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Chief Executive Officer

April 5, 2018

**The Honorable Tom Daly
California State Assembly
State Capitol Building, Room 3120
Sacramento, California 95814**

Subject: AB 3201 (Daly)

Dear Assembly Member Daly:

The Orange County Transportation Authority (OCTA) Board of Directors is pleased to support AB 3201, your legislation which would create added certainty about the availability of incentive funding for future deployments of zero-emission buses and related infrastructure by mandating the creation of a long-term investment plan and clarifying eligibility parameters.

The California Air Resources Board (ARB) is currently undertaking rulemaking, which if adopted, would require transit agencies statewide to convert their fleets to 100 percent zero-emission technology by 2040 through the use of purchase requirements. Transit agencies, including OCTA, have expressed strong concerns about the adequacy of funding availability to meet these requirements without the potential for transit service reductions. One of the few available sources of funding dedicated for investment in zero- and near-zero emission heavy-duty trucks and buses is under the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, which guides ARB funding investment in associated technologies. While not completely devoted to transit purposes, transit buses are an eligible recipient of funding. However, funding eligibility is limited to voluntary deployments, and a long-term projection of funding availability and proposed allocations is unavailable.

AB 3201 attempts to help resolve many of these issues by requiring that ARB create a five-year investment plan for investments under the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, and clarifying that purchases made for infrastructure or to comply with regulatory requirements are eligible for funding. This will allow added certainty in analyzing funding availability as any potential regulation to mandate the purchase of zero-emission buses is discussed.

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While AB 3201 does strive to create added certainty to allow for any future technology transition, funding limitations are still present to meet the 2040 transit fleet transition goals proposed by the ARB. OCTA has already taken steps to pilot zero-emission transit bus technology as a recipient of funding under ARB's Air Quality Improvement Program, which allowed OCTA to purchase ten hydrogen fuel cell buses and related fueling infrastructure. OCTA is also currently applying under other state and federal grant programs to add hydrogen fuel cell and electric battery buses to its fleet. As the ARB continues discussion related to any regulatory requirements, OCTA will seek opportunities to promote an incentive-based approach which will allow testing of all compatible technologies, resulting in a more complete analysis of the cost implications and technology associated with zero-emission buses. However, a dedicated funding mechanism to mitigate any increased costs associated with the purchase and operation of zero-emission buses is still needed. AB 3201 represents one step towards that goal.

A SUPPORT position is consistent with the provision in OCTA 2017-18 State Legislative Platform to "Support efforts to ensure the availability of proven technology and adequate funding prior to the implementation of zero-emission bus regulations."

If you or your staff have any questions regarding OCTA's position on AB 3201, please contact Kristin Essner, Manager of State and Federal Relations, at (714) 560-5754 or kessner@octa.net.

Sincerely,



Lisa A. Bartlett
Chairwoman

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c: Darrell E. Johnson, Chief Executive Officer
Orange County State Legislative Delegation
Platinum Advisors, LLC

AMENDED IN ASSEMBLY MARCH 22, 2018

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL

No. 3201

Introduced by Assembly Member Daly

February 16, 2018

An act to amend Section 39719.2 of the Health and Safety Code, relating to ~~air resources~~ greenhouse gases.

LEGISLATIVE COUNSEL'S DIGEST

AB 3201, as amended, Daly. ~~State Air Resources Board~~. *California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program.*

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of 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 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.

The California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, upon appropriation from the Greenhouse Gas Reduction Fund, funds zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies and related projects, including, among others, projects for zero- and near-zero-emission bus technology development, demonstration, precommercial pilots, and early commercial deployments. Existing law requires the state board, in consultation with the State Energy Resources

Conservation and Development Commission, to create an annual framework and plan for the program. Existing law, for the purposes of the program, defines zero- and near-zero-emission to mean vehicles, fuels, and related technologies that reduce greenhouse gas emissions and improve air quality when compared with conventional or fully commercialized alternatives, as defined by the state board in consultation with the commission.

