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**SB-513 Carl Moyer Memorial Air Quality Standards Attainment Program: fees.** (2015-2016)

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**Senate Bill No. 513**

**CHAPTER 610**

An act to amend Sections 41081, 44223, 44225, 44229, 44233, 44275, 44281, 44282, 44283, 44286, 44287, 44287.1, 44287.2, 44288, 44291, and 44299.2 of, and to amend and repeal Section 44299.1 of, the Health and Safety Code, relating to vehicular air pollution.

[ Approved by Governor October 08, 2015. Filed with Secretary of State October 08, 2015. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 513, Beall. Carl Moyer Memorial Air Quality Standards Attainment Program: fees.

(1) Existing law authorizes the Sacramento Metropolitan Air Quality Management District to adopt a \$6 surcharge on motor vehicle registration fees applicable to motor vehicles registered within the district. Existing law requires the collected fees to be used for specified purposes, including, among others, awarding grants eligible for funding under the Carl Moyer Memorial Air Quality Standards Attainment Program.

This bill would additionally authorize those fees to be used for projects that involve alternative fuel and electric infrastructure, as specified.

(2) Existing law authorizes an air pollution control or air quality management district, except the Sacramento district, that has been designated by the State Air Resources Board as a state nonattainment area for any pollutant emitted by motor vehicles to levy a fee of up to \$6 on motor vehicles registered within the air district, subject to specified conditions.

This bill instead would authorize any air district, except the Sacramento district, regardless of its state attainment designation to levy a fee of up to \$6 on motor vehicles registered within the air district. The bill also would authorize those fees to be used for the attainment or maintenance of state or federal ambient air quality standards or the reduction of toxic air contaminant emissions from motor vehicles and for alternative fuel and electric infrastructure projects, as specified.

(3) Existing law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program, which is administered by the state board, to provide grants to offset the incremental cost of eligible projects that reduce emissions of air pollutants from vehicular sources in the state and for the funding of a fueling infrastructure demonstration program and technology development efforts.

This bill would revise and recast provisions of the program, including, among others, changing the definition of covered source to include any marine vessel and any other category necessary for the state and air districts to meet air quality goals; authorizing the state board to adjust, rather than just reduce, the values of the maximum grant award criteria to improve the ability of the program to achieve its goals; authorizing the state board to reserve up to 10% of the program moneys available each year to directly fund any project that is a covered source, as defined, or a specified eligible project; removing the prohibition on using specified motor vehicle registration fees as matching funds; requiring the state board, instead of the State Energy Resources

Conservation and Development Commission, to publish procedures to monitor and audit infrastructure projects; increasing the authorization for support and outreach costs from not more than 2% to not more than 2.5% of the moneys for use by the program in the Air Pollution Control Fund; removing the repeal date of January 1, 2024, from the provisions on how moneys in the Air Pollution Control Fund are allocated and segregated; removing the repeal date of January 1, 2024, from the provisions regarding the terms and conditions for an allocation of moneys to an air district; and requiring an air district to liquidate, as defined, the moneys by June 30 of the fourth year following the year of allocation and to return, as defined, those moneys that have not been liquidated to the state board within 90 days.

(4) The California Global Warming Solutions Act of 2006 establishes the state board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. The act authorizes the state board to include the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation by the Legislature.

This bill would authorize the state board to allocate moneys from the Greenhouse Gas Reduction Fund and other specified sources for the Carl Moyer Memorial Air Quality Standards Attainment Program without those other moneys being required to be factored into the criteria emission reduction cost-effectiveness calculations.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

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## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** Section 41081 of the Health and Safety Code, as amended by Section 1 of Chapter 401 of the Statutes of 2013, is amended to read:

**41081.** (a) Subject to Article 3.7 (commencing with Section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code, or with the approval of the board of supervisors of each county included, in whole or in part, within the Sacramento district, the Sacramento district board may adopt a surcharge on the motor vehicle registration fees applicable to all motor vehicles registered in those counties within the Sacramento district whose boards of supervisors have adopted a resolution approving the surcharge. The surcharge shall be collected by the Department of Motor Vehicles and, after deducting the department's administrative costs, the remaining funds shall be transferred to the Sacramento district. Prior to the adoption of any surcharge pursuant to this subdivision, the district board shall make a finding that any funds allocated to the district as a result of the adoption of a county transportation sales and use tax are insufficient to carry out the purposes of this chapter.

(b) The surcharge shall not exceed six dollars (\$6).

(c) After consulting with the Department of Motor Vehicles on the feasibility thereof, the Sacramento district board may provide, in the surcharge adopted pursuant to subdivision (a), to exempt from all or part of the surcharge any category of low-emission motor vehicle.

(d) Funds received by the Sacramento district pursuant to this section shall be used by that district as follows:

(1) The revenues resulting from the first four dollars (\$4) of each surcharge shall be used to implement reductions in emissions from vehicular sources, including, but not limited to, a clean fuels program and motor vehicle use reduction measures.

(2) The revenues resulting from the next two dollars (\$2) of each surcharge shall be used to implement the following programs that achieve emission reductions from vehicular sources and off-road engines, to the extent that the district determines the program remediates air pollution harms created by motor vehicles on which the surcharge is imposed:

(A) Projects eligible for grants under the Carl Moyer Memorial Air Quality Standards Attainment Program (Chapter 9 (commencing with Section 44275) of Part 5).

(B) The new purchase, retrofit, repower, or add-on of equipment for previously unregulated agricultural sources of air pollution, as defined in Section 39011.5, within the Sacramento district, for a minimum of three years from the date of adoption of an applicable rule or standard, or until the compliance date of that rule or standard, whichever is later, if the state board has determined that the rule or standard complies with Sections 40913, 40914, and 41503.1, after which period of time, a new purchase, retrofit, repower, or add-on of equipment shall not be funded pursuant to this chapter. The district shall follow any guidelines developed under subdivision (a) of Section 44287 for awarding grants under this program.

