

# AGENDA

## ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MARCH 21, 2018

9:30 A.M. - STATE CAPITOL ROOM 447

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## VOTE-ONLY

**3900 AIR RESOURCES BOARD****VOTE-ONLY ISSUE 1: BASELINE SUPPORT ADJUSTMENT**

The Governor's budget requests \$622,000 one-time from various funds to support three permanent positions and three one-year limited term positions and \$417,000 ongoing from various funds to support the increased workload in the Administrative Services Division and the Office of Informational Services and to mitigate audit-identified security deficiencies.

**Fund Summary**

	FY 2018-19	FY 2019-20 and Ongoing
0044 - Motor Vehicle Account, State Transportation Fund	266	178
0106 - Department of Pesticide Regulation Fund	1	1
0115 - Air Pollution Control Fund	164	110
0421 - Vehicle Inspection and Repair Fund	22	15
0434 - Air Toxics Inventory and Assessment Account	1	0
0890 - Federal Trust Fund	27	18
3046 - Oil, Gas, and Geothermal Administrative Fund	3	2
3119 - Air Quality Improvement Fund	3	2
3228 - Greenhouse Gas Reduction Fund	36	24
3237 - Cost of Implementation Account, Air Pollution Control Fund	99	67
<b>Total State Operations Expenditures</b>	<b>\$622</b>	<b>\$417</b>
<b>Total All Funds</b>	<b>\$622</b>	<b>\$417</b>

The Administrative Services Division (ASD) and the Office of Information Services (OIS) support the CARB, along with the CalEPA through an interagency agreement. ASD serves as the sole interface with various control agencies for both CARB and CalEPA, and OIS services the IT needs for both.

CARB's budget has grown by 410 percent with technical program staffing increasing by 54 percent (523.7 positions) since 2004-05. Staffing in ASD and OIS has not grown proportionally in this time.

A 2016 audit by the Department of Technology revealed several deficiencies with IT security at CARB. CARB redirected staff to address some of the more critical deficiencies, which further compounds the limited resources at ASD and OIS.

**Staff Recommendation: Approve as Budgeted.**

**VOTE-ONLY ISSUE 2: CARL MOYER PROGRAM EXPANSION (AB 1274)**

The Governor's budget requests: (1) \$428,000 ongoing from the Air Pollution Control Fund, (2) three permanent full-time positions (one position to be phased in each fiscal year between 2018-19 and 2020-21), and (3) to increase the Moyer Program's Local Assistance spending authority to align authority with the new revenues generated in AB 1274 (O'Donnell, Chapter 633, Statutes of 2017).

The Moyer Program is a grant program that funds the incremental cost of cleaner engines and equipment to obtain emission reductions beyond those required by adopted rules and regulations. AB 1274 (O'Donnell, Chapter 633, Statutes of 2017) exempts seven and eight year old vehicles from the Smog Check program beginning in 2019, in exchange for payment of a \$25 fee, with \$21 from that fee directed to the Moyer Program.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 3: DIESEL REGULATION COMPLIANCE DATABASE**

The Governor's budget requests \$600,000 one-time from the Motor Vehicle Account to implement provisions of SB 1 (Beall, Chapter 5, Statutes of 2017) by developing a joint database with DMV containing information on vehicle registration and information on vehicle compliance with CARB's Truck and Bus Regulation and other regulations.

SB 1 (Beall, Chapter 5, Statutes of 2017) provides funding for transportation infrastructure. SB 1 also requires CARB to establish programs to reduce emissions from motor vehicles and to work with other State agencies on air quality and greenhouse gas-related elements in the bill. The proposed joint database would allow DMV to verify that a medium-duty or heavy-duty vehicle is compliant with or exempt from CARB's Truck and Bus Regulation before allowing registration.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 4: FUND SHIFT FOR SHORT-LIVED CLIMATE POLLUTANTS**

The Governor's budget requests to shift five positions and \$1,415,000 (including \$545,000 in contracts) from the Air Pollution Control Fund to the Cost of Implementation Account for continued support of the 2016-17 Short-Lived Climate Pollutant proposal.

