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9:30 a.m. or upon adjournment of session
State Capitol – Room 112

Consultant: Joanne Roy

PART C

OUTCOMES

ISSUES FOR DISCUSSION

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ISSUES FOR DISCUSSION

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 1: Wildfire Prevention and Recovery Legislative Package (SB 901, SB 1260, AB 2518, and AB 2911)

Governor's Proposal. The Governor's budget proposes \$10 million Greenhouse Gas Reduction Fund (GGRF) and 24 positions starting in 2019-20 to address workload associated with SB 901 (Dodd), Chapter 626, Statutes of 2018, SB 1260 (Jackson), Chapter 624, Statutes of 2018, AB 2518 (Aguiar-Curry), Chapter 637, Statutes of 2018, and AB 2911 (Friedman), Chapter 641, Statutes of 2018.

- **SB 901 (Dodd).** CalFire and the Board of Forestry and Fire Protection (BFFP) request \$4.8 million GGRF and 10 positions starting in 2019-20, which are above and beyond the annual budget appropriation required in SB 901 for forest health and fire prevention activities for prescribed fire and other fuel reduction activities. The additional funding and positions are intended to address forestry and landscape level fuels management, utility fire prevention and planning, and enable CalFire and the Board to implement and comply with these new laws.
- **SB 1260 (Jackson).** CalFire requests \$2.5 million GGRF and eight positions starting in 2019-20 to develop curriculum for burn boss certification training standards, course plans, and continuing education; address the potential increase in workload associated with the anticipated increases in burn permits and prescribed fire projects statewide from newly certified burn bosses; and provide the necessary steps to increase the pace and scale of prescribed fire statewide, which involves cooperative planning, training, burn agreement liability, and public education surround the use of prescribed fire, fire prevention, and public safety.
- **AB 2518 (Aguiar-Curry).** CalFire requests \$400,000 to produce the two reports required by AB 2518 to: (1) identify barriers to in-state production of mass timber and other innovative forest products as well as solutions that are consistent with the state's climate objectives on forested lands; and, (2) provide recommendations for the siting of additional wood product manufacturing facilities in the state.
- **AB 2911 (Friedman).** CalFire requests \$2.3 million GGRF and six positions starting in 2019-20 to implement the local government survey required by the legislation, coordinate with local governments, and conduct field reviews and develop recommendations for improving the fire and life safety of non-conforming residential subdivisions across the state.

The funding and positions requested in this proposal are in addition to the \$200 million GGRF proposed in the 2019-20 budget for forest health and fire prevention activities consistent with SB 901.

Background. *The 2018 Wildfire Legislative Package.* The Legislature approved several pieces of legislation in 2018 to address the increasingly severe wildfire seasons. The legislative package builds on the recent budget augmentations and enacts numerous policy changes such as establishing new programs and regulatory processes involving several agencies, including CalFire, California Conservation Corps, Department of Fish and Wildlife, State Water Resources Control Board, California Public Utilities Commission (CPUC), the Public Advocate's Office in PUC, and the Air Resources Board, to improve forest health and support fire prevention activities. Among other changes, the legislative package includes the following major provisions related to CalFire:

