

Date of Hearing: April 27, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 904 (Perea) – As Introduced February 26, 2015

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

**SUMMARY:** Requires the Air Resources Board (ARB) to create a rebate program for used clean air vehicles. Specifically, **this bill:**

- 1) Requires ARB to establish, as part of the Air Quality Improvement Program (AQIP), the Clean Reused Vehicle Rebate Project (CRVRP) to provide rebates for the purchase of eligible used clean air vehicles.
- 2) Defines "eligible used vehicles" including as battery electric, plug-in hybrid, and fuel cell vehicles.
- 3) Defines "used vehicles" as vehicles that have been sold or registered with an appropriate authority and operated upon the highway, as specified.

**EXISTING LAW:**

- 1) Requires ARB, pursuant to AB 32 (Nunez), Chapter 488, Statutes of 2006, to develop a plan of how to reduce statewide greenhouse gas (GHG) emissions to 1990 levels by 2020.
- 2) Creates the AQIP, administered by ARB and the California Energy Commission (Commission), in consultation with local air districts, to fund specified air quality improvement projects.
- 3) Creates the Clean Vehicle Rebate Program (CVRP), within the AQIP, to promote accelerated widespread commercialization of zero-emission vehicles (ZEVs) by providing rebates of up to \$5,000 for the purchase or lease of per eligible light-duty vehicle.
- 4) Creates the Enhanced Fleet Modernization Program (EFMP) in the Bureau of Automotive Repair (BAR), pursuant to AB 118 (Nunez), Chapter 750, Statutes of 2007, to augment BARs vehicle retirement Consumer Assistance Program (CAP).
- 5) Creates the Advanced Clean Cars Program (ACCP) administered by ARBs that sets forth air quality and emissions reductions requirements for certain vehicles model and assures the development certain clean air vehicles.
- 6) Creates the Charge Ahead Initiative, pursuant to AB 1275 (De Leon) Chapter 530, Statutes of 2014, which outlines the vision of placing one million electric cars, trucks, and buses on California roadways and directs ARB to draft a financial plan to meet that goal and ensure that disadvantaged communities can participate.

**FISCAL EFFECT:** Unknown

**COMMENTS:** According to the author, disadvantaged communities in California are disproportionately burdened by multiple sources of pollution. However, these same communities are far behind other areas of the state when it comes to receiving clean air vehicle rebates. To illustrate this point, the author cites data showing that CVRP rebates in Fresno County account for less than 1% of the total rebates issued in the program to date despite the fact that Fresno County ranks 8th out of the 10 most disadvantaged communities and it has some of the poorest air quality in California. To address this inequity, the author has introduced AB 904 which would create the CRVPR to increase access to clean vehicles in disadvantaged communities by incentivizing the purchase of used clean air vehicles.

California has gone to great lengths to curb GHG emissions and improve air quality and appears to be on target to meet GHG emissions reduction goals set forth in AB 32. A much more demanding target looms beyond the AB 32 horizon, however. Executive Order (EO) S-3-05, signed by Governor Schwarzenegger, calls for an 80% reduction of GHG emissions below 1990 levels by 2050. Meeting this 2050 target will involve substantial effort and, given that the transportation sector is responsible for 40% of GHG emissions, much effort has been focused in this sector.

In March 2012, Governor Brown issued EO B-12-2012 that set the goal of placing 1.5 million clean cars on California's roadways by 2025. Also in early 2012, ARB approved ACCP that combined the control of smog-causing pollutants and GHG emissions into a single coordinated package of vehicle requirements for model years 2017 through 2025. The ACCP set lower emissions standards for gasoline- and diesel-powered cars and delivered to the marketplace an increasing number of clean cars with zero- and near-zero-emission technologies, such as full battery electric, plug-in hybrid electric, and hydrogen fuel cell vehicles.

To encourage the adoption of these new clean cars, ARB also implemented the CVRP, which offers up to \$5,000 in rebates toward the purchase or lease of eligible light-duty clean air vehicles. To obtain a CVRP rebate, an individual is required to purchase or lease an eligible vehicle and then apply for the rebate. There is no guarantee that rebates will be issued and participants are encouraged to apply for rebates before the fund is exhausted.