The 2016 budget act enacted the Short-Lived Climate Pollutant proposal with funding from the Air Pollution Control Fund but directed the ARB to identify an alternate fund source for the program in future years. With the inclusion of the Short-Lived Climate Pollutants in the Scoping Plan, this proposal requests to shift these resources to the Cost of Implementation Account on a permanent basis.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 5: SCHOOL BUS FLEET REPLACEMENT**

The Governor's budget requests \$813,000 one-time from Proposition 40 for local assistance. Proposition 40, passed by voters in 2002, provides \$2.6 billion for parks, recreation areas, historical resources, and for land, air, water conservation programs.

The Legislature has appropriated \$48,250,000 of the \$49,063,000 that is earmarked in the bond for CARB. CARB used the funds to clean-up the emissions of older school buses through either replacements or retrofits through the Lower-Emission School Bus Program. To date, CARB has used all of its appropriated Proposition 40 funds and has spent over \$200,000,000 additional funds from various programs.

Due to lower-than-expected bond costs, there are additional funds remaining in the bond. The amount requested represents the remaining balance of CARB's allotment of Proposition 40 bond funds.

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**Staff Recommendation: Approve as Budgeted.**

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**0540 NATURAL RESOURCES AGENCY**

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**VOTE-ONLY ISSUE 6: BONDS AND GRANT UNIT**

The Governor's budget requests to make six limited term positions permanent within the Bonds and Grants Unit. The funding for these positions is in the Agency's baseline budget, which comes from Proposition 1, Proposition 84 and the Greenhouse Gas Reduction Fund.

The Bonds and Grants Unit at the Natural Resources Agency operates six programs with funding from nine different sources:

- Environmental Enhancement and Mitigation Program (EEMP) - \$7 to 10 million annually.
- Museum Grant Program/CCHE - \$122 million total from 2002-2012, \$3-\$4 million over the next 2 years, and then \$500,000-\$2 million every two years afterwards.
- River Parkways Program - \$45 million under Proposition 12, \$35 million under Proposition 13, \$75 million under Proposition 40, \$100 million under Proposition 50, and \$62 million under Proposition 84.
- Urban Greening Program - \$70 million under Proposition 84, and \$80 million through the Greenhouse Gas Reduction Fund.
- Sierra Nevada Cascades Program - \$30 million under Proposition 50.
- Watershed and Urban Rivers Enhancement Program (Urban Rivers) - \$20 million under Proposition 1.
- Central Valley Project Improvement Act (CVPIA) - \$89.15 under Proposition 1.

From these programs, there are currently 258 active projects, an additional 67 projects pending award, and 350 closed projects that require monitoring. Funding for programs has been consistently allocated to the Bonds and Grants Unit through six bond measures from 2000-2014, through the Greenhouse Gas Reduction Fund, and through ongoing funding from the EEMP and Museum Grant Program.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 7: CALIFORNIA OCEAN PROTECTION COUNCIL- ONCE THROUGH COOLING**

The Governor's budget requests \$5.4 million annually from the State Water Resources Control Board's Once-Through-Cooling (OTC) Interim Mitigation Program payments to the Ocean Protection Trust Fund to fund projects identified as necessary to mitigate the harm to Marine Protected Areas (MPA) caused by entrainment and impingement of marine life as a result of OTC. This proposal also seeks to make two limited term positions permanent.

California's OTC Policy establishes technology based standards for covered power plants to reduce the harmful effects associated with cooling water intake structures on marine and estuarine life. The Policy requires power plants that are not in compliance by October 2015 to either perform or pay for mitigation activities to account for the negative impacts between October 2015 and the date of the plants' full compliance with the Policy. The funds are then used to offset the impacts of OTC by supporting the currently unfunded needs of the statewide MPA network.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 8: NATURAL RESOURCES CONSERVATION MONITORING AND STEWARDSHIP PROGRAM**

The Governor's budget requests \$700,000 annually from the Environmental License Plate Fund for state operations and four permanent, full-time positions to administer a project-monitoring program within the Agency. The program will conduct on-going compliance monitoring of projects funded by Agency departments and conservancies.