- ***SB 901: Funding for Forestry and Fire Prevention Activities.*** SB 901 includes several provisions intended to reduce the risk of catastrophic wildfires with a focus on forest health, expanding the use of prescribed fires, and reducing fuels. This includes a requirement that the annual state budget include two appropriations—\$165 million for forest health and fire prevention grants and fuels reduction projects and \$35 million for prescribed burn activities—beginning in 2019-20 and continuing for a total of five years. In aggregate, these amounts would be roughly the same as the amounts provided for these purposes in 2017-18 and 2018-19.
- ***SB 901: Streamlining Permitting Requirements.*** SB 901 also includes several changes to streamline the regulatory and approval processes related to timber harvesting activities, to allow private landowners to remove trees and other vegetation from their property in order to reduce fuel available for forest wildfires. First, SB 901 creates a new exemption, known as the small timberland owner exemption, that allows owners of relatively small acreage forests—60 acres if near the coast or 100 acres elsewhere—to remove trees in order to reduce the continuity of fuels (such as in a densely forested area) if certain other criteria are met. Some examples of criteria to qualify for the exemption include limiting the harvest to certain size of trees harvested and prohibiting removal of the six largest trees in each acre harvested. Second, the legislation expands an existing exemption, known as the forest fire prevention exemption, which has allowed for tree removal or timber harvesting without an approved timber harvest plan in certain cases, where the removal of fuels will help reduce the risk of severe wildfires and when the construction of temporary roads are not needed to conduct the project. SB 901 expands the potential use of this exemption by allowing for the construction of temporary roads in certain cases. Third, SB 901 requires CalFire to develop a Wildfire Resilience Program to provide technical assistance to nonindustrial timberland owners to help them with the regulatory process when conducting fuel reduction projects. The legislation specifically requires the Wildfire Resilience Program to provide information on the state permits needed to conduct fuel reduction projects, best practices for wildfire resilience, and available grant programs.
- ***SB 901: Electric Utilities and Wildfire Mitigation Plans.*** SB 901 also contains provisions related to electric utilities, because utility infrastructure is a common source of wildfire ignition. First, the legislation establishes procedures for wildfire cost financing for investor owned utilities (IOUs) to apply for recovery of costs incurred as a result of catastrophic wildfires. Second, SB 901 adds additional required elements for wildfire mitigation plans prepared by IOUs and reviewed by the CPUC, in consultation with CalFire. Specifically, IOUs must describe their future plans related to deenergizing portions of the electrical distribution system, managing vegetation along utility corridors, inspecting infrastructure, and any other steps they will take to modernize infrastructure and improve safety.
- ***SB 1260: Prescribed Fires.*** Among other things, SB 1260 supports the use of prescribed fires

for forest health and wildfire prevention in two key ways. First, the legislation requires the Air Resources Board (ARB), in coordination with local air districts, to conduct enhanced air quality and smoke monitoring to provide air regulators with improved information when reviewing requests for conducting prescribed fires. Second, SB 1260 requires CalFire to develop a professional “burn boss” curriculum and certification program that would create a consistent standard for the education and skills needed for people to conduct prescribed fires. Under this program, CalFire staff members and private individuals or companies could become certified in order to increase the workforce capable of safely conducting prescribed fires.

- ***AB 2518: Wood Product Manufacturing Facilities.*** AB 2518 requires CalFire and BFFP to identify barriers to utilizing small trees and other woody biomass in the production of mass-timber and other innovative wood products after they are removed from forests in California. AB 2518 also requires the Forest Management Task Force, staffed by CalFire, to develop recommendations for where to site wood product manufacturing facilities.
- ***AB 2911: Building Standards and Surveys of High-Risk Communities.*** AB 2911 requires the Office of the State Fire Marshall (OSFM) within CalFire to: (1) recommend updated building standards to better protect structures from wildfire risks; (2) develop a list of low-cost retrofits that could be implemented at existing structures to reduce the risks; and, (3) provide this list to the public through education and outreach efforts. AB 2911 also requires BFFP, in consultation with OSFM, to survey local governments in certain high-risk fire areas to identify existing subdivisions having only one roadway to access the subdivision. For these communities identified, the board is required to make recommendations to reduce wildfire risks and track the extent to which recommendations are implemented.

Governor’s Budget Proposals Related to the Legislative Wildfire Package. In total, the Governor's budget proposes \$234.941 million and 292 positions to implement the wildfire prevention recovery legislative package.

The table located on the next page reflects a breakdown of the budget change proposals to implement the 2018 legislative wildfire package.

