Date of Hearing: April 15, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION
Lori D. Wilson, Chair
AB 2401 (Ting) – As Amended April 9, 2024

SUBJECT: Clean Cars 4 All Program

SUMMARY: Requires the California Air Resources Board (CARB), in administering the Clean Cars for All (CC4A) Program, to prioritize vehicle retirement in areas of the state that with the highest percentages of low-income, high-mileage drivers with older, high-polluting vehicles; makes these incentives available statewide, and requires CARB to establish a means-based strategy provide an increased incentive to potential recipients satisfying additional qualifying criteria.

Specifically, **this bill**:

1) Requires CARB to prioritize vehicle retirement in areas of the state that have the highest percentage of people residing in disadvantaged (DAC) and low-income (LIC) communities, the highest numbers of vehicles manufactured prior to 2004 or that are at least 20 years old, and the highest number of vehicles with poor fuel economy, and the most vehicle miles traveled.

2) Makes incentives provided under CC4A available statewide and requires CARB to manage distribution of incentives only in areas of the state where an air district has elected not to participate.

3) Requires the application process and procedures for delivering available funding for the CC4A Program to include additional performance metrics for evaluating funding delivery and program administration and implementation.

4) Requires CARB to establish procedures for reallocating any surplus of funds from portions of the CC4A that districts manage or by the state board to other districts or the state board that have exhausted CC4A program funding and have demonstrated a need.

5) Requires CARB to track and report all CC4A Program data at the census tract level to support eligibility criteria that offers increased incentives for residents of disadvantaged communities, and greenhouse gas (GHG) emissions reductions per vehicle retired based on miles per gallon and the miles traveled under the registered owner.

6) Requires CARB, in its annual accounting of moneys allocated to CC4A and the expenditures of CC4A by region, to separately display the portions of the program managed by each participating district and by the state board and to include projections of available funds for each portion of the program.

7) Requires CARB to evaluate funding for targeted outreach in LICs or DACs with the highest number of vehicles manufactured before 2004 or that are at least 20 years old that are driven most and have the poorest fuel economy, including whether the funding should be enhanced or modified to reach program goals.

8) Requires CARB to strive to maintain continuous funding to each district participating in the CC4A from the moneys made available to CARB for the Program.

9) Requires CARB to consider additional metrics in allocating funding for CC4A to participating districts and to the portion CARB manages, including the total value of vouchers deployed and for the retired vehicles: (i) high average annual vehicle miles traveled; (ii) low fuel economy of the vehicles; and (iii) older model year of the vehicles.

10) Authorizes CARB to use up to 10% of the moneys designated for incentives outreach.

11) Requires CARB to establish a means-based strategy to identify and provide increased incentives to potential recipients under the CC4A Program who meet all of the following criteria:

(1) A person living in the top decile of disadvantaged communities.
(2) A person owning a vehicle manufactured before 2004 or a vehicle that is at least 20 years old.
(3) A person owning a vehicle with poor fuel economy and a high number of vehicle miles traveled.
(4) A person from a population that is eligible for but underserved by CC4A, including but households in census tracts shown to be the most impacted in each region and households making less than 225% of the federal poverty level, and households that are primarily non-English speaking.

EXISTING LAW:

1) Establishes the Air Quality Improvement Program, administered by CARB, with the primary purpose of funding, upon appropriation by the Legislature, air quality improvement projects relating to fuel and vehicle technologies that reduce criteria air pollutants and improve air quality. Also, funds research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies. (Health and Safety Code (HSC) 44274)

2) Establishes the CC4A Program, administered by CARB, to focus on achieving reductions in GHG emissions, improvements in air quality, and benefits to low-income state residents through the replacement of high-polluter motor vehicles with cleaner and more efficient motor vehicles or a mobility option. (HSC 44124.5)

FISCAL EFFECT: Unknown

COMMENTS: The Legislature has set a number of goals to address climate change, including reducing statewide GHG emissions to 40% below the 1990 level by 2030. The transportation sector generates nearly 40% of state GHG emissions, three-quarters of which are from light-duty passenger vehicles alone. As such, the state has focused a significant amount of effort toward promoting the use of cleaner vehicles and reducing vehicle miles traveled (VMT). In 2020, Gov. Newsom issued Executive Order (EO) N-79-20, which requires 100% of in-state sales of new passenger cars and trucks to be zero-emission by 2035 and tasks CARB with developing regulations on manufacturers to do so. On the demand side, CARB administers a variety programs intended to reduce mobile source emissions, including incentive programs that support consumer adoption of zero-emission vehicles (ZEVs).

