

Date of Hearing: April 17, 2017

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1259 (Calderon) – As Amended March 30, 2017

**SUBJECT:** Capital Access Loan Program: electric vehicles

**SUMMARY:** Expands the Capital Access Loan Program (CALP), overseen by the California Pollution Control Financing Authority (Authority), to include a financing program for electric vehicle (EV) purchases by low- and middle-income consumers and families. Specifically, **this bill:**

- 1) Makes findings and declarations about the benefits of zero-emission vehicles (ZEVs) and near-zero-emission vehicles (NZEVs) and the lack of access to capital at reasonable interest rates that prevents many low- and moderate-income consumers from participating in ZEV and NZEV incentive programs.
- 2) Requires the Authority to include in the CALP a component dedicated to EVs that is limited to low- and middle-income consumers and families.
- 3) Requires, for the EV component of the CALP, that the California Air Resources Board (ARB) act as an independent contractor to establish standards and program criteria consistent with the California Global Warming Solutions Act of 2006, established pursuant to AB 32 (Núñez), Chapter 488, Statutes of 2006, goals as well as other clean air statutes.
- 4) Requires that the EV component of the CALP provide for multiple sources of funding including, but not necessarily limited to the General Fund and the Greenhouse Gas Reduction Fund (GGRF) monies.
- 5) Requires that the newly created EV component of the CALP provide for combined loans, including but not limited to, multiple signatories for the same EV purchased.
- 6) Requires that the EV component of the CALP be coordinated with other state and federal rebates, tax credits, and incentives available toward the purchase of qualifying EVs and that they be counted as a down payment or cash.

**EXISTING LAW:**

- 1) Establishes the Authority within the Office of the Treasurer to provide low-cost financing to California businesses.
- 2) Creates the CALP to encourage banks and other financial institutions domiciled in California to make loans to small businesses that have difficulty obtaining financing by providing specialty programs targeted at helping businesses install EV charging stations, conduct seismic retrofits, and comply with the federal Americans with Disabilities Act.
- 3) Requires ARB, pursuant to AB 32, to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020, and authorizes ARB to use market-based mechanisms (cap-and-trade) to achieve compliance with these regulations.

- 4) Requires, pursuant to SB 32 (Pavley), Chapter 249, Statutes of 2016, that ARB ensure that statewide GHG emissions are reduced to at least 40% below 1990 levels by 2030.
- 5) Establishes the GGRF in the State Treasury and requires all the money collected pursuant to cap-and-trade be deposited into the fund.
- 6) Establishes the Consumer Assistance Program (CAP) in the Bureau of Automotive Repair (BAR), to provide assistance to low-income owners of vehicles for failed a smog tests in the form of a repair cost waiver, repair cost assistance, or a monetary incentive of up to \$1,500 to “retire” (scrap) the vehicle.
- 7) Establishes the Enhanced Fleet Modernization Program (EFMP), administered by ARB and BAR, to provide for the voluntary retirement of passenger vehicles and light- and medium-duty trucks that are high polluters.
- 8) Establishes the Charge Ahead California Initiative pursuant to SB 1275 (de León), Chapter 530, Statutes of 2014, that, among other things, included the goal of placing at least one million ZEVs and NZEVs into service by January 1, 2023, and increasing access to these vehicles for disadvantaged, low-income, and moderate-income communities and consumers to ZEVs and NZEV vehicles by creating the following programs:
  - a) EFMP Plus-Up: Provides enhanced monetary EFMP incentives for low-income individuals in disadvantaged communities (DACs);
  - b) Car Sharing and Mobility Options Pilot Project: Provides funding for government entities or non-profit organizations to start or expand car share programs for residents of DACs; and,
  - c) Financing Assistance Pilot Project: Provides financing assistance to lower-income consumers to buy or lease qualifying clean air vehicles.

**FISCAL EFFECT:** Unknown

**COMMENTS:** The CALP was created in 1994 to encourage banks and other financial institutions to make loans to small businesses experiencing difficulties obtaining financing. Later CALP was expanded to include specialty programs targeted toward helping businesses obtain financing for the installation of EV charging infrastructure, complying with federal Americans with Disabilities Act requirements, completing seismic retrofit work, as well as retrofitting high-polluting diesel trucks. This bill would create a new program within CALP to include a financing program to help low- and middle-income individuals and families finance the purchase of EVs. By establishing this program in the CALP, the author seeks to make EVs more broadly available to low- and middle-income individuals who are currently precluded from buying or leasing these vehicles because they are unable to obtain financing. By paving the way for these individuals to purchase and use EVs, the program would also serve to help the state achieve its emissions reduction goals.

*ARB's Financial Assistance Program:* In 2014, the Legislature passed and Governor Brown signed SB 1275 (de Leon), also known as the Charge Ahead Initiative, that, among other things, required ARB to create a financing assistance program -similar to what this bill proposes- to help low-income individuals living in disadvantaged communities gain access to ZEVs and NZEVs by providing them with financing needed to purchase these clean vehicles.

As required by the Charge Ahead Initiative, ARB launched a financing assistance pilot in the San Francisco Bay Area in 2016 to serve disadvantaged communities in the San Francisco Bay Area. The pilot program combines low-interest loans with financial education, budget counseling, and personalized financial management to help low-income individual's purchase or lease clean vehicles. The program offers financing assistance at an 8% interest rate for up to 36 months on the balance of certain vehicles that are purchased using other program incentive such as the Clean Vehicle Rebate Project (CVRP), EFMP and EFMP Plus-up. ARB reports that the Financing Assistance Pilot has been successful to date and they are in the process of developing a statewide program that will launch early next year.

