

**ASSEMBLY BILL**

**No. 1901**

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**Introduced by Assembly Member Shirley Horton**

January 25, 2006

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An act to add and repeal Chapter 8.7 (commencing with Section 44267) of Part 7 of Division 26 of the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 1901, as introduced, Shirley Horton. Air pollution: truck retrofit revolving loan program.

Existing law imposes various limitations on emissions of air contaminants for the control of air pollution from vehicular and nonvehicular sources. Existing law generally designates the State Air Resources Board as the state agency with the primary responsibility for the control of vehicular air pollution, and air pollution control districts and air quality management districts with the primary responsibility for the control of air pollution from all sources other than vehicular sources. Existing law establishes various grant programs, including, but not limited to zero-emission vehicle grants, to encourage the purchase of low- or zero- emissions vehicles.

This bill would establish, until January 1, 2012, the Truck Retrofit Revolving Loan Program (program) in the state board to help finance, through direct loans, the retrofitting of trucks with bundled energy efficiency and emission reduction equipment kits, as defined, by businesses, as specified. The bill would create the Truck Retrofit Revolving Loan Program Fund in the State Treasury, and would require the moneys in the fund, upon annual appropriation by the Legislature, to be used for the purpose of providing loans for program purposes.

This bill would prescribe requirements for repayment of the allocations made pursuant to the program and would authorize the Department of Finance to audit the expenditure of an allocation or the computation of specified payments.

This bill would require the state board, by October 1, 2008, and by October 1 annually thereafter, to submit to the Legislature a report on the number of trucks retrofitted pursuant to the program, the energy cost savings and emission reductions resulting from the retrofit, and the amount of interest accrued.

This bill would provide that the termination of the program on January 1, 2012, would not terminate the obligation to repay any loans outstanding as of that date.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

1 SECTION 1. Chapter 8.7 (commencing with Section 44267)  
2 is added to Part 7 of Division 26 of the Health and Safety Code,  
3 to read:

4  
5 CHAPTER 8.7. TRUCK RETROFIT REVOLVING LOAN PROGRAM  
6

7 44267. As used in this chapter, the following terms have the  
8 following meanings:

9 (a) "Allocation" means a loan of funds by the state board  
10 pursuant to this chapter.

11 (b) "Bundled energy efficiency improvement and emission  
12 reduction equipment kit" means a retrofit kit that includes all of  
13 the following:

- 14 (1) Aerodynamic improver package.
- 15 (2) Single wide low-resistance tires.
- 16 (3) Particulate trap.
- 17 (4) Onboard idling reduction technology.

18 (c) "Eligible business" means a small or large business that is  
19 a truck owner-operator or that owns a truck fleet.

20 (d) "Fund" means the Truck Retrofit Revolving Loan Program  
21 Fund established by Section 44267.4.

22 (e) "Large business" means an independently owned and  
23 operated business that has its principal office located in California,

1 the officers of which are domiciled in California, and that, together  
2 with its affiliates, has more than 100 employees, and average  
3 annual gross receipts of more than ten million dollars (\$10,000,000)  
4 over the previous three years, or is a manufacturer with more than  
5 100 employees.

6 (f) “Manufacturer” means a business that is both of the  
7 following:

8 (1) Primarily engaged in the chemical or mechanical  
9 transformation of raw materials or processed substances into new  
10 products.

11 (2) Classified between Codes 2000 to 3999, inclusive, of the  
12 Standard Industrial Classification (SIC) Manual published by the  
13 United States Office of Management and Budget, 1987 edition.

14 (g) “Program” means the Truck Retrofit Revolving Loan  
15 Program created by Section 44267.2.

16 (h.) “Small business” means an independently owned and  
17 operated business that is not dominant in its field of operation, the  
18 principal office of which is located in California, the officers of  
19 which are domiciled in California, and that, together with affiliates,  
20 has 100 or fewer employees, and average annual gross receipts of  
21 ten million dollars (\$10,000,000) or less over the previous three  
22 years, or is a manufacturer with 100 or fewer employees.

23 (I) “Truck” means a motor vehicle having a manufacturer’s  
24 gross vehicle weight rating greater than 33,000 pounds.

