 vehicles by 2025. The 2020 goal of establishing adequate
13 infrastructure to support one million zero-emission vehicles is also
14 behind schedule. More needs to be done to install electric vehicle
15 charging infrastructure to support and enable these critical electric
16 vehicle goals.

17 SEC. 2. Section 740.14 is added to the Public Utilities Code,
18 to read:

19 740.14. (a) By July 31, 2018, in consultation with the Public
20 Utilities Commission, Energy Commission, and State Air
21 Resources Board, each electrical corporation shall develop a plan
22 to create a robust charging network at all state parks and beaches
23 within its service territory.

24 (b) By September 30, 2018, an electrical corporation shall file
25 with the commission a program proposal for the installation of
26 electrical grid integrated level-two charging stations at state parks
27 and beaches. By December 31, 2018, the commission shall review
28 and approve, or modify and approve, the program proposal filed
29 by the electrical corporation.

30 (c) The electrical corporation shall install, own, operate, and
31 maintain the electric vehicle charging equipment.

32 (d) The approved program shall include a reasonable mechanism
33 for cost recovery by the electrical corporation.

34 (e) State parks and beaches receiving charging stations pursuant
35 to the approved program shall participate in a time-variant rate
36 approved by the commission.

37 SEC. 3. No reimbursement is required by this act pursuant to
38 Section 6 of Article XIII B of the California Constitution because
39 the only costs that may be incurred by a local agency or school
40 district will be incurred because this act creates a new crime or

1 infraction, eliminates a crime or infraction, or changes the penalty
2 for a crime or infraction, within the meaning of Section 17556 of
3 the Government Code, or changes the definition of a crime within
4 the meaning of Section 6 of Article XIII B of the California
5 Constitution.

O

SB 174 (Lara)
Diesel-fueled vehicles: registration.

Summary: The bill would require proof of compliance with California’s Truck and Bus Regulation as a condition of DMV registration, similar to smog certification requirements for most vehicles on the road today. As part of this process, the bill would establish a phase-out of older diesel-fueled medium-duty and heavy-duty vehicles by January 1, 2023.

Background: California’s on-road heavy-duty diesel vehicles regulation requires diesel trucks and buses that operate in California to upgrade their vehicles in order to significantly reduce particulate matter, oxides of nitrogen, and other criteria pollutants. The regulation – which covers approximately two million pieces of equipment – requires truckers to invest in the cleanest available equipment, cutting diesel soot by more than 99 percent and smog forming pollutants by more than 90 percent. These pollutants not only accelerate climate change, but also have a detrimental impact on human health by irritating the eyes, nose, throat, and lungs and contributing to heart and lung diseases, asthma, cancer, and even premature death.

It is estimated that California’s truck and bus rules – which were the first of their kind in the nation – will prevent an estimated 3,500 deaths in the state between 2010 and 2025.

Diesel pollution from trucks and buses that do not meet these standards disproportionately increase regional smog and impact local health, particularly in low-income communities of color. Much of the industry has made the necessary investments to comply with the rule at the cost of approximately \$200 million annually.

Unfortunately, because of the sheer volume of equipment, enforcement of this regulation has been challenging. The California Air Resources Board estimates that as many as 30 percent of the trucks on the road today do not comply with the rule. These trucks both pollute at a much higher rate and unfairly compete with compliant truckers, undercutting their investments in clean vehicles.

Overall, freight transportation is a significant source of criteria pollution, and one of the primary sources of diesel particulate matter in the nation. Combined, diesel-fueled trucks, locomotives, and marine vessels contribute nearly half of the particulate matter (PM) and three quarters of the oxides of nitrogen (NOx) emissions associated with diesel engines. NOx contributes to ozone formation, and diesel PM is a toxic air contaminant and a factor in climate change.

Fine particle pollution from U.S. diesel engines, referred to as diesel particulate matter (DPM), was estimated by the California Air Resources Board in 2006 to shorten the lives of 2,400 people annually. In 1998, CARB identified DPM as a toxic air contaminant based on evidence that there is a relationship between exposure to diesel exhaust and the risk of lung cancer and other adverse health effects. In 2012, additional studies on the potential of diesel exhaust to cause cancer led the International Agency for Research on Cancer (IARC, a division of the World Health Organization) to identify diesel engine exhaust as a carcinogen. DPM also contributes to the same non-cancer health effects as PM_{2.5} exposure including premature death, hospitalizations and ER visits for exacerbated chronic heart and lung disease, including asthma, increased respiratory symptoms, and decreased lung function in children. Those most vulnerable to these health effects are children (whose lungs are still developing) and seniors (who may have chronic health problems.)