Governor's Budget Proposals for the 2018 Legislative Wildfire Package

Dept.	Request	General Fund	Other Funds	Total	PYs
CALFire	Improving Forest Management and Decreasing Fire Risk (SB 901) - Funds would be used to: (1) implement the Wildfire Resilience Program, (2) review wildfire mitigation plans and share data with the Public Utilities Commission, and (3) undertake associated regulatory workload.	0	\$4,832,000 GGRF	\$4,832,000	10
CALFire	Prescribed Fire Crews and Research and Monitoring (SB 901) - Funds will be used to complete prescribed fire and other fuel reduction projects consistent with the recommendations of the Forest Carbon Plan, including the operation of year-round prescribed fire crews and implementation of a research and monitoring program for climate change adaptation.	0	\$35,000,000 GGRF	\$35,000,000	157
CALFire	Forest Health and Fire Prevention Projects and Programs (SB 901) - Funds will be used for healthy forest and fire prevention programs and projects that improve forest health and reduce greenhouse gas emissions caused by uncontrolled wildfires.	0	\$165,000,000 GGRF	\$165,000,000	19
CALFire	Prescribed Fire Program, Burn Boss Certification, and Increasing Pace and Scale (SB 1260) - Funds would be used to: (1) develop a burn boss certification program, (2) expand and enhance the Prescribed Fire Program and increase the use of prescribed fire through cooperative planning, training, and public education, and (3) coordinate and conduct prescribed fire research.	0	\$2,517,000 GGRF	\$2,517,000	8
CALFire	Barriers to and Solutions for Expanding the Use of Mass Timber and Other Wood Product (AB 2518) - Funds would be used to produce the two reports required by AB 2518 to (1) identify barriers to in-state production of mass timber and other innovative forest products as well as solutions that are consistent with the state's climate objectives on forested lands and (2) provide recommendations for the siting of additional wood product manufacturing facilities in the state.	0	\$400,000 GGRF	\$400,000	0
CALFire	Increasing Fire and Life Safety (AB 2911) - Funds would be used to implement the local government survey required by the legislation, coordinate with local governments, and conduct field reviews and develop recommendations for improving the fire and life safety of non-conforming residential subdivisions across the state.	0	\$2,278,000 GGRF	\$2,278,000	6
CCC	Forestry Corps (AB 2126) - Funds would be used to support four Forestry Corps crews that will undertake forest health and hazardous fuel reduction projects in areas of high fire risk, which will increase public safety for fire-threatened communities, improve forest health conditions, and achieve associated climate goals. This Program will also provide specialized training and assistance to corps members to create educational and career pathways to forestry and other related fields.	\$4,454,000	0	\$4,454,000	2
DFW	Timber Harvest Plan Exemption Review (SB 901) - This funding will support the Department of Fish and Wildlife's efforts to review timber harvest plan exemptions, and inspect, permit, and enforce projects that improve forest health and vegetation management activities to mitigate negative impacts on water quality, wildlife, and the environment.	\$1,483,000	\$2,000,000 Timber Regulation and Forest Restoration Fund	\$3,483,000	15
SWRCB	Review of Timber Harvest Plan Exemptions and Utility Corridor Vegetation Management Permitting (SB 901) - Funds would be used to support the State Water Resources Control Board's efforts to review timber harvest plan exemptions, and inspect, permit, and enforce projects that improve forest health and vegetation management activities to mitigate negative impacts on water quality, wildlife, and the environment.	\$2,547,000	\$1,831,000 Waste Discharge Permit Fund	\$1,831,000	22
PUC	Public Utilities Commission (SB 901) - Funds would be used to support the Public Utilities Commission to address workload associated with wildfire cost recovery proceedings, reviewing and approving enhanced wildfire mitigation plans, and oversight of investor-owned utility compliance with legislative requirements to reduce the risk of utility-caused wildfires.	0	\$6,632,000 Public Utilities Commission Reimbursement Account	\$6,632,000	34
PUC - PAO	Public Advocate's Office (SB 901) - This funding will support the Public Advocate's Office to address additional utility safety-related, financial-related, and legal workload related to the implementation of SB 901, including increased safety and ratemaking workload and wildfire mitigation plan and compliance report reviews.	0	\$2,529,000 Public Utilities Commission Public Advocates Office Account	\$2,529,000	14
ARB	Prescribed Fire Monitoring Program (SB 1260) - Funds would be used to enhance the Air Resources Board's air quality and smoke monitoring, forecasting, reporting and modeling activities and support local air district public education efforts to align with the anticipated increase in prescribed burns and other fuels reduction activities.	0	\$3,438,000 GGRF	\$3,438,000	5
			TOTAL:	\$234,941,000	292

Legislative Analyst's Office (LAO) Comments. *Approve the Governor's Budget Proposals.* Overall, the requests are consistent with the package of legislation and appear to fund reasonable first steps to implementing the package. Accordingly, the LAO recommends that the Legislature approve the budget proposals to implement the 2018 wildfire legislative package.