To ensure program integrity and prevent fraud, ARB has set certain CVRP requirements including, but not necessarily be limited to, the requirement that eligible vehicle have zero- and near-zero emissions and that only one rebate be issued per vehicle. Individuals who receive a rebate pursuant to CVRP are required to retain ownership of the vehicle for operation in California for a minimum of 30 consecutive months immediately after purchase or lease and sign documents, under penalty of perjury, with regard to compliance with program requirements.

To augment the state's existing vehicle rebate program and to encourage the retirement of older, dirty cars and their replacement with cleaner cars, ARB developed EFMP, which consists of two elements: the Retirement-Only Program and the Retire-and-Replace Program. The Retirement-Only Program, implemented by the Bureau of Automotive Repair in conjunction with CAP, provides up to \$1,500 for low-income consumers to scrap their vehicles if they meet certain eligibility guidelines. The Retire-and-Replace Program, on the other hand, provides low-income individuals incentives for scrapping their old, dirty vehicles and provides additional money

toward the purchase of a new, clean air vehicle. The Retire-and-Replace program is available in the areas of the state that have the poorest air quality and is implemented by the South Coast Air Quality Management District (AQMD) and the San Joaquin Valley Air Pollution Control District (APCD).

In addition to these programs, this year ARB will implement the EFMP Plus-Up Program (Plus Up) to provide additional incentives above and beyond EFMP base incentives for individuals in disadvantaged communities that retire older, dirty vehicles and replace them with used or new hybrid, plug-in hybrid, or ZEV. Plus-Up will be implemented in the San Joaquin Valley APCD and South Coast AQMD, and eligible low-income participants can receive additional incentives ranging from \$1,500 to \$5,000 depending on the vehicle type that is purchased. EFMP, Plus-Up, and CVRP rebates can be "stacked" and if all program incentives are used, together they would total \$12,000 if an individual opts to retire a vehicle and purchase a new clean air vehicle.

In addition to these programs, the recently enacted Charge Ahead Initiative has stated the goal of placing at least one million zero-emission and near-zero-emission vehicles into service by January 1, 2023, and requires ARB to develop a funding plan needed to achieve the goal. The bill also made changes to CVRP, requiring the establishment of programs that further increase access to and direct benefits for disadvantaged, low-income, and moderate-income communities and consumers from electric transportation. With respect to clean air vehicle funding, the Charge Ahead Initiative modified CVRP to include additional extra credit for low-income drivers who wish to buy or lease an electric car and provides assistance to car-sharing programs in low-income neighborhoods and installing electric vehicle charging stations in apartment buildings in those communities.

*Committee concerns and proposed author's amendments:*

- 1) It is laudable that the author wishes to improve air quality by increasing access to clean air vehicles for low- and middle-income individuals in disadvantaged communities and undoubtedly areas with the poorest air quality need increased focus on them to encourage the purchase and use of cleaner vehicles. It is important to note, however, that there are already a number of programs in existence (CAP, EFMP, and CVRP) and under development (Plus-Up and the Charge Ahead Initiative) that are designed to do what the author is seeking to accomplish with AB 904. For example, once the Plus-Up program is deployed, a low-income individual in a disadvantaged community would be able to take advantage of up to \$12,000 in rebates and incentives toward the purchase of a cleaner vehicle not including additional other incentives and programs currently under development.

*To address this concern, the author has proposed amendments that would require ARB to coordinate with the CVRP and EFMP programs to enhance outreach to low to moderate income communities.*

- 2) In addition to being duplicative of existing programs, AB 904 fails to address key components of the program it seeks to create - components that clearly distinguish it from existing programs and would help ensure its success. For example:

- a) The bill does not specifically address the date by which ARB would be required to establish the program nor does it speak to the amount that would be allocated to the program or what funding would be used to support the program. These are important factors given the substantial "call" funds in the GGRF and other program dollars.

