

Date of Hearing: April 23, 2018

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 2885 (Rodriguez) – As Amended April 2, 2018

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

SUMMARY: Requires the California Air Resources Board (ARB), for purposes of the Clean Vehicle Rebate Project (CVRP), to provide outreach and prioritize rebate payments to low income applicants and applicants in disadvantaged communities, beginning January 1, 2019. Specifically, **this bill:**

- 1) Requires ARB, beginning January 1, 2019, for purposes of the CVRP, to:
 - a) Provide outreach to low-income households and disadvantaged communities to increase consumer awareness of the rebate project.
 - b) Prioritize rebate payments to low-income applicants and applicants with eligible vehicles registered in disadvantaged communities.
 - c) Give highest priority to applicants who are low-income and the second highest priority to applicants who have an eligible vehicle registered in a disadvantage community.
- 2) Defines “disadvantaged community” as a community identified by the California Environmental Agency’s (CalEPA) CalEnviroScreen tool.
- 3) Defines “low-income” as a resident of the state whose household income is less than or equal to 300% of the federal poverty level.

EXISTING LAW:

- 1) Requires ARB, pursuant to California Global Warming Solutions Act of 2006 [AB 32 (Núñez), Chapter 488, Statutes of 2006], to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020 and to use market-based mechanisms (cap-and-trade) to achieve compliance with these regulations.
- 2) 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.
- 3) 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, an investment plan for the moneys deposited in the GGRF.
- 4) Establishes the Charge Ahead California Initiative pursuant to SB 1275 (de León), Chapter 530, Statutes of 2014, that, among other things, includes the goal of placing at least one million zero-emission vehicles (ZEV) and near-zero emission vehicles (NZEV) into service

by January 1, 2023, and increasing access to these vehicles for disadvantaged, low-income, and moderate-income communities and consumers.

- 5) Requires CalEPA to develop a methodology that identifies disadvantaged communities and requires that these areas be identified based on specified geographic, socioeconomic, and environmental hazard criteria. To meet this requirement CalEPA developed the CalEnviroScreen tool.
- 6) Establishes the Air Quality Improvement Program (AQIP), administered by ARB in consultation with local air districts, to fund programs that reduce criteria air pollutants, improve air quality, and provide research for alternative fuels and vehicles, vessels, and equipment technologies.
- 7) Establishes the CVRP, as part of AQIP, to provide incentives, in the form of rebates toward the purchase of certain new, light-duty ZEVs. Rebates are provided on a first-come, first-served basis.
- 8) Requires ARB , beginning November 1, 2016, and until January 1, 2019, to:
 - a) Offer rebates on battery electric and plug-in hybrid vehicles to applicants whose income does not exceed the following:
 - i) \$150,000 for single filers;
 - ii) \$204,000 for head-of-household filers; or,
 - iii) \$300,000 for joint filers.
 - b) Provide an additional \$500 to low-income applicants for all eligible vehicle types.
 - c) Offer rebates only for plug-in hybrid vehicles that have an electric range of at least 20 miles.
 - d) Provide outreach to low-income households to increase consumer awareness of the CVRP.
 - e) Prioritize rebate payments to low-income applicants.
- 9) Requires ARB, by December 31, 2018, to work with, and contract with, either the University of California or the California State University to prepare and submit to the Legislature a report on the impact of the CVRP on the state's zero-emission vehicle market and requires ARB to include in the report an evaluation of the impact of income caps, increased rebates for low-income consumers, and increased outreach on the electric vehicle market, as well as a quantification of emissions reductions attributable to the CVRP.
- 10) Requires the Department of Finance, by July 1, 2018, to submit to the Legislature a report evaluating the fiscal impact of CVRP rebates.

- 11) Defines “low-income communities” as census tracts with median household incomes at or below 80% of the statewide median income or with household incomes at or below the threshold designated as low income by the Department of Housing and Community Development’s list of state income limits.

FISCAL EFFECT: Unknown

COMMENTS: Pursuant to their authority under AQIP, ARB developed CVRP. CVRP is intended to encourage and accelerate the purchase and use of ZEVs and NZEVs to help improve air quality, reduce GHG emissions, and achieve the Legislature's goal of placing 1 million ZEVs on California's roadways by 2023, the Governor's 2012 goal of placing 1.5 million ZEVs on California's roadways by 2025 (Executive Order B-16-12) and the Governor's new goal of 5 million ZEVs on the road by 2030 (Executive Order B-48-18).