Ensure Details of Implementation are Consistent with Legislative Intent. In addition, because some of the proposals implement new programs or are continuing relatively new programs, some questions about the specific implementation of the legislative package are not answered in the detailed budget documents provided. While this may be understandable, the Legislature will want to ensure it has answers to key questions about the implementation of the legislative package in 2019-20 to ensure specific implementation decisions being made by the Administration are in line with legislative intent.

In particular, the LAO recommends that the Legislature require the Administration to report, at spring budget hearings, on questions such as:

- *Implementation of Prescribed Burn Crews.* How is CalFire progressing at hiring and training the prescribed burn crews approved in the 2018-19 budget? Where will crews be located? How will projects be selected and prioritized? How is CalFire ensuring these crews remain dedicated to prescribed fire work year-round without being pulled into assist with wildfire suppression?
- *Wildfire Resilience Program.* How many landowners are expected to receive technical assistance each year under the new program? How will the effectiveness of this program be assessed, and what outcomes does CalFire expect to achieve with the staffing level requested?

Conduct Ongoing Oversight. Given the number of changes enacted in the legislative package, as well as the complex and long-term challenge of improving forest health and reducing wildfire risks, it likely will take many years to evaluate outcomes of the state's efforts. In addition, many of the requirements in the legislative package create new programs and regulatory requirements. Therefore, it is unclear what specific implementation challenges state departments, local governments, and land owners might face in their efforts to achieve the goals of the legislation. In light of this, we recommend that the Legislature conduct ongoing oversight through future budget and policy committee hearings to monitor the state's progress. Some key questions for future oversight include the following:

- *Measuring Outcomes.* How will the state measure overall outcomes in the near term and the long-term? Are there ways to track the effectiveness of specific programs and regulatory changes? How will the state monitor the change in fire risk or severity in areas that have received forest health and fire prevention treatments, compared to non-treated areas?
- *Allocation of Funds to Highest Priority Areas.* What criteria is CalFire using to allocate funding among various regions of the state? To what extent is the Department targeting dollars to the highest risk areas and/or those areas with the greatest potential public safety or environmental benefits? Is CalFire receiving a sufficient number of grant applications from the highest priority geographic areas? If not, what steps is CalFire taking to proactively work with high-risk areas to develop potential grant projects?
- *Barriers to Completing Forest Health and Fire Prevention Projects.* What implementation barriers or challenges are CalFire and grant recipients experiencing with completing forest health and fire prevention projects? Does sufficient workforce capacity exist to undertake forest health and fire prevention activities at the current funding levels? Do capacity concerns constrain the ability to expand programs in the future?

- *Prescribed Burns.* To what extent are additional resources for CARB resulting in more approvals for prescribed fires? How are CARB and local air districts balancing the inherent greenhouse gas (GHG) and air quality trade-offs associated with approving prescribed burns that would have near-term emissions? How has the burn boss certification program affected the ability of local and private entities to implement prescribed burns?
- *Collaboration Across State and Local Entities.* How is CalFire collaborating with other state and local entities to prioritize forest health and other wildfire reduction activities within key regions of the state? To what extent are regional planning efforts taking place, such as in key watersheds?
- *Balancing Funding for Prevention Activities and Fire Response.* How is the state balancing funding for forest health and fire prevention activities to reduce the risks associated with future wildfires with demands to increase funding for fire response resources necessary to respond when wildfires occur? How can the state determine where funding can be most effective? To what extent should funding priorities change in the future as wildfire risks change or if additional very severe and destructive wildfires occur?
- *Overall Funding and Staffing Levels.* Are funding and staffing levels sufficient to keep up with workload demands, such as for processing permit exemptions or burn boss certifications? To what extent is there ongoing or increased demand for forest health and fire prevention grants in high priority regions?

