

Report to the California Legislature

STATUS REPORT ON THE NON-TOXIC DRY CLEANING INCENTIVE PROGRAM (AB 998)



Report Submitted By:

California Air Resources Board

**Pursuant to Health and Safety Code § 41998 and 41999 (e)
(Assembly Bill 998, Lowenthal, Statutes of 2003)**

February 2007



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Status Report on the Non-Toxic Dry Cleaning Incentive Program (AB 998)

I. OVERVIEW

Assembly Bill (AB) 998, effective January 1, 2004, established the Non-Toxic Dry Cleaning Incentive Program (AB 998 Program). The AB 998 Program provided the dry cleaning industry with grant funds to switch from cleaning systems using perchloroethylene (Perc), an identified toxic air contaminant and potential human carcinogen, to non-toxic and non-smog forming alternatives. The legislation also requires the Air Resources Board (ARB or Board) to establish a demonstration program to showcase these clean technologies statewide. The purpose of this report is to provide the Legislature with information regarding the effectiveness of the program.

II. BACKGROUND

The AB 998 Program provides \$10,000 grants to the dry cleaning industry to switch from systems using Perc to non-toxic and non-smog forming alternatives. Funds for the AB 998 program are generated by assessing a fee on the distributors who sell Perc to California dry cleaners. This fee is based on the amount of Perc sold to dry cleaners each year. AB 998 required the ARB to impose a three-dollar (\$3) per gallon fee beginning on January 1, 2004. This fee increases one-dollar (\$1) per gallon per year from 2005 through 2013. As required by the legislation, the majority of the funds collected by the fee will be used to provide \$10,000 grants to assist dry cleaners in switching from Perc to non-toxic and non-smog forming cleaning technologies such as water-based cleaning and carbon dioxide (CO2) cleaning.

The AB 998 Program also requires the ARB to establish a demonstration program to showcase these technologies statewide, and to provide an opportunity to educate dry cleaners on the benefits, costs, and effectiveness of these alternatives. Funds collected will also be used for the demonstration program. A complete text of the legislation is provided in Appendix A. Table 1 provides a summary of the fees collected to date.

Table 1. Summary of Perc Fee Collections

| Year | Fee Collection Period | Perc Sold (gallons) | Amount Collected |
|-------|-----------------------|---------------------|------------------|
| 2004 | 8/16 – 12/31 | 80,151 | \$240,453 |
| 2005 | 1/1 – 6/30 | 82,840 | \$331,359 |
| 2005 | 7/1 – 12/31 | 51,834 | \$207,337 |
| 2006* | 1/1 – 12/31 | | |
| Total | | | \$779,148 |

* 2006 fee collection will be at the end of the year

III. GRANT AND DEMONSTRATION PROGRAM

To date, ARB has collected about \$780,000 and has awarded \$230,000 in grants to qualified dry cleaning owners throughout California. From the collected fees, about \$220,000 is allocated to fund two demonstration programs and \$50,000 was provided to the Office of Environmental Health Hazard Assessment (OEHHA) for a review of the possible toxicity of decamethylcyclopentasiloxane (D5), a dry cleaning solvent for its use in GreenEarth technologies. Approximately \$36,000 is set aside to fund the on-going costs to administer the program. The remaining \$244,000 is available to award additional grants and maintain the demonstration program. Table 2 provides a summary of the distribution of these funds.

Table 2. Summary of Fund Distributions

| Total Fee Collected | OEHHA for D5 Evaluations | Grant Program | Demonstration Program | Administrative Cost | Total Remaining |
|---------------------|--------------------------|---------------|-----------------------|---------------------|-----------------|
| \$779,148 | \$50,000 | \$230,000* | \$218,744* | \$36,457* | \$243,946** |

* Funds have been distributed based on the legislative mandate of 65% (grants), 30% (demonstration projects), and 5% (administrative costs)

** This money will help fund additional grants and maintain the demonstration program

a. Grant Program

The grant program for the dry cleaning industry began in August 2004. The grant program provides \$10,000 grants to any eligible dry cleaner in the State that is willing to transition from the use of Perc machines to alternative non-toxic and non-smog forming systems such as water-based and CO2 cleaning technologies. Since the inception of the program, ARB staff has engaged in an extensive public outreach effort to inform California dry cleaners about the grant program. In addition to several meetings with dry cleaning representatives, state and local regulatory agencies, and public health advocates, the ARB conducted two outreach campaigns in 2005 and 2006 to solicit dry cleaners to apply for the AB 998 Program grants. From these campaigns, the ARB received 113 applications, of which ARB pre-qualified 92. However, only 23 pre-qualified applicants decided to go through the equipment procurement and verification process to receive the \$10,000 grant. The remaining 69 pre-qualified applicants did not complete the grant process for a variety of reasons which include: economics, concern with water-based and CO2 cleaning technologies, or selection of hydrocarbon or GreenEarth technology over Perc. This explains why there is an excess of \$244,000 remaining from the fees collected (see Table 2). The remaining funds will be used to award additional grants and to maintain funding for the demonstration program.