As of June 30, 2017, CVRP has provided rebates for 205,007 vehicles since the project's launch in 2010. The program offers vehicle rebates on a first-come, first-served basis and has been typically oversubscribed each year. When the funding is exhausted, applicants are "waitlisted" and are issued rebates in the order they applied when monies are allocated in the next funding cycle.

While CVRP has been effective in creating a market for ZEVs, it has come under increasing criticism that the majority of individuals receiving rebates are wealthy, living in affluent communities that, comparatively, experience better air quality than other areas of the state. To address these concerns, SB 1275 called upon ARB to establish CVRP rebate eligibility based on income. In response, ARB established income caps and, in 2016, the Legislature approved a budget trailer bill [AB 859 (Committee on Budget), Chapter 368, Statutes of 2016] that established an income cap for the CVRP of \$150,000 for single filers, \$204,000 for head-of-household filers and \$300,000 for joint filers and exempted fuel-cell electric cars rebates from the new income cap. AB 859 also required ARB to conduct outreach to low-income communities, offer additional rebate payments of \$500 for low-income applicants, and prioritize rebate payments for low-income applicants. AB 859 had a sunset date of July 1, 2017, and AB 615 (Cooper), Chapter 631, Statutes of 2017, extended the sunset date to January 1, 2019.

To ensure that CVRP is reaching its goal of ZEV market acceleration, AB 615 also required the ARB, by December 1, 2018, to prepare and submit to the Legislature a report on the impact the CVRP has had on the state's zero-emission vehicle market. In developing the report, ARB is also required to consider the impact of income caps, increased rebates for low-income consumers, and increased outreach on the electric vehicle market, as well as a quantification of emissions reductions attributable to CVRP.

Through CVRP, ARB offers a rebate of \$5,000 for hydrogen electric, \$2,500 for battery electric, and \$1,500 for plug-in hybrid electric vehicles, and an additional \$2,000 for low income drivers (above the minimum \$500 stated in law). These rebates are a crucial part of the Governor's new Executive Order and new eight-year initiative to accelerate sales of ZEVs. As part of this initiative, the administration is proposing a total of \$200 million annually from GGRF through 2025, which includes \$175 million for CVRP and \$25 for additional incentives for low-income consumers. As the number of clean vehicles purchased increases over time, ARB has indicated that it will revise the program's income eligibility requirements to target moderate and low-income consumers that are most influenced by the availability of rebates. Additionally, ARB is

planning to continue to grow their existing efforts of outreach and public education to low-income and disadvantaged communities by partnering with community based organizations, developing educational materials, and coordinating ZEV test drives.

CalEPA developed the CalEnviroScreen tool, using environmental, health, and socioeconomic information from every census tract in the state, to identify disadvantaged communities that are most effected by pollution. As reported in the March 2016, *Annual Report to the Legislature on California Climate Investments Using Cap-and Trade Proceeds*, about 6 percent of the CVRP funding has been spent in these types of communities. However, with the recent income eligibility changes, it is expected that funding in these communities will increase. The author believes that by providing outreach and prioritizing applicants from disadvantaged communities and low-income applicants, post January 1, 2019, the CVRP will more effectively target communities that need it most.

Suggested Committee Amendments: Although the state uses the CalEnviroScreen tool to identify “disadvantaged communities” that are most affected by pollution, this term may not be suitable for the prioritization of purchase incentives and may lead to higher income residents that live in these communities to be prioritized over others. In order to capture communities with specified concentrations of low-income residents, the committee suggests the author amend the bill to strike out all references to “disadvantaged community” or “disadvantaged communities” and instead replace the references with “low-income communities”.

Previous legislation: AB 615 (Cooper), Chapter 631, Statutes of 2017, among other things, extended the sunset on the income restrictions for CVRP from July 1, 2017 to January 1, 2019.

AB 2564 (Cooper) of 2016, would have required ARB to adopt regulations for CVRP to lower CVRP income limits, prioritize rebate payments for low-income consumers, increase rebate payments for low-income applicants, and increase outreach to low-income households. AB 2564 failed passage in the Senate Environmental Quality Committee.

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.

SB 859 (Committee on Budget), Chapter 368, Statutes of 2016, among other things, imposed specified income eligibility limits on CVRP.

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 535 (de León), Chapter 830, Statutes of 2012, among other things, required the California Environmental CalEPA to identify disadvantaged communities for investment opportunities and required disadvantaged communities to be identified based on geographic, socioeconomic, public health, and environmental hazard criteria.

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.

AB 118 (Núñez), Chapter 750, Statutes of 2007, established the AQIP.

REGISTERED SUPPORT / OPPOSITION:

Support

San Diego Gas & Electric Company

Opposition

None on file

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