25 44267.2. The Truck Retrofit Revolving Loan Program is hereby  
26 established in the state board for truck owner-operators and truck  
27 fleets for the purpose of funding, through direct loans, the  
28 retrofitting of trucks with bundled energy efficiency improvement  
29 and emission reduction equipment kits.

30 44267.4. (a) The Truck Retrofit Revolving Loan Program  
31 Fund is hereby created in the State Treasury and, upon annual  
32 appropriation by the Legislature, shall be used for allocation by  
33 the state board.

34 (b) The moneys in the fund shall consist of all moneys  
35 authorized or required to be deposited in the fund by the Legislature  
36 and all moneys received by the state board pursuant to Section  
37 44268.4.

38 (c) The moneys in the fund shall be disbursed by the Controller  
39 for the purposes of this chapter as authorized by the state board.

1 44267.6. (a) An eligible business may submit an application  
2 to the state board for an allocation for the purpose of financing all  
3 or a portion of the costs incurred in retrofitting a truck with a  
4 bundled energy efficiency improvement and emission reduction  
5 equipment kit. The application shall be in a form and contain  
6 information as prescribed by the state board.

7 (b) An application may be for the purposes of financing the  
8 eligible business' share of the costs that are to be jointly funded  
9 through a state, local, or federal-local program.

10 44267.8. (a) Applications may be approved by the state board  
11 only in those instances where the eligible business has furnished  
12 information satisfactory to the state board that the costs of  
13 retrofitting the truck, plus interest on state funds loaned, calculated  
14 in accordance with Section 44268.4, will be recovered through  
15 savings in the cost of energy to the business and emission reduction  
16 during the repayment period of the allocation. The savings shall  
17 be calculated in a manner prescribed by the state board.

18 (b) In approving an application, the state board shall also  
19 consider all of the following:

20 (1) The length of time that the eligible business has been in  
21 operation.

22 (2) The eligible business' credit rating.

23 44268. (a) A small business may receive an allocation made  
24 pursuant to this chapter to retrofit up to five trucks.

25 (b) A large business may receive an allocation made pursuant  
26 to this chapter to retrofit up to 10 trucks.

27 (c) An eligible business shall not receive more than three  
28 hundred thousand dollars (\$300,000) in allocations made pursuant  
29 to this chapter.

30 44268.2. (a) An allocation made pursuant to this chapter shall  
31 be used for the purposes specified in the approved application.

32 (b) In the event that the state board determines that an allocation  
33 has been expended for purposes other than those specified in an  
34 approved application, it shall immediately request the return of  
35 the full amount of the allocation. The eligible business shall  
36 immediately comply with that request.

37 (c) An allocation made by the state board pursuant to this chapter  
38 shall be secured by the trucks that are retrofitted.

39 44268.4. (a) An eligible business to which an allocation has  
40 been made under this chapter shall repay the principal amount of

1 the allocation, plus interest, in either 12 or 24 monthly payments,  
2 as determined by the state board. The first monthly payment shall  
3 be made on or before the first of the month following the month  
4 in which the retrofit is completed. The repayment period may not  
5 exceed the life of the truck, as determined by the state board.

6 (b) Notwithstanding any other provision of law, the state board  
7 shall, unless it determines that the purposes of this chapter would  
8 be better served by establishing an alternative interest rate schedule,  
9 periodically set interest rates on the loans based on surveys of  
10 existing financial markets and at rates not less than 3 percent per  
11 annum.

12 44268.6. (a) In furtherance of the purposes of this chapter, the  
13 state board has the power and authority to do all of the following:

14 (1) Borrow money, for the purpose of obtaining money to make  
15 allocations pursuant to this chapter, from the California  
16 Infrastructure and Economic Development Bank and the California  
17 Consumer Power and Conservation Financing Authority from the  
18 proceeds of revenue bonds issued by any of those agencies.

19 (2) Pledge, to provide collateral in connection with the  
20 borrowing of money pursuant to paragraph (1), loans made  
21 pursuant to this chapter or the principal and interest payments on  
22 loans made pursuant to this chapter.

