

State of California
AIR RESOURCES BOARD

Resolution 95-32

June 30, 1995

Agenda Item: 95-7-1

WHEREAS, Health and Safety Code Sections 39600 and 39605 authorize the Air Resources Board (Board) to take actions as necessary to execute the powers and duties granted to and imposed upon the Board;

WHEREAS, the Health and Safety Code, commencing with Section 44220, requires the Board to report to the State Legislature on air pollution reduction programs funded by motor vehicle registration fees authorized for collection by AB 2766 (Chapter 1705, Statutes of 1990) and AB 434 (Chapter 807, Statutes of 1991);

WHEREAS, Health and Safety Code Section 44220 states the Legislature's intent that air pollution control districts (Districts) and other agencies have the necessary funds to meet their responsibilities for implementing the California Clean Air Act (CCAA), and that the registration fee revenues be used solely to reduce air pollution from motor vehicles and for the related planning, monitoring, enforcement, and technical studies necessary for CCAA implementation;

WHEREAS, Government Code Section 44236 allows Districts to allocate the fees to meet requirements of State law related to congestion management, if those requirements are in compliance with, and necessary for, the implementation of the CCAA;

WHEREAS, Health and Safety Code Section 44237 provides that Districts may enter into agreements with regional and local governments to develop and implement transportation control measures included in District attainment plans;

WHEREAS, Health and Safety Code Section 44223 authorizes Districts (except the Sacramento Metropolitan Air Quality Management District) that are designated by the Board as nonattainment for a pollutant emitted by motor vehicles to levy a two dollar fee on motor vehicles registered within their Districts and authorizes a fee increase of up to four dollars after April 1, 1992;

WHEREAS, Health and Safety Code Section 41016(a) authorizes the Sacramento Metropolitan Air Quality Management District (AQMD) to collect motor vehicle registration fees;

WHEREAS, Health and Safety Code Sections 44243 and 44244 apportion the fee revenues in the South Coast AQMD to the South Coast AQMD (30%), the regional Mobile Source Air Pollution Reduction Review Committee (30%), and the South Coast cities and counties (40%);

WHEREAS, Health and Safety Code Section 44241 applies only to the Bay Area AQMD and restricts use of funds to seven types of projects or programs;

WHEREAS, Health and Safety Code Section 44241 apportions 60% of the fee revenues to the Bay Area AQMD and apportions 40% of the fee revenues to the congestion management agencies (county program managers);

WHEREAS, Health and Safety Code Section 44247 requires Districts imposing vehicle registration fees (except Sacramento) to report to the Board on their use of the fees and the results of the programs funded by the fees, and to cooperate with the Board in preparation of this report;

WHEREAS, The Sacramento Metropolitan AQMD is not required by statute to report to the Board or Legislature on expenditure of the motor vehicle fees, but the District voluntarily submitted information on its program, and this information has been included in the report;

WHEREAS, a questionnaire was developed by the Board and sent to participating Districts requesting information about programs funded in fiscal years 1991-92, 1992-93 and 1993-94, and Board staff analysed the information provided, conducted interviews and reviewed supporting data from Districts;

WHEREAS, at the direction of the Board, Board staff reviewed a sampling of mobile source emission reduction projects to assess their cost-effectiveness;

WHEREAS, the Board finds:

1. Districts and other recipient agencies report spending the vast majority of the funds according to the requirements of the law;
2. The funds have been used to support many varied programs that improve air quality and demonstrate new methods of reducing emissions;
3. Districts now use funds to meet CCAA planning requirements. Loss of the funds could jeopardize Districts' ability to meet these requirements and could require either program cuts or the increase of fees from industrial sources or local general funds;
4. The availability of motor vehicle registration fees has increased the participation of other agencies in air quality related work resulting in new emission reduction measures;