According to CARB, it is estimated that in California nearly 70% of total known cancer risk related to air toxics is attributable to DPM. Based on 2012 estimates of statewide exposure, DPM is estimated to increase statewide cancer risk by 520 cancers per million residents exposed over a lifetime. Non-cancer health effects associated with exposure to DPM (based on 2009 - 2011 air quality data) include 1,400 cardiopulmonary deaths, 100 cardiovascular hospitalizations, 120 respiratory hospitalizations, and approximately 600 ER visits for respiratory issues such as asthma.

Status: February 2, 2017 -- Referred to Senate Comms. on T. & H. and EQ.

Specific Provisions: This bill would require that beginning in 2020, prior to registering or transferring ownership of a diesel-fueled medium-duty or heavy duty vehicle, the Department of Motor Vehicles must confirm that the vehicles either comply with, or are exempt from, applicable air pollution control technology requirements.

In doing so, DMV shall no longer register, renew a registration, or transfer registration for model year 2010 or older diesel-fueled medium-duty trucks (14,001 pounds to 26,000 pounds) or diesel-fueled heavy-duty trucks (over 26,000 pounds).

Diesel-fueled medium-duty trucks will be phased out according to the following schedule:

- Effective January 1, 2020, for vehicles model year 2004 and older.
- Effective January 1, 2021, vehicle model years 2007 and older.
- Effective January 1, 2023, vehicle model years 2010 and older.

Diesel-fueled heavy-duty trucks will be phased out according to the following schedule:

- Effective January 1, 2020, vehicle model years 2000 and older.
- Effective January 1, 2021, vehicle model years 2005 and older.
- Effective January 1, 2022, vehicle model years 2007 and older.
- Effective January 1, 2023, vehicle model years 2010 and older.

Upon its discretion, the DMV may issue a temporary 90-day permit after a truck's registration has expired or is removed from nonoperation.

Impacts on AQMD's Mission, Operations or Initiatives: This bill would help reduce emissions, clean up polluted transportation corridors, improve public health in impacted communities, protect the changing climate from powerful super pollutants like black carbon, and create a level playing field for compliant truckers who have invested hundreds of millions of dollars to meet existing requirements. The author states that this is a win-win for industry and the environment and would ensure that all vehicles are in compliance with existing emission control laws as a condition of DMV registration.

This bill would have a significant impact on air quality in the South Coast Air Basin, as it would phase out all diesel-fueled medium and heavy-duty trucks produced prior to the 2011 model year.

According to the latest version of California's EMFAC model, there are approximately 108,000 diesel-fueled medium and heavy-duty trucks of model year 2010 and older registered in California in CY 2017, and approximately 40-50% of those would be based in Southern California. These trucks make up approximately 38% of the statewide fleet, and the NOx contribution from this segment of the truck population represents approximately 50% of the NOx inventory for on-road mobile source inventory in the South Coast inventory, and thus the NOx reductions in the South Coast region would be significant.

SCAQMD STAFF PROPOSED AMENDMENT: Staff recommends technical amendments to the bill's language to adjust its reference to the medium and heavy-duty truck model year phase-out schedules, so that it can better reflect CARB's Truck and Bus Regulation:

Diesel-fueled medium-duty trucks will be phased out according to the following schedule:

- Effective January 1, 2020, for vehicles model year ~~2004~~ 2003 and older.
- Effective January 1, 2021, vehicle model years ~~2007~~ 2006 and older.
- Effective January 1, 2023, vehicle model years ~~2010~~ 2009 and older.

Diesel-fueled heavy-duty trucks will be phased out according to the following schedule:

- Effective January 1, 2020, vehicle model years ~~2000~~ 1999 and older.
- Effective January 1, 2021, vehicle model years ~~2005~~ 2004 and older.
- Effective January 1, 2022, vehicle model years ~~2007~~ 2006 and older.

- Effective January 1, 2023, vehicle model years ~~2010~~ 2009 and older.

Recommended Position: SUPPORT WITH AMENDMENTS

Introduced by Senators Lara and Leyva

January 23, 2017

An act to amend Section 4156 of, and to add Section 4000.15 to, the Vehicle Code, relating to vehicles.

LEGISLATIVE COUNSEL'S DIGEST

SB 174, as introduced, Lara. Diesel-fueled vehicles: registration.

Existing law prohibits a person from driving, moving, or leaving standing upon a highway any motor vehicle, as defined, that has been registered in violation of provisions regulating vehicle emissions.

This bill, effective January 1, 2020, would require the Department of Motor Vehicles to confirm, prior to the initial registration or the transfer of ownership and registration of a diesel-fueled vehicle with a gross vehicle weight rating of more than 14,000 pounds, that the vehicle is compliant with, or exempt from, applicable air pollution control technology requirements, pursuant to specified provisions. The bill would require the department to refuse registration, or renewal or transfer of registration, for certain diesel-fueled vehicles, based on weight and model year, that are subject to specified provisions relating to the reduction of emissions of diesel particulate matter, oxides of nitrogen, and other criteria pollutants from in-use diesel-fueled vehicles. The bill would authorize the department to allow registration, or renewal or transfer of registration, for any diesel-fueled vehicle that has been reported to the State Air Resources Board, and is using an approved exemption, or is compliant with applicable air pollution control technology requirements, pursuant to specified provisions.