DACs and LICs experience disproportionate amounts of air pollution, but also contribute disproportionately to light-duty vehicular GHG emissions. On average, households with lower incomes have to drive longer distances, spend a higher percentage of monthly income on fuel, and tend to drive older, more polluting vehicles. One study reported that "households with incomes less than $50,000 drive vehicles with an average model year (MY) of 2004 and average fuel economy of 20.34 miles per gallon (MPG) while those with incomes more than $100,000 drive vehicles with an average MY of 2008 and average fuel economy of 20.89 MPG".

According to the co-sponsors of this bill, "in California, light-duty vehicles in the top 20% in terms of gasoline use are using 55% of all private light-duty gasoline" (Coltura's *Gasoline Superusers 2.0* report) and "despite making up only 19% of the vehicles in the state, pre-2004 vehicles emit three times as much smog-forming nitrogen oxides as compared to all 2004 and later vehicles combined" (*Cleaner Cars, Cleaner Air* by GLI and UCS). A 2017 study by DeShazo *et al*. suggested that further reductions in gasoline consumption could be achieved by targeting ZEV subsidies for (a) consumers who would trade in a larger, less-fuel-efficient vehicle, (b) with higher monthly VMT, or (c) living in rural and farming communities who tend to drive larger vehicles and have higher monthly VMT.

CC4A provides incentives to help lower-income drivers replace their old, higher-polluting cars with cleaner transportation options. Participants voluntarily scrap their vehicles in exchange for an incentive useable towards the lease or purchase of new or used replacement vehicles, *e.g.*, a hybrid, plug-in hybrid electric (PHEV), battery electric (BEV), and fuel cell electric vehicles. PHEV and BEV buyers are also eligible for home charger incentives or prepaid charge cards if home charger installation is not an option. Instead of a vehicle, recipients can use their incentives towards an alternative mobility option, such as an electric bike, a voucher for public transit, or a combination of clean transportation options. Participants must have a household income of less than 400% of the federal poverty limit (FPL) and live in a ZIP Code containing a disadvantaged community census tract in order to qualify.

CARB delegates authority to participating air districts to administer CC4A and allocates program funding to them. Currently, the state's five largest regional air districts—in the Bay Area, the San Joaquin Valley, Sacramento, the South Coast and San Diego— have CC4A programs. CARB allows each air district to set additional eligibility criteria tailored to specific regional needs, provided that they meet CARB's minimum eligibility requirements.

In the 2022 and 2023 Budget Acts combined, roughly $200 million in additional funding was appropriated was for equity transportation programs, including statewide expansion of CC4A. The statewide expansion is underway with initial roll-out set tentatively by end of 2024. CARB notes that the "statewide expansion will provide access to the program for the nearly 4 million residents in or near low-income communities which contain 60-70% of the 1.3 million older, higher polluting vehicles that may be eligible for replacement."

To date, CC4A has been highly successful in retiring the oldest and most polluting vehicles. Historical data from 2015 through October 2023 shows that the majority of vehicles retired under CC4A have been older vehicle models, with 11,628 out of 13,335 retired vehicles (87.20%) being MY 2004 or older, and 13,217 out of 13,335 (99.12%) being MY 2009 or older.

Although the existing district-operated CC4A programs have experienced great success with high demand from low- and moderate-income households, they continue to face many challenges because funding is unpredictable. The current method of distributing funding results in air districts not knowing how much or when CARB will distribute additional funding. As a result, air districts frequently have to turn away applications or place applicants on waitlists until they receive more funding.

Another well-established challenge for CC4A is high levels of distrust of government programs in low-income communities and communities of color. Successful enrollment requires program staff and community-based organizations to work with potential recipients on applications and help educate them on the financial considerations of program enrollment and how replacement ZEV vehicles can fit into their lifestyles. Recent legislation has allowed a percentage of CC4A funding to go towards outreach targeting priority applications. As part of its statewide expansion, CARB is exploring a needs-based model prioritizing lower-income applicants meeting additional criteria by providing application assistance and expedited processing as well as reserving funds upon receipt of applications.

