AB-1389 Clean Transportation Program: project funding preferences. (2021-2022)

Date Published: 09/19/2022 02:00 PM

Assembly Bill No. 1389

CHAPTER 339

An act to amend Section 44272 of the Health and Safety Code, relating to air pollution.

[Approved by Governor September 16, 2022. Filed with Secretary of State September 16, 2022.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1389, Reyes. Clean Transportation Program: project funding preferences.

Existing law establishes the Clean Transportation Program, administered by the State Energy Resources Conservation and Development Commission, to provide funding to certain entities to develop and deploy innovative technologies that transform California's fuel and vehicle types to help attain the state's climate change policies. Existing law requires the commission to give preference to those projects that maximize the goals of the program based on specified criteria.

This bill would expand the list of criteria that a project is required to meet in order to be given preference for funding by the commission to include that the project is in a nonattainment area, as specified, and that the project advances the comprehensive strategy for vehicles, as provided.

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

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

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

(a) The transportation sector is a major emitter of criteria air pollutants and greenhouse gases that drive climate change.

(b) Air pollutants that result from transportation emissions are harmful to human health. Moreover, the impact of this pollution falls disproportionately on communities of color. In that regard, a study from the Union of Concerned Scientists has found that, on average, African American, Latino, and Asian Californians are exposed to dangerous particulate matter exhaust from cars and trucks at levels 43 to 21 percent, inclusive, higher than White Californians.

(c) The transportation sector is the biggest contributor to greenhouse gas emissions. Tailpipe emissions from the transportation sector accounts for over 40 percent of all greenhouse gas emissions statewide.

(d) Californians are experiencing the impacts of climate change. These impacts include wildfires, intense storms, flooding, heat waves, hazardous air quality, and drought, and will worsen. Urgent action is necessary to limit the disruption and cost to Californians and the California economy.

(e) Governor Jerry Brown and Governor Gavin Newsom have issued executive orders establishing ambitious goals for zero-emission vehicle deployment, including having 5,000,000 zero-emission vehicles (ZEVs) on the road by 2030 and, most recently,

a goal that 100 percent of in-state sales of new passenger cars and trucks will be zero-emission by 2035, and that 100 percent of medium- and heavy-duty vehicles in California be zero emission by 2045 where feasible.

(f) California has created numerous programs to reduce the greenhouse gas and criteria pollutant emissions of the transportation sector that are administered by many different agencies, including, but not limited to, the State Air Resources Board, the Public Utilities Commission, the State Energy Resources Conservation and Development Commission, the Governor's Office of Business and Economic Development, the Department of Transportation, and the Department of General Services.

(g) Funding for these programs comes from many sources, including revenues from the California Greenhouse Gas Cap-and-Trade Program (Article 5 (commencing with Section 95801) of Title 17 of the California Code of Regulations), funding from the Low Carbon Fuel Standard program (Subarticle 7 (commencing with Section 95480) of Title 17 of the California Code of Regulations), revenues raised from the Road Repair and Accountability Act of 2017 (Chapter 5 of the Statutes of 2017), and various other taxes and fees established in Assembly Bill 118 (Chapter 750 of the Statutes of 2007) and reestablished in Assembly Bill 8 (Chapter 401 of the Statutes of 2013).

(h) Meeting the state's ZEV goals will require innovation and effort from companies in California, the United States, and around the world. Many global automakers have been developing, and are accelerating the development of, ZEV vehicles. But public subsidies will be necessary for some period of time, especially as the state ensures that its transportation sustainability efforts reach all ethnic, geographic, and demographic groups.

(i) Some studies suggest that light-duty passenger electric vehicles will be cost comparable to traditional passenger vehicles in just a few years. Cost comparability for medium- and heavy-duty vehicles will take significantly longer.

(j) Medium- and heavy-duty and off-road mobile sources are responsible for 13 percent of greenhouse gas emissions in the state and 67 percent of NOx emissions. Light-duty sources emit 28 percent of greenhouse gas emissions in the state and 13 percent of NOx emissions.

(k) Current funding levels for the state's transportation sustainability programs were not set to meet its current ZEV deployment goals. As an example, the funding levels for the Alternative and Renewable Fuel and Vehicle Technology Program were established in 2007, well before the current ZEV goals were established.

(l) The amount of public subsidy needed to meet the current ZEV goals and broader greenhouse gas emissions reduction and air pollution reduction goals, specifically from the transportation sector, is unknown. The state's clean transportation programs should raise sufficient funding so that, in conjunction with federal subsidy programs, private sector investment, and other state and federal regulatory actions, the state will achieve its goals.

