

Date of Hearing: April 7, 2025

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

AB 674 (Connolly) – As Amended March 10, 2025

**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 with the highest percentage of disadvantaged and low-income communities with older, high-polluting vehicles, codifies the statewide CC4A program, and requires CARB to establish a means-based strategy to 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.
- 2) Codifies the statewide CC4A program 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.
- 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: older model year.

- 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:
  - a) A person living in the top decile of disadvantaged communities;
  - b) A person owning a vehicle manufactured before 2004 or a vehicle that is at least 20 years old; and,
  - c) A person from a population that is eligible for but underserved by CC4A, including 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 Greenhouse Gas (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”.

CC4A provides incentives to help lower-income drivers replace their old, higher-polluting cars with cleaner transportation options. CARB delegates authority to five air districts (Bay Area, San Joaquin Valley, Sacramento, South Coast and San Diego) to administer CC4A and allocates program funding to them. CARB allows each air district to set additional eligibility criteria tailored to specific regional needs, provided that they meet CARB's minimum eligibility requirements.

Participants scrap their vehicles in exchange for an incentive to use 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 300% of the federal poverty limit (FPL) and live in a ZIP Code containing a disadvantaged community census tract in order to qualify.

Recently the CARB implemented the new Driving Clean Assistance Program (DCAP) which operates statewide and expands access to the Clean Cars 4 All program (CC4A) to areas of the state that currently do not have a pre-existing, district operated CC4A program. DCAP provides incentives for eligible low-income consumers to purchase or lease of a new or used clean vehicle – up to \$12,000 when scrapping an older vehicle and living in a disadvantaged community or up to \$7,500 when not scrapping an older vehicle. The program also provides access to low-interest rate loans capped at 8%, opportunities for mobility options such as transit passes or e-bikes, as well as up to an additional \$2,000 in incentives to offset the cost of charging. 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. Data from 2015 through December 2024 shows that the majority of vehicles retired under CC4A have been older vehicle models, with 11,628 out of 13,335 retired vehicles (79.47%) being MY 2004 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 have to turn away applications or place applicants on waitlists until they receive more funding.

Another challenge is that successful enrollment requires program CC4A staff and community-based organizations to work with potential recipients on applications and educate them on the financial considerations of program enrollment and how 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.

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 increased 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.

*According to the author*, “Clean Cars 4 All (CC4A) is the largest vehicle purchase incentive program currently operating in California. CC4A aims to reduce emissions, improve air quality, and help low-income vehicle owners replace potentially high-polluting vehicles with cleaner, more efficient options. Encompassed of five air district-administered programs serving regions with the largest population density, and the recently expanded statewide program serving the rest of the state, CC4A is instrumental to ensuring California’s clean transportation goals are reached in a just manner. AB 674 furthers this intent. The bill targets program dollars, maximizing incentives for lower income individuals retiring older, higher polluting cars in disadvantaged communities. The bill also codifies the expansion of the program to confirm it is subject to the same requirements established by this measure and previously enacted equity, funding, and tax exemption provisions. These changes are necessary to ensure a just transition into California’s clean transportation future.

*In support of this bill*, the sponsors, Coalition for Clean Air, Valley CAN, and Union of Concerned Scientists, of this bill write, “AB 674 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 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.

With the retirement of the Clean Vehicle Rebate Project, the Clean Cars 4 All program is the largest vehicle purchase incentive program currently operating in California. Given this, and the state’s current economic outlook, it is critical that limited resources are distributed in a manner that makes the greatest impact on our most vulnerable communities and the environment. For these reasons, we respectfully request your “aye” vote when heard in Committee.”

*Committee comments: Governor’s Veto Message:* Last year, the Governor vetoed a similar bill—AB 2401 (Ting). This bill aims to address the Governor’s veto message that raised concerns about AB 2401 placing onerous application requirements on individuals and discouraging low-income residents from applying for the program. The veto message also highlighted that AB 2401 would “necessitate constant and costly monitoring by CARB of recipient driving patterns, further discouraging program participation and thereby preventing continued reductions in local air pollution and greenhouse gas emissions from being realized”.

This bill removes the requirement of monitoring recipient driving patterns. However, this bill retains the low-income proof of eligibility criteria and similarly targets vehicles from 2004 or 20 years and older. It is important to consider that increasing eligibility requirements and administrative complexity for program participants may reduce the number of people willing to participate in the program and work counter to achieving the program’s goals; a balance must be struck.

*Program funding.* Greater transparency and clarity on the timing and amount of funds to be allocated each year would benefit air districts' programs. In some cases air districts have reported that they have run out of funding in the last quarter of the year. The lack of continuous funding can leave individuals who are eligible for the program unable to obtain a vehicle.

According to CARB, CC4A is currently on pace to complete 3,000 vehicle replacements in FY 2023-24, with an estimated expenditure of \$27 million. Most districts have funding from previous years that they are using to provide incentives. Only about \$6.1 million (5%) of the \$122.8 million allocated in FY 2022-23 has been expended as of July 2024. Participation data from the district programs indicates a high demand among low-income consumers for clean vehicles. CARB staff estimates that CC4A will complete approximately 3,400 to 4,150 vehicle replacements in FY 2024-25 and expend between \$57 million and \$70 million.

Establishing procedures for fund re-allocation as proposed in this bill 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. Alternatively, CARB could consider establishing a set aside that air districts can access if they run out of funding during the year.

*Coordination between statewide DCAP and CC4All.* DCAP and CC4All have some similar features, but are different in other ways. For example, DCAP implements a needs-based system and has partnerships with local community-based organizations, credit unions, and dealership to help program participants secure low-interest loans to help fund the cost of the vehicle after the incentive has been applied. It will be important to ensure that as DCAP becomes an established program and that DCAP and CC4All complement one another so that the most polluting vehicles owned by low-income persons throughout the state are replaced as efficiently as possible.

*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:* AB 2401 (Ting) of 2024 would have required CARB to prioritize vehicle retirement in areas of the state 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. Vetoed by the Governor.

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)  
Union of Concerned Scientists (co-sponsor)  