(C) The purchase of new schoolbuses or the repower or retrofit of emissions control equipment for existing schoolbuses pursuant to the Lower-Emission School Bus Program adopted by the state board.

(D) An accelerated vehicle retirement or repair program that is adopted by the state board pursuant to authority granted hereafter by the Legislature by statute.

(E) The replacement of onboard natural gas fuel tanks on schoolbuses that are 14 years or older or the enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure, pursuant to the Lower-Emission School Bus Program adopted by the state board.

(F) The funding of alternative fuel and electric infrastructure projects solicited and selected through a competitive bid process.

(e) Not more than 6.25 percent of the funds collected pursuant to this section shall be used by the district for administrative expenses.

(f) A project funded by the program shall not be used for credit under any state or federal emissions averaging, banking, or trading program. An emission reduction generated by the program shall not be used as marketable emission reduction credits or to offset any emission reduction obligation of any person or entity. Projects involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall generate surplus emissions reductions and may be funded by the program.

(g) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

**SEC. 2.** Section 44223 of the Health and Safety Code is amended to read:

**44223.** (a) In addition to any other fees specified in this code, the Vehicle Code, and the Revenue and Taxation Code, a district, except the Sacramento district, may levy a fee of up to two dollars (\$2) on motor vehicles registered within the district. A district may impose the fee only if the district board adopts a resolution providing for both the fee and a corresponding program for the reduction of air pollution from motor vehicles pursuant to, and for related planning, monitoring, enforcement, and technical studies necessary for the implementation of, the California Clean Air Act of 1988 (Chapter 1568 of the Statutes of 1988), or for the attainment or maintenance of state or federal ambient air quality standards or the reduction of toxic air contaminant emissions from motor vehicles.

(b) In districts with nonelected officials on their boards, a resolution adopted pursuant to subdivision (a) shall be approved by both a majority of the board and a majority of the board members who are elected officials.

(c) A fee imposed pursuant to this section shall become effective on either April 1 or October 1, as provided in the resolution adopted by the board pursuant to subdivision (a).

**SEC. 3.** Section 44225 of the Health and Safety Code, as amended by Section 6 of Chapter 401 of the Statutes of 2013, is amended to read:

**44225.** A district may increase the fee established under Section 44223 to up to six dollars (\$6). A district may increase the fee only if the following conditions are met:

(a) A resolution providing for both the fee increase and a corresponding program for expenditure of the increased fees for the reduction of air pollution from motor vehicles pursuant to, and for related planning, monitoring, enforcement, and technical studies necessary for the implementation of, the California Clean Air Act of 1988 (Chapter 1568 of the Statutes of 1988), or for the attainment or maintenance of state or federal ambient air quality standards or the reduction of toxic air contaminant emissions from motor vehicles, is adopted and approved by the governing board of the district.

(b) In districts with nonelected officials on their governing boards, the resolution shall be adopted and approved by both a majority of the governing board and a majority of the board members who are elected officials.

(c) An increase in fees established pursuant to this section shall become effective on either April 1 or October 1, as provided in the resolution adopted by the board pursuant to subdivision (a).

(d) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

**SEC. 4.** Section 44229 of the Health and Safety Code, as amended by Section 8 of Chapter 401 of the Statutes of 2013, is amended to read:

**44229.** (a) After deducting all administrative costs it incurs through collection of fees pursuant to Section 44227, the Department of Motor Vehicles shall distribute the revenues to districts, which shall use the revenues resulting from the first four dollars (\$4) of

each fee imposed to reduce air pollution from motor vehicles and to carry out related planning, monitoring, enforcement, and technical studies necessary for implementation of the California Clean Air Act of 1988 (Chapter 1568 of the Statutes of 1988). Fees collected by the Department of Motor Vehicles pursuant to this chapter shall be distributed to districts based upon the amount of fees collected from motor vehicles registered within each district.

(b) Notwithstanding Sections 44241 and 44243, a district shall use the revenues resulting from the next two dollars (\$2) of each fee imposed pursuant to Section 44227 to implement the following programs that the district determines remediate air pollution harms created by motor vehicles on which the surcharge is imposed:

(1) Projects eligible for grants under the Carl Moyer Memorial Air Quality Standards Attainment Program (Chapter 9 (commencing with Section 44275) of Part 5).

(2) The new purchase, retrofit, repower, or add-on equipment for previously unregulated agricultural sources of air pollution, as defined in Section 39011.5, for a minimum of three years from the date of adoption of an applicable rule or standard, or until the compliance date of that rule or standard, whichever is later, if the state board has determined that the rule or standard complies with Sections 40913, 40914, and 41503.1, after which period of time, a new purchase, retrofit, repower, or add-on of equipment shall not be funded pursuant to this chapter. The districts shall follow any guidelines developed under subdivision (a) of Section 44287 for awarding grants under this program.

(3) The purchase of new schoolbuses or the repower or retrofit of emissions control equipment for existing schoolbuses pursuant to the Lower-Emission School Bus Program adopted by the state board.

(4) An accelerated vehicle retirement or repair program that is adopted by the state board pursuant to authority granted hereafter by the Legislature by statute.

(5) The replacement of onboard natural gas fuel tanks on schoolbuses that are 14 years or older or the enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure, pursuant to the Lower-Emission School Bus Program adopted by the state board.

(6) The funding of alternative fuel and electric infrastructure projects solicited and selected through a competitive bid process.

(c) The Department of Motor Vehicles may annually expend not more than 1 percent of the fees collected pursuant to Section 44227 on administrative costs.

(d) A project funded by the program shall not be used for credit under any state or federal emissions averaging, banking, or trading program. An emission reduction generated by the program shall not be used as marketable emission reduction credits or to offset any emission reduction obligation of any person or entity. Projects involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall generate surplus emissions reductions and may be funded by the program.

(e) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

**SEC. 5.** Section 44233 of the Health and Safety Code is amended to read:

**44233.** Not more than 6.25 percent of the fees distributed to any district pursuant to Section 44229, or distributed by a district to any other public agency pursuant to this chapter, shall be used by the district or other public agency for administrative costs.