SEC. 2. Section 44272 of the Health and Safety Code is amended to read:

44272. (a) The Clean Transportation Program is hereby created. The program shall be administered by the commission. The commission shall implement the program by regulation pursuant to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The program shall provide, upon appropriation by the Legislature, competitive grants, revolving loans, loan guarantees, loans, or other appropriate funding measures to public agencies, California federally recognized tribes, tribal organizations, vehicle and technology entities, businesses and projects, public-private partnerships, workforce training partnerships and collaboratives, fleet owners, consumers, recreational boaters, and academic institutions to develop and deploy innovative technologies that transform California's fuel and vehicle types to help attain the state's climate change policies. The emphasis of this program shall be to develop and deploy technology and alternative and renewable fuels in the marketplace, without adopting any one preferred fuel or technology.

(b) A project that receives more than seventy-five thousand dollars ($75,000) in funds from the commission shall be approved at a noticed public meeting of the commission and shall be consistent with the priorities established by the investment plan adopted pursuant to Section 44272.5. Under this article, the commission may delegate to the commission's executive director, or the executive director's designee, the authority to approve either of the following:

(1) A contract, grant, loan, or other agreement or award that receives seventy-five thousand dollars ($75,000) or less in funds from the commission.

(2) Amendments to a contract, grant, loan, or other agreement or award as long as the amendments do not increase the amount of the award, change the scope of the project, or modify the purpose of the agreement.

(c) The commission shall provide preferences to those projects that maximize the goals of the Clean Transportation Program, based on the following criteria, as applicable:

(1) The project's ability to provide a measurable transition from the nearly exclusive use of petroleum fuels to a diverse portfolio of viable alternative fuels that meet petroleum reduction and alternative fuel use goals.

(2) The project's consistency with existing and future state climate change policy and low-carbon fuel standards.

(3) The project's ability to reduce criteria air pollutants and air toxics and reduce or avoid multimedia environmental impacts.

(4) The project's ability to decrease, on a life-cycle basis, the discharge of water pollutants or any other substances known to damage human health or the environment, in comparison to the production and use of California Phase 2 Reformulated Gasoline or diesel fuel produced and sold pursuant to California diesel fuel regulations set forth in Article 2 (commencing with Section 2280) of Chapter 5 of Division 3 of Title 13 of the California Code of Regulations.

(5) The project does not adversely impact the sustainability of the state's natural resources, especially state and federal lands.

(6) The project provides nonstate matching funds. Costs incurred from the date a proposed award is noticed may be counted as nonstate matching funds. The commission may adopt further requirements for the purposes of this paragraph. The commission is not liable for costs incurred pursuant to this paragraph if the commission does not give final approval for the project or the proposed recipient does not meet requirements adopted by the commission pursuant to this paragraph.

(7) The project provides economic benefits for California by promoting California-based technology firms, jobs, and businesses.

(8) The project uses existing or proposed fueling infrastructure to maximize the outcome of the project.

(9) The project's ability to reduce on a life-cycle assessment greenhouse gas emissions by at least 10 percent, and higher percentages in the future, from current reformulated gasoline and diesel fuel standards established by the state board.

(10) The project's use of alternative fuel blends of at least 20 percent, and higher blend ratios in the future, with a preference for projects with higher blends.

(11) The project drives new technology advancement for vehicles, vessels, engines, and other equipment, and promotes the deployment of that technology in the marketplace.

(12) The project's ability to transition workers to, or promote employment in, the alternative and renewable fuel and vehicle technology sector.

(13) The project is in a nonattainment area pursuant to the federal Clean Air Act (42 U.S.C. Sec. 7401 et seq.), and, if applicable, preference shall be given to projects in the highest designation of nonattainment.

(14) The project advances the comprehensive strategy for vehicles pursuant to Section 43024.2.

(d) The commission shall rank applications for projects proposed for funding awards based on solicitation criteria developed in accordance with subdivision (c), and shall give additional preference to funding those projects with higher benefit-cost scores.

(e) Only the following shall be eligible for funding:

(1) Alternative and renewable fuel projects to develop and improve alternative and renewable low-carbon fuels, including electricity, ethanol, dimethyl ether, renewable diesel, natural gas, hydrogen, and biomethane, among others, and their feedstocks that have high potential for long-term or short-term commercialization, including projects that lead to sustainable feedstocks.

(2) Demonstration and deployment projects that optimize alternative and renewable fuels for existing and developing engine technologies.

(3) Projects to produce alternative and renewable low-carbon fuels in California.