*Cap-and-Trade and the GGRF:* While in the past, cap-and-trade auction revenues have generated billions of dollars to support programs that help the state achieve its climate change goals, recent auctions have generated relatively little, with the most recent auction in February 2017 generating only \$8 million. The consistently low auction revenues are generating a great deal of concern about the ability to maintain existing clean air programs—much less new ones. For example, the Governor's 2017-18 budget proposes a \$2.2 billion expenditure plan assuming \$1 billion in cap-and-trade revenue in 2016-17, despite the fact that the first three quarterly auctions in 2016-17 have generated only \$380 million. While it is entirely possible that factors causing low auction revenues could be resolved, it is uncertain when, or if, auction revenues will be restored to previous levels.

*Committee concerns:* While it is unclear whether or not the state will have excess revenue in either GGRF or the General Fund to create the program envisioned in this bill but regardless, it is unclear why the author wishes to create an entirely new program given that ARB has launched a successful pilot, as required by the Charge Ahead Initiative of 2014, and they will be turning that pilot into a statewide program later this year. Rather than expend the capital to create a new and competing program, the author may wish to work with ARB to ensure that the statewide financing assistance program works to accomplish the goals set forth in this bill.

It is also important to note that this bill is one over 10 bills introduced this session (see related legislation below) that seeks to further incentivize the purchase and use of ZEVs and NZEVs including AB 964 (Gomez) that would create a program very similar to the financing assistance program envisioned in this bill. While more incentives may be needed to ensure full market adoption of ZEVs and NZEVs, the fact that the multitude of incentive programs already in existence has not "moved the needle" with respect to market adoption is concerning. Given that this is only one of many bills introduced this year to create ZEV and NZEV incentives, the Legislature may wish to pause, gather the data, and develop a comprehensive strategy to attack the issue of ZEV market adoption rather than to continue to pursue a patchwork approach.

*Double referral:* This bill will be referred to the Assembly Natural Resources Committee should it pass out of this committee.

*Related legislation:* AB 33 (Quirk) would require the Public Utilities Commission by March 30, 2018, to authorize investor owned utilities (IOUs) to offer programs and investments in residential electric vehicle service equipment. AB 33 is set to be heard by the Assembly Communications and Conveyance Committee on April 26, 2017.

AB 188 (Salas) would require ARB to update the EFMP guidelines to allow participants to replace their vehicles with a light-duty truck so long as they are retiring a pickup truck and the replacement truck meets fuel efficiency standard set for minivans. AB 188 passed out of this committee on March 27, 2017, with a 14-0 vote and is awaiting a hearing in the Assembly Appropriations Committee.

AB 193 (Cervantes) would require ARB to create a program that incentivizes the purchase and use of used clean air vehicles by low- and moderate income individuals living in areas of the state with poor air quality and where existing clean air vehicle rebate programs have been underutilized. AB 193 is set to be heard by this committee on April 24, 2017.

AB 544 (Bloom) would amend the current high occupancy vehicle lane sticker program for EVs. AB 544 is set to be heard by this committee on April 24, 2017.

AB 615 (Cooper) is an urgency measure that would make permanent the current income restrictions in the CVRP program that were imposed by last year's budget. AB 615 passed out of this committee on March 20, 2017, with a 13-0 vote and is awaiting a hearing by the Assembly Appropriations Committee.

AB 964 (Gomez) is similar to this bill in that it would create a new program (The California Affordable Clean Vehicle Program) to be administered by the Authority, to help low-income and high financial risk individuals buy low-emission vehicles using qualified loans. AB 964 is set to be heard by this committee on April 17, 2017.

AB 1081 (Burke) would exempt from state sales tax the value of a vehicle traded in to purchase a cleaner car. AB 1081 is set to be heard by the Assembly Revenue and Taxation Committee on April 17, 2017.

AB 1082 (Burke) would require IOUs to develop a program for the installation of vehicle charging stations at school facilities for use by faculty, students, and parents with electricity provided at time-of-use rates. AB 1082 passed out of the Assembly Communications and Conveyance Committee on April 6, 2016, with a 10-3 vote and is set to be heard by the Assembly Education Committee on April 26, 2016.

AB 1083 (Burke) Would require IOUs to create a charging network at all state parks and beaches by July 31, 2018 with electricity provided at time-of-use rates. AB 1082 passed out of the Assembly Communications and Conveyance Committee on April 5, 2017, with a 10-3 vote and is set to be heard by the Assembly Water, Parks, and Wildlife Committee on April 25, 2016.

AB 1341 (Calderon) would establish tax credits, deductions, and exemptions to incentivize the deployment of ZEVs and NZEVs. AB 1341 is set to be heard by this committee on April 17, 2017.

*Previous legislation:* AB 32 (Núñez), Chapter 488, Statutes of 2006, required ARB to develop and implement regulations necessary to reduce emissions to 1990 levels by the year 2020.

SB 32 (Pavley), Chapter 249, Statute of 2016, required the Air Resources Board (ARB) to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030.

SB 1275 (de León), Chapter 530, Statutes of 2014, established the Charge Ahead California Initiative to provide incentives that increase the availability of ZEV and NZEV vehicles, particularly in disadvantaged and low-and-moderate-income communities.

SB 837 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2016, made various statutory changes necessary to implement the state administration-related provisions of the Budget Act of 2016, including, providing the Authority with the ability to issue consumer loans.

**REGISTERED SUPPORT / OPPOSITION:****Support**

None on file

**Opposition**

None on file

**Analysis Prepared by:** Victoria Alvarez / TRANS. /