*In response to this concern, the author's proposed amendments would require that the CRVRP be implemented and administered by ARB beginning on July 1, 2017.*

- b) The bill does not address parameters of the program which would help to improve successful implementation and minimize fraud - a particularly pertinent issue given that the used car market can include not only dealer transactions but also third party transactions. This is critical given the potential for unscrupulous individuals to repeatedly buy and resell these clean cars, each time capturing a rebate and all the while depleting program funds while failing to deploy newer, cleaner vehicles.

*To address this concern, the author has proposed that the CRVRP provide a \$2,500 rebate toward the purchase of an eligible used clean air vehicle only when purchased from a licensed dealer. Only one rebate would be allowed per vehicle. The author's suggested amendments also specify that a rebate (unspecified amount) could be applied to the purchase of an electric vehicle battery.*

While limiting rebates to one-time dealership sales may help to eliminate fraud associated with buying and reselling vehicles to obtain multiple rebates on the same vehicle, tracking rebates on a per vehicle bases could present difficulties. For example, under CVRP, rebates are only issued on new vehicles so there is no need to track the vehicle once the rebate is issued. For used vehicle rebates, a database would be needed to link the rebate with, assumedly, the vehicle identification number, which would likely involve access Department of Motor Vehicles records and/or information. Rebate tracking for batteries could be even more difficult and it would be difficult to ascertain whether batteries receiving rebates are being installed in vehicles that also received a rebate which, if not controlled, could result in rapid depletion of program funds and the inability of the program to realize the ultimate objective of placing additional clean air vehicles into service on California's roadways to achieve clean air goals.

- 3) The CRVRP would greatly benefit from providing prospective rebate recipients with clear and accurate information about available used clean air vehicles to ensure that the vehicle they are purchasing adequately meets their needs. For example, if a buyer wishes to use a rebate to purchase a used EV, particularly one which may have diminished battery capacity, they should be informed that the vehicle may only achieve a 60-70 mile driving range on a single charge. This would be particularly important for buyers whose driving needs exceed the vehicle's range as well as for those who may not have ready access to unique fueling infrastructure these vehicles require.

All in all, the problem the author is seeking to address is a serious and legitimate problem. Unfortunately, even with the author's proposed amendments, AB 904 is lacking in pertinent details and, hence, its merits cannot be weighed sufficiently.

*Related legislation:* AB 1074 (C. Garcia) would direct the Commission to develop an alternative refueling infrastructure plan, as part of a broader assessment, that identifies the number of alternative fueling stations that will be needed to fulfill the state's clean transportation goals. AB 1074 passed out of this committee on April 13, 2015, with a 16-0 vote and is awaiting hearing in the Assembly Appropriations Committee.

SB 40 (Gaines), would require incentives for qualifying zero-emission, battery-electric passenger vehicles under the CVRP be limited to vehicles with a manufacturer's suggested retail price of \$40,000 or less and that rebates for qualifying vehicles be \$3,500. SB 40 is awaiting hearing in the Senate Transportation and Housing Committee.

*Previous legislation:* AB 1275 (De Leon), Chapter 530, Statutes of 2014, created the Charge Ahead Initiative stated the goals of the initiative are to place in service at least 1,000,000 zero-emission and near-zero-emission vehicles by January 1, 2023, and increasing access for disadvantaged, low-income, and moderate-income communities and consumers to zero-emission and near-zero-emission vehicles by, among other things, establishing programs that further increase access to and direct benefits for disadvantaged, low-income, and moderate-income communities and consumers from electric transportation.

AB 118 (Nunez), Chapter 750, Statutes of 2007, established the AQIP, administered by ARB in consultation with local air districts, and funded through surcharges on vehicle and vessel registration fees, smog abatement fees, and identification plate fees.

AB 32 (Nunez), Chapter 488, Statutes of 2006, required the ARB to develop a plan of how to reduce emissions to 1990 levels by the year 2020.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

San Joaquin Valley Air Pollution Control District

##### **Opposition**

None on file

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