23 (3) Sell allocations made pursuant to this chapter, at prices  
24 determined in the sole discretion of the state board, to the California  
25 Infrastructure and Economic Development Bank and the California  
26 Consumer Power and Conservation Financing Authority to raise  
27 funds to enable the state board to make loans to eligible businesses.

28 (4) Enter into loan agreements or other contracts necessary or  
29 appropriate in connection with the pledge or sale of loans pursuant  
30 to paragraph (2) or (3), or the borrowing of money as provided in  
31 paragraph (1), containing any provisions that may be required by  
32 the California Infrastructure and Economic Development Bank or  
33 the California Consumer Power and Conservation Financing  
34 Authority as conditions of issuing bonds to fund loans to, or the  
35 purchase of loans from, the state board.

36 (b) In connection with the pledging of loans or of the principal  
37 and interest payment on loans, pursuant to paragraph (2) of  
38 subdivision (a), the state board may enter into pledge agreements  
39 setting forth the terms and conditions pursuant to which the state  
40 board is pledging loans or the principal and interest payment on

1 loans, and may also agree to have the loans held by bond trustees  
2 or by independent collateral or escrow agents and to direct that  
3 payments received on those loans be paid to those trustee,  
4 collateral, or escrow agents.

5 (c) The state board may employ financial consultants, legal  
6 advisers, accountants, and other service providers, as may be  
7 necessary in its judgment, in connection with activities pursuant  
8 to this chapter.

9 (d) Notwithstanding any other provision of law, this chapter  
10 provides a complete, separate, additional, and alternative method  
11 for implementing the measures authorized by this chapter,  
12 including the authority of the eligible businesses to have borrowed  
13 and to borrow in the future pursuant to loans made pursuant to this  
14 chapter, and is supplemental and additional to powers conferred  
15 by other laws.

16 44268.8. The Department of Finance, at its discretion, may  
17 audit the expenditure of any allocation made pursuant to this  
18 chapter or the computation of any payment made pursuant to  
19 Section 44268.4.

20 44270. In addition to the powers specifically granted to the  
21 state board by the other provisions of this chapter, the state board  
22 shall have the following powers:

23 (a) To establish qualifications and priorities, consistent with the  
24 objectives of this chapter, for making allocations.

25 (b) To establish procedures and policies that may be necessary  
26 for the administration of this chapter.

27 44270.2. The state board may expend from the fund an amount  
28 to pay for the actual administrative costs incurred by the state board  
29 pursuant to this chapter. That amount shall not exceed 5 percent  
30 of the total appropriation, to be held in reserve and used to defray  
31 costs incurred by the state board for allocations made by the state  
32 board pursuant to this chapter.

33 44270.4. On or before October 1, 2008, and on or before  
34 October 1 annually thereafter, the state board shall submit a report  
35 to the Legislature on all of the following:

36 (a) The number of trucks retrofitted by allocations made  
37 pursuant to this chapter.

38 (b) The energy cost savings to the businesses resulting from the  
39 retrofitting of the trucks.

1 (c) The emission reductions resulting from the retrofitting of  
2 the trucks.

3 (d) The amount of interest accrued.

4 44270.6. (a) Except as provided in subdivisions (b) and (c),  
5 this chapter shall remain in effect only until January 1, 2012, and  
6 as of that date is repealed, unless a later enacted statute, which is  
7 enacted before January 1, 2012, deletes or extends that date.

8 (b) All loans outstanding as of January 1, 2012, shall continue  
9 to be repaid on a monthly basis, as specified in Section 44268.4,  
10 until paid in full. The repeal of certain sections of this chapter does  
11 not terminate the obligation to repay loans, outstanding as of  
12 January 1, 2012, due and payable to the state board, or any  
13 provision necessary to carry out this obligation. All unexpended  
14 moneys in the fund on January 1, 2012, and thereafter, except to  
15 the extent those funds are encumbered pursuant to Section 44268.6,  
16 shall revert to the General Fund.

17 (c) Nothing in this section shall be construed to prohibit the  
18 state board, after January 1, 2012, from maintaining a truck  
19 retrofitting revolving loan program that make allocations to eligible  
20 businesses to retrofit trucks with bundled energy efficiency  
21 improvement and emission reduction equipment kits that does not  
22 require an appropriation from the General Fund.