Staff Comments. *Governor's Declaration of Emergency.* On March 22, 2019, the Governor declared a statewide emergency on wildfires to expedite wildfire prevention projects prior to the next fire season intended to protect 200 communities prone to fire risk. Among its various components, the state emergency declaration includes waiving environmental review pursuant to the California Environmental Quality Act and authorizing the state to set up contracts without competitive bidding. The Governor stated, "Some of these projects could take two years to get done or we can get them done in the next two months. That's our choice." The Governor also announced a \$50 million public awareness campaign and changes intended to modernize the state's contracting and procurement processes for wildfire management.

The subcommittee may wish to ask CalFire how do the actions in the proclamation of a state of emergency interact with funding and efforts related to the 2018 legislative wildfire package as well as the Forest Health Program and the Fire Prevention Program.

Staff Recommendation. Hold open.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**Issue 2: Wildfire Prevention and Recovery Legislative Package: Forestry Corps (AB 2126)**

Governor's Proposal. The Governor's budget proposes \$4.454 million General Fund in 2019-20 and \$4.352 million General Fund ongoing to fund two positions, three CCC crews, and one crew via local corps grant to implement the Forestry Corps Program consistent with AB 2126 (Eggman), Chapter 635, Statutes of 2018. This proposal includes \$450,000 fund shift from the Collins Dugan Reimbursement Account to General Fund to convert one existing resource crew to a Forestry Corps crew.

Funds would be used to support four Forestry Corps crews that will undertake forest health and hazardous fuel reduction projects in areas of high fire risk, which will increase public safety for fire-threatened communities, improve forest health conditions, and achieve associated climate goals. This program will also provide specialized training and assistance to corps members to create educational and career pathways to forestry and other related fields.

The Governor's budget proposes to fully fund the three CCC crews (one conversion crew and two new expansion crews) through the General Fund as opposed to the standard General Fund and project reimbursement funding model that supports other CCC grade crews. The Administration states that given the strategic location of the Forestry Corps crews and the fuels reduction and forest health activities they will undertake, the Forestry Corps Program will reduce wildfire risk for fire-threatened communities, which will lead to increased public safety.

Background. AB 2126 (Eggman): Forestry Corps Crews. AB 2126 is a component of the wildfire legislative package, which requires the CCC to establish a Forestry Corps program by July 1, 2019, and four Forestry Corps crews to accomplish the following objectives:

- Develop and implement forest health projects, which may include fuels reduction and hazardous fuels removal, seedling and tree planting, cone and seed collection, tree mortality and tree felling, tree nursery and arborist training, and wildlands forest firefighting training.
- Establish four Forestry Corps crews.
- Provide assistance to corpsmembers in obtaining forestry and forest technician degrees and certificates.
- Train corpsmembers to operate equipment in forestry and related fields.
- Create pathways from the CCC to degree programs and jobs.
- Partner with community colleges, trade associations, forest and timber industries, etc. to provide training and experience to corpsmembers.
- Partner with certified community conservation corps, where feasible, in implementing the Forestry Corps program.

Governor's Budget Proposals Related to the Legislative Wildfire Package. Please see Background in Issue #1.

Staff Recommendation. Hold open.

3900 AIR RESOURCES BOARD (ARB)

Overview

ARB has primary responsibility for protecting air quality in California. This responsibility includes establishing ambient air quality standards for specific pollutants, maintaining a statewide ambient air-monitoring network in conjunction with local air districts, administering air pollution research studies, evaluating standards adopted by the US Environmental Protection Agency, and developing and implementing plans to attain and maintain these standards. These plans include emission limitations for vehicular and other mobile sources and industrial sources established by the ARB and local air pollution control districts.

