

CLEAN FUEL VEHICLE FUND AMENDMENTS

2006 GENERAL SESSION

STATE OF UTAH

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Senate Sponsor: Brent H. Goodfellow

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LONG TITLE

General Description:

This bill modifies the Clean Fuels Conversion Program Act.

Highlighted Provisions:

This bill:

- ▶ changes the name of the Clean Fuels Vehicle Fund;
- ▶ defines terms;
- ▶ expands the items for which loans or grants from the fund may be given;
- ▶ authorizes the department to charge fees for applications to off-set administrative costs;
- ▶ authorizes the Air Quality Board to:
 - certify a fuel, vehicle, fuel system, or conversion equipment which reduces emissions; and
 - recognize other state certification standards and emission reduction tests; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

31 **19-1-401**, as renumbered and amended by Chapter 294, Laws of Utah 2005

32 **19-1-402**, as last amended by Chapter 108 and renumbered and amended by Chapter
33 294, Laws of Utah 2005

34 **19-1-403**, as last amended by Chapter 108 and renumbered and amended by Chapter
35 294, Laws of Utah 2005

36 **19-1-404**, as renumbered and amended by Chapter 294, Laws of Utah 2005

37 ENACTS:

38 **19-1-405**, Utah Code Annotated 1953

39 **Uncodified Material Affected:**

40 ENACTS UNCODIFIED MATERIAL



42 *Be it enacted by the Legislature of the state of Utah:*

43 Section 1. Section **19-1-401** is amended to read:

44 **Part 4. Clean Fuels and Vehicle Technology Program Act**

45 **19-1-401. Title.**

46 This part is known as the "Clean Fuels [~~Conversion~~] and Vehicle Technology Program
47 Act."

48 Section 2. Section **19-1-402** is amended to read:

49 **19-1-402. Definitions.**

50 As used in this part:

51 [~~(1) "Certified by the Air Quality Board" means that a motor vehicle on which
52 conversion equipment has been installed meets the following criteria:]~~

53 [~~(a) before the installation of conversion equipment, the motor vehicle does not exceed
54 the emission cut points for a transient test driving cycle, as specified in 40 CFR 51, Appendix
55 E to Subpart S, or an equivalent test for the make, model, and year of the motor vehicle;]~~

56 [~~(b) the motor vehicle's emissions of regulated pollutants, when operating with clean
57 fuel, is less than the emissions were before the installation of conversion equipment; and]~~

58 [~~(c) a reduction in emissions under Subsection (1)(b) is demonstrated by:]~~

59 ~~[(i) certification of the conversion equipment by the federal Environmental Protection~~
 60 ~~Agency or by a state whose certification standards are recognized by the Air Quality Board;]~~

61 ~~[(ii) testing the motor vehicle, before and after the installation of the conversion~~
 62 ~~equipment, in accordance with 40 CFR 86, Control of Air Pollution from New and In-use~~
 63 ~~Motor Vehicle Engines: Certification and Test Procedures, using all fuel the motor vehicle is~~
 64 ~~capable of using; or]~~

65 ~~[(iii) any other test or standard recognized by Air Quality Board rule.]~~

66 ~~[(2)]~~ (1) "Clean fuel" means:

67 (a) propane, ~~[compressed]~~ natural gas, or electricity;

68 (b) other fuel the Air Quality Board ~~[determines]~~ certifies, as authorized by Subsection
 69 19-1-405(1)(d), to be at least as effective in reducing air pollution as fuels under Subsection
 70 ~~[(2)]~~ (1)(a) ~~[in reducing air pollution];~~ or

71 (c) other fuel that meets the ~~[clean-fuel]~~ clean fuel vehicle standards in the federal
 72 Clean Air Act Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.

73 ~~[(3) "Clean-fuel]~~ (2) "Clean fuel vehicle" means a vehicle that:

74 (a) uses a clean fuel; and

75 (b) meets ~~[clean-fuel]~~ clean fuel vehicle standards in the federal Clean Air Act
 76 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.