Existing law authorizes the department, in its discretion, to issue a temporary permit to operate a vehicle when a payment of fees has been accepted in an amount to be determined by the department and paid to

the department by the owner or other person in lawful possession of the vehicle.

This bill would additionally authorize the department to issue a temporary permit to operate a vehicle for which registration is otherwise required be refused under the provisions of the bill, as prescribed.

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 4000.15 is added to the Vehicle Code,
2 to read:

3 4000.15. (a) Effective January 1, 2020, the department shall
4 confirm, prior to the initial registration or the transfer of ownership
5 and registration of a diesel-fueled vehicle with a gross vehicle
6 weight rating of more than 14,000 pounds, that the vehicle is
7 compliant with, or exempt from, applicable air pollution control
8 technology requirements pursuant to Division 26 (commencing
9 with Section 39000) of the Health and Safety Code and regulations
10 of the State Air Resources Board adopted pursuant to that division.

11 (b) Except as otherwise provided in subdivision (c), for
12 diesel-fueled vehicles subject to Section 43018 of the Health and
13 Safety Code, as applied to the reduction of emissions of diesel
14 particulate matter, oxides of nitrogen, and other criteria pollutants
15 from in-use diesel-fueled vehicles, and Section 2025 of Title 13
16 of the California Code of Regulations as if January 1, 2017, or as
17 subsequently amended:

18 (1) The department shall refuse registration, or renewal or
19 transfer of registration, for a diesel-fueled vehicle with a gross
20 vehicle weight rating of 14,001 pounds to 26,000 pounds for the
21 following vehicle model years:

22 (A) Effective January 1, 2020, vehicle model years 2004 and
23 older.

24 (B) Effective January 1, 2021, vehicle model years 2007 and
25 older.

26 (C) Effective January 1, 2023, vehicle model years 2010 and
27 older.

28 (2) The department shall refuse registration, or renewal or
29 transfer of registration, for a diesel-fueled vehicle with a gross

1 vehicle weight rating of more than 26,000 pounds for the following
2 vehicle model years:

3 (A) Effective January 1, 2020, vehicle model years 2000 and
4 older.

5 (B) Effective January 1, 2021, vehicle model years 2005 and
6 older.

7 (C) Effective January 1, 2022, vehicle model years 2007 and
8 older.

9 (D) Effective January 1, 2023, vehicle model years 2010 and
10 older.

11 (c) (1) As determined by the State Air Resources Board,
12 notwithstanding effective dates and vehicle model years identified
13 in subdivision (b), the department may allow registration, or
14 renewal or transfer of registration, for a diesel-fueled vehicle that
15 has been reported to the State Air Resources Board, and is using
16 an approved exemption, or is compliant with applicable air
17 pollution control technology requirements pursuant to Division
18 26 (commencing with Section 39000) of the Health and Safety
19 Code and regulations of the State Air Resources Board adopted
20 pursuant to that division, using an approved compliance option.

21 (2) The State Air Resources Board shall notify the department
22 of the vehicles allowed to be registered pursuant to this subdivision.

23 SEC. 2. Section 4156 of the Vehicle Code is amended to read:

24 4156. (a) Notwithstanding any other provision of this code,
25 and except as provided in subdivision (b), the department in its
26 discretion may issue a temporary permit to operate a vehicle when
27 a payment of fees has been accepted in an amount to be determined
28 by, and paid to the department, by the owner or other person in
29 lawful possession of the vehicle. The permit shall be subject to the
30 terms and conditions, and shall be valid for the period of time, that
31 the department shall deem appropriate under the circumstances.

32 (b) (1) The department shall not issue a temporary permit
33 pursuant to subdivision (a) to operate a vehicle for which a
34 certificate of compliance is required pursuant to Section 4000.3,
35 and for which that certificate of compliance has not been issued,
36 unless the department is presented with sufficient evidence, as
37 determined by the department, that the vehicle has failed its most
38 recent smog check inspection.

39 (2) ~~Not more than~~ Only one temporary permit may be issued
40 pursuant to this subdivision to a vehicle owner in a two-year period.

1 (3) A temporary permit issued pursuant to paragraph (1) is valid
2 for either 60 days after the expiration of the registration of the
3 vehicle or 60 days after the date that vehicle is removed from
4 nonoperation, whichever is applicable at the time that the temporary
5 permit is issued.

6 (4) A temporary permit issued pursuant to paragraph (1) is
7 subject to Section 9257.5.

