

CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC MEETING TO CONSIDER REVISIONS TO THE CARL MOYER INCENTIVE PROGRAM GUIDELINES

The California Air Resources Board (Board or ARB) will conduct a public meeting at the time and place noted below to consider revisions to the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program), including the Agricultural Assistance Program Guidelines.

DATE: March 27, 2008

TIME: 9:00 a.m.

PLACE: California Environmental Protection Agency
Air Resources Board
Byron Sher Auditorium
1001 I Street
Sacramento, California 95814

This item will be considered at a two-day meeting of the Board, which will commence at 9:00 a.m., Thursday, March 27, 2008, and may continue at 8:30 a.m., Friday, March 28, 2008. This item may not be considered until March 28, 2008. Please consult the agenda for the meeting, which will be available at least 10 days before March 27, 2008, to determine the day on which this item will be considered.

If you have a disability-related accommodation need, please go to <http://www.arb.ca.gov/html/ada/ada.htm> for assistance, or contact the ADA Coordinator at (916) 323-4916. If you are a person who needs assistance in a language other than English, please contact the Bilingual Coordinator at (916) 324-5049. TTY/TDD/Speech-to-Speech users may dial 7-1-1 for the California Relay Service.

Background:

Since 1998, the Carl Moyer Program has filled a critical niche in California's strategy to achieve clean air. The Carl Moyer Program provides grant funding for the incremental cost of cleaner-than-required engines, equipment, and emission reduction technologies. Because it is an incentive program, participation in the Carl Moyer Program is voluntary. The Carl Moyer Program plays a complementary role to California's regulatory program by funding emission reductions that are surplus, i.e., early and/or in excess of what is required by regulation. The program accelerates the turnover of old highly-polluting engines, reduces the costs to the regulated community, speeds the commercialization of advanced emission controls, and reduces air pollution impacts on environmental justice communities.

The Carl Moyer Program, enacted into State law under Health and Safety Code section 44275 et seq., is implemented through the cooperative efforts of ARB and local California air pollution control/air quality management districts (districts). Every year, ARB distributes State funds to participating districts. Such districts follow ARB Carl Moyer Program Guidelines to select, fund, and monitor specific clean air projects in their areas. The Carl Moyer Program Guidelines spell out basic requirements for administrative procedures, eligibility criteria for projects in different source categories, cost-effectiveness criteria, and reporting practices. The Guidelines also include guidelines for administering the Agricultural Assistance Program. While the Guidelines incorporate criteria specified in State law and provide basic standards for program implementation, local districts enjoy considerable flexibility in implementing the Carl Moyer Program. For instance, districts may impose additional or more stringent eligibility requirements for projects in their districts. Districts may also focus their funds on specific project categories in order to coordinate with other incentive funds such as Goods Movement Emission Reduction Program bond funds, funds generated from Department of Motor Vehicle fees, and other local funds. This flexibility allows air districts to tailor the use of Carl Moyer Program funds to meet local air quality objectives while still ensuring the proper and responsible use of State funds.

State law (Health and Safety Code section 44287) provides for ARB to revise the Carl Moyer Program Guidelines when necessary to improve the ability of the program to achieve its goals. The Guidelines were last updated in November 2005 to reflect numerous significant revisions to the program mandated by changes in State law, including expansion of the program and the addition of more pollutants and source categories that would be eligible for funding. To incorporate new legislation, new State regulations, and programmatic recommendations made by the Department of Finance and the Bureau of State Audits, it is necessary to revise the Carl Moyer Program Guidelines again.

From March through November 2007, ARB staff held three public workshops to gather public comments regarding proposed revisions to the Carl Moyer Program Guidelines. ARB also convened two work groups – one to develop changes to Carl Moyer Program administrative procedures and one to develop detailed criteria regarding a new off-road equipment replacement category. The Program Administration Work Group met 13 times in various regions of the State from April 2007 through January 2008. Many of those meetings were held with subgroups that consisted solely of ARB and air district staff, including a subgroup that focused on the particular needs of rural districts. The Off-Road Replacement Equipment Work Group met seven times in different regions of the State from April through December 2007.

