

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

For the agenda of: October 28, 2004

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene
Air Pollution Control Officer

Subject: Request for a raise in the Department of Motor Vehicles (DMV) surcharge from \$4 to \$6, as authorized in Assembly Bill 923, to augment the Carl Moyer Program.

Recommendation: Approve the attached resolution and authorize the Chairperson of the Board of Directors to sign the resolution for and on behalf of the Sacramento Metropolitan Air Quality Management District.

Purpose: The purpose of this resolution is to authorize the Air Pollution Control Officer to request that DMV raise the current annual \$4.00 surcharge per registered motor vehicle to \$6 per registered motor vehicle. The revenue increase can be used to fund:

- 1) Projects eligible for grants under the Carl Moyer Program.
- 2) The purchase, retrofit, or repower of equipment for previously unregulated agricultural sources of air pollution.
- 3) The purchase of school buses pursuant to the Lower-Emission School Program.
- 4) An accelerated vehicle retirement or repair program that is adopted by the state board.

As locally generated funds, the DMV surcharge can be used as a match against Moyer Program requirements. Because of the increased availability of Moyer funds to the District, an increase in DMV surcharges is required to leverage the maximum amount of State funds available to the District.

Authority: Under Health and Safety Code section 41062(a), the District is required to have demonstration programs and incentives to encourage the purchase of clean-fueled vehicles and the use of cleaner burning fuels.

Under section 41082, the District may undertake programs giving financial assistance: (i) to fleet operators for the purchase, conversion, or operation of low-emission motor vehicles, and (ii) to encourage the sale and distribution of clean burning fuels.

Under Assembly Bill 923, approved by the Governor on September 23, 2004, the District Board of the Sacramento Metropolitan Air Quality Management District may adopt an additional \$2 surcharge on motor vehicle registration fees

Authority (con't.): applicable to all motor vehicles registered in the counties within the District. This bill becomes effective January 1, 2005. The County Board of Supervisors must also approve the surcharge increase.

Background: On February 24, 2000, the Board of Directors authorized the Air Pollution Control Officer to apply for heavy-duty low-emission engine incentive match funds from the California Air Resources Board's (CARB) Moyer Program.

As a result of the subsequent Moyer Program funding applications submitted to CARB, the District has received over \$11,600,000 over the last 6 fiscal years. Most of these funds were used to replace about 1000 non-certified diesel engines with new certified diesel engines in agricultural tractor, water pumping and construction mobile equipment applications. These new engines emit approximately 50% fewer oxides of nitrogen (NOx) than the replaced engines. The resulting emission reductions total 2.72 NOx tons per day and have a historical NOx lifetime cost-effectiveness average of \$2,550 per ton reduced.

Smog Check Program

The initial Smog Check Program exempted vehicles that were less than 4 years old from the requirement to obtain a smog check. This year, the Legislature amended the Program to: (i) extend the exemption to 5 and 6 year old vehicles, resulting in an average savings of \$50.00 per owner, and (ii) increase the fee on exempt vehicles from \$6.00 to \$12.00. The additional state income received from the increased fee will be used to fund the Carl Moyer Program.

Smog Check records indicate that new vehicle emissions deteriorate very little over the first 6 years of the vehicle's life. By foregoing the smog check in years 5 and 6, we will reduce costs to individual vehicle owners without impacting the reductions achieved under the Smog Check Program, and by funding additional Moyer emission reduction programs, we will significantly increase the level of actual reductions achieved in the District and statewide.

Moyer Funds

As a result of the amendments to the Smog Check Program, the fiscal revenue for the State's Carl Moyer Program is \$30.5 million for FY 2004-2005, and goes up to \$61 million annually in the following fiscal years.

The State requires the District to provide matching funds of \$1 for every \$2 received in Moyer revenue. Typically, the District uses DMV, Measure A, and SECAT funds to meet the funding

**Moyer Funds
(cont.)**

requirement. Due to the increased Moyer funding available from the state, the District has a higher match requirement, which we can not meet unless we raise the DMV surcharge from \$4 to \$6. If the District does not meet the match requirement, our corresponding share of the Moyer funds will be redirected by CARB to other air districts in the state that can meet the match requirement. The end result is a lost opportunity for our region to continue reducing toxic air emissions.

In addition, District staff only recently learned that, to implement the DMV surcharge in April and maximize our access to the Moyer funds for next year, we must submit a complete request to DMV by January 1, 2005. Since there are no Board meetings in November and December, this is our only opportunity (absent a special meeting) to meet the DMV deadline. If we miss this cycle, the surcharge will be delayed until October 2005, with a significant loss in both DMV revenues and Moyer match funds.

Although the DMV revenues will be used primarily for the Moyer match, the funds may also be used to fund other emission reduction programs.

**Previous Board
Action:**

On May 2, 1996, your Board adopted the On-Road Low-Emission Heavy-Duty Vehicle Incentive Program, which provided a streamlined process for the District to provide incentives for low-emission heavy-duty vehicles.

On November 7, 1996, following the On-Road Program, your Board adopted the Off-Road Motor Vehicle Repower and/or Motor Vehicle Engine Retrofit Incentive Program.

On February 5, 1998, your Board consolidated these programs so that funding could be allocated to the most cost-effective projects as they are developed.

On July 23, 1998, your Board approved minor changes to the program and allocated additional funds to the program.

On April 27, 2000, under Resolution No 2000-021, your Board approved minor changes to the program and allocated additional funds to the program.

On January 24, 2002 your Board accepted \$1,438,944 in continued funding from the California Air Resources Board to pursue emission reductions from high polluting sources in the Sacramento Federal Non Attainment Region.

Fiscal Impacts: The Moyer Program allows for local match funding to be achieved from any qualifying project as defined in the Moyer Program guidelines. The District estimates that its match requirement for each new funding cycle is \$1,063,838. The next Moyer funding cycle, year 7, will be available in January 2005. The District has not budgeted the 7th year match amount in the 2004-2005 fiscal budget.

In the FY 04-05 budget the District is expected to receive \$4,287,492 from the \$4 DMV surcharge. Raising the DMV surcharge will result in an annual \$2 increase for motor vehicle owners, and will raise approximately \$2 million annually in funding revenue for the District. As discussed above, these funds will primarily be applied as a match to the Moyer Program. If the request to DMV is received before January 1, 2005, then DMV will start collecting the additional funds starting April 1, 2005. If DMV does not receive the request before January 1, 2005, then the next available opportunity for DMV to begin collecting funds will be October 1, 2005, which would result in a \$1 million loss to the District.

The District will use future DMV Surcharge, Measure A and/or SECAT funds allocated to the District's Heavy-Duty Low-Emission Vehicle Incentive Program or other authorized funds for qualifying projects as match money to participate in the Moyer Program.

Respectfully submitted,

Larry Greene
Air Pollution Control Officer

Approved as to form:

Kathrine Pittard
District Counsel