8 *(c) (1) The department may issue a temporary permit pursuant*
9 *to subdivision (a) to operate a vehicle for which registration may*
10 *be refused pursuant to Section 4000.15.*

11 *(2) Only one temporary permit may be issued pursuant to this*
12 *subdivision for any vehicle.*

13 *(3) A temporary permit issued pursuant to paragraph (1) is*
14 *valid for either 90 days after the expiration of the registration of*
15 *the vehicle or 90 days after the date that vehicle is removed from*
16 *nonoperation, whichever is applicable at the time the temporary*
17 *permit is issued.*

18 *(4) A temporary permit issued pursuant to paragraph (1) is*
19 *subject to Section 9257.5.*

ATTACHMENT 5

DRAFT

Amendment Concept Principles for Greenhouse Gas Reduction Fund and/or Cap & Trade Reauthorization Related Legislation

- Greenhouse gas (GHG) auction proceeds should be spent in areas of the state that are designated, based on the most recent standards, as severe or extreme nonattainment for ozone.
- At least 20% of total allocated annual Greenhouse Gas Reduction Fund (GGRF) monies should be distributed in areas of the state that are designated, based on the most recent standards, as severe or extreme nonattainment for ozone.
- This allocation would be in addition to any other funding required by AB 1550 (25% in disadvantaged communities (DACs), 5% in low-income communities near DACs, and 5% in low-income communities anywhere in the state).
- This allocation of GGRF monies is to be used in a way that maximizes criteria and toxics emission reduction co-benefits, including to support the development and deployment of near-zero and zero-emission heavy-duty vehicles, off-road equipment, and federal sources (e.g. freight locomotives and ocean-going vessels), and to address air quality and public health impacts, along with simultaneous reductions in GHG emissions.
- A priority would be given to spending funding in DACs.

ATTACHMENT 6



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4182
(909) 396-2000 • www.aqmd.gov

HOME RULE ADVISORY GROUP WEDNESDAY, JANUARY 11, 2017 MEETING MINUTES

CHAIR:

Dr. Joseph Lyou, Governing Board member

MEMBERS PRESENT:

Curt Coleman (Southern California Air Quality Alliance); Michael Downs (Downs Energy); Jaclyn Ferlita (Air Quality Consultants); Bill LaMarr (California Small Business Alliance); Dan McGivney (Southern California Gas); Penny Newman (Center for Community Action and Environmental Justice); Mark Olson (Gerdau Rancho Cucamonga Mill); Terry Roberts (American Lung Association of California), and Larry Smith (Cal Portland Cement).

The following members participated by conference call: Micah Ali (Compton Unified School District Board of Trustees); Chris Gallenstein (CARB); Jayne Joy (Eastern Municipal Water District); Rongsheng Luo (SCAG); Bill Quinn (California Council for Environmental & Economic Balance); TyRon Turner (Dakota Communications); and Amy Zimpfer (EPA)

MEMBERS ABSENT:

Mike Carroll (Regulatory Flexibility Group); Art Montez (AMA International); Larry Rubio (Riverside Transit Agency); Patty Senecal (Western States Petroleum Association); and Morgan Wyenn (Natural Resources Defense Council)

OTHER ATTENDEES:

Kirsten Cayabyab (CARB); Scott King (CARB); Rita Loof (Radtech); Johnnie Raymond (CARB); Andy Silva (San Bernardino County); David Rothbart (Los Angeles County Sanitation District); and Susan Stark (Tesoro)

AQMD STAFF:

Jill Whynot	Chief Operating Officer
William Wong	Principal Deputy District Counsel
Henry Hogo	Assistant Deputy Executive Officer
Fred Minassian	Assistant Deputy Executive Officer
Philip Crabbe	Community Relations Manager
Ann Scagliola	Administrative Secretary

OPENING COMMENTS AND SELF-INTRODUCTIONS

The meeting was called to order at 10:00 a.m. by Dr. Joseph Lyou (Chairman).

APPROVAL OF NOVEMBER 11, 2016 MEETING MINUTES

Dr. Lyou asked for comments on the November 11, 2016 meeting minutes. Hearing none, the minutes were approved.

Bill LaMarr mentioned that he could not recall receiving EPA's Title V Audit Report, which was requested at the November 2016 meeting.

***ACTION ITEM** - Jill Whynot commented that she could provide a copy of the Executive Summary and evaluation received from U.S. EPA, in regards to the Title V audit.*

EPA AND FEDERAL ACTIVITIES

Amy Zimpfer provided an update on recent U.S. EPA and federal activities.

- On December 20, 2016, EPA responded to the petitions submitted by 20 states and local government agencies across the country to request that EPA begin the rulemaking process for On-Road, Heavy-Duty, Lower NO_x Standards. EPA will initiate the actions necessary to issue a notice of proposed rulemaking.
- EPA finalized actions to approve the South Coast AQMD's (SCAQMD) Combustion Rules 1147 and 1153.1.
- EPA is expected to take final action on the partial approval and partial disapproval on South Coast AQMD's Reasonably Available Control Technology Rules.
- EPA awarded \$7.3M in FY 2016 for Diesel Emission Reduction Grant and rebate funds. Just over \$500,000.00 will be awarded to South Coast AQMD, which will be combined with \$2.2M in local funding.