The ARB also convened an Advisory Group to provide input for addressing key policy issues left unresolved by the public workshops and the work groups. The Advisory Group, led by ARB Board Member Sandra Berg, consisted of representatives from air districts, environmental groups, industry groups, private consultants, and other interested organizations. The Advisory Group met twice – once in December 2007 and once in

January 2008 and addressed numerous issues regarding streamlining Carl Moyer Program requirements, coordinating the Carl Moyer Program with the Goods Movement Emission Reduction Program, and revising the minimum project life. The Advisory Group also reached broad agreement regarding allowing near-term flexibility in the retrofit requirement for off-road projects; such flexibility has been incorporated into these proposed 2008 Guideline revisions.

Board action on these proposed Carl Moyer Program Guideline revisions is exempt from the Administrative Procedure Act and instead is subject to specific procedures specified in statute (Health and Safety Code section 44287(a)). Those procedures require the ARB to make draft Guidelines available to the public 45 days before final adoption and to hold at least one public meeting to consider public comments before final adoption. The staff's proposed revisions were made available to the public on February 8, 2008, opening the required 45-day public comment period prior to the public hearing.

Status of Carl Moyer Program Funding:

Over its first seven years, the Carl Moyer Program provided \$170 million to clean up approximately 7,500 engines throughout California. This achieved emission reductions of about 24 tons per day of oxides of nitrogen and one ton per day of toxic diesel particulate matter. Legislative changes in 2004 provided continued funding for the Carl Moyer Program up to \$141 million per year Statewide through 2015.

Proposed Revisions:

The following sections highlight the major revisions proposed for the Carl Moyer Program Guidelines.

Program Administration

ARB staff is proposing numerous changes to the Carl Moyer Program administrative procedures to reflect ARB's and the local air districts' increasing experience with implementing the program. Changes are also proposed to address recommendations made by the Department of Finance Office of State Audits and Evaluations and the Bureau of State Audits to increase program specificity and oversight. The proposed revisions clarify and simplify administrative requirements to the maximum extent possible while at the same time maintaining the program's core principles of achieving real, surplus, quantifiable and enforceable emission reductions that are creditable in the State Implementation Plan.

In past Guideline revisions, the Board has directed the Executive Officer to develop technical amendments to the Guidelines (known as Program Advisories) as appropriate to ensure that the Guidelines remain up-to-date and reflect current ARB regulations. ARB staff is proposing that the Board continue to delegate this authority to the Executive Officer. Typically, ARB has revised the Guidelines biennially. In order to

make administration of the Carl Moyer Program easier, ARB staff is proposing that in the future, proposed revisions to the Guidelines be brought to the Board every four years. The Executive Officer would continue to use Program Advisories to update the Guidelines as necessary between Guideline revisions.

New Off-Road Equipment Replacement Category

Criteria for a new project category, off-road equipment replacement, are proposed to be added to the Carl Moyer Program Guidelines. This new category would allow Carl Moyer Program funding for accelerating the turnover of old, highly-polluting off-road equipment and replacing such equipment with newer, cleaner equipment. This new category includes specific project criteria to address requirements of Senate Bill 467 (Statutes of 2005). ARB staff will closely monitor the implementation of the provisions of this new project category and will make revisions as needed.

Updates to Source Categories to Reflect New ARB Regulations

The Carl Moyer Program can only fund projects that are surplus to regulatory requirements. Therefore, each time ARB adopts a new regulation for a source type covered under the program, it potentially affects the source's eligibility for funding under the Carl Moyer Program. The proposed Carl Moyer Program Guideline revisions update the project criteria for each covered source category to reflect relevant new regulations adopted since the previous revision to the Guidelines.

