

Date of Hearing: March 20, 2017

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 615 (Cooper) – As Amended March 13, 2017

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

**SUMMARY:** Deletes the sunset on provisions affecting Clean Air Vehicle Rebate Project (CVRP) rebates and includes an urgency clause.

**EXISTING LAW:**

- 1) Requires the California Air Resources Board (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 authorized ARB 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 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 vehicle (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 to ZEVs and NZEV vehicles.
- 4) 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.
- 5) 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 and include \$2,500 toward the purchase of battery electric vehicles and \$1,500 toward the purchase of plug-in hybrid vehicles.
- 6) Requires ARB to modify the CVRP, beginning on November 1, 2016, and until July 1, 2017, to accomplish the following. (This bill would extend these provisions indefinitely):
  - 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.

**FISCAL EFFECT:** Unknown

**COMMENTS:** The Alternative and Renewable Fuels and Vehicle Technology (ARFVT) program, the Enhanced Fleet Modernization Program (EFMP), and AQIP are programs overseen by ARB and the California Energy Commission to promote vehicle and fuel technology that reduces air pollution and GHG emissions. These programs are funded through surcharges on vehicle and vessel registrations [AB 118 (Núñez), Chapter 750, Statutes of 2007] as well as with monies generated by cap-and-trade auctions.

Pursuant to their authority under AQIP, ARB developed CVRP. CVRP, which is administered by ARB's contractor, the California Center for Sustainable Energy (CSE), 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 1.5 million ZEVs on California's roadways by 2023 (SB 1275).

Since CVRP was launched in 2010, 163,000 rebates have been issued at a cost of \$349 million. The program is oversubscribed with demand outpacing funding nearly every 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. There has also been growing concern that many individuals receiving CVRP rebates may have purchased these vehicles regardless of the rebate and that oftentimes these vehicles represent second and third vehicles for these households.

To address these concerns, SB 1275, among other things, required ARB to increase access to ZEVs and NZEVs for lower-and moderate-income Californians and those residing in disadvantaged communities. To achieve this, SB 1275 called upon ARB to establish CVRP rebate eligibility based on income.

In response, ARB established an income cap of \$250,000 for single filers, \$340,000 for head-of-household filers, and \$500,000 for joint filers. According to ARB, these income eligibility limits were consistent with Proposition 30, approved by California voters in 2012. Many, however, felt that ARB had set the cap much too high.

To address this, the author introduced AB 2564 (Cooper) last session that would have required ARB to lower the CVRP income cap to \$125,000 for single filers, \$170,000 for head-of-household filers, and \$250,000 for joint filers for all eligible vehicles. AB 2564 would have also

prioritized CVRP payments to low-income consumers, increased rebate amounts by \$500 per rebate for low-income households, and increased CVRP outreach to low-income households. AB 2564 failed passage in the Senate Environmental Quality Committee.

Later in 2016, the Legislature approved a budget bill [AB 859 (Committee on Budget), Chapter 368, Statutes of 2016] that represented a compromise between the higher cap set by ARB and the lower "cap" proposed in AB 2465. In addition to lowering the income cap, AB 859 included additional provisions from AB 2564, including increased outreach to low income communities, additional payments for low-income applicants, prioritizing payments for low-income applicants, among others. While AB 859 established these parameters in CVRP, they are only applicable from November 1, 2016 to July 1, 2017.

This bill seeks to permanently establish the income cap and other CVRP program requirements set forth in AB 859 by deleting the sunset. Because the parameters set forth in AB 859 are set to expire in July of this year, the author has included an urgency clause in the bill.

The author believes that by eliminating the sunset, CVRP will provide greater air quality and GHG emissions reduction benefits, particularly because the majority of low-income individual reside in areas of the state that have some of the poorest air quality and reaching more of these households will very likely help the state realize its emissions reduction and air quality improvement goals faster and more effectively. This past year, with the increased outreach in place, there was an uptick in rebates issued in disadvantaged communities (DACs), with CSE reporting that a 4% increase in rebates in DACs from 6% to 10%. While this increase is encouraging, it remains somewhat concerning that out of a \$349 million dollar program, only 10% of rebates go to DACs that are characteristically plagued by poor air quality.

*Related legislation:* AB 188 (Salas) would require ARB to update EFMP guidelines to make light-duty pickup trucks eligible for the program. AB 188 is awaiting a hearing by this committee.

AB 630 (Cooper) would establish ARB's EFMP Plus-Up program in statute and add specific requirements to improve the program. AB 630 is scheduled to be heard by this committee on March 20, 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.

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

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 the Air Resources Board (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, provided statutory changes related to GHG reductions and public resources necessary to implement the 2016 Budget Agreement.

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.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on file

**Opposition**

None on file

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