77 ~~[(4)]~~ (3) "Electric-hybrid vehicle" ~~[is as defined in 42 U.S.C. Sec. 13435:]~~ means a
 78 vehicle:

79 (a) primarily powered by an electric motor that draws current from:

80 (i) rechargeable storage batteries;

81 (ii) fuel cells; or

82 (iii) other sources of electric current; and

83 (b) also operates on or is capable of operating on a nonelectrical source of power.

84 (4) "Fuel system" means tanks, pumps, hoses, injectors, electronic controls, and related
 85 components that deliver fuel or energy or both to a motor used to propel a vehicle.

86 (5) "Fund" means the Clean Fuels and Vehicle Technology Fund created in Section

87 19-1-403.

88 (6) (a) "Government vehicle" means a motor vehicle;

89 (i) registered in Utah; and

90 (ii) owned and operated by:

91 (A) the state[;];

92 (B) a public trust authority[;];

93 (C) a school district[;];

94 (D) a county[;]; or

95 (E) a municipality[; a town, or a city, including].

96 (b) "Government vehicle" includes a metropolitan rapid transit motor vehicle, bus,
97 truck, law enforcement vehicle, or emergency vehicle.

98 (7) "Incremental cost" means the difference between the cost of the OEM vehicle and
99 the same vehicle model manufactured without the [~~clean-fuel~~] clean fuel fueling system.

100 (8) "OEM vehicle" means a vehicle manufactured by the original vehicle manufacturer
101 or its contractor to use a clean fuel.

102 (9) "Private sector business vehicle" means a motor vehicle registered in Utah that is
103 owned and operated solely in the conduct of a private business enterprise.

104 (10) "Refueling equipment" means compressors when used separately, compressors
105 used in combination with cascade tanks, and other equipment that constitute a central refueling
106 system capable of dispensing vehicle fuel.

107 (11) "Retrofit" means conversion or augmentation of an existing motor, fuel system,
108 exhaust system, or related components to systems that lead to a reduction in air pollution.

109 Section 3. Section **19-1-403** is amended to read:

110 **19-1-403. Clean Fuels and Vehicle Technology Fund -- Contents -- Loans or**
111 **grants made with fund monies.**

112 (1) (a) There is created a revolving fund known as the Clean Fuels and Vehicle
113 Technology Fund.

114 (b) The fund consists of:

- 115 (i) appropriations to the fund;
- 116 (ii) other public and private contributions made under Subsection (1)(d);
- 117 (iii) interest earnings on cash balances; and
- 118 (iv) all monies collected for loan repayments and interest on loans.
- 119 (c) All money appropriated to the fund is nonlapsing.
- 120 (d) The department may accept contributions from other public and private sources for
- 121 deposit into the fund.

122 (2) (a) Except as provided in Subsection (3), the department may make [~~loans~~] a loan

123 or [~~grants~~] a grant with monies available in the fund for:

124 (i) the conversion of a private sector business [~~vehicles and~~] vehicle or a government

125 [~~vehicles~~] vehicle to use a clean fuel, if certified by the Air Quality Board[~~; or~~] under

126 Subsection 19-1-405(1)(a);

127 (ii) the purchase of:

128 (A) an OEM [~~vehicles~~] vehicle for use as a private sector business [~~vehicles~~] vehicle or

129 government [~~vehicles;~~] vehicle; or

130 (B) a vehicle, certified by the Air Quality Board under Subsection 19-1-405(1)(d), for

131 use as a private sector business vehicle or government vehicle;

132 (iii) the retrofit, certified by the Air Quality Board under Subsection 19-1-405(1)(d), of

133 a private sector business vehicle or government vehicle;

134 (iv) a fuel system, certified by the Air Quality Board under Subsection 19-1-405(1)(d),

135 for a private sector business vehicle or government vehicle; or

136 (v) a state match of a federal or nonfederal grant for any item under this Subsection

137 (2)(a).