The California Natural Resources Agency (CNRA) is comprised of thirty departments and conservancies, most of which operate conservation and restoration programs funded by a variety of sources, but primarily bond funds. Each of these departments is required to monitor projects and easements to confirm compliance with agreements and to assess conservation impacts on lands and ecological systems. There are currently over 16,000 active and completed projects across CNRA departments. Funding for department support costs is typically limited to five percent of the original bond allocation, which has not been sufficient to support a department's tracking and monitoring of completed projects over the long run to ensure that the projects continue to deliver benefits for the 35 years and beyond, as is expected for capital projects funded by bonds.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 9: PROPOSITION 1 BOND AUDITING**

The Governor's budget requests \$11.13 million one-time in Proposition 1 funding to be appropriated over the life of the bond for auditing services provided by the Department of Finance Office of Audits and Evaluation, of which \$540,000 is appropriated in fiscal year 2018-19. This request will scale Proposition 1 funding for audit services over the life of the bond, with the majority of audit services being performed in the mid-years, when programs and projects are fully underway or completed and have the highest amount of projects and related expenditures to audit.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 10: VARIOUS TECHNICAL ADJUSTMENTS**

The Governor's budget requests for various technical reappropriations, reversions, reversions with associated new appropriations, and baseline appropriation adjustments to continue implementation of previously authorized programs. This proposal also requests authorization of two new accounting positions for the Department of Forestry and Fire Protection to support administration of bond funds for the Secretary of the Natural Resources Agency. These two positions will be funded from existing resources and used to fulfill previously authorized CNRA program activities.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 11: CALIFORNIA OCEAN PROTECTION COUNCIL- OCEAN RESILIENCY PROGRAM**

The Governor's budget requests to transfer \$15 million one-time from the Environmental License Plate Fund to the California Ocean Protection Trust Fund to support projects that advance understanding of the impacts of climate change on coastal and ocean ecosystems. Specifically, the requested funds would be used to: (1) support adaptation strategies to address sea-level rise and changing ocean conditions such as ocean acidification and hypoxia, (2) build broader ecosystem resilience by improving ocean health, and (3) allowing marine life and habitats to better withstand climate change impacts.

**STAFF COMMENTS**

This proposal was heard in committee on March 14. The OPC is primarily supported by Proposition 84 funds, which OPC anticipates to be depleted by June 30, 2018. Given the significance of climate change impacts on the ocean, marine ecosystem, and the array of resources and services we derive from the sea, additional funding to continue OPC's work is needed.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 12: INFORMATION SECURITY OPERATIONS**

The Governor's budget requests \$2,916,000 from various funds (\$1,778,000 one-time, \$1,138,000 ongoing) and six positions to establish a new Security Operations Center (SOC) to address information security and cyber security vulnerabilities and threats. The SOC would provide service and support for all CNRA's departments, commissions, conservancies, and boards that require information security operational activities to protect and secure critical information, systems, and infrastructure assets.

**STAFF COMMENTS**

This proposal was heard in committee on March 14. Given the increasing reliance on information technologies and CNRA's level of security risk, it would be prudent to provide CNRA resources to proactively mitigate security vulnerabilities and respond to cyber-security attacks for the Agency and all its organizations' entities.

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**Staff Recommendation: Approve as Budgeted.**

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**3600 DEPARTMENT OF FISH AND WILDLIFE**

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**VOTE-ONLY ISSUE 13: PROP 84 REVERSION AND APPROPRIATION**

The Governor's budget requests a reversion of \$6.9 million in Proposition 84 funding appropriated in FY 2015-16. The Department received \$12.7 million in FY 2015-16 of which the balance will not revert until June 30, 2020. This proposal also requests a new appropriation of \$32 million in Proposition 84 that were appropriated in FY 2007-08 through FY 2014-15. The requested funds will be used for habitat restoration purposes in line with the Department's mission and consistent with the Prop 84 bond act requirements.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 14: SACRAMENTO VALLEY SALMON RESILIENCY STRATEGY IMPLEMENTATION**

The Governor's budget requests a reversion of \$5,698,000 in Proposition 50 funds appropriated in FY 2015-16 and FY 2016-17. This proposal also requests a new appropriation of \$14,394,000 in Proposition 50 funds that were appropriated in FY 2013-14 and FY 2016-17. The requested funding will support the completion of restoration actions on Battle Creek, to support winter-run Chinook salmon recovery and benefit spring-run Chinook salmon and steelhead. This is a key element of the Sacramento Valley Salmon Resiliency Strategy and an important recovery plan action for these species. The Battle Creek project is an ongoing multi-agency effort, which requires the additional funding to complete and allow re-introduction of winter-run Chinook salmon to the creek.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 15: STATE WATER PROJECT**

The Governor's budget requests \$3,940,000 reimbursement authority to enter into an agreement with the California Department of Water Resources (DWR), to support 17.0 existing positions currently funded by Proposition 84. The requested authority will ensure that the State Water Project complies with California Endangered Species Act (CESA) requirements, and supports the implementation of mitigation actions and adaptive management.

