

Date of Hearing: April 24, 2017

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 193 (Cervantes) – As Introduced January 19, 2017

SUBJECT: Air Quality Improvement Program: Clean Reused Vehicle Rebate Project

SUMMARY: This bill establishes a new program to incentivize the purchase and use of used zero-emission vehicles (ZEVs) or near-zero-emission vehicles (NZEVs). Specifically, **this bill:**

- 1) Requires ARB, no later than July 2019, to establish, as part of the Air Quality Improvement Program (AQIP), the Clean Reused Vehicle Rebate Project (CRVRP) that provides the applicant with any of the following incentives:
 - a) A rebate or other incentive with a value of up to \$1,800 for the acquisition of an eligible used ZEV or NZEV from a licensed dealer;
 - b) A rebate or other incentive for the replacement or refurbishment of a battery and related components for an eligible used ZEV or NZEV; and,
 - c) A rebate or other incentive for an extended service warranty to cover unexpected vehicle repairs not covered by the manufacturer's warranty related to unique problems of eligible used vehicles.
- 2) Limits rebates or other incentives issued to one per vehicle.
- 3) Limits rebates or other incentives to low- and moderate-income consumers living in disadvantaged communities (DACs) or in counties where less than 2% of total rebates of Clean Air Vehicle Rebate Project (CVRP) rebates have been issued and in air districts designated by the California Air Resources Board (ARB) as non-attainment areas.
- 4) Requires ARB to coordinate the CRVRP with the Enhanced Fleet Modernization Program (EFMP) and the Charge Ahead California Initiative, established pursuant to SB 1275 (de León), Chapter 530, Statutes of 2014 to accomplish similar goals.
- 5) Requires ARB to establish safeguards for the CRVRP to prevent fraudulent activity in the program.
- 6) Defines a variety of terms.

EXISTING LAW:

- 1) Establishes the Global Warming Solutions Act of 2006, AB 32 (Núñez), Chapter 244, Statutes of 2006, that requires ARB to establish programs to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020 including the use of market-based mechanisms (cap-and-trade) to comply with these regulations.

- 2) Ensures that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030, pursuant to SB 32 (Pavley), Chapter 249, Statutes of 2016.
- 3) Creates AQIP, administered by ARB, in consultation with local air districts, to provide competitive grants to fund projects to reduce criteria air pollutants, improve air quality, and support research to improve the air quality impacts of alternative fuels and vehicles, vessels, and equipment technologies.
- 4) Creates CVRP, within the AQIP, to promote accelerated widespread commercialization and use of ZEVs and NZEVs by providing rebates of up to \$5,000 for the purchase or lease of per eligible light-duty vehicle plus additional incentive amounts for low-income individuals.
- 5) Creates EFMP administered by ARB that allows for the voluntary retirement and replacement of high-polluting passenger vehicles and light-duty and medium-duty trucks.
- 6) Creates the Advanced Clean Cars Program administered by ARB that sets forth air quality and emissions reductions requirements for certain vehicle models and assures the development of certain clean air vehicles.
- 7) Establishes the Charge Ahead Initiative administered by ARB with the goal of placing at least one million ZEVs and NZEVs into service on California roadways by January 1, 2023, and increasing accessibility to these vehicles for disadvantaged, low-income, and moderate-income individuals and those living in DACs.
- 8) Establishes the Greenhouse Gas Reduction Fund (GGRF) in the State Treasury, requires all moneys, except for fines and penalties, collected pursuant to a market-based mechanism be deposited in the fund and requires the Department of Finance, in consultation with ARB and any other relevant state agency, to develop, as specified, a three-year investment plan for the moneys deposited in the GGRF.
- 9) Generally defines “used vehicle” as a vehicle that has been sold, previously been registered with the Department of Motor Vehicles, has been sold and operated upon the highways, or has been registered in another state or country.

FISCAL EFFECT: Unknown

COMMENTS: The author writes that, realistically, new ZEVs and NZEVs are only available to wealthy consumers because their high price makes them too expensive for many middle class or lower income Californians, especially for those living in DACs. By introducing this bill, the author intends to make used clean cars more affordable and accessible to low-income Californians and, in doing so, help to reduce air pollution, reduce GHGs, and spur technological development in clean energy technology.

California has established a number of policies, goals, and programs to improve air quality and reduce GHG emissions. Most notably, AB 32 established the goal of reducing GHG emissions to 1990 levels by the year 2020 and, more recently, SB 32, Chapter 248, Statutes of 2016, established the more aggressive goal of reducing emissions 40% below 1990 levels by 2030. Along with establishing emissions reduction goals, AB 32 allowed for the establishment, by

regulation, of cap-and-trade, that includes the use of market-based mechanisms with funds deposited into GGRF used exclusively to fund emission reduction programs.

Using GGRF monies, as well as funds from vehicle license fees, ARB and local air districts have initiated a variety of incentive programs aimed at placing more ZEVs and NZEVs into service on California roadways in an attempt to reduce the significant emissions generated from the passenger vehicle fleet. One such program is the CVRP that provide rebates on the purchase of new ZEVs and NZEVs. Specifically, CVRP offers rebates on a first-come, first-served basis with rebate amounts ranging from \$900 to \$5,000 with additional funds offered to low-income consumers. These incentives, coupled with federal tax incentives offered on ZEVs and NZEVs, substantially lowers the cost of purchasing or leasing these vehicles. Additionally, ARB is in the process expanding a pilot program mandated in the Charge Ahead to offer financing assistance to qualifying low-income buyers using CVRP to purchase or lease a new ZEV or NZEV. While it is true that historically CVRP has been used predominantly by higher-income earners, the Legislature has established income-caps on these programs to make rebates more widely available to low- and moderate-income individuals.