This bill would add large-scale deployments to the program's list of eligible projects, require the annual framework and plan for the program to instead be a 5-year framework and plan, and revise the definition of zero- and near-zero-emission to include infrastructure that reduces greenhouse gas emissions and improves air quality when compared with conventional or fully commercialized alternatives.

~~Existing law the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007, creates the Air Quality Improvement Program, administered by the State Air Resources Board. Existing law requires the primary purpose of the Air Quality Improvement Program to be the funding of projects to reduce criteria air pollutants, to improve air quality, and to fund research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies.~~

~~This bill would provide that it is the intent of the Legislature to enact legislation to require the State Air Resources Board to develop and conduct a program to accelerate emission reductions from California's public transit fleet.~~

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

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

1 SECTION 1. Section 39719.2 of the Health and Safety Code
2 is amended to read:
3 39719.2. (a) The California Clean Truck, Bus, and Off-Road
4 Vehicle and Equipment Technology Program is hereby created,
5 to be administered by the state board in conjunction with the State
6 Energy Resources Conservation and Development Commission.
7 The program, from moneys appropriated from the fund for the
8 purposes of the program, shall fund development, demonstration,
9 precommercial pilot, and early commercial deployment of zero-
10 and near-zero-emission truck, bus, and off-road vehicle and

1 equipment technologies. Priority shall be given to projects
2 benefiting disadvantaged communities pursuant to the requirements
3 of Sections 39711 and 39713.

4 (b) Projects eligible for funding pursuant to this section include,
5 but are not limited to, the following:

6 (1) Technology development, demonstration, precommercial
7 pilots, and early commercial deployments of zero- and
8 near-zero-emission medium- and heavy-duty truck technology,
9 including projects that help to facilitate clean goods-movement
10 corridors. Until December 31, 2020, no less than 20 percent of
11 funding made available for purposes of this paragraph shall support
12 early commercial deployment of existing zero- and
13 near-zero-emission heavy-duty truck technology.

14 (2) Zero- and near-zero-emission bus technology development,
15 demonstration, precommercial pilots, ~~and early commercial~~
16 ~~deployments, including pilots of multiple vehicles at one site or~~
17 ~~region. region, and large-scale deployments, including deployments~~
18 ~~that meet current and future regulatory compliance obligations.~~

19 (3) Zero- and near-zero-emission off-road vehicle and equipment
20 technology development, demonstration, precommercial pilots,
21 and early commercial deployments, including vehicles and
22 equipment in the port, agricultural, marine, construction, and rail
23 sectors.

24 (4) Purchase incentives, which may include point-of-sale, for
25 commercially available zero- and near-zero-emission truck, bus,
26 and off-road vehicle and equipment technologies and fueling
27 infrastructure to support early market deployments of alternative
28 technologies and to increase manufacturer volumes and accelerate
29 market acceptance.

30 (5) Projects that support greater commercial motor vehicle and
31 equipment freight efficiency and greenhouse gas emissions
32 reductions, including, but not limited to, advanced intelligent
33 transportation systems, autonomous vehicles, and other freight
34 information and operations technologies.

35 (c) The state board, in consultation with the State Energy
36 Resources Conservation and Development Commission, shall
37 develop guidance through the existing Air Quality Improvement
38 Program funding plan process for the implementation of this
39 section that is consistent with the California Global Warming

1 Solutions Act of 2006 (Division 25.5 (commencing with Section
2 38500)) and this chapter.

3 (d) The guidance developed pursuant to subdivision (c) shall
4 do all of the following:

5 (1) Outline performance criteria and metrics for deployment
6 incentives. The goal shall be to design a simple and predictable
7 structure that provides incentives for truck, bus, and off-road
8 vehicle and equipment technologies that provide significant
9 greenhouse gas reduction and air quality benefits.

10 (2) Ensure that program investments are coordinated with
11 funding programs developed pursuant to the California Alternative
12 and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon
13 Reduction Act of 2007 (Chapter 8.9 (commencing with Section
14 44270) of Part 5).