The ARB plans to continue the grant program each year or until funds are no longer available. To encourage greater participation, ARB will be accepting and processing grant applications on a continuous basis rather than during a single application period each year.

Although only 23 have changed their Perc machines to non-toxic alternatives, we estimate that the grants have resulted in about 20,325 pounds to 24,390 pounds per year reduction in Perc emissions. Appendix B provides the list of approved grants and includes: grant recipients name, locations, types of equipment; and the year when the grants were awarded.

b. Demonstration Program

The legislation also requires ARB to establish a demonstration program. Due to limited funds collected in 2004 and 2005, ARB was not able to begin the demonstration program in conjunction with the grant program. However, in 2006, the ARB collected fees sufficient to fund one or two demonstration programs for a total of about \$220,000. To date, the ARB has received two demonstration proposals which are in process of being approved. If approved, the two demonstration proposals will begin showcasing these non-toxic and non-smog forming technologies in early 2007.

The two demonstration project applicants are from: 1) the Pollution Prevention Center at Occidental College, Los Angeles; and 2) the Institute and Research and Technical Assistance, Glendale. These two applicants have the necessary expertise in working with wet cleaning and CO2 dry cleaning systems and have done similar demonstration projects with dry cleaners in the past. The demonstration projects include 23 facilities with sites for both proposals in Los Angeles, San Diego, San Francisco, Sacramento, and other locations throughout the State. The two applicants will be showcasing these technologies during 2007 and 2008. The demonstration program will provide dry cleaners an opportunity to view the operations at these sites, provide technical assistance and training, and educate them on the benefits, costs, and overall effectiveness of the technologies. Establishing demonstration sites ultimately will, in turn, create the regional and statewide infrastructure necessary for the long-term diffusion of these technologies.

c. Fee Collection

Fee collection from distributors is a concern. ARB staff believes that a few Perc distributors may not be reporting their sales or submitting the fees to ARB upon the receipt of invoices. This assessment is based on the estimate of Perc sales from ARB staff surveys conducted in 2003 and 2006. With no manufacturers of Perc located in California, collection of fees has focused on distributors since the majority of manufacturers sell to distributors and not to individual dry cleaners. The enforcement has been based on voluntary reporting by distributors.

In order to address the discrepancies in fees collected under AB 998, the staff has taken the following steps:

1. Continue enforcement action to collect these fees; and

2. Propose regulations for consideration by the Board in January 2007 that require reporting by Perc manufacturers of their California distributors and that make Perc distributors responsible for reporting their California sales and for submitting fees based on their California sales.

IV. Conclusions

With the implementation of the fee regulations proposed for adoption, and through enforcement efforts by ARB's Enforcement Division, the ARB staff believes that they can fund a minimum of 20 to 25 grants per year. ARB staff also believes that funding will be available to continue the demonstration component of the program. The ARB staff plans to continue efforts to educate cleaners about the benefits of the AB 998 non-toxic dry cleaning grant and demonstration program.

Appendix A

AB 998 Legislation

Non-Toxic Dry Cleaning Incentive Program

Assembly Bill No. 998
CHAPTER 821

An act to add Article 9.1 (commencing with Section 41998) to Chapter 3 of Part 4 of Division 26 of the Health and Safety Code, relating to air quality.

[Approved by Governor October 10, 2003.
Filed with Secretary of State October 11, 2003.]

LEGISLATIVE COUNSEL'S DIGEST

AB 998, Lowenthal. Air quality: Nontoxic Dry Cleaning Incentive Program.

Existing law designates the State Air Resources Board as the state agency charged with coordinating efforts to attain and maintain ambient air quality standards.