CC4A is the only active state-funded ZEV incentive program for personal use vehicles. In 2023, two other incentive programs were closed—the Clean Vehicle Assistance Program (CVAP)—or shuttered completely—the Clean Vehicle Rebate Program (CVRP). CVAP, which exhausted its funding last June, is an income-qualified program providing grants and affordable financing to help with the purchase or lease of a hybrid or electric vehicle. CVRP, which was phased out last November, was a program that offered rebates for the purchase or lease of new, eligible ZEVs, to people below a qualifying income threshold (*e.g*., $135,000 for a single filer), with greater incentive amounts for lower-income participants. Neither CVAP nor CVRP required a person to retire their existing vehicle to receive an incentive.

Several studies have found that up-front cost is likely the biggest barrier to ZEV adoption, and lower-income CC4A recipients may find that current EV incentives are not enough to offset the cost of a new or used ZEV. For example, CARB has estimated that the average cost of a vehicle receiving a CC4A incentive has gone from roughly $20,000 in 2016 to $35,000 at the end of 2021—an increase of $15,000. CC4A currently offers increased incentives up to $9,500, though CARB has proposed increasing incentives up to $12,000. When CC4A, CVAP and CVRP were all active, incentives from CC4A could be stacked with CVRP, but not with CVAP. In its statewide expansion of CC4A, CARB has proposed streamlining the application process for residents in most need to apply jointly to CVAP and statewide CC4A, providing increased opportunity to match the need for low-cost financing with the vehicle purchase incentives *provided through CC4A.*

According to the author, "With the retirement of CVRP, California's Clean Cars 4 All serves as the state's flagship vehicle incentive program designed to help low-income drivers access zero emission vehicles (ZEVs) and retire old, polluting vehicles from the roads. The successful Clean Cars 4 All program has recently been expanded statewide and intends to reduce greenhouse gas emissions as efficiently and equitably as possible. To accomplish this goal, the state must maximize its investments to reduce gasoline consumption, especially among lower-income consumers who cannot afford to live near their workplaces and spend large portions of their income on fuel for long distance commutes. AB 2401 will improve ZEV equity and air quality by codifying the expanded Clean Cars 4 All program, requiring vehicle data collection to allow for more targeted outreach to the lowest-income Californians, and increasing incentive amounts for the lowest income, highest mileage drivers."

Writing in support, the co-sponsors—Coalition for Clean Air, Coltura, GLI, UCS, and Valley Clean Air Now—state "AB 2401 provides a solution to the aforementioned issues by requiring the Air Resources Board to collect additional data and use it to establish a needs-based approach to identify and target outreach and incentives to low-income, high-mileage drivers with older, high-polluting vehicles. This measure additionally ensures that expansions of the program are subject to the same requirements established by this measure and previously enacted equity, funding, and tax exemption provisions."

Committee comments: Increased Incentives and VMT. Offering increased incentives to people that drive the most polluting cars and/or that drive the most, as proposed in this bill can be highly effective in helping to retire those vehicles. However, because CARB does not currently track VMT as a prerequisite for incentives, it is not clear that the vehicles retired as a result of the changes in this bill would be significantly different than those currently being retired. In addition, it is important to consider that increasing requirements and administrative complexity for program participants may reduce the number people willing to participate in the program, and work counter to achieving the program's goals; a balance must be struck.

Program funding and jurisdiction. Greater transparency and clarity on the timing and amount of funds to be allocated each year would benefit district programs, and CARB should strive to provide continuous funding to keep CC4A programs running. Clear delineation of the air districts' jurisdiction to manage CC4A within their district boundaries, if they elect to do so, also allows air districts to continue tailoring their programs to regional needs, but could cause confusion among applicants living near district borders who are redirected from the statewide program to a district program, or vice versa.

CARB proposed allocating $14 million General Fund to the statewide program and $14 million of Greenhouse Gas Reduction Fund to the districts in its fiscal year 2023-24 funding plan. In a letter to CARB (dated October 30, 2023), several Assemblymembers objected to proposed apportionment in view of the budget allocations designated for the statewide program and the challenges districts face to operate their programs given the stop-and-start nature of funding cycles. In addition, the letter states that "the five regional air quality districts encompass 85 percent of the state population, and 95% of its disadvantaged communities."

Establishing procedures for fund re-allocation may help keep district CC4A programs operational year-round. However, funding reallocations may also provide certainty for one air district at the expense of another. Rapid exhaustion of funds where demand is already established, for example, in the air districts with the oldest CC4A programs and where the highest number of DAC census tracts are contained (South Coast and San Joaquin Valley), could stifle the growth of newer programs in Sacramento and San Diego, or result in an increase of underserved populations in other air districts. If this provision is implemented, CARB should consider a minimum annual set-aside for each district to safeguard funding.