ARB also has the responsibility, in coordination with the Secretary for Environmental Protection, to develop measures to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020 and at least 40 percent below 1990 levels by 2030, pursuant to AB 32 (Núñez), Chapter 488, Statutes of 2006, and SB 32 (Pavley), Chapter 249, Statutes of 2016. ARB also implements the Community Air Protection Program to reduce air pollution in the State's most burdened communities, pursuant to AB 617 (C. Garcia), Chapter 136, Statutes of 2017. ARB works with air pollution control districts, the business community, scientists, community representatives and other stakeholders to implement all of its programs.

The following table reflects expenditures and positions for past, current, and budget years.

ARB Three-Year Expenditures and Positions

		Positions			Expenditures		
		2017-18	2018-19	2019-20	2017-18*	2018-19*	2019-20*
3500	Mobile Source	681.9	711.9	729.9	\$216,552	\$613,042	\$396,916
3505	Stationary Source	250.5	271.3	272.3	39,493	41,569	41,670
3510	Climate Change	213.0	205.4	210.4	490,534	768,985	460,748
3515	Subvention	-	-	-	78,793	10,111	10,111
3525	Zero/Near Zero Emission Warehouse Program	-	-	-	-	50,000	-
3530	Community Air Protection	63.5	72.0	75.0	287,931	324,663	275,643
9900100	Administration	264.0	254.8	254.8	42,757	57,778	57,953
9900200	Administration - Distributed	-	-	-	-42,757	-57,778	-57,953
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		1,472.9	1,515.4	1,542.4	\$1,113,303	\$1,808,370	\$1,185,088

*Source: Department of Finance

Issue 3: Wildfire Prevention and Recovery Legislation: Prescribed Fire Monitoring Program (SB 1260)

Governor's Proposal. The Governor's budget proposes \$3.4 million GGRF and five positions to address workload associated with implementation of SB 1260 (Jackson), Chapter 624, Statutes of 2018, including smoke monitoring, forecasting, reporting, and modeling capabilities to support a significant increase in prescribed burn projects.

The requested funds include \$595,000 in one-time equipment costs and \$2 million for three years in local assistance funding.

Background. *SB 1260 (Jackson).* SB 1260 was an omnibus fire prevention and forestry management bill to promote long-term forest health and wildfire resiliency. SB 1260 authorized federal, state, and local agencies to engage in collaborative forestry management, created new opportunities for public and private land managers to mitigate wildfire risks, and enhanced the Department of Forestry and Fire Protection's (CalFire's) role in identifying wildfire hazards as local governments plan for new housing and neighborhoods. Among the provisions in the bill, SB 1260 requires ARB and CalFire, in coordination with local air pollution control and air quality management districts, to develop and fund a program to enhance air quality and smoke monitoring, and to provide a public awareness campaign regarding prescribed burns.

SB 1260 was part of the comprehensive wildfire prevention and recovery package enacted last year. The 2019-20 Governor's budget proposes a total of \$234.5 million to implement the various requirements of the legislative package and build the state's resilience to climate change-driven wildfire activity.

Prescribed Burning. According to ARB, prescribed burning is the intentional use of fire to reduce wildfire hazards, clear downed trees, control plant diseases, improve rangeland and wildfire habitats, and restore natural ecosystems. Approximately 150,000 acres of wildlands are treated each year in the state using prescribed burning. As catastrophic wildfires continue to be a growing concern, the use of prescribed burning to reduce hazardous fuels is projected to increase.

Prescribed Burning: Air Quality Impacts. Prescribed burning produces smoke, which is a mixture of toxic particles and gases. If not carefully managed, smoke can be a nuisance to residents and businesses, and it can adversely impact community health. Smoke can contribute levels of pollution that exceed health protective air quality standards. However, to minimize smoke impacts and protect public health, burners and air regulators work together to match burning with appropriate atmospheric conditions.