**SEC. 6.** Section 44275 of the Health and Safety Code, as amended by Section 15 of Chapter 401 of the Statutes of 2013, is amended to read:

**44275.** (a) As used in this chapter, the following terms have the following meanings:

(1) [Reserved]

(2) "Btu" means British thermal unit.

(3) "Commission" means the State Energy Resources Conservation and Development Commission.

(4) "Cost-effectiveness" means dollars provided to a project pursuant to subdivision (d) of Section 44283 for each ton of covered emission reduction attributed to a project or to the program as a whole. In calculating cost-effectiveness, one-time grants of funds made at the beginning of a project shall be annualized using a time value of public funds or discount rate determined for each project by the state board, taking into account the interest rate on bonds, interest earned by state funds,

and other factors as determined appropriate by the state board. Cost-effectiveness shall be calculated by dividing annualized costs by average annual emissions reduction. The state board, in consultation with the districts and concerned members of the public, shall establish appropriate cost-effective limits for oxides of nitrogen, particulate matter, and reactive organic gases and a reasonable system for comparing the cost-effectiveness of proposed projects as described in subdivision (a) of Section 44283.

(5) "Covered emissions" include emissions of oxides of nitrogen, particulate matter, and reactive organic gases from any covered source.

(6) "Covered engine" includes any internal combustion engine or electric motor and drive powering a covered source.

(7) "Covered source" includes onroad vehicles, off-road nonrecreational equipment and vehicles, locomotives, marine vessels, agricultural sources of air pollution, as defined in Section 39011.5, and, as determined by the state board, other categories necessary for the state and districts to meet air quality goals.

(8) "Covered vehicle" includes any vehicle or piece of equipment powered by a covered engine.

(9) "District" means a county air pollution control district or an air quality management district.

(10) "Fund" means the Air Pollution Control Fund established pursuant to Section 43015.

(11) "Incremental cost" means the cost of the project less a baseline cost that would otherwise be incurred by the applicant in the normal course of business. Incremental costs may include added lease, energy, or fuel costs pursuant to Section 44283 as well as incremental capital costs.

(12) "Liquidated" means that all moneys for a specified fiscal year have been spent by a district to reimburse grantees for valid and eligible project invoices and district administrative costs. Payments withheld from the grantee by a district until all contractual reporting requirements are met may be excluded from these amounts for the purposes of liquidation.

(13) "Mobile Source Air Pollution Reduction Review Committee" means the Mobile Source Air Pollution Reduction Review Committee created by Section 44244.

(14) "New very low emission vehicle" means a heavy-duty vehicle that qualifies as a very low emission vehicle when it is a new vehicle, where new vehicle has the same meaning as defined in Section 430 of the Vehicle Code, or that is modified with the approval and warranty of the original equipment manufacturer to qualify as a very low emission vehicle within 12 months of delivery to an owner for private or commercial use.

(15) "NOx" means oxides of nitrogen.

(16) "Program" means the Carl Moyer Memorial Air Quality Standards Attainment Program created by subdivision (a) of Section 44280.

(17) "Recaptured" means those moneys that are returned to a district or the state board by a grantee because that grantee did not meet contractual obligations.

(18) "Repower" means replacing an engine with a different engine. The term repower, as used in this chapter, generally refers to replacing an older, uncontrolled engine with a new, emissions-certified engine, although replacing an older emissions-certified engine with a newer engine certified to lower emissions standards may be eligible for funding under this program.

(19) "Retrofit" means making modifications to the engine and fuel system so that the retrofitted engine does not have the same specifications as the original engine.

(20) "Returned" means those moneys sent by a district to the state board for reallocation because those moneys are not liquidated by a liquidation deadline.

(21) "Schoolbus project" means the purchase of new schoolbuses or the repower or retrofit of emissions control equipment for existing schoolbuses.

(22) "Very low emission vehicle" means a heavy-duty vehicle with emissions significantly lower than otherwise applicable baseline emission standards or uncontrolled emission levels pursuant to Section 44282.

(b) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

**SEC. 7.** Section 44275 of the Health and Safety Code, as amended by Section 16 of Chapter 401 of the Statutes of 2013, is amended to read:

**44275.** (a) As used in this chapter, the following terms have the following meanings:

(1) [Reserved]

(2) "Btu" means British thermal unit.

(3) "Commission" means the State Energy Resources Conservation and Development Commission.

(4) "Cost-effectiveness" means dollars provided to a project pursuant to subdivision (d) of Section 44283 for each ton of NO<sub>x</sub> reduction attributed to a project or to the program as a whole. In calculating cost-effectiveness, one-time grants of funds made at the beginning of a project shall be annualized using a time value of public funds or discount rate determined for each project by the state board, taking into account the interest rate on bonds, interest earned by state funds, and other factors as determined appropriate by the state board. Cost-effectiveness shall be calculated by dividing annualized costs by average annual emissions reduction of NO<sub>x</sub> in this state.

(5) "Covered engine" includes any internal combustion engine or electric motor and drive powering a covered source.

(6) "Covered source" includes onroad vehicles of 14,000 pounds gross vehicle weight rating (GVWR) or greater, off-road nonrecreational equipment and vehicles, locomotives, diesel marine vessels, stationary agricultural engines, and, as determined by the state board, other high-emitting diesel engine categories.

(7) "Covered vehicle" includes any vehicle or piece of equipment powered by a covered engine.

(8) "District" means a county air pollution control district or an air quality management district.

(9) "Fund" means the Air Pollution Control Fund established pursuant to Section 43015.

(10) "Incremental cost" means the cost of the project less a baseline cost that would otherwise be incurred by the applicant in the normal course of business. Incremental costs may include added lease or fuel costs pursuant to Section 44283 as well as incremental capital costs.

(11) "Liquidated" means that all moneys for a specified fiscal year have been spent by a district to reimburse grantees for valid and eligible project invoices and district administrative costs. Payments withheld from the grantee by a district until all contractual reporting requirements are met may be excluded from these amounts for the purposes of liquidation.