In addition to CVRP, there are a number of programs that provide incentives for individuals who opt to scrap or scrap and replace their high-polluting vehicles and replace them with cleaner cars such as ZEV and NZEVs. For example, the Consumer Assistance Program (CAP), administered by Bureau of Automotive Repair provides incentives for the voluntary retirement of high-polluting vehicles from operation in the state through the purchase and dismantling of these vehicles. The program is available to owners when their vehicles fail to pass a smog check inspection providing \$1,000 for owners (\$1,500 for low-income vehicle owners) who scrap their high polluting cars.

Incentive monies offered through the car scrap program can be added to incentives provided under other programs such as CVRP or EFMP and used toward the purchase of a cleaner car (such as ZEVs or NZEVs). For the EFMP program, also administered by ARB in partnership with local air districts, an additional \$1,500 is offered to qualifying individuals to purchase a cleaner car. Additionally, EFMP Plus-Up, created by the Charge Ahead Initiative, provides low-income individuals living in severe non-attainment areas an additional \$2,500 “replacement” voucher over and above the “base” EFMP “retirement” voucher of \$1,500. If a low-income individual living in a DAC in a severe non-attainment area wishes to purchase a ZEV or NZEV, he or she can “stack” additional incentives on top of these two vouchers. Depending on income and the type of replacement vehicle selected, the owner can receive up to \$12,000 total toward the purchase of a replacement vehicle, in the case of ZEVs and NZEVs can range from \$10,000 to \$14,000. For low-income buyers who need to put additional money down to purchase a ZEV or NZEV, ARB also offers financing assistance programs that provides loans to qualifying low-income buyers allows them to pay off their balance in monthly installments. Low income buyers who have turned in high-polluting cars and used a combination of various incentive programs report that they are able to purchase used ZEVs and NZEVs with payments as low as \$50 per month. This, coupled with savings on the purchase of gasoline and reduced maintenance costs, can result in substantially lower overall costs of ZEV and NZEV ownership for qualifying individuals.

Committee concerns: While it is laudable that the author wishes to improve access to used ZEVs and NZEVs for low-income consumers to help the state achieve its climate change goals, this bill raises the following concerns.

- 1) The program created by this bill substantially duplicates the efforts of many existing ARB programs. While it could be argued that certain incentives offered in the proposed CRVRP, such as extended warranties and battery replacement or refurbishment options, are not offered under existing programs, if the author would like ARB to include these incentives, it would make more sense to add these components into an existing program rather than creating an entirely new program to offer these incentives.
- 2) This bill fails to address how the CRVRP would be funded.
- 3) While the program calls upon ARB to provide safeguards against fraudulent activity in the CRVRP, preventing fraud in a program that involves limiting rebates on vehicle resales as well as warranties and battery replacement on these cars will be difficult at best.
- 4) The bill does not require dealers to provide prospective used ZEV and NZEV buyers with information that ensures the vehicle meets their needs. For example, a buyer who uses a rebate to purchase a used EV may later find that the vehicle's limited range presents a problem or that they do not have access to charging infrastructure.
- 5) It is also important to note that this bill is one over 10 bills introduced in the Assembly this session (see related legislation below) that seeks to further incentivize the purchase and use of ZEVs and NZEVs. While more incentives may be needed to ensure full market adoption of ZEVs and NZEVs particularly for low-income individuals in DACs, 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 and enhance ZEV and NZEV incentive programs, the Legislature may wish to pause, gather the data, and develops a comprehensive strategy to attack the issue of ZEV market adoption rather than to continue to pursue a patchwork approach with respect to incentive programs.

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 California Pollution Control Financing Authority, to help low-income and high financial risk individuals buy low-emission vehicles using qualified loans. AB 964 passed out of this committee on April 17, 2017, with a 10-3 vote and is scheduled to be heard by the Assembly Natural Resources Committee on April 24, 2017.

AB 1081 (Burke) would exempt from state sales tax the value of a vehicle traded in to purchase a cleaner car. AB 1081 passed out of the Assembly Revenue and Taxation Committee on April 17, 2017, with a 9-1 vote and is awaiting a hearing in the Assembly Appropriations Committee.

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 passed out of this committee on April 17, 2017, with a 9-2 vote and is set to be heard by the Assembly Revenue and Taxation Committee on April 24, 2017.

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

AB 904 (Perea) of 2015 was essentially the same as AB 193 (Cervantes) of 2017, in that it would create the CRVRP. AB 904 was held on the Senate Appropriations Committee Suspense File.

SB 1275 (de León), Chapter 530, Statutes of 2014, established the Charge Ahead California Initiative under ARB to provide incentives to increase the availability of zero-emission vehicles and near-zero-emission vehicles, particularly in disadvantaged communities.

AB 32 (Núñez), Chapter 488, Statutes of 2006, required ARB to develop and implement regulations necessary to reduce

REGISTERED SUPPORT / OPPOSITION:

Support

California Electric Transportation Coalition
California New Car Dealers Association
South Coast Air Quality Management District

Opposition

None on file

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