

Date of Hearing: June 26, 2017

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

SB 498 (Skinner) – As Amended June 22, 2017

SENATE VOTE: 27-13

SUBJECT: Vehicle fleets: zero-emission vehicles

SUMMARY: Requires the California Air Resources Board (ARB), after reviewing its zero-emission vehicle (ZEV) programs, to make recommendations to the Legislature, no later than January 1, 2019, on how to increase ZEV use in the state in the most cost-efficient manner that results in the greatest air quality and emissions reduction benefits. Additionally, requires the Department of General Services (DGS) to ensure that ZEVs comprise at least 50% of the state's light-duty vehicle fleet purchases by the 2024-25 fiscal year (FY). Specifically, **this bill:**

- 1) Makes findings and declarations regarding ZEVs.
- 2) Defines a "vehicle fleet" as 10 or more vehicles under common ownership or operation.
- 3) Requires ARB, in consultation with the University of California (UC) Institute of Transportation Studies and other stakeholders, to review all of ARB's ZEV programs and, no later than July 1, 2019, provide policy recommendations to the Legislature for increasing use of ZEVs in the state in the most cost-effective manner possible that achieves the greatest greenhouse gas (GHG) emissions reductions and air quality improvements.
- 4) Requires that the report include a review of ARB's ZEV programs, including the specific GHG emissions reductions and/or air quality improvement goals for each program, the status of each program with respect to meeting the respective goals, and a cost-benefit analysis.
- 5) Requires that ARB hold a public hearing at least 30 days before the policy recommendations are submitted to the Legislature and authorizes ARB to modify its policy recommendations in response to comments received.
- 6) Requires DGS to ensure that 50% of the light-duty vehicles purchased for the state vehicle fleet each FY are ZEVs excluding vehicles with special performance requirements needed for the protection of public safety.
- 7) Authorizes DGS to cease implementing the requirement that ZEVs comprise 50% of light-duty vehicle purchases after holding a public hearing and making a finding that implementing the requirement prevents them from meeting the needs of the state.

EXISTING LAW:

- 1) Authorizes the ARB, among other things, to control emissions from a wide variety of mobile sources.

- 2) Establishes the ZEV Mandate that requires large and intermediate volume vehicle manufacturers that sell cars in California to produce ZEVs.
- 3) Establishes the Charge Ahead Initiative pursuant to SB 1275 (de León), Chapter 530, Statutes of 2014, that set the target of placing one million ZEVs and near-zero-emission vehicles (NZEVs) on California roadways by January 1, 2023.
- 4) Directs DGS, pursuant to Executive Order (EO) B-16-2012, issued by Governor Brown in March 2012, to ensure that ZEVs comprise at least 10% of state vehicle fleet purchases by 2015 and at least 25% by 2020.

FISCAL EFFECT: According to the Senate Appropriations Committee the bill would result in costs in excess of \$400,000 to the Air Pollution Control Fund and Motor Vehicle Account for ARB to review ZEV-related programs, conduct public hearings, and report to the Legislature. Additionally, the Senate Appropriations Committee reports that the bill would result in significant cost pressures (approximately \$10 million annually) with additional costs to DGS for complying with ZEV purchase and charging infrastructure requirements (approximately \$52 million over the next five years).

COMMENTS: It is well known that air pollution has dire consequences for public health and the environment and that vehicles are one of the primary sources of air pollution. To help control vehicle emissions and improve air quality, the Federal Clean Air Act authorized the United States Environmental Protection Agency to establish emissions standards and regulate emissions for mobile source. In California, state law assigns ARB with the primary responsibility for controlling mobile-source air pollution, including adopting rules for reducing vehicle emissions, creating fuel specifications, regulating emission control devices, and establishing engine standards. In addition to addressing air pollution, ARB has also been tasked with meeting GHG emissions reduction targets set forth by the Legislature first in AB 32 (Núñez), Chapter 488, Statutes of 2006, and later in SB 32 (Pavley), Chapter 249, Statutes of 2016.

In an effort to address emissions caused by vehicles, California has looked to expand the sale and use of ZEVs. In 2012, Governor Brown issued EO B-16-2012 which established the milestone of placing 1.5 million ZEVs on California roadways by 2025. The EO also established ZEV purchase targets for state agencies. To continue the momentum initiated by the EO, the Governor's Office convened an interagency working group, led by ARB and others, that culminated in the release of the 2012 ZEV Action Plan. The ZEV Action Plan, which was updated in 2016, established goals for the advancement of ZEVs and outlined strategies to achieve those goals.