Discussion

Bill LaMarr requested confirmation on the approval of Rule 1147. Amy Zimpfer confirmed the full approval of Rules 1147 and 1153.1.

Bill Quinn inquired about the change of Administration's effect on EPA's current Regional Administrator. Amy Zimpfer indicated that the current Administrator and Acting Regional Administrators will continue until the new Administrator is confirmed and Regional Administrators identified.

CARB REGULATORY ACTIVITIES

Johnnie Raymond reported on the following items to be discussed at the January 2017 CARB Board Meeting.

- Report on Proposed 2030 Target Scoping Plan and CEQA documentation.
- Consider approval of the 2016 PM_{2.5} State Implementation Plans (SIP) for Portola, San Joaquin Valley and Imperial County.
- Consider approval of the 2016 Ozone SIPs for Ventura and San Diego Counties.
- Hear updates to SB 375 Greenhouse Gas Emission Reduction Targets.
- Consider approval of the Final Short-Lived Climate Pollutant Reduction Strategy.
- Consider proposed final greenhouse gas emission standards for crude oil and natural gas facilities, natural gas processing plants, natural gas gathering, boosting, and transmission compressor stations, and underground natural gas storage facilities.
- Consider approval of the 2016 Ozone SIP for Western Mojave Nonattainment Area.
- Consider approval of the PM₁₀ Maintenance Plan for the San Joaquin Valley

- Consider changes to the Portable Equipment Registration Program regulation and the Airborne Toxic Control Measure for diesel-fueled portable engines.
- Consider amendments to the mandatory greenhouse gas emissions reporting regulation.
- Consider approval of the 2016 Ozone SIP for the Sacramento Nonattainment Region.

Kirsten Cayabyab reported that the State SIP Strategy will go to CARB's Board for consideration in March 2017. The plan is to bring the California nonattainment areas into attainment with CARB's Air Quality Standards. SCAQMD's primary challenge is Ozone, and San Joaquin Valley's is PM2.5.

Discussion

Dr. Lyou inquired if this was a reconsideration of the prior submittal of the San Joaquin Valley PM2.5 SIP Strategy. Kirsten Cayabyab confirmed the reconsideration and indicated CARB has worked closely with San Joaquin Valley to address the Board's concerns.

Dr. Lyou further inquired how could SCAQMD avoid what happened with the San Joaquin Valley SIP. Scott King replied there has been coordination between the agencies and it is anticipated that SCAQMD will not experience the same problems as San Joaquin Valley.

Bill LaMarr inquired about the future of CARB's Cap-and-Trade Program and how this impacts their SIP. Johnnie Raymond indicated that these are two separate programs, but they do work hand-in-hand. AB 32 directs to reduce greenhouse gases and co-pollutant reductions, and the SIP is focused on criteria pollutants.

Kirsten Cayabyab commented that CARB looked at future interactions between policies and actions for climate, criteria pollutants, toxic risks and petroleum reductions. The goal for CARB is to move forward to spend the incentive funding for clean technology and to power this technology with the cleanest renewal fuel.

LEGISLATIVE UPDATE

Philip Crabbe provided a recap on the following items from the December 9, 2016 Legislative Committee meeting.

Update on Federal Legislative Issues

In addition to written reports from our federal legislative consultants on various key Washington, D.C. issues, the firms gave verbal updates as well.

Unconfirmed reports have indicated that U.S. Congresswoman Cathy McMorris Rodgers may be appointed by President-Elect Trump as the Interior Secretary. It was further reported that Andrew Puzder, CEO of CKE Restaurants was nominated for Labor Secretary, Dr. Ben Carson was nominated for HUD Secretary, General John Kelly was nominated for Homeland Security Secretary, and Scott Pruitt, Oklahoma Attorney General was nominated for U.S. EPA Administrator. It was also reported that conservatives are pleased with the nomination of Pruitt, however, environmentalists and many Democrats are not, so there may be a heated confirmation process for this selection.

The U.S. Senate will focus much of its time in the first several months of the new Congressional session on the confirmation process. However, the U.S. House of Representatives will likely take up some of the big issues, such as regulatory rollbacks. It was also reported that Congressman Greg

Walden from Oregon will be the Chairman of the House Energy and Commerce Committee. With California Governor Jerry Brown's selection of Congressman Xavier Becerra as California Attorney General, Congressman Tony Cardenas has taken over Becerra's leadership role in the Democratic Caucus in the House. Further, the Energy bill has died in Congress, but will likely be re-introduced early in the new Congressional session for further consideration.