Statewide CC4A Codification. CARB is currently developing regulations for its implementation of the statewide program and it anticipates accepting applications by end of 2024. The statewide program will cover a much more expansive and diverse area than the district programs. In its public workgroup and FAQ documents, CARB stated that they will adopt guidelines that adhere to the core principles of the program to focus on those that have the highest barriers to clean transportation. As the CC4A expansion begins rolling out, flexibility for CARB to tailor the program to the needs of the multiple regions under the statewide umbrella could be beneficial.

CARB continues to discuss details around statewide implementation with various stakeholders, including the author's office.

Double referral: This bill is double referred to the Assembly Natural Resources Committee and will be heard by that Committee as it relates to issues under its jurisdiction.

Related and previous legislation: SB 154 (Skinner), Chapter 43, Statutes of 2022, appropriates $125 million for a suite of equity transportation programs under the Charge Ahead California Initiative, including, but not limited to, CC4A.

AB 102 (Ting), Chapter 38, Statutes of 2023, appropriates $80 million for a suite of statewide equity transportation programs under the Charge Ahead California Initiative, including, but not limited to, CC4A.

AB 1267 (Ting) of 2023 would have required CARB to provide an additional incentive to individuals for the purchase of zero-emission vehicles under ZEV incentive programs (CC4A, CVRP and CVAP) based on the average annual gallons of gasoline that the applicant's vehicle consumed. Died in Assembly Appropriations Committee.

AB 2816 (Ting) of 2022 would have required CARB to award incentives for passenger ZEVs under ZEV incentive programs (CC4A, CVRP and CVAP) based on the amount of gasoline or diesel the applicant's vehicle consumed. The bill would have required a consumer to provide the vehicle identification number and odometer reading under penalty of perjury to verify the accuracy of the amount of the incentive. This bill was held on the Assembly Appropriations Committee suspense file.

SB 1382 (Gonzalez), Chapter 375, Statutes of 2022 requires CARB to work with air districts and nonprofits to identify barriers to accessing CC4A, to develop outreach protocols and metrics, and to evaluate outcomes of outreach efforts. It additionally requires an assessment identifying populations eligible for but underserved by CC4A, allows air districts to use up to 10 percent of allocated program funds for outreach, and provides a sales and use tax exemption, until 2028, for the purchase of a vehicle made with a CC4A award.

SB 400 (Umberg), Chapter 271, Statutes of 2019 expands the eligible modes of transportation for which CC4A "mobility option" vouchers may be used to include bike sharing and e-bikes.

SB 1000 (Lara), Chapter 368, Statutes of 2018 requires the CEC, in consultation with CARB, as part of the development of the Clean Transportation Program (CTP) investment plan, to assess whether charging station infrastructure is disproportionately deployed by income level, population density, or geographical area, and, to use CTP funding to more proportionately deploy new charging station infrastructure, unless CEC makes a finding that the disproportionate deployment is reasonable and furthers state energy or environmental policy.

AB 630 (Cooper), Chapter 636, Statutes of 2017 establishes CC4A, providing drivers of high polluting vehicles financial incentives and support to switch to lower-emission vehicles or other modes of transportation. Also requires CARB to set specific and measurable goals annually for the Enhanced Fleet Modernization Scrap Only and CC4A Scrap-and-Replace programs.

REGISTERED SUPPORT / OPPOSITION:

Support

Coalition for Clean Air (co-sponsor)
Coltura (co-sponsor)
Greenlining Institute (co-sponsor)
Union of Concerned Scientists (co-sponsor)
Valley Clean Air Now (co-sponsor)
350 Bay Area Action
350 Conejo / San Fernando Valley
350 Humboldt: Grass Roots Climate Action
Active San Gabriel Valley
California Environmental Voters
California Environmental Voters
California New Car Dealers Association
Chargepoint
Citizens Climate Lobby
Climate Action California
Democrats of Rossmoor
Ecology Action
Environment California
Friends Committee on Legislation of California
Greenlatinos
Lutheran Office of Public Policy - California
National Resources Defense Council
Recolte Energy
Santa Cruz Climate Action Network
Sierra Club California
Silicon Valley Youth Climate Action
Sustainable Mill Valley
Sustainable Rossmoor
The Climate Center
Transformative Wealth Management
Transportation Agency for Monterey County
Voices for Progress
Vote Solar
Zero-Waste People Power

Opposition

None on file

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