Legislation along with regulations promulgated by ARB have led to the establishment of a number of ZEV-related programs at ARB, including the ZEV Mandate (that set the requirement that manufacturers make and sell a certain number of ZEVs based on a specified credit requirement). To help encourage consumer acceptance and deployment of ZEVs, ARB also created a number of incentive programs to encourage consumers to purchase and use these vehicles. Examples of these incentive programs include the Clean Vehicle Rebate Program (CVRP) that provides rebates (ranging from \$1,500-\$7,000, depending on the purchasers' income status) on the purchase of new ZEVs. There is also a component of CVRP that includes a set aside program to provide rebates for public fleets purchasing ZEVs. In addition, programs such as the Enhanced Fleet Modernization Program (EFMP) and EFMP-Plus Up, while not

exclusively a ZEV program, offers incentives for individuals to retire their old, high-polluting vehicles with additional incentives for those individuals who replace their vehicles with ZEVs. There are also other ZEV-related incentive programs at ARB that encourage the use of ZEVs such as the Car Sharing and Mobility Options Pilot Project and the Financing Assistance Pilot (which is scheduled to become a statewide program later this year).

In early 2016, the Assembly Transportation Committee and the Senate Transportation and Housing Committee held a joint oversight hearing to learn more about the over 50 transportation-related regulatory and incentive programs overseen by ARB. The committees requested that ARB provide specific information about these programs, including the authority (or mandate) that the program addresses, the functions and/or requirements of the program, the overall program goal, funding sources and how much is spent, and the status toward achieving over program goals. The information was requested to not only allow the Committee's to better understand ARB's programs, but more specifically, to help members evaluate legislation coming before them with increasing frequency with regard to program investments. To more thoroughly consider these legislative proposals, the committees looked to ARB to provide information on which programs provided the greatest "added value" and at what cost, in order to achieve the greatest air quality improvement and GHG emissions reduction benefits in the most cost efficient way possible.

The committees held several hearings and engaged directly with ARB over many months to obtain the requested information. The outcome of this effort was a draft analysis, completed by ARB, that described each of their transportation-related programs and included information with regard to funding, the goal of each program, and the status of each program with respect to achieving the program goal. The information provided by ARB has proven to be an invaluable resource that has, and will continue to serve as the foundation for informing strategic investments in programs to help California achieve its emissions reduction and air quality improvement goals. ARB has committed to continue to collect the requested data and inform the Committees with regard to their transportation-related programs.

By introducing this bill, the author seeks to increase the use of ZEVs in California. This bill calls upon ARB to review their ZEV-related programs, in consultation with the UC Institutes of Transportation Studies and other stakeholders, and from this effort, make policy recommendations to the Legislature on how California can increase ZEV use in the state in the most cost-effective way possible and that maximizes emissions reductions and improves air quality. This bill calls upon ARB to build on the data provided to the committees to evaluate programs and make the recommendations.

For example, in the data submitted to the committees, ARB indicated that EFMP and EFMP Plus-Up resulted in the replacement of over 840 old, high-polluting cars in areas of the state with the worst air quality at a cost of approximately \$15 million (\$4.8 million of EFMP funds and \$10 million in Plus-Up funds, respectively). Using this information, the program can be contrasted with ARB's CVRP that resulted in the placement of approximately 100,000 ZEVs and NZEVs on California's roadways over a six-year period at a cost of \$349 million. In short, the recommendations made by ARB pursuant to this bill should include, but not necessarily be limited to, consideration of factors such as overall program costs, how well the program improves ZEV adoption rates, as well as program emissions reduction and air quality improvement benefits and benefits provided to disadvantaged communities who tend to experience some of the worst air quality in the state.

With respect to the requirement that DGS ensure that ZEVs comprise at least 50% of the state's light-duty fleet purchases by FY 2024-25, DGS reports that while they are on track to meet the existing goal of 25% ZEV purchases for the state fleet by 2020, doubling that goal and asking that it be achieved in a five-year period (between 2020 and 2025) indeed raises the "bar." It is important to note that modeling performed by DGS suggests that unless new technology becomes available in the near term, they will likely not be able to meet the goal established by this bill. To address this concern, yet keep the "pressure on" DGS to continue to increase the numbers of ZEVs it purchases for state fleets, the author amended this bill to provide relief to DGS should they make a determination that the goal cannot be met.

Double referral: This bill will be referred to the Assembly Accountability and Review Committee should it pass out of this committee.

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

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

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.

REGISTERED SUPPORT / OPPOSITION:

Support

NextGen (Sponsor)
American Lung Association in California
Breathe California
CALSTART
Coalition for Clean Air
Environment California
Lutheran Office of Public Policy, California
Natural Resources Defense Council
Plug-In America
Southern California Edison
Voices for Progress

Opposition

None on file

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