The Committee was informed that the recent failure of the Energy bill prevented the Diesel Emission Reduction Act (DERA) Program from being reauthorized for another five years in this closing Congressional session. However, this should not have any impact on appropriations funding for DERA this coming year. The DERA reauthorization effort will be renewed in the new Congressional session and this is a beneficial program for SCAQMD policy priorities. It was reported that Senator Patrick Leahy of Vermont will take over as Vice Chairman and Ranking Member of the Senate Appropriations Committee, replacing Senator Barbara Mikulski of Maryland who is retiring.

Update on State Legislative Issues

SCAQMD's state legislative consultants provided supplements to their written reports on various key issues in Sacramento. Assembly Speaker Anthony Rendon announced that he wanted to see a bipartisan agreement on a transportation funding deal in the new year. Governor Brown is expected to release his new transportation funding plan as part of the 2017 Governor's budget proposal. Overall, a number of state bills have already been introduced for the new legislative session, which cover a variety of topics. However many of these bills are "spot" bills that are not fully developed, and committee hearings will not likely start up in earnest until late March 2017.

The issue of Volkswagen (VW) settlement funds was recently considered by the California Air Resources Board (CARB), and there are two key funds. The first is \$800 million for California that is VW's investment that CARB can provide guidance on, but it does not have direct control. These funds will be dispersed in 4 cycles that are each 30 months long, and the first cycle will focus on zero emission vehicle infrastructure development. The CARB plan also calls for at least 25% of funds to go to disadvantaged communities, but not those as defined by the CalEnviroScreen tool. The second VW fund is \$381 million for California, and this money will be controlled by California. There will be a lead state agency to directly control these funds, to be appointed by the Governor. However, CARB is looking to have those monies focused on the turnover of heavy-duty trucks.

Assembly Member Jimmy Gomez announced his candidacy to run for the Congressional seat being vacated by Congressman Xavier Becerra, who will be California's new Attorney General. Sara Hernandez, a former aide to Los Angeles City Councilman Jose Huizar, announced her candidacy for that same Congressional seat.

Two key bills were introduced as part of a Senate package of bills called "CA Rebuild," and included bills related to transportation and housing. SB 1 (Beall) is the main vehicle in the Senate for transportation funding, particularly focusing on transportation infrastructure, and it proposes to raise funding through various taxes and fees. This bill could provide an opportunity for funding that helps address air quality issues as well. SB 4 (Mendoza) is the other bill, which is more directly related to air quality issues, and is somewhat of a sequel to Proposition 1B. The bill would put a bond on the ballot that would focus on addressing trade corridors, including providing funding for air quality improvement. The content of these bills is still being developed and SCAQMD representatives are in initial discussions with the authors' offices regarding them.

Discussion

Larry Smith requested clarification on the Volkswagen \$800M payout, specifically the length of time for each of the planned 4-stage payouts. Staff commented that each stage would be 30 months and that CARB can only provide Volkswagen with guidance on how these funds should be spent. SCAQMD will also provide a proposal directly to Volkswagen for a portion of the payout, as will other air districts in California.

Penny Newman inquired if the 25% for disadvantaged communities was coming out of the \$800M. Staff replied yes.

***ACTION ITEM** – Penny Newman requested contact information for Volkswagen recommendations/proposals. Staff indicated there was a link for proposals which can be provided.*

Bill LaMarr inquired if SCAQMD has taken a position on SB 1. Staff indicated that no position has been taken at this time.

Dr. Lyou commented that staff should engage on the SB 1 legislation, to possibly seek to include an air quality component for possible AQMP incentives and funding. Staff indicated they are engaged in discussions with key legislative staff.

***ACTION ITEM** – Jill Whynot commented that SB 1 – Transportation Funding should be added to the February Legislative Committee agenda to further the discussion.*

Amy Zimpfer commented that the Diesel Emissions Reduction Act (DERA) is moving forward and EPA will continue to accept requests for proposals through April 2017.

UPDATE REGARDING LITIGATION ITEMS AND RELATED EPA ACTIONS

William Wong provided an update to Case 1 (SCAQMD v. Anaplex) on the litigation status report and indicated that the Hearing Board proceedings were completed on January 10, 2017 and a stipulated Order for Abatement was issued.

Discussion

David Rothbart inquired about facilities that operate without a permit and what jurisdiction does SCAQMD have. Staff indicated that it is a violation to operate a facility without a permit and an Orders for Abatement could be issued.

Jill Whynot provided a recap of the SCAQMD efforts with air monitoring, enforcement and permit issues within the City of Paramount, as well as rule development efforts that will focus on grinding, forging and other metal related processes. The data collected will be shared with industries and other air agencies throughout California, because it is believed this is not just a localized problem. Similar efforts are taking place in other cities that have metal finishing businesses, including the review of business licenses of metal related businesses.