(12) "Mobile Source Air Pollution Reduction Review Committee" means the Mobile Source Air Pollution Reduction Review Committee created by Section 44244.

(13) "New very low emission vehicle" means a vehicle that qualifies as a very low emission vehicle when it is a new vehicle, where new vehicle has the same meaning as defined in Section 430 of the Vehicle Code, or that is modified with the approval and warranty of the original equipment manufacturer to qualify as a very low emission vehicle within 12 months of delivery to an owner for private or commercial use.

(14) "NO<sub>x</sub>" means oxides of nitrogen.

(15) "Program" means the Carl Moyer Memorial Air Quality Standards Attainment Program created by subdivision (a) of Section 44280.

(16) "Recaptured" means those moneys that are returned to a district or the state board by a grantee because that grantee did not meet contractual obligations.

(17) "Repower" means replacing an engine with a different engine. The term repower, as used in this chapter, generally refers to replacing an older, uncontrolled engine with a new, emissions-certified engine, although replacing an older emissions-certified engine with a newer engine certified to lower emissions standards may be eligible for funding under this program.

(18) "Retrofit" means making modifications to the engine and fuel system such that the retrofitted engine does not have the same specifications as the original engine.

(19) "Returned" means those moneys sent by a district to the state board for reallocation because those moneys are not liquidated by a liquidation deadline.

(20) "Schoolbus project" means the purchase of new schoolbuses or the repower or retrofit of emissions control equipment for existing schoolbuses.

(21) "Very low emission vehicle" means a vehicle with emissions significantly lower than otherwise applicable baseline emission standards or uncontrolled emission levels pursuant to Section 44282.

(b) This section shall become operative on January 1, 2024.

**SEC. 8.** Section 44281 of the Health and Safety Code, as amended by Section 19 of Chapter 401 of the Statutes of 2013, is amended to read:

**44281.** (a) Eligible projects include, but are not limited to, any of the following:

- (1) Purchase of new very low or zero-emission covered vehicles or covered heavy-duty engines.
- (2) Emission-reducing retrofit of covered engines, or replacement of old engines powering covered sources with newer engines certified to more stringent emissions standards than the engine being replaced, or with electric motors or drives.
- (3) Purchase and use of emission-reducing add-on equipment that has been verified by the state board for covered vehicles.
- (4) Development and demonstration of practical, low-emission retrofit technologies, repower options, and advanced technologies for covered engines and vehicles with very low emissions of NOx.
- (5) Light- and medium-duty vehicle projects in compliance with guidelines adopted by the state board pursuant to Title 13 of the California Code of Regulations.

(b) No project shall be funded under this chapter after the compliance date required by any local, state, or federal statute, rule, regulation, memoranda of agreement or understanding, or other legally binding document, except that an otherwise qualified project may be funded even if the state implementation plan assumes that the change in equipment, vehicles, or operations will occur, if the change is not required by the compliance date of a statute, regulation, or other legally binding document in effect as of the date the grant is awarded. No project funded by the program shall be used for credit under any state or federal emissions averaging, banking, or trading program. No covered emission reduction generated by the program shall be used as marketable emission reduction credits or to offset any emission reduction obligation of any person or entity. Projects involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall generate surplus emissions reductions and may be funded by the program.

(c) The program may also provide funding toward the installation of fueling or energy infrastructure to fuel or power covered sources.

(d) Eligible applicants may be any individual, company, or public agency that owns one or more covered vehicles that operate primarily within California or otherwise contribute substantially to the NOx, particulate matter (PM), or reactive organic gas (ROG) emissions inventory in California.

(e) It is the intent of the Legislature that all emission reductions generated by this chapter shall contribute to public health by reducing, for the life of the vehicle being funded, the total amount of emissions in California.

(f) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

**SEC. 9.** Section 44282 of the Health and Safety Code, as amended by Section 21 of Chapter 401 of the Statutes of 2013, is amended to read:

**44282.** The following criteria apply to all projects to be funded through the program except for projects funded through the infrastructure demonstration program and infrastructure projects, pursuant to subdivision (c) of Section 44281 and Section 44284:

(a) The state board may establish project criteria, including minimum project life for source categories, in the guidelines described in Section 44287. For previously unregulated source categories, project criteria shall consider the timing of newly established regulatory requirements.

(b) To be eligible, projects shall meet the cost-effectiveness per ton of covered emissions reduced requirements of Section 44283.

(c) To be eligible, retrofits, repowers, and installation of add-on equipment for covered vehicles shall be performed, or new covered vehicles delivered to the end user, or covered vehicles scrapped on or after the date the program is implemented.

(d) Retrofit technologies, new engines, and new vehicles shall be certified for sale or under experimental permit for operation in California.

(e) Repower projects that replace older, uncontrolled engines with new, emissions-certified engines or that replace emissions-certified engines with new engines certified to a more stringent NOx emissions standard are approvable subject to the other

applicable selection criteria. The state board shall determine appropriate baseline emission levels for the uncontrolled engines being replaced.

(f) For heavy-duty-vehicle projects, retrofit and add-on equipment projects shall document a NO<sub>x</sub> or PM emission reduction of at least 25 percent and no increase in other covered emissions compared to the applicable baseline emissions accepted by the state board for that engine year and application. The state board shall determine appropriate baseline emission levels. Acceptable documentation shall be defined by the state board. After study of available emission reduction technologies and after public notice and comment, the state board may revise the minimum percentage emission reduction criterion for retrofits and add-on equipment provided for in this section to improve the ability of the program to achieve its goals.

(g) (1) For heavy-duty-vehicle projects involving the purchase of new very low or zero-emission vehicles, engines shall be certified to an optional low NO<sub>x</sub> emissions standard established by the state board, except as provided for in paragraph (2).