Other Changes to Existing Source Categories

In addition to reflecting recently adopted ARB regulations, a number of changes are proposed for the existing source categories to make it easier for applicants and air districts to identify potential projects and funding opportunities. Relevant information is clearly presented in the beginning sections of each source category chapter to enable easier use.

Staff is also proposing to add criteria for several new project types, including zero-emission shore side power projects (also known as cold ironing) in the marine vessels category and retrofit projects in the large spark-ignited equipment category. For the agricultural sources category, staff is proposing that non-engine agricultural projects be eligible for funding with approval from ARB on a case-by-case basis.

Coordination with the Goods Movement Emission Reduction Program

The Goods Movement Emission Reduction Program (Goods Movement Program) is a \$1 billion bond program created by voter-approved Proposition 1B in 2006 and clarified by Senate Bill 88 (Statutes of 2007). The Goods Movement Program is designed to provide grants to equipment owners to upgrade to cleaner technologies in order to reduce emissions associated with the movement of freight along California's four major trade corridors: Los Angeles/Inland Empire, Central Valley, Bay Area, and the San Diego/Border Region. Targeted emission sources include the trucks, locomotives,

ships, harbor craft and cargo-handling equipment that transport goods through these corridors.

Because the Goods Movement Program is directed at some of the same sources that can participate in the Carl Moyer Program, the proposed revisions to the Carl Moyer Program Guidelines incorporate considerations that ensure that the two programs are complementary to the maximum extent possible, do not compete for projects, and make the best use of public funds. In some cases, this means directing projects for consideration for funding under the Goods Movement Program first, and providing the opportunity for Carl Moyer Program funding only if such bond funding is not available.

Cost-Effectiveness

The Carl Moyer Program only funds projects that fall below a specified cost-effectiveness limit. Cost-effectiveness is a measure of the cost of a project for each ton of surplus emission reductions achieved. Section 44283 of the Health and Safety Code directs the ARB to adjust the cost-effectiveness limit to reflect inflation. The proposed Guideline revisions would adjust the cost-effectiveness cap from \$14,300 to \$16,000 per weighted ton of emission reductions to account for an approximately 11 percent inflation rate from 2004 to December 2007.

Other proposed changes include updating the data tables used in emission reduction calculations and changing the method for calculating the incremental cost of some projects.

AVAILABILITY OF DOCUMENTS AND AGENCY CONTACT PERSON

The proposed revisions to the Carl Moyer Program Guidelines will be presented by ARB staff at the Board meeting. Copies of the proposed revisions may be obtained from the Board's Public Information Office, 1001 I Street, Sacramento, California 95814, (916) 322-2990, at least 45 days prior to the scheduled meeting. The draft document will also be available electronically on the ARB's website at www.arb.ca.gov/msprog/moyer/moyer.htm. Further inquiries regarding this matter should be directed to Mr. Joe Calavita, Air Pollution Specialist, at (916) 445-4586 or by e-mail at jcalavit@arb.ca.gov.

SUBMITTAL OF COMMENTS

The public may present comments relating to this matter orally or in writing at the meeting, and in writing or by email before the meeting. To be considered by the Board, written submissions not physically submitted at the meeting must be received **no later than 12:00 noon, March 26, 2008**, and addressed to the following:

Postal mail: Clerk of the Board, Air Resources Board
1001 I Street, Sacramento, California 95814

Electronic submittal: <http://www.arb.ca.gov/lispub/comm/bclist.php>

Facsimile submittal: (916) 322-3928

Please note that under the California Public Records Act (Government Code section 6250 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request. Additionally, this information may become available via Google, Yahoo, and any other search engines.

The Board requests but does not require that 30 copies of any written statement be submitted and that all written statements be filed at least 10 days prior to the hearing so that ARB staff and Board Members have time to fully consider each comment. The Board encourages members of the public to bring to the attention of staff in advance of the hearing any suggestions for modification of the proposed Guideline revisions.

CALIFORNIA AIR RESOURCES BOARD

/s/

James Goldstene
Executive Officer

Date: February 8, 2008