(4) Projects to decrease the overall impact of an alternative and renewable fuel's life-cycle carbon footprint and increase sustainability.

(5) Alternative and renewable fuel infrastructure, fueling stations, and equipment. The preference in paragraph (10) of subdivision (c) shall not apply to renewable diesel or biodiesel infrastructure, fueling stations, and equipment used solely for renewable diesel or biodiesel fuel.

(6) Projects to develop and improve light-, medium-, and heavy-duty vehicle technologies that provide for better fuel efficiency and lower greenhouse gas emissions, alternative fuel usage and storage, or emission reductions, including propulsion systems, advanced internal combustion engines with a 40 percent or better efficiency level over the current market standard, lightweight materials, intelligent transportation systems, energy storage, control systems and system integration, physical measurement and metering systems and software, development of design standards and testing and certification protocols, battery recycling and reuse, engine and fuel optimization electronic and electrified components, hybrid technology, plug-in hybrid technology,

battery electric vehicle technology, fuel cell technology, and conversions of hybrid technology to plug-in technology through the installation of safety certified supplemental battery modules.

(7) Programs and projects that accelerate the commercialization of vehicles and alternative and renewable fuels, including buy-down programs through near-market and market-path deployments, advanced technology warranty or replacement insurance, development of market niches, supply-chain development, and research related to the pedestrian safety impacts of vehicle technologies and alternative and renewable fuels.

(8) Programs and projects to retrofit medium- and heavy-duty on-road and nonroad vehicle fleets with technologies that create higher fuel efficiencies, including alternative and renewable fuel vehicles and technologies, idle management technology, and aerodynamic retrofits that decrease fuel consumption.

(9) Infrastructure projects that promote alternative and renewable fuel infrastructure development connected with existing fleets, public transit, and existing transportation corridors, including physical measurement or metering equipment and truck stop electrification.

(10) Workforce training programs related to the development and deployment of technologies that transform California's fuel and vehicle types and assist the state in implementing its climate change policies, including, but not limited to, alternative and renewable fuel feedstock production and extraction; renewable fuel production, distribution, transport, and storage; high-performance and low-emission vehicle technology and high tower electronics; automotive computer systems; mass transit fleet conversion, servicing, and maintenance; and other sectors or occupations related to the purposes of this chapter, including training programs to transition dislocated workers affected by the state's greenhouse gas emission policies, including those from fossil fuel sectors, or training programs for low-skilled workers to enter or continue in a career pathway that leads to middle skill, industry-recognized credentials or state-approved apprenticeship opportunities in occupations related to the purposes of this chapter.

(11) Block grants or incentive programs administered by public entities or not-for-profit technology entities for multiple projects, education and program promotion within California, and development of alternative and renewable fuel and vehicle technology centers. The commission may adopt guidelines for implementing the block grant or incentive program, which shall be approved at a noticed public meeting of the commission.

(12) Life-cycle and multimedia analyses, sustainability and environmental impact evaluations, and market, financial, and technology assessments performed by a state agency to determine the impacts of increasing the use of low-carbon transportation fuels and technologies, and to assist in the preparation of the investment plan and program implementation.

(13) A program to provide funding for homeowners who purchase a plug-in electric vehicle to offset costs associated with modifying electrical sources to include a residential plug-in electric vehicle charging station. In establishing this program, the commission shall consider funding criteria to maximize the public benefit of the program.

(f) The commission may make a single source or sole source award pursuant to this section for applied research. The same requirements set forth in Section 25620.5 of the Public Resources Code shall apply to awards made on a single source basis or a sole source basis. This subdivision does not authorize the commission to make a single source or sole source award for a project or activity other than for applied research.

(g) The commission may do all of the following:

(1) Contract with the Treasurer to expend funds through programs implemented by the Treasurer, if the expenditure is consistent with all of the requirements of this article and Article 1 (commencing with Section 44270).

(2) Contract with small business financial development corporations established by the Governor's Office of Business and Economic Development to expend funds through the Small Business Loan Guarantee Program if the expenditure is consistent with all of the requirements of this article and Article 1 (commencing with Section 44270).

(3) Advance funds, pursuant to an agreement with the commission, to any of the following:

(A) A public entity.

(B) A recipient to enable it to make advance payments to a public entity that is a subrecipient of the funds and under a binding and enforceable subagreement with the recipient.

(C) An administrator of a block grant program.

(h) The commission shall collaborate with entities that have expertise in workforce development to implement the workforce development components of this section, including, but not limited to, the California Workforce Development Board, the

Employment Training Panel, the Employment Development Department, and the Division of Apprenticeship Standards.