(2) For heavy-duty-vehicle projects involving the purchase of new very low or zero-emission covered vehicles for which no optional low NO<sub>x</sub> emission standards are available, documentation shall be provided showing that the low or zero-emission engine emits not more than 70 percent of the NO<sub>x</sub> or NO<sub>x</sub> plus hydrocarbon emissions of a new engine certified to the applicable baseline NO<sub>x</sub> or NO<sub>x</sub> plus hydrocarbon emission standard for that engine and meets applicable particulate standards. The state board shall specify the documentation required. If no baseline emission standard exists for new vehicles in a particular category, the state board shall determine an appropriate baseline emission level for comparison.

(h) For projects other than heavy-duty-vehicle projects, the state board shall determine appropriate criteria under the provisions of Section 44287.

(i) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

**SEC. 10.** Section 44283 of the Health and Safety Code, as amended by Section 23 of Chapter 401 of the Statutes of 2013, is amended to read:

**44283.** (a) (1) For all projects funded pursuant to this chapter, except for an infrastructure project described in subdivision (c) of Section 44281, the following cost-effectiveness criteria shall apply:

(A) (i) Project grants shall not be made that exceed cost-effectiveness values calculated in accordance with this section.

(ii) The state board, in collaboration with the districts, shall establish cost-effectiveness values in the guidelines issued pursuant to Section 44287, taking into consideration factors, including, but not limited to, the following:

(I) The cost of emission control technologies identified in Section 44281.

(II) The cost-effectiveness values for NO<sub>x</sub>, particulate matter, or reactive organic gases for any adopted rule or control measure in any district's approved state implementation plan, or rule adopted by the state board.

(iii) A grant for a schoolbus project shall not exceed the cost caps established in the Lower-Emission School Bus Program and consistent with Section 44299.901. The cost-effectiveness value for these projects shall be set forth in the guidelines issued pursuant to Section 44287.

(B) For projects obtaining reactive organic gas and particulate matter reductions, the state board shall determine appropriate adjustment factors to calculate a weighted cost-effectiveness value.

(2) When a district board approves funding for a project or project category, the district board shall include, in its agenda or supporting materials for the meeting approving funding for the project or project category, a brief statement of the rationale for funding that source category, including the basis for selection and the importance of that project type.

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

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

(d) The cost of the covered emission reduction is the amount of the grant from the program, including matching funds provided pursuant to subdivision (e) of Section 44287, or funding provided pursuant to paragraph (2) of subdivision (d) of Section 41081 or subdivision (b) of Section 44229, not including funds described in subdivision (a) of Section 44287.2. The state board shall establish reasonable methodologies for evaluating project cost-effectiveness, consistent with the definition contained in



paragraph (4) of subdivision (a) of Section 44275, and with accepted methods, taking into account a fair and reasonable discount rate or time value of public funds.

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

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

(g) For the purposes of determining any grant amount pursuant to this chapter, project proponents applying for funding shall be required to state in their application any other public financial assistance to the project.

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

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

(j) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

**SEC. 11.** Section 44286 of the Health and Safety Code is amended to read:

**44286.** (a) The responsibilities of the state board include management of program funds and program oversight. The state board is responsible for producing guidelines, protocols, and criteria for covered vehicle projects and developing methodologies for evaluating project cost-effectiveness in accordance with this chapter. The state board shall have primary responsibility for the reporting aspects of the program.

(b) The responsibilities of a district include local administration of project funds, monitoring funded projects, and reporting results to the state board, in accordance with this chapter. Any project funds awarded to a successful applicant shall be disbursed by the district.

(c) Relative to the allocation of funds in the south coast district, for purposes of this program, Mobile Source Air Pollution Reduction Review Committee funds shall only be used as matching funds upon approval, by minute action, of the Mobile Source Air Pollution Reduction Review Committee.

(d) The state board may reserve up to 10 percent of the program funds available each year to directly fund any project that is a covered source and is described in Section 44281. A project that is multidistrict in nature shall be funded by the state board in coordination with the appropriate districts. The state board shall coordinate outreach efforts with a participating district to ensure that any parallel availability of a district grant and a grant from the state board is clear to an eligible applicant. Reserved funds not committed to a project funded directly by the state board by the end of the fiscal year shall be made available to the districts in the following year.

(e) The commission, in consultation with the state board, shall manage the Advanced Technology Account and the Infrastructure Demonstration Program in accordance with this chapter.

(f) The state board shall work closely with the commission and the districts for the duration of this program to maximize the ability of the program to achieve its goals.

(g) The state board and the districts shall take all appropriate and necessary actions to ensure that emissions reductions achieved through the program are credited by the United States Environmental Protection Agency to the appropriate emission reduction objectives in the state implementation plan.

**SEC. 12.** Section 44287 of the Health and Safety Code, as amended by Section 25 of Chapter 401 of the Statutes of 2013, is amended to read:

**44287.** (a) The state board shall establish or update grant criteria and guidelines consistent with this chapter for covered vehicle and infrastructure projects as soon as practicable, but not later than July 1, 2017. The adoption of guidelines is exempt from the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). The state board shall solicit input and comment from the districts during the development of the criteria and guidelines and shall make every effort to develop criteria and guidelines that are compatible with existing district programs that are also consistent with this chapter. Guidelines shall include protocols to calculate project cost-effectiveness. The grant criteria and guidelines shall include safeguards to ensure that the project generates surplus emissions reductions. Guidelines shall enable and encourage districts to cofund projects that provide emissions reductions in more than one district. The state board shall make draft criteria and guidelines available to the public 45 days before final adoption, and shall hold at least one public meeting to consider public comments before final adoption. The state board may develop separate guidelines and criteria for the different types of eligible projects described in subdivision (a) of Section 44281.

(b) The state board, in consultation with the participating districts, may propose revisions to the criteria and guidelines established pursuant to subdivision (a) as necessary to improve the ability of the program to achieve its goals. A proposed revision shall be made available to the public 45 days before final adoption of the revision and the state board shall hold at least one public meeting to consider public comments before final adoption of the revision.

(c) The state board shall reserve funds for, and disburse funds to, districts from the fund for administration pursuant to this section and Section 44299.1.