5. In addition to improving air quality, expenditure of these funds provides other associated benefits such as reducing traffic congestion, attracting federal transportation funds, and contributing to expansion of California's economy through research and development grants for new technologies;
6. The ARB evaluation of specific projects showed that cost-effectiveness varied substantially based on project design: many sample projects were cost-effective; about a third were not; and adoption of criteria that emphasize funding projects that are cost-effective and implement air quality plans would enhance program effectiveness;
7. The majority of the funds have been allocated to reduce motor vehicle emissions; a smaller portion has been used for air quality planning and technical activities necessary to implement the CCAA;
8. Statewide reporting and tracking of funded projects, including demonstration projects, research and development projects, and technical studies, would help avoid duplication of efforts and provide information on the most effective projects. This effort could be undertaken by ARB;

WHEREAS, this report was brought before the Board at its February 1995 meeting, and the Board directed the staff to undertake additional cost effectiveness analyses, to develop proposed criteria and guidelines, and to consult with affected agencies;

WHEREAS, the staff held two workshops in northern and southern California, and received comments on the draft report and proposed criteria;

WHEREAS, the staff completed the cost effectiveness analyses and the criteria, and incorporated the findings of these analyses as well as the comments of the affected individuals and agencies into the report presented to the Board.

NOW, THEREFORE, BE IT RESOLVED, that the Board approves the following staff recommendations, and staff's Proposed Criteria and Guidelines for Use of Motor Vehicle Registration Fees (Appendix D), for inclusion in the Report to the Legislature:

1. The ARB should publish a report on the use of the funds biennially. This would provide for continued documentation of compliance with the funding constraints in statute (Health and Safety Code Section 44220).

2. All recipient Districts and other agencies should report to the ARB yearly on their use of the motor vehicle registration fees using a comprehensive, standardized report to be developed by ARB. Availability of this information will enable the ARB to better assess the effectiveness of the statewide program and include that information in the biennial report.
3. The Sacramento Metropolitan AQMD, like other Districts, should continue to report yearly to ARB on the use of these revenues. This would make possible a statewide accounting of fund expenditures. The Sacramento Metropolitan AQMD is authorized to levy these fees under different provisions of State law but should be included in evaluations of the statewide program.
4. In the annual reports to the ARB, Districts and other recipient agencies should document mobile source emission reductions resulting from revenue expenditures. Recipient agencies should use emission reduction calculation methodologies consistent with ARB guidance.
5. The Districts and other recipient agencies should adopt criteria for use of the funds consistent with criteria adopted by ARB. Use of these criteria will assure accountability in spending revenue and provide a basis to judge the effectiveness of the program. In following the statutory requirements to perform biennial compliance audits of expenditures by recipient local jurisdictions, the South Coast AQMD and the Bay Area AQMD should also assess compliance with the ARB criteria.
6. The ARB should work with the Districts and other recipient agencies in implementing ARB criteria and guidance and providing for updates and revisions.
7. ARB staff, in cooperation with the Districts and other agencies, should prepare project-specific guidance to assist in effective project design. The guidance should include standardized cost-effectiveness methodology, emission reduction calculation procedures, recommended project components, and project evaluation procedures.
8. In analyzing District expenditures of vehicle registration fee revenues, the ARB may find that a District has used the fees contrary to the purpose of the law. Following a finding by the ARB, such District should replace the misspent monies with other District revenues and spend the replaced monies on activities consistent with the law. This remedy is similar to remedies affecting local jurisdictions that are currently in place in the South Coast AQMD (Health and Safety Code Section 44244.1(c)(3)) and the Bay Area AQMD (Health and Safety Code Section 44242(c)(3)).

BE IT FURTHER RESOLVED, that the Board approves the Proposed Report to the California State Legislature on the Motor Vehicle Registration Fee Program with the modifications specified by the Board, directs staff to make any corrections or format changes necessary for a Final Report, and directs the Executive Officer to forward the Final Report to the Legislature.

I hereby certify that the above is a true and correct copy of Resolution 95-32, as adopted by the Air Resources Board.

Pat Hutchens
Pat Hutchens, Board Secretary