This bill would require the state board to impose a \$3 per gallon fee on every manufacturer of perchloroethylene in the state, and on every person that imports perchloroethylene into the state for use in dry cleaning, and to deposit the revenues generated by that fee in the Nontoxic Dry Cleaning Incentive Trust Fund, which would be established in the State Treasury by the bill. The bill would increase that fee by \$1 each year until 2013, inclusive. The bill would provide that moneys deposited in the fund are available for expenditure by the state board, upon appropriation by the Legislature, to fund a grant program and demonstration program, and would require those programs to be developed by the state board. This bill would require the state board to expend, upon appropriation by the Legislature, moneys sufficient to repay any General Fund moneys expended to implement the programs. The grant program would provide \$10,000 grants to any eligible dry cleaner in the state that utilizes perchloroethylene in its operations to aid its transition to dry cleaning systems determined by the state board, in consultation with certain other entities, to be nontoxic and nonsmog-forming. The bill would require the state board to ensure that 50% of the grant moneys are awarded in a manner that directly reduces air contaminants or reduces the public health risk associated with air contaminants in communities with the most significant exposure to air contaminants or localized contaminants, or both, including communities of minority populations or low-income populations, or both. The bill would require the state board, commencing January 1, 2007, and every 3 years thereafter, to provide a report to the Legislature evaluating the effectiveness of the grant program. The bill would require the demonstration program to be funded 50% by matching funds.

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

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

- (a) State and federal scientific health agencies have determined that perchloroethylene is either a probable, possible, or known carcinogen.
- (b) Occupational health studies have found elevated rates of lung, cervical, bladder, and other cancers in dry cleaning workers.

(c) Laboratory studies have found increased numbers of cancerous tumor in animals exposed to perchloroethylene.

SEC. 2. Article 9.1 (commencing with Section 41998) is added to Chapter 3 of Part 4 of Division 26 of the Health and Safety Code, to read:

Article 9.1. Nontoxic Dry Cleaning Incentive Program

41998. (a) (1) The state board shall impose a three dollar (\$3.00) per gallon fee on every manufacturer of perchloroethylene in the state and on every person that imports perchloroethylene into the state for use in dry cleaning.

(2) The amount of the fee imposed pursuant to paragraph (1) shall increase by one dollar (\$1.00) per gallon on January 1, 2005, and shall increase by one dollar (\$1.00) each subsequent year, until January 1, 2013, inclusive.

(b) Moneys generated by the fee imposed pursuant to subdivision (a) shall be deposited in the Nontoxic Dry Cleaning Incentive Trust Fund, which is hereby established in the State Treasury.

(c) Moneys deposited in the Nontoxic Dry Cleaning Incentive Trust Fund are available for expenditure by the state board, upon appropriation by the Legislature, to fund the grant program described in Section 41999 and to fund the demonstration project described in subdivision (f) of Section 41999. The state board shall allocate, from the moneys derived from the imposition of the fee pursuant to this section, moneys that it determines are sufficient to fund the demonstration project described in subdivision (f) of Section 41999, and shall utilize the remaining moneys to fund the grant program.

(d) Not more than 5 percent of the moneys in the fund, calculated annually, may be utilized by the state board to administer the grant and demonstration programs.

(e) The state board shall expend moneys from the fund, upon appropriation by the Legislature, sufficient to repay any General Fund moneys expended to implement the requirements of this article.

41999. (a) The state board shall develop and establish a grant program that provides incentives for dry cleaners in the state that utilize perchloroethylene in their operations to transition to utilizing dry cleaning systems determined by the state board, in consultation with the Office of Environmental Health Hazard Assessment, the State Water Resources Control Board, the Department of Toxic Substances Control, and any other entity the state board determines to be appropriate, to be nontoxic and nonsmog-forming.

(b) To be eligible for a grant pursuant to this section, applicants shall completely replace their perchloroethylene-based dry cleaning system with a system that the state board, in consultation with the Office of Environmental Health Hazard Assessment, the State Water Resources Control Board, the Department of Toxic Substances Control, and any other entity the state board determines to be appropriate, has determined to be nontoxic and nonsmog-forming. The state board shall determine the eligibility of grant recipients.

(c) The state board shall make grants available in the amount of ten thousand dollars (\$10,000) to any eligible dry cleaning operation for the purchase of a professional dry cleaning system that uses a nontoxic and nonsmog-forming process, as determined by the state board, in consultation with the Office of Environmental Health Hazard

Assessment, the State Water Resources Control Board, the Department of Toxic Substances Control, and any other entity the state board determines to be appropriate.

(d) The state board shall ensure that at least 50 percent of the grant moneys provided pursuant to this section are awarded in a manner that directly reduces air contaminants or reduces the public health risk associated with air contaminants in communities with the most significant exposure to air contaminants or localized air contaminants, or both, including, but not limited to, communities of minority populations or low-income populations, or both.

(e) Commencing January 1, 2007, and every three years thereafter, the state board shall provide a report to the Legislature evaluating effectiveness of the grant program.