(d) The state board shall develop guidelines for a district to follow in applying for the reservation of funds, in accordance with this chapter. It is the intent of the Legislature that district administration of any reserved funds be in accordance with the project selection criteria specified in Sections 44281, 44282, and 44283 and all other provisions of this chapter. The guidelines shall be established and published by the state board as soon as practicable, but not later than January 1, 2006.

(e) Funds shall be reserved by the state board for administration by a district that adopts an eligible program pursuant to this chapter and offers matching funds at a ratio of one dollar (\$1) of matching funds committed by the district or the Mobile Source Air Pollution Reduction Review Committee for every two dollars (\$2) committed from the fund. Funds available to the Mobile Source Air Pollution Reduction Review Committee may be counted as matching funds for projects in the South Coast Air Basin only if the committee approves the use of these funds for matching purposes. Matching funds may be any funds under the district's budget authority that are committed to be expended in accordance with the program. Funds committed by a port authority or a local government, in cooperation with a district, to be expended in accordance with the program may also be counted as district matching funds. Matching funds provided by a port authority or a local government shall not exceed 30 percent of the total required matching funds in any district that applies for more than three hundred thousand dollars (\$300,000) of the state board funds. Only a district, or a port authority or a local government teamed with a district, may provide matching funds.

(f) The state board may adjust the ratio of matching funds described in subdivision (e), if it determines that an adjustment is necessary in order to maximize the use of, or the air quality benefits provided by, the program, based on a consideration of the financial resources of the district.

(g) Notwithstanding subdivision (e), a district need not provide matching funds for state board funds allocated to the district for program outreach activities pursuant to paragraph (4) of subdivision (a) of Section 44299.1.

(h) A district may include within its matching funds a reasonable estimate of direct or in-kind costs for assistance in providing program outreach and application evaluation. In-kind and direct matching funds shall not exceed 15 percent of the total matching funds offered by a district. A district may also include within its matching funds any money spent on or after February 25, 1999, that would have qualified as matching funds but were not previously claimed as matching funds.

(i) A district desiring a reservation of funds shall apply to the state board following the application guidelines established pursuant to this section. The state board shall approve or disapprove a district application not later than 60 days after receipt. Upon approval of any district application, the state board shall simultaneously approve a reservation of funding for that district to administer. Reserved funds shall be disbursed to the district so that funding of a district-approved project is not impeded.

(j) Any funds reserved for a district by the state board pursuant to this section are available for disbursement to the district for a period of not more than two years from the time of reservation. Funds not liquidated by a district by June 30 of the fourth calendar year following the date of the reservation shall be returned to the state board within 90 days for future allocation pursuant to this chapter. Each reservation of funds shall be accounted for separately, and unused funds from each application shall revert back to the state board for use pursuant to this chapter as specified in this subdivision.

(k) The state board shall specify a date each year when district applications are due. If the eligible applications received in any year oversubscribe the available funds, the state board shall reserve funds on an allocation basis, pursuant to Section 44299.2. The state board may accept a district application after the due date for a period of months specified by the state board. Funds may be reserved in response to those applications, in accordance with this chapter, out of funds remaining after the original reservation of funds for the year.

(l) Guidelines for a district application shall require information from an applicant district to the extent necessary to meet the requirements of this chapter, but shall otherwise minimize the information required of a district.

(m) A district application shall be reviewed by the state board immediately upon receipt. If the state board determines that an application is incomplete, the applicant shall be notified within 10 working days with an explanation of what is missing from the application. A completed application fulfilling the criteria shall be approved as soon as practicable, but not later than 60 working days after receipt.

(n) The commission, in consultation with the districts, shall establish project approval criteria and guidelines for infrastructure projects consistent with Section 44284 as soon as practicable, but not later than February 15, 2000. The commission shall make draft criteria and guidelines available to the public 45 days before final adoption, and shall hold at least one public meeting to consider public comments before final adoption.

(o) The commission, in consultation with the participating districts, may propose revisions to the criteria and guidelines established pursuant to subdivision (n) as necessary to improve the ability of the program to achieve its goals. A revision may be proposed at any time, or may be proposed in response to a finding made in the annual report on the program published by the state board pursuant to Section 44295. A proposed revision shall be made available to the public 45 days before final adoption of the revision and the commission shall hold at least one public meeting to consider public comments before final adoption of the revision.

(p) Unclaimed funds will be allocated by the state board in accordance with Section 44299.2.

(q) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

**SEC. 13.** Section 44287.1 of the Health and Safety Code is amended to read:

**44287.1.** (a) The state board shall, at its first opportunity, revise the grant criteria and guidelines adopted pursuant to Section 44287 to incorporate projects in which an applicant turns in nonroad internal combustion technology and equipment that the applicant owns and that still has some useful life, coupled with the purchase of new nonroad zero-emission technology and equipment that is in a similar category or that can perform the same work.

(b) When it evaluates the benefits of a project described in subdivision (a), the state board shall count both of the following emission reduction streams, provided that they are real, enforceable, quantifiable, and surplus emission reductions:

(1) The displacement of the emissions from the older nonroad internal combustion technology and equipment for its remaining life with the new nonroad zero-emission technology and equipment.

(2) After the time period specified in paragraph (1), the displacement of emissions from new nonroad internal combustion technology and equipment meeting the emission standards in place at time of purchase, with the new nonroad zero-emission technology and equipment over its remaining life.

(c) A project described in subdivision (a) shall meet the cost-effectiveness criteria in Section 44283 and all other criteria of the program, including the requirement that the emission reductions be real, enforceable, quantifiable, and surplus.

(d) The incremental cost of a project described in subdivision (a) may include, at the discretion of the applicant, some or all of the reasonable salvage value of the nonroad internal combustion technology and equipment turned in, as determined by the state board. However, an applicant that elects to include these costs shall be required to meet the cost-effectiveness criteria in Section 44283.