Dr. Lyou and Bill LaMarr inquired if this review identified other businesses that should have had permits. Staff indicated that a few were identified, which resulted in Notices of Violations (NOVs) and Notices to Comply. EPA and ARB, and other agencies, has also been involved in the sampling efforts at schools and many other locations.

Bill LaMarr inquired about the SCAQMD enforcement policy for facilities that have had repeat, multiple NOV's for years. Staff indicated that SCAQMD is seeking changes in the legislature for repeat violators, where our fines and penalties are not effective.

Jill Whynot commented that the SCAQMD Executive Officer has also initiated several very high-level quarterly inter-action meetings with other government agencies. The discussions focus on issues to raise awareness and alert agencies of potential problems.

***ACTION ITEM** – Dr. Lyou requested that Cher Snyder or other staff attend the March Home Rule Advisory Group meeting to provide an update on the ongoing Paramount efforts.*

CURRENT INCENTIVE PROGRAMS AND FUNDING GOALS AND ACTIONS FOR THE 2016 AQMP

Mr. Henry Hogo and Mr. Fred Minassian provided an overview of the current incentive programs and a discussion on the Draft Funding Action Plan. Mr. Minassian discussed the levels of sustained funding that the SCAQMD receives on annual basis, which is currently approximately \$228 million annually. Mr. Minassian highlighted three key funding programs: Carl Moyer, Lower Emission School Bus Program, and the Proposition 1B – Goods Movement. Over \$1.1 billion in funding has been awarded since program inception. Lastly, Fred Minassian discussed the levels of incentive funding for 2017, which include \$30 million for the Carl Moyer Program, \$6.2 million for cargo handling equipment under Proposition 1B (with another \$110 million in contracts for truck and locomotive replacements).

Henry Hogo discussed the Draft Financial Incentives Funding Action Plan that was released on December 16, 2016 for public comment. The Draft Action Plan provides a discussion of proposed activities to pursue additional revenues for incentive programs to help accelerate the turnover of older vehicles and equipment as early as possible to meet ozone air quality standards. The Draft Final 2016 AQMP estimated that around \$10 to \$14 billion will be needed over the next seven to 15 years to help achieve a large portion of the emission reductions associated with the “Further Deployment” measures proposed in the State SIP Strategy.

The Draft Funding Action Plan provides a discussion of 17 potential funding opportunities to generate new revenues for incentive programs. The potential funding opportunities are provided to engender public discussion and do not represent the SCAQMD staff's recommendation to pursue the sources of funding. The Draft Funding Action Plan proposes a set of guiding principles to pursue and allocate funding. The Draft Plan also includes an estimate of the funding needed by the various mobile source categories. Lastly, the Draft Action Plan includes a discussion of proposed activities to pursue funding including a public process to discuss potential opportunities and prioritizing the opportunities to pursue funding. The Draft Action Plan will be considered by the SCAQMD Governing Board at its February 2017 meeting.

Discussion

Bill LaMarr asked about how much more funding will be available from Proposition 1B. Fred Minassian indicated that the current program is in its last year. Bill LaMarr further commented that he is concerned that although the current programs are successful, he is concerned that if funding is not identified with certainty and there are shortfalls in meeting emission reductions, the burden will fall on stationary sources. Henry Hogo indicated that Board members had requested that a summary of current funding be provided to show that the region needs more funding and the

funding to-date has been successful, resulting in large emission reductions. Relative to potential shifting of the burden to stationary sources, Henry Hogo indicated that CARB has provided a discussion on actions they will take if there is shortfall in incentives funding.

Penny Newman expressed that she shares the same concerns as Bill LaMarr and having additional regulations would provide greater certainty. She inquired if the Proposition 1B funding for locomotives have any particular geographic area. Fred Minassian indicated that they would operate primarily in the South Coast region, but will be traveling most of the time within the goods movement corridors of California.

David Rothbart asked what responsibilities CARB and EPA have since they are responsible for most of the emission reductions. If the region does not get to attainment, is it fair for the federal government to withhold federal highway funds? Dr. Lyou responded that this what the federal Clean Air Act requires. Henry Hogo responded that the emission reduction commitments are CARB's responsibility. This is a "hard" commitment and when approved by EPA, CARB must ensure that the reductions do occur and have done so in the past. A question was asked whether the SIP is the "overriding" document. Henry Hogo commented that the AQMP is the South Coast portion of the SIP.

Dr. Lyou questioned the assumptions used to calculate the amount of funding needed for on-road heavy-duty trucks indicating that the cost of near-zero and zero emission technologies are much higher than the amounts assumed in the Draft Funding Action Plan. Henry Hogo indicated that the assumed amounts are over a long-term basis. In the early years, there may be a need for higher levels of incentives. The incentive levels will drop over time. There was a discussion on availability of near-zero engines and natural gas vehicles and fueling. Dr. Lyou commented that there are additional costs that are not reflected in the assumptions and a need to recognize the need for more funding than has been assumed. Henry Hogo indicated that staff recognized that there are other funding sources that cover fueling infrastructure not assumed in the Draft Funding Action Plan.