Recent advances in remote sensing and measurement systems enable greater accuracy when analyzing forest fuel and deadwood composition, and forestry science has shown prescribed burns are an effective strategy for maintaining healthy, sustainable forest ecosystems. However, the increased application of prescribed burn techniques creates a statewide demand for new strategic monitoring, modeling, reporting, and forecasting beyond existing capabilities. It will also require a high level of coordination with CalFire, land management agencies, and local air districts to ensure that the increased use of prescribed burns does not jeopardize statewide air quality objectives.

This proposal is intended to enable ARB to implement the measures necessary to facilitate an increase in prescribed burns and provide enhanced, location-specific air quality information about prescribed burns to improve certainty in near-burn air quality levels, leading to more positive burn calls. Improved high resolution monitoring data and modeling/forecasting capabilities is intended to provide the safety information and operational intelligence needed by CalFire, the US Forest Service, Bureau of Land Management, local air districts, and other officials to conduct precisely controlled burns and communicate with the public while ensuring air quality goals are not compromised. Healthier, more natural and sustainable forests will also help optimize carbon sequestration over the long-term.

Governor's Budget Proposals Related to the Legislative Wildfire Package. Please see Background in Issue #1.

Staff Recommendation. Hold open.

Issue 4: California Clean Miles Standard and Incentive Program (SB 1014)

Governor's Proposal. The Governor's budget proposes one permanent position and \$91,000 from the Air Pollution Control Fund in fiscal year 2019-20 and \$181,000 in 2020-21 to develop and implement the requirements of SB 1014 (Skinner), Chapter 369, Statutes of 2018.

Background. SB 1014. SB 1014 (Skinner) establishes the Clean Miles Standard and Incentive Program and requires ride hailing companies (e.g. Uber and Lyft), formally known as transportation network companies (TNCs), to have drivers use clean cars, incentivize higher carpooling per vehicle, and incentive reduced trip distance by connecting to transit.

SB 1014 requires ARB to establish by January 1, 2020, a GHG emissions baseline for transportation network companies on a per passenger-mile basis. SB 1014 also requires ARB to establish annual targets for the reduction under that baseline of GHG emissions per passenger mile driven on behalf of transportation network companies, including annual targets for increasing vehicle or passenger miles traveled using zero emission vehicles by January 1, 2021.

This is a new type of regulation (i.e., regulating light duty fleets not automakers), a new type of regulated party (i.e. regulating app-based ride hailing companies), and may require a United States Environmental Protection Agency (US EPA) waiver. It will also require technology assessments of driverless automated vehicles (AVs), given AVs are expected to be predominantly used in ride hailing fleets after they emerge in fleets starting in 2020.

SB 1014 requires the following schedule:

- By January 1, 2020: ARB to complete first emissions baseline using 2018 as the base year.
- By January 1, 2021: ARB to complete regulation, collaborating with the California Public Utilities Commission (CPUC) for enforcement.
- By January 1, 2022: Ride hailing firms to submit first emission reduction plans, and every other year thereafter.
- By 2023: First year of annual requirements and enforcement by CPUC begins.

ARB would immediately move to request a US EPA for a waiver later in 2021, if one is deemed necessary, to establish authority for CPUC to enforce the regulation.

The Administration states that ARB does not currently regulate ride hailing fleets and, therefore cannot absorb the increased workload of developing and implementing the requirements of SB 1014 using existing resources. However, if requested resources are granted, ARB will be able to leverage related experiences from other types of vehicle programs such as Advanced Clean Cars program to establish the baseline emissions inventory and set annual emissions reduction targets.

Staff Recommendation. Approve as budgeted.

Issue 5: Increase Grants for Truck Loan Program

Governor's Proposal. The Governor's budget proposes \$19.36 million Air Quality Improvement Fund (AQIF) one-time for the Air Quality Improvement Program (AQIP) grant program. This adjustment would bring the total local assistance authority for the truck loan program to \$48 million in 2019-20.

The additional funds are intended to further contribute to the Truck Loan Program, which assists small business truck owners with replacing their trucks to reduce air toxics, criteria and climate pollutants, and comply with the statewide Truck and Bus Regulation.