15 (3) Promote projects that assist the state in reaching its climate
16 goals beyond 2020, consistent with Sections 38550 and 38551.

17 (4) Promote investments in medium- and heavy-duty trucking,
18 including, but not limited to, vocational trucks, short-haul and
19 long-haul trucks, buses, and off-road vehicles and equipment,
20 including, but not limited to, port equipment, agricultural
21 equipment, marine equipment, and rail equipment.

22 (5) Implement purchase incentives for eligible technologies to
23 increase the use of the cleanest vehicles in disadvantaged
24 communities.

25 (6) Allow for remanufactured and retrofitted vehicles to qualify
26 for purchase incentives if those vehicles meet warranty and
27 emissions requirements, as determined by the state board.

28 (7) Establish a competitive process for the allocation of moneys
29 for projects funded pursuant to this section.

30 (8) Leverage, to the maximum extent feasible, federal or private
31 funding.

32 (9) Ensure that the results of emissions reductions or benefits
33 can be measured or quantified.

34 (10) Ensure that activities undertaken pursuant to this section
35 complement, and do not interfere with, efforts to achieve and
36 maintain federal and state ambient air quality standards and to
37 reduce toxic air contaminants.

38 (e) In evaluating potential projects to be funded pursuant to this
39 section, the state board shall give priority to projects that
40 demonstrate one or more of the following characteristics:

1 (1) Benefit disadvantaged communities pursuant to Sections
2 39711 and 39713.

3 (2) The ability to leverage additional public and private funding.

4 (3) The potential for cobenefits or multiple-benefit attributes.

5 (4) The potential for the project to be replicated.

6 (5) Regional benefit, with focus on collaboration between
7 multiple entities.

8 (6) Support for technologies with broad market and emissions
9 reduction potential.

10 (7) Support for projects addressing technology and market
11 barriers not addressed by other programs.

12 (8) Support for enabling technologies that benefit multiple
13 technology pathways.

14 (f) ~~In the implementation of~~ *implementing* this section, the state
15 board, in consultation with the State Energy Resources
16 Conservation and Development Commission, shall create ~~an annual~~
17 *a five-year* framework and plan. The framework and plan shall be
18 developed with public input and may utilize existing investment
19 plan processes and workshops as well as existing state and
20 third-party research and technology roadmaps. The framework
21 and plan shall do all of the following:

22 (1) Articulate an overarching vision for technology development,
23 demonstration, precommercial pilot, and early commercial
24 deployments, with a focus on moving technologies through the
25 commercialization process.

26 (2) Outline technology categories and performance criteria for
27 technologies and applications that may be considered for funding
28 pursuant to this section. This shall include technologies for
29 medium- and heavy-duty trucking, including, but not limited to,
30 vocational trucks, short-haul and long-haul trucks, buses, and
31 off-road vehicles and equipment, including, but not limited to, port
32 equipment, agricultural equipment, construction equipment, marine
33 equipment, and rail equipment.

34 (3) Describe the roles of the relevant agencies and the process
35 for coordination.

36 (g) For purposes of this section, “zero- and near-zero-emission”
37 means vehicles, fuels, *infrastructure*, and related technologies that
38 reduce greenhouse gas emissions and improve air quality when
39 compared with conventional or fully commercialized alternatives,
40 as defined by the state board in consultation with the State Energy

1 Resources Conservation and Development Commission. “Zero-
2 and near-zero-emission” may include, but is not limited to,
3 zero-emission technology, enabling technologies that provide a
4 pathway to emissions reductions, advanced or alternative fuel
5 engines for long-haul trucks, and hybrid or alternative fuel
6 technologies for trucks and off-road equipment.

7 ~~SECTION 1. It is the intent of the Legislature to enact~~
8 ~~legislation to require the State Air Resources Board to develop~~
9 ~~and conduct a program to accelerate emission reductions from~~
10 ~~California’s public transit fleet.~~