**STAFF COMMENTS**

This proposal was heard in committee on March 14. The requested reimbursement authority will provide the department resources to ensure adequate protection of fish species listed under CESA and to participate and oversee multiple regulatory and planning initiatives focused on the Delta, Yolo Bypass and Suisun Marsh in relation to implementation of mitigation requirements for the SWP and the CVP.

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**Staff Recommendation: Approve as Budgeted.**

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**3860 DEPARTMENT OF WATER RESOURCES**

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**VOTE-ONLY ISSUE 16: RESILIENCY STRATEGY IMPLEMENTATION**

The Governor's budget requests \$500,000 one-time from the Harbors and Watercraft Revolving Fund for aquatic weed control, a contributing cause of the decline of delta smelt, Chinook salmon, and steelhead.

The Delta Smelt Resiliency Strategy calls for enhanced control of invasive aquatic plants, which have deleterious effects on water quality and foster invasive predator populations.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 17: CENTRAL VALLEY FLOOD PROTECTION BOARD- GENERAL FUND  
BASELINE INCREASE**

The Governor's budget requests \$1.4 million in General Fund annually for two year to support ten existing permanent positions funded with Proposition 1E funds at the Central Valley Flood Protection Board (CVFPB). While the Board is an independent entity, its budget is contained within the DWR, and it receives some staff and administrative support from the Department.

**STAFF COMMENTS**

This proposal was heard in committee on March 14. In addition to General Fund, the CVFPB has relied on Proposition IE funds allocated in 2012 to fulfill its statutory mandates. These bond funds will be fully expended by the end of 2017-18. The CVFPB has the authority to levy fines and charge fees for inspection related activities, but to date has been unable to utilize its authority due to incomplete real estate records and limited inspection and enforcement staff. The 2017-18 Budget Act provided the CVFPB with an annual appropriation of \$2.2 million and one existing position for three years and nine new permanent positions for CVFPB's operating costs and to determine the nature and extent of its real estate rights and encroachments within the SPFC.

The requested funding for 2018-19 and 2019-20 will allow the CVFPB to continue to exercise its regulatory oversight authority over the SPFC and its implementation of the Central Valley Flood Protection Plan (CVFPP).

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**Staff Recommendation: Approve as budgeted and adopt supplemental reporting language requiring CVFPB to provide an update by February 1, 2019 on its efforts to generate new revenues.**

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**VOTE-ONLY ISSUE 18: FLOOD CORRIDOR PROGRAM AND TRIBAL ENGAGEMENT**

The Governor's budget requests \$2.9 million in 2018-19, \$177,000 in 2019-20, and \$176,000 in 2020-21 to support the Flood Corridor Program and the Tribal Engagement program. Specifically, the proposal is as follows:

**Flood Corridor Program**

- Revert and reappropriate \$2 million from Proposition 84 for local assistance in 2018-19.
- Request \$530,000 from Proposition 13 for state operations (\$177,000 for 2018-19 and 2019-2020, \$176,000 for 2020-21).

**Tribal Engagement**

- Requests \$684,000 one-time from Proposition 84 for grants or contracts that facilitate greater and more effective participation by tribal governments and tribal communities in the Integrated Regional Water Management programs and activities.

**STAFF COMMENTS**

This proposal was heard in committee on March 14. The existing state operations funding for the Flood Corridor Program (FCP) will be exhausted in early 2019-20. However, the FCP still has approximately \$14 million available for local assistance. Continuing funding for state operations will help support this program and move money out the door.

The requested funding for the tribal engagement will help DWR fulfill its mandate to engage California's tribal governments to promote their participation in regional water planning efforts and to assist them in sustainably managing water resources at the local level. The requested resources would also help address the concerns regarding drinking water and sanitation problems facing tribal communities.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 19: SAN JOAQUIN RIVER RESTORATION PROGRAM AND SAN JOAQUIN PROJECTS**

The Governor's budget requests \$20,800,000 in state reimbursement authority from the Natural Resources Agency and the Wildlife Conservation Board (Propositions 40, 84, 1) to support 17 existing positions for continued work on the San Joaquin River Restoration Program and the San Joaquin River Projects. Specifically, this proposal requests:

- \$15.6 million (\$5.1 million in 2018-19, \$5.3 million in 2019-20, and \$5.2 million in 2020-21) in reimbursement authority from Proposition 84 from the Natural Resources Agency to support the San Joaquin River Restoration Program (SJRRP).