Tyron Turner asked whether the number of equipment assumed is an estimate and expressed concerns on entities staying competitive if they had to sell their older equipment outside of the region or in another state. Henry Hogo indicated that the numbers are assumptions.

Micah Ali commented that the City of Compton and the Compton Unified School District are interested in leveraging funding for alternative fueled vehicles and fueling infrastructure.

ACTION ITEM – Dr. Lyou indicated that staff can provide MSRC contact information for such opportunities.

Dr. Lyou commented on the challenges with some of the potential funding opportunities and the need for legislative support. Curt Coleman commented that he liked the fact that staff has provided a list of potential opportunities knowing that some will not move forward and it provides a range of options potentially available.

David Rothbart commented that staff has done a good job in identifying potential funding opportunities for mobile sources, but these sources are the responsibility of CARB and why isn't CARB stepping up to look for funding. Henry Hogo commented that state agencies are precluded from advocating for state funding and for this reason, the SCAQMD staff is proposing that funding

be pursued. CARB will be consulted as legislative actions are proposed. Dr. Lyou commented that the SCAQMD is precluded from supporting ballot measures at the local level.

Bill LaMarr commented that CARB collects a fair amount of penalty fees and should indicate to the state legislature how those monies should be allocated. Dr. Lyou asked how far along is the mileage-based fee concept development with SCAG. Henry Hogo indicated that the fee is proposed to begin in 2025 and there are pilot studies at this time.

Bill LaMarr asked about the public/private partnership opportunity and if that meant having additional fees such as those placed on utilities by municipalities. Henry Hogo indicated that the public/private partnership is looking more at linking with certain foundations such as the insurance industry that have invested in health research to help reduce health costs. A similar partnership could be to help with achieving cleaner air and reduce health costs.

Henry Hogo commented that the potential funding opportunities are not all inclusive and that other opportunities can be proposed. Bill LaMarr commented that potentially adding a surcharge to parking tickets and similar approaches could generate a significant amount of funding.

Amy Zimpfer commented that EPA staff appreciated all of the efforts that the SCAQMD staff has put into the Action Plan and is looking at how to integrate incentives into the SIP planning efforts. Amy Zimpfer reiterated that EPA is on a continuing resolution for the DERA program. In addition, EPA is moving forward on a low-NOx emission standard and is working with the International Civil Aviation Organization on aircraft greenhouse emissions.

CONSENSUS BUILDING

To follow-up a prior request, Jayne Joy indicated she has contacted Mike Silva at CR&R and they are prepared to arrange a facility tour and will send out follow-up emails.

SUBCOMMITTEE STATUS REPORTS

A. Freight Sustainability (Dan McGivney)

Dan McGivney noted his meeting handout from the California Transportation Commission, regarding the Development of California Freight Investment Program Guidelines for National Highway Freight Formula Funds and Relief Loan Repayment Funds, and the anticipated release of the draft guidelines in March 2017, which will be presented to the Commission for consideration in May 2017 and noted other relevant upcoming meetings.

Discussion

Dr. Lyou commented that the San Pedro Bay Ports have released their Clean Air Action Plan 2017 - Draft Discussion Document.

B. Small Business Considerations (Bill LaMarr)

There was no report.

C. Environmental Justice (Curt Coleman)

OEHHA has released their updated health screening tool CalEnviroScreen 3.0, and provided a summary of the various updates.

D. Climate Change

There was no report.

REPORT FROM AND TO THE STATIONARY SOURCE COMMITTEE

A December 2016 meeting did not occur, and Jill Whynot reported on the following items on the agenda for the January 2017 meeting.

- 2017-2019 Home Rule Advisory Group Membership Roster
- Report on New Source Review Equivalency Determination
- Summary on Proposed Rule 1430
- Update Report on Technology Assessment for Rule 1147
- Update on Proposed Rule 1304.2 and 1304.3
- Update on Implementation of Rule 1111

DRAFT 2016 ACCOMPLISHMENTS, 2017 GOALS & OBJECTIVES AND MISSION STATEMENT

Dr. Lyou asked for comments on the Home Rule Advisory Group 2016 Accomplishments and 2017 Goals and Objectives. Hearing none, the reports were approved.

OTHER BUSINESS

There were no comments.

PUBLIC COMMENT

There were no public comments.

ADJOURNMENT

The meeting was adjourned at 12:50 p.m. The next meeting of the Home Rule Advisory Group is scheduled for 10:00 a.m. on March 8, 2017, and will be held at SCAQMD in Conference Room CC-8.