138 (b) The amount of a loan for any vehicle under Subsection (2)(a)(i) or (2)(a)(ii)(A) may

139 not exceed:

140 (i) the actual cost of the vehicle conversion;

141 (ii) the incremental cost of purchasing the OEM vehicle; or

142 (iii) the cost of purchasing the OEM vehicle if there is no documented incremental

143 cost.

144 (c) The amount of a grant for any vehicle under Subsection (2)(a)(i) or (2)(a)(ii)(A)
145 may not exceed:

146 (i) 50% of the actual cost of the vehicle conversion minus the amount of any tax credit
147 claimed under Section 59-7-605 or 59-10-127 for the vehicle for which a grant is requested; or

148 (ii) 50% of the incremental cost of purchasing an OEM vehicle minus the amount of
149 any tax credit claimed under Section 59-7-605 or 59-10-127 for the vehicle for which a grant is
150 requested.

151 (d) (i) Except as provided in Subsection (3) and subject to the availability of monies in
152 the fund, the department may make ~~[loans]~~ a loan for the purchase of vehicle refueling
153 equipment for a private sector business ~~[vehicles and]~~ vehicle or a government ~~[vehicles]~~
154 vehicle.

155 (ii) The maximum amount loaned per installation of refueling equipment may not
156 exceed the actual cost of the refueling equipment.

157 (iii) Except as provided in Subsection (3) and subject to the availability of monies in
158 the fund, the department may make a grant for a state match of a federal or nonfederal grant for
159 the purchase of vehicle refueling equipment for a private sector business vehicle or a
160 government vehicle.

161 (3) ~~[Notwithstanding Subsection (2)(a) or (2)(d), the]~~ The department may not make a
162 loan or grant under this part ~~[with respect to]~~ for an electric-hybrid vehicle.

163 ~~[(4) Administrative costs of the fund shall be paid from the fund.]~~

164 (4) The department may:

165 (a) reimburse itself for the costs incurred in administering the fund from:

166 (i) the fund; or

167 (ii) application fees; and

168 (b) establish an application fee for a loan or grant from the fund by following the
169 procedures and requirements of Section 63-38-3.2.

170 (5) (a) The fund balance may not exceed \$10,000,000.

171 (b) Interest on cash balances and repayment of loans in excess of the amount necessary
172 to maintain the fund balance at \$10,000,000 shall be deposited in the General Fund.

173 (6) (a) Loans made from monies in the fund shall be supported by loan documents
174 evidencing the intent of the borrower to repay the loan.

175 (b) The original loan documents shall be filed with the Division of Finance and a copy
176 shall be filed with the department.

177 Section 4. Section **19-1-404** is amended to read:

178 **19-1-404. Department duties -- Rulemaking -- Loan repayment.**

179 (1) The department shall:

180 (a) ~~[establish and]~~ administer the ~~[loan and grant program]~~ fund created in Section
181 19-1-403 to encourage government officials and private sector business vehicle owners and
182 operators to obtain and use ~~[clean-fuel]~~ clean fuel vehicles; and

183 ~~[(b) make rules in accordance with Title 63, Chapter 46a, Utah Administrative~~
184 ~~Rulemaking Act.]~~

185 (b) by following the procedures and requirements of Title 63, Chapter 46a, Utah
186 Administrative Rulemaking Act, make rules:

187 (i) specifying the amount of money in the fund to be dedicated annually for grants;

188 (ii) limiting the amount of a grant given to any person claiming a tax credit under
189 Section 59-7-605 or 59-10-127 for the motor vehicle for which a grant is requested to assure
190 that the sum of the tax credit and grant does not exceed:

191 (A) 50% of the incremental cost of the OEM vehicle; or

192 (B) 50% of the cost of conversion equipment;

193 (iii) limiting the number of motor vehicles per fleet operator that may be eligible for a
194 grant in a year;

195 (iv) specifying criteria the department shall consider in prioritizing and awarding loans
196 and grants;

197 (v) specifying repayment periods;

198 (vi) specifying procedures for:

- 199 (A) awarding loans and grants; and
200 (B) collecting loans; [~~and~~]
201 (vii) requiring all loan and grant applicants to:
202 (A) apply on forms provided by the department;
203 (B) agree in writing to use the clean fuel for which each vehicle is converted or
204 purchased using loan or grant proceeds for a minimum of 70% of the vehicle miles traveled
205 beginning from the time of conversion or purchase of the vehicle;
206 (C) agree in writing to notify the department if a vehicle converted or purchased using
207 loan or grant proceeds becomes inoperable through mechanical failure or accident and to
208 pursue a remedy outlined in department rules;
209 (D) provide reasonable data to the department on [~~vehicles~~] a vehicle converted or
210 purchased with loan or grant proceeds; and
211 (E) submit [~~vehicles~~] a vehicle converted or purchased with loan or grant proceeds to
212 inspections by the department as required in department rules and as necessary for
213 administration of the loan and grant program[-]; and
214 (viii) specifying the criteria for awarding a state match under Subsection 19-1-403(2).
215 (2) (a) When developing repayment schedules for the loans, the department shall
216 consider the projected savings from use of the [~~clean-fuel~~] clean fuel vehicle.
217 (b) A repayment schedule may not exceed ten years.
218 (c) [~~Loans made~~] The department shall make a loan from the fund for a private sector
219 [~~vehicles shall be made~~] vehicle at an interest rate equal to the annual return earned in the state
220 treasurer's Public Treasurer's Pool as determined the month immediately preceding the closing
221 date of the loan.
222 (d) [~~Loans made~~] The department shall make a loan from the fund for a government
223 [~~vehicles shall be made at a zero~~] vehicle with no interest rate.
224 (3) The Division of Finance [~~is responsible for collection of and accounting~~] shall:
225 (a) collect and account for the loans; and [~~has~~]
226 (b) have custody of all loan documents, including all notes and contracts, evidencing

227 the indebtedness of the fund.

228 Section 5. Section **19-1-405** is enacted to read:

229 **19-1-405. Air Quality Board duties -- Rulemaking.**

230 (1) By following the procedures and requirements of Title 63, Chapter 46a, Utah
231 Administrative Rulemaking Act, the Air Quality Board may make rules to:

232 (a) certify a motor vehicle on which conversion equipment has been installed if:

233 (i) before the installation of conversion equipment, the motor vehicle does not exceed
234 the emission cut points for:

235 (A) a transient test driving cycle, as specified in 40 CFR 51, Appendix E to Subpart S;

236 or

237 (B) an equivalent test for the make, model, and year of the motor vehicle; and

238 (ii) the motor vehicle's emissions of regulated pollutants, when operating with clean
239 fuel, is less than the emissions were before the installation of conversion equipment;

240 (b) recognize a test or standard that demonstrates a reduction in emissions;

241 (c) recognize a certification standard from another state;

242 (d) certify a fuel, vehicle, retrofit, or fuel system if it is at least as effective in reducing
243 air pollution as fuels under Subsection 19-1-402(1)(a) or vehicles under Subsection

244 19-1-402(2); or

245 (e) establish criteria for determining the effectiveness of a fuel, vehicle, retrofit, or fuel
246 system in reducing air pollution.

247 (2) A reduction in emissions under Subsection (1)(a)(ii) is demonstrated by:

248 (a) certification of the conversion equipment by the federal Environmental Protection
249 Agency or by a state whose certification standards are recognized by the Air Quality Board;

250 (b) testing the motor vehicle, before and after the installation of the conversion
251 equipment, in accordance with 40 CFR 86, Control of Air Pollution from New and In-use

252 Motor Vehicle Engines: Certification and Test Procedures, using all fuel the motor vehicle is
253 capable of using; or

254 (c) any other test or standard recognized by the Air Quality Board in rule.

255 Section 6. **Fee and repeal date.**

256 (1) The department may initially establish and assess the new application fee
257 authorized under Section 19-1-403 without legislative approval by following the procedures
258 and requirements for setting regulatory fees for a new program under Subsection 63-38-3.2(5).

259 (2) This section is repealed July 1, 2007.