The requested funds will be used to support the SJRRP through program management, hydraulic and sediment studies, geotechnical investigations, habitat studies, and design, to evaluate and implement priority actions identified in the Settlement and the program's environmental impact study/environmental impact report.

- \$5.2 million (\$1.1 million in 2018-19, \$2.1 million 2019-20, and \$2 million in 2020-21) in reimbursement authority from Propositions 84, 40, and 1 from the Wildlife Conservation Board to support habitat restoration, recreation, and public access improvement projects along the San Joaquin River (SJR).

The requested funds will be used for design and permitting of a gravel pit isolation and access improvement project at the Milburn Pond Ecological Reserve on the SJR; construction of a public fishing access project at the Sycamore Island Recreation area; planning and implementation of work for a bridge rehabilitation project on the SJR; and salmon spawning habitat enhancement on the SJR.

**STAFF COMMENTS**

This proposal was heard in committee on March 14. The reimbursement authority requested would allow DWR to continue flood, fish passage, and habitat restoration projects that will support efforts to restore salmon back to the San Joaquin River.

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**Staff Recommendation: Approve as Budgeted.**

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**3940 STATE WATER RESOURCES CONTROL BOARD**

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**VOTE-ONLY ISSUE 20: WATER RIGHTS ONLINE ANNUAL WATER USE REPORTING**

The Governor's budget requests \$384,000 one-time (\$192,000 from the Water Rights Fund and \$192,000 from the General Fund) and four positions to implement the Water Rights Online Reporting Program. The Water Rights Online Reporting Program is responsible for the receipt, analysis, and validation of approximately 38,500 annual water use reports. The requested funding would be used to address increased workload related to: (1) two legislative bills that mandate online reporting of water rights information and changes in the frequency of water use reporting from every three years to annually; and (2) the Governor's January 2014 Drought Proclamation, which highlighted the need for better water rights data to inform water use decisions.

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**Staff Recommendation: Approve as Budgeted.**

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## ITEMS TO BE HEARD

### 3900 AIR RESOURCES BOARD

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#### ISSUE 1: FREIGHT REGULATIONS REPORTING SYSTEM TO IMPROVE SECURITY AND INCREASE EFFICIENCY

The Governor's budget requests \$1,080,000 one-time from the Motor Vehicle Account to support implementation and enforcement of Air Resources Board's freight regulations to protect disadvantaged communities near ports and rail yards. This request includes \$450,000 in contract funding for the initial development of an information technology system to replace the ARB's Freight Equipment Registration Program.

#### BACKGROUND

**ARB adopted various regulations to reduce air pollution near seaports and railyards.** Drayage trucks, transport refrigeration units, cargo handling equipment, commercial harbor craft, and ocean going vessels that move freight to, from, and throughout California are significant contributors of diesel particulate matter, nitrogen oxides, and other pollutants. In response, the ARB adopted a number of regulations to control emissions of these vehicles and equipment.

For example, in 2004, the ARB adopted the Transport Refrigeration Unit Air Toxic Control Measure to reduce diesel particulate matter, nitrogen oxide, and other pollutant emissions from transport refrigeration units. These units, powered by small diesel engines, chill and preserve temperature sensitive goods (like produce and pharmaceuticals) transported in trucks, trailers, shipping containers, and railcars. In 2006, CARB adopted the Drayage Truck Regulation to reduce emissions of diesel particulate matter and nitrogen oxide from heavy-duty trucks transporting freight to and from California's ports and intermodal rail yards. The ARB has also adopted regulations for cargo handling equipment (cranes and yard trucks, etc.), commercial harbor crafts (tug boats, etc), and ocean going vessels (large container ships, bulk cargo ships, oil tankers, etc.)

These regulations all have registration and/or reporting requirements.

**ARB uses the Freight Equipment Registration Program to automate certain information.** Port and rail yard authorities and marine terminal operators receive data from incoming trucks on their compliance status of each truck. The ARB verifies this information using the Freight Equipment Registration program and noncompliant trucks are denied access.

The Freight Equipment Registration program automates the registration of drayage trucks to monitor compliance, issue labels to trucks that meet the regulatory



requirements, and provide information on each truck's compliance status. The system also automates the registration of over 168,000 trucks and trailers with transport refrigeration units operating in California.