**SEC. 14.** Section 44287.2 of the Health and Safety Code is amended to read:

**44287.2.** (a) By July 1, 2017, the state board shall revise project grant criteria and guidelines pursuant to Section 44287 to allow funds from federal, state, and local programs or other public funding sources to be used for a project also funded under this chapter without those additional public funds being factored into the criteria emission reduction cost-effectiveness calculations, if the projects are eligible under those programs and meet all criteria associated with those funding sources. Those other projects include, but are not limited to, any of the following:

(1) Federal funding from programs designed to reduce greenhouse gas emissions.

(2) State and local funding from programs designed to reduce greenhouse gas emissions, including the Greenhouse Gas Reduction Fund, created pursuant to Section 16428.8 of the Government Code, and the Alternative and Renewable Fuel and Vehicle Technology Program (Article 2 (commencing with Section 44272) of Chapter 8.9).

(3) Funding from programs designed to support energy diversity.

(4) Funding from programs that are intended to provide covered emissions reductions but do not require those reductions to be able to be credited to the state implementation plan.

(b) Nothing in this section authorizes the expenditure of funds for a project that does not meet all of the requirements of this chapter, including requirements that require cost sharing or the matching of funds. The sum of the total grants shall not exceed the project cost. The covered emissions reductions paid for pursuant to this chapter shall not be claimed by the other funding sources.

(c) Subdivision (a) shall not apply to funds used pursuant to paragraph (2) of subdivision (d) of Section 41081 or subdivision (b) of Section 44229.

**SEC. 15.** Section 44288 of the Health and Safety Code is amended to read:

**44288.** (a) An application for a project grant shall be reviewed by the administering district immediately upon receipt. If the administering district determines that an application is incomplete, the applicant shall be notified within 30 working days with an explanation of what is missing from the application. The date and time of receipt of each application determined to be complete shall be recorded and the completed application shall be evaluated with respect to the appropriate project selection criteria. A district shall make every effort to process an application and grant an award rapidly and to coordinate project approval with any purchase or installation timing constraint on an applicant. Notwithstanding any other provision of this chapter, the administering district may determine that an application is not in good faith, not credible, or not in compliance with this chapter and its objectives.

(b) A participating district may request assistance from the state board on an as-needed basis to clarify project evaluation protocols or to obtain information necessary to properly evaluate an application.

(c) An application for a grant for an infrastructure project shall be reviewed by the commission immediately upon receipt. If the commission determines that an application is incomplete, the applicant shall be notified within five working days with an explanation of what is missing from the application. The date and time of receipt of each application determined to be complete shall be recorded and the completed application shall be evaluated with respect to the appropriate project selection criteria. A complete grant application fulfilling the project selection criteria shall be approved as soon as practicable, but not later than 60 working days after receipt. Notwithstanding any other provision of this chapter, the commission may determine that an application is not in good faith, not credible, or not in compliance with this chapter and its objectives. The commission shall expedite the processing of an application and shall grant an award as rapidly as possible.

(d) Funds shall be awarded in conjunction with the execution of a contract that obligates the state board or a participating district to make the grant and obligates the grantee to take the actions described in the grant application. A contract shall incorporate the recapturing provisions contained in subdivision (c) of Section 44291.

**SEC. 16.** Section 44291 of the Health and Safety Code is amended to read:

**44291.** (a) The state board shall assist districts with developing procedures to monitor whether the emission reductions projected in successful grant applications are actually achieved. Monitoring procedures may include project audits, and may also include requirements, as part of the contract between the state board or districts and the grant recipients, that each grant recipient provide information about the project on an annual basis. Information required from grant recipients should be minimized and the format for reporting the information should be made simple and convenient.

(b) As soon as practicable, the state board, in consultation with the districts, shall publish procedures to monitor and audit infrastructure projects. These procedures shall ensure that the amount of qualifying fuel dispensed annually is greater than or equal to the amount upon which the grant award is based and that any project qualifying for funding on the basis of public accessibility or limited public accessibility is, in fact, providing that accessibility.

(c) The monitoring and auditing procedures shall be sufficient to allow emission reductions generated to be fully credited to air quality plans. The monitoring procedures shall contain provisions for recapturing grant awards in proportion to any loss of emission reductions or underachievement in dispensing qualifying fuel compared with the reductions and fuel dispensing

projected in the grant application. Monitoring and auditing procedures shall be revised as appropriate to enhance program effectiveness.

(d) The state board shall monitor district programs to ensure that participating districts conduct their programs consistent with the criteria and guidelines established by the state board and the commission pursuant to this chapter. The monitoring procedures shall contain provisions for return of funds not yet awarded to approved projects if a district fails to show that they are implementing a program consistent with the approved program. If the state board determines, pursuant to this subdivision, that moneys from the fund allocated to a district should be returned, the state board shall hold at least one public meeting to consider public comments prior to requiring the return of the allocated funds. The state board shall make every effort to assist districts to implement programs in an approved manner and shall only require the return of allocated funds if these efforts fail to address problems adequately. Returned funds shall be deposited in the fund. The state board shall not require the return of funds already awarded to approved projects.

(e) Program funds recaptured as a result of a settlement agreement executed by the state board shall be returned to the district that provided the funds to the grant recipient. A penalty resulting from a settlement agreement executed by the state board with a grant recipient or from a civil action brought by the Attorney General shall be deposited in the fund.

**SEC. 17.** Section 44299.1 of the Health and Safety Code, as amended by Section 28 of Chapter 401 of the Statutes of 2013, is amended to read:

**44299.1.** (a) To ensure that emission reductions are obtained as needed from pollution sources, any moneys deposited in the fund for use by the program or appropriated to the program shall be segregated and administered as follows:

(1) Not more than 2.5 percent of the moneys in the fund for use by the program shall be allocated to program support and outreach costs incurred by the state board and the commission directly associated with implementing the program pursuant to this chapter. These funds shall be allocated to the state board and the commission in proportion to total program funds administered by the state board and the commission.