Background. AQIP. AB 118 (Núñez), Chapter 750, Statutes of 2007, enacted the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007. Among the various provisions, AB 118 established AQIP, which funds air quality improvement projects relating to fuel and vehicle technologies, administered by ARB. The program provides incentives to reduce criteria pollutant and toxic air contaminant emissions through the deployment of advanced technology and clean transportation in the light-duty and heavy-duty sectors. There are multiple programs under AQIP that focuses funding in various areas, including clean vehicle and equipment projects, research on biofuels production, air quality impacts of alternative fuels, and workforce training. Each year, the legislature appropriates funding to ARB for these incentives. Funding for AQIP varies, but averages around \$25 million annually.

The Administration states that at the time of its creation, AQIF revenues were below anticipated levels due to a downturn in the economy; consequently, the expenditure authority was reduced to align with revenues. The state's economy has improved, resulting in increased program revenues and greater demand for AQIP's consumer and business incentive programs.

The statewide Truck and Bus Regulation requires retirement of diesel trucks with engines that are 20 years or older beginning in 2020. Further, truck owners will face immediate consequences to their business operations if they do not retire older trucks on time.

Staff Recommendation. Approve as budgeted.

Issue 6: Truck and Bus Regulation Compliance Certification (SB 1)

Governor's Proposal. The Governor's budget proposes \$1.9 million from various state transportation-related funds (State Transportation Fund: (1) State Highway Account, (2) Road Maintenance and Rehabilitation Account, and (3) Trade Corridor Enhancement Account) and 15 positions for three years, and \$195,000 and one position ongoing thereafter to implement SB 1 (Beall), Chapter 5, Statutes of 2017.

These positions are intended to implement the requirements of SB 1, including:

- Establish a joint database with the Department of Motor Vehicles (DMV) to ensure only commercial vehicles compliant with ARB's diesel regulations are allowed to register.
- Provide increased outreach and technical assistance to truck owners/operators on registration-related compliance issues to address the anticipated increase in compliance assistance and enforcement resolution calls.
- Track the emissions impacts of the Truck and Bus Regulation's enhanced compliance provision.
- Consult with the Department of Transportation in its review of transportation plans and the development of local and regional planning grant guidelines.
- Consult with the California Transportation Commission on the development of program funding guidelines and assistance with developing scoring criteria for the Congested Corridors Program created by SB 1.

Background. SB 1 (Beall). SB 1 established The Road Repair and Accountability Act of 2017, which was intended to address the funding deficit for transportation infrastructure and the backlog of California transportation system maintenance and rehabilitation projects. Among its various provisions, SB 1 created the Road Maintenance and Rehabilitation Program to fund road maintenance and rehabilitation, safety projects, and active transportation projects, and created the Solutions for Congested Corridors Program to address the state's most congested travel corridors.

Several provisions of SB 1 acknowledge the impact of the transportation sector on California's air quality, and require ARB to establish programs to reduce emissions from motor vehicles and to work in concert with other state agencies as an expert consultant for air quality and GHG-related elements.

Truck and Bus Regulation. The Truck and Bus Regulation places clean air requirements on approximately one million trucks operating in the state, of which approximately 400,000 are registered in California and about 600,000 are registered in other states. The current estimated compliance rate is approximately 70 percent.

ARB estimates that, of approximately 300,000 non-compliant vehicles operating in California, approximately 82,000 are registered in the state and will be affected by SB 1. In addition, many vehicles currently in compliance may become non-compliant when additional requirements take effect between 2020 and 2023.

SB 1 provides a new enforcement mechanism by requiring that a vehicle be in compliance with the Truck and Bus Regulation prior to registering that vehicle with the DMV. Beginning January 1, 2020, DMV is required to verify that a medium-duty or heavy-duty vehicle is compliant with or exempt from ARB's Truck and Bus Regulation before allowing registration. This requires enhanced database capabilities to ensure accurate communication between ARB and DMV databases.

The 2018 Budget Act provided \$600,000 for the development of the database and an additional \$300,000 is proposed in 2019-20 through a technical budget change proposal as a continuing technology project.

Staff Recommendation. Hold open.