The Freight Equipment Registration Program does not provide these functionalities for cargo handling equipment, commercial harbor craft, and ocean going vessels.

**The Freight Equipment Registration Program is on an out-of-date information technology system.** The Freight Equipment Registration Program is a 15 year-old legacy system that utilizes technology that is increasingly becoming obsolete. To date, the ARB has been unsuccessful in hiring new staff with the expertise needed to maintain the current program's software and system architecture. The ARB contracts out the maintenance and support services at a high cost. Further, as the system continues to age, it is becoming more difficult to find contractors with the necessary skills and knowledge to maintain the system's applications. The breakdown of this system would affect the movement of refrigerated freight and potentially slow down access of ports and rail yards for drayage trucks.

<b>STAFF COMMENTS</b>
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The ARB's efforts to reduce emissions and health risks associated with marine and rail operations require an immense amount of recordkeeping, reporting and monitoring. The requested resources would allow the ARB to modernize the existing Freight Equipment Registration Program to improve reliability, efficiently monitor compliance, and support enforcement of its freight regulations.

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**Staff Recommendation: Approve as Budgeted.**

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**ISSUE 2: IMPLEMENTATION OF LOW-INCOME BARRIERS STUDY INTERAGENCY TASK FORCE (SB 350)**

The Governor's budget requests \$366,000 ongoing from the Cost of Implementation Account and 2.0 permanent positions to implement recommendations in the Low-Income Barriers Study and to provide staff support to co-lead the SB 350 TaskForce.

**BACKGROUND**

**SB 350 Task Force.** SB 350 (De Leon, Chapter 547, Statutes of 2015) establishes a 50 percent reduction goal in petroleum use, requires 50 percent of electricity come from renewable resources, and requires a doubling of the energy efficiency of existing buildings. An Interagency Task Force was formed after the passage of SB 350 to effectively and efficiently align multiple clean energy and transportation programs. The Task Force is comprised of leadership from the state agencies implementing clean transportation and energy programs. The ARB and CEC were directed to co-lead the Task Force.

**Low-Income Barriers Study.** SB 350, among other things, directed the ARB to examine the barriers to increasing low-income residents' access to zero-emission and near zero-emission transportation and to develop recommendations to overcome these barriers. The report is currently under public review and will be finalized later this year. The priority recommendations in the report include:

- Expanding statewide assessments of low-income residents transportation and mobility needs to elicit community feedback and incorporate into transportation planning.
- Increasing awareness for low-income residents by expanding education and outreach on clean transportation and mobility options.
- Expanding funding for clean transportation and mobility options.
- Designing competitive solicitations so that rural and tribal communities, as well as small businesses, can better compete for transportation investments.

Longer-term recommendations include maximizing economic opportunities and benefits for low-income residents from investments in clean transportation and mobility options (such as expanding opportunities and creating connections for good quality clean transportation jobs in low-income and disadvantaged communities), supporting vocational training, and promoting affordable housing in transportation planning.

**STAFF COMMENTS**

The transportation sector is a major contributor to emissions of greenhouse gas, particulates, smog-forming pollutants, and toxics. Electrifying our transportation sector is critical to help California meet the established air quality and climate goals. The

requested resources would help achieve this by improving clean transportation access for low-income residents and those living in disadvantaged communities.

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**Staff Recommendation: Approve as Budgeted.**

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**ISSUE 3: OFF-ROAD VEHICLE AND AFTERMARKET PARTS CERTIFICATION AND COMPLIANCE /  
MOBILE SOURCE EXPANSION TO OFF ROAD AND AFTERMARKET PARTS TBL**

The Governor's budget requests \$1,711,000 ongoing from the Air Pollution Control Fund in 2018-19, \$2 million in 2019 and ongoing, and 10 positions to strengthen its mobile source emission oversight program.

The Governor's budget also includes trailer bill language to authorize the ARB to adopt regulations to create an annual schedule of fees for certification, audit and compliance of off-road engines and equipment, aftermarket parts and emission control components, sold in the state.

**BACKGROUND**

**Mobile Source Program (MSP).** The ARB is responsible for developing statewide programs and strategies to reduce the emission of smog-forming pollutants and toxics by mobile sources. The MSP operates the programs responsible for certifying engines for compliance with California clean air standards. Vehicles, engines, and components not certified by CARB cannot be sold in California. In addition, the MSP is responsible for ensuring engines, vehicles and components comply with all California clean air standards.