(f) The state board shall establish a demonstration program to showcase professional nontoxic and nonsmog forming dry cleaning technologies in the state. The demonstration program shall require 50 percent matching funds to cover the costs of the demonstration program. Any entity may contribute monies as matching funds, including, but not limited to, a state or federal agency, an air pollution control district or air quality management district, a public utility district, or a nonprofit entity. Not more than 30 percent of the funds deposited annually in the Nontoxic Dry Cleaning Incentive Trust Fund may be used for the demonstration program.

Appendix B

Approved Grant Recipients List

| Grant Awarded Year | Types of Cleaning Systems | Owners Name | Business Name | Address | City | State | Zip Code |
|--------------------|-----------------------------------|-------------------------|--------------------------|----------------------------------|-----------------|-------|------------|
| 2005 | Water-Based | Tariq Mohammad | Alpha Cleaners | 7014 Santa Fe Ave | Huntington Park | CA | 90255-3910 |
| 2005 | Water-Based | James Kwon | Re-Stor Cleaners | 8846 Foothill Blvd. | Sunland | CA | 91040 |
| 2005 | Water-Based | William Tissot | Chino Riverside Cleaners | 5820 Riverside Dr | Chino | CA | 91710-4457 |
| 2005 | Water-Based | Shu Jen Tung | OK Cleaners | 2625 N Garey Ave | Pomona | CA | 91767-2171 |
| 2005 | Water-Based | Hyuk Park | One Hour Valley Cleaners | 853 Oak Park Blvd. | Pismo Beach | CA | 93449 |
| 2005 | Carbon Dioxide (CO ₂) | Anne Oh | C&H Cleaners | 2231 N Harbor Blvd | Fullerton | CA | 92835-2601 |
| 2005 | Water-Based | Pamela Nguyen | Stadium Cleaners | 5694 Mission Center Rd Suite 601 | San Diego | CA | 92108-4355 |
| 2005 | Water-Based | Omega Tjokrosurjo | Mountain 60 Cleaners | 12345 Mountain Avenue Suite B | Chino | CA | 91710 |
| 2005 | Carbon Dioxide (CO ₂) | Robert Smerling | Brentwood Royal Cleaners | 256-26th Street, Suite 100 | Santa Monica | CA | 90402 |
| 2005 | Water-Based | Samir Michael | Jasmine Cleaners | 1014 Huntington Dr | Duarte | CA | 91010-2449 |
| 2005 | Water-Based | Barry Mosohel | Del Rey Cleaners | 310 Culver Blvd | Playa Del Rey | CA | 90293-7704 |
| 2005 | Water-Based | Chon Woo Kim | Family Cleaners | 113 E. Manchester Blvd. | Inglewood | CA | 90301 |
| 2005 | Water-Based | Dat Duc Dinh | Crown Quality Cleaners | 12415 Haster St | Garden Grove | CA | 92840-4548 |
| 2005 | Water-Based | Simon Djahanbani | Pico Cleaner Inc. | 9150 W Pico Blvd | Los Angeles | CA | 90035-1320 |
| 2006 | Water-Based | Sergio Rios | Bob's Cleaners | 777 23rd St | Richmond | CA | 94804-1465 |
| 2006 | Water-Based | Hyung Cho | Corte Madera Cleaners | 143 Corte Madera Town Center | Corte Madera | CA | 94925-1209 |
| 2006 | Water-Based | Mohammad Ayari | Expert Cleaners | 6615 Flanders Dr. Suite C | San Diego | CA | 92121 |
| 2006 | Water-Based | Ashwin Patel | Ace Quality Cleaners | 4139 Riverside Dr | Chino | CA | 91710-3183 |
| 2006 | Water-Based | Daniel Jussicha | Ontario Cleaners | 2598 S Archibald Ave Suite G | Ontario | CA | 91761-6500 |
| 2006 | Water-Based | Fariborz Daniel Nourian | Concord Cleaners | 12920 Hawthorne Blvd Suite 105 | Hawthorne | CA | 90250-4408 |
| 2006 | Carbon Dioxide (CO ₂) | Loc T. Le | Knott's Cleaners | 6971 Lincoln Avenue, Suite D | Buena Park | CA | 90620 |
| 2006 | Water-Based | Peter Jung | Plaza Cleaners | 1730-F Ave De Los Arboles | Thousand Oaks | CA | 91362 |
| 2006 | Water-Based | Sun Ok Choi | Marina Village Cleaners | 2415 Harbor Blvd | Ventura | CA | 93001-3904 |