(2) Not more than 2.5 percent of the moneys in the fund for use by the program shall be allocated to direct program outreach activities. The state board may use these funds for program outreach contracts or may allocate outreach funds to participating districts in proportion to each district's allocation from the program moneys in the fund. The state board shall report on the use of outreach funds in their reports to the Legislature pursuant to Section 44295.

(3) The balance shall be deposited in the fund to be expended to offset added costs of new very low or zero-emission vehicle technologies, and emission reducing repowers, retrofits, and add-on equipment for covered vehicles and engines, and other projects specified in Section 44281.

(b) Moneys in the fund shall be allocated to a district that submits an eligible application to the state board pursuant to Section 44287. The state board shall determine the maximum amount of annual funding from the fund for use by the program that each district may receive. This determination shall be based on the population in each district as well as the relative importance of obtaining covered emission reductions in each district, specifically through the program.

(c) Not more than 6.25 percent of the moneys allocated pursuant to this chapter to a district with a population of one million or more may be used by the district for indirect costs of implementation of the program, including outreach costs that are subject to the limitation in paragraph (2) of subdivision (a).

(d) Not more than 12.5 percent of the moneys allocated pursuant to this chapter to a district with a population of less than one million may be used by the district for indirect costs of implementation of the program, including outreach costs that are subject to the limitation in paragraph (2) of subdivision (a).

**SEC. 18.** Section 44299.1 of the Health and Safety Code, as amended by Section 29 of Chapter 401 of the Statutes of 2013, is repealed.

**SEC. 19.** Section 44299.2 of the Health and Safety Code is amended to read:

**44299.2.** Funds shall be allocated to districts, and shall be subject to administrative terms and conditions as follows:

(a) Available funds shall be distributed to districts taking into consideration the population of the area, the severity of the air quality problems experienced by the population, and the historical allocation of the program funds, except that the south coast district shall be allocated a percentage of the total funds available to districts that is proportional to the percentage of the total state population residing within the jurisdictional boundaries of that district. For the purposes of this subdivision, population shall be determined by the state board based on the most recent data provided by the Department of Finance. The allocation to the south coast district shall be subtracted from the total funds available to districts. Each district, except the south coast district, shall

be awarded a minimum allocation of two hundred thousand dollars (\$200,000), and the remainder, which shall be known as the "allocation amount," shall be allocated to all districts as follows:

(1) The state board shall distribute 35 percent of the allocation amount to the districts in proportion to the percentage of the total residual state population that resides within each district's boundaries. For purposes of this paragraph, "total residual state population" means the total state population, less the total population that resides within the south coast district.

(2) The state board shall distribute 35 percent of the allocation amount to the districts in proportion to the severity of the air quality problems to which each district's population is exposed. The severity of the exposure shall be calculated as follows:

(A) Each district shall be awarded severity points based on the district's attainment designation and classification, as most recently promulgated by the federal Environmental Protection Agency for the National Ambient Air Quality Standard for ozone averaged over eight hours, as follows:

(i) A district that is designated attainment for the federal eight-hour ozone standard shall be awarded one point.

(ii) A district that is designated nonattainment for the federal eight-hour ozone standard shall be awarded severity points based on classification. Two points shall be awarded for transitional, basic, or marginal classifications, three points for moderate classification, four points for serious classification, five points for severe classification, six points for severe-17 classification, and seven points for extreme classification.

(B) Each district shall be awarded severity points based on the annual diesel particulate emissions in the air basin, as determined by the state board. One point shall be awarded to the district, in increments, for each 1,000 tons of diesel particulate emissions. In making this determination, 0 to 999 tons shall be awarded no points, 1,000 to 1,999 tons shall be awarded one point, 2,000 to 2,999 tons shall be awarded two points, and so forth. If a district encompasses more than one air basin, the air basin with the greatest diesel particulate emissions shall be used to determine the points awarded to the district. The San Diego County Air Pollution Control District and the Imperial County Air Pollution Control District shall be awarded one additional point each to account for annual diesel particulate emissions transported from Mexico.

(C) The points awarded under subparagraphs (A) and (B), shall be added together for each district, and the total shall be multiplied by the population residing within the district boundaries, to yield the local air quality exposure index.

(D) The local air quality exposure index for each district shall be summed together to yield a total state exposure index. Funds shall be allocated under this paragraph to each district in proportion to its local air quality exposure index divided by the total state exposure index.

(3) The state board shall distribute 30 percent of the allocation amount to the districts in proportion to the allocation of funds from the program moneys in the fund, as follows:

(A) Because each district is awarded a minimum allocation pursuant to subdivision (a), there shall be no additional minimum allocation from the program historical allocation funds. The total amount allocated in this way shall be subtracted from total funding previously awarded to the district under the program, and the remainder, which shall be known as directed funds, shall be allocated pursuant to subparagraph (B).

(B) Each district with a population that is greater than or equal to 1 percent of the state's population shall receive an additional allocation based on the population of the district and the district's relative share of emission reduction commitments in the state implementation plan to attain the National Ambient Air Quality Standard for ozone averaged over one hour. This additional allocation shall be calculated as a percentage share of the directed funds for each district, derived using a ratio of each district's share amount to the base amount, which shall be calculated as follows:

(i) The base amount shall be the total program funds allocated by the state board to the districts in the 2002–03 fiscal year, less the total of the funds allocated through the minimum allocation to each district in the 2002–03 fiscal year.

(ii) The share amount shall be the allocation that each district received in the 2002–03 fiscal year, not including the minimum allocation. There shall be one share amount for each district.

(iii) The percentage share shall be calculated for each district by dividing the district's share amount by the base amount, and multiplying the result by the total directed funds available under this subparagraph.

(b) Funds shall be distributed as expeditiously as reasonably practicable, and a report of the distribution shall be made available to the public.

(c) All funds allocated pursuant to this section shall be liquidated as provided for in the guidelines adopted pursuant to Section 44287 by June 30 of the fourth year following the year of allocation. Funds not liquidated within the four years shall be returned to

the state board within 90 days for future allocation pursuant to this chapter.