**Aftermarket Parts.** Specialty manufacturers produce a variety of aftermarket parts that can be added on to a vehicle after purchase to replace existing parts and/or to enhance the performance of the car. These include devices such as catalytic converters, exhaust headers, gas caps, filters, hoses, and others. Existing law requires that any device added to a vehicle or motorcycle must be approved by ARB to certify that it does not unduly reduce the vehicle's emissions controls. Existing law also prohibits tampering with a vehicle's pollution control devices. Therefore, the manufacturer must also obtain approval (an executive order (EO)) from ARB for an exemption to the anti-tampering law before the modification may be installed on any vehicle or motorcycle. Every EO part or modification has an assigned number that can be verified by smog check stations, Bureau of Automotive Repair Referee stations, or the ARB.

All aftermarket parts sold in California belong to one of the following four groups:

- a) *Replacement Parts.* Replacement parts include things like carburetors, distributors, fuel injection systems, and fuel tanks. Typically these are parts on a vehicle that wear out with use and must be replaced during the lifetime of the vehicle. When a replacement part does not meet the original factory specifications it requires an Executive Order to be legal for street use.
- b) *Legal Add-On or Modified Parts (Executive Order Parts).* These parts alter a vehicle from its original equipment manufacturer configuration and are typically added on for safety or performance enhancement. Safety devices include antitheft devices; performance enhancers include air intake systems that cool an

engine to increase horsepower or superchargers that increase air pressure in the engine allowing it to burn more fuel to increase power.

- c) *Competition or Racing Use Only Parts*. These parts may only be sold and installed on vehicles that are exclusively used for competition off public highways and roads. These parts replace or otherwise interfere with the operation of an emission control device, such as a catalytic converter or oxygen sensor.
- d) *Catalytic Converters*. Catalytic converters, as their name implies, catalyze (i.e., cause or accelerate) the conversion of toxic gases created during the combustion of fuel into less harmful ones. Catalytic converters can decrease the performance of an engine so some people chose to replace the catalytic converter that comes installed on a car with a more expensive one that reduces performance less.

**Executive Orders (EOs)**. The ARB currently issues over 3,500 EOs annually. This is an increase from the 2,200 EOs issued by the ARB in 2001. The complexity and types of products requiring certification has also expanded. The ARB issues EOs for all types of engines, including not just for automobiles and heavy duty trucks but also for large off-road equipment and small lawn mower engines, evaporative systems, and aftermarket components that are used in automobiles and in trucks. Increasing numbers of vehicles and equipment include complex emissions control systems such as plug-in hybrid technology, diesel particulate filters and selective catalytic reduction.

**EO Compliance and Confirmation Testing**. CARB verifies the information provided by the manufacturer with pre-sale audits and confirmation emissions testing to validate the product as described is what is sold. Confirmation includes testing vehicles, engines, and components before an EO is issued to confirm test data provided by manufacturers. This confirmation mission testing can include in-use testing using Portable Emission Measurement Systems, and/or using special operating cycles in the lab that replicate road conditions encountered in normal driving to identify defeat devices. After the product is sold, continued compliance with emission standards are double-checked through a variety of in-use programs and real-time monitoring systems. In-use emissions testing and warranty activities help confirm engine durability and emissions after sale meet the limits set in the regulations. In the event any of these activities reveal anomalies or the products fail to meet requirements, CARB may deny the EO or issue a notice of violation

#### STAFF COMMENTS

Staff has no concerns with the budget change proposal for additional positions and resources. Providing the ARB with additional resources would help expedite certification and evaluation of vehicle and engine parts. It would also allow the ARB to conduct additional compliance and audit testing to minimize potential emissions cheating.

In regards to the proposed trailer bill language, providing the ARB with fee authority would help offset the cost of certification, audit, and compliance of off-road engines and equipment, aftermarket parts and emission control components. However, these parts vary in complexities and therefore their associated workload. The Subcommittee may

wish to consider including language to ensure the ARB considers this during the regulatory process. Further, current law includes a fee cap for certification of new on-road vehicle and engines with an annual consumer price index adjustment. The Subcommittee may also wish to include an analogous fee cap for off-road engines and equipment, aftermarket parts and emission control components.

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**Staff Recommendation: Approve BCP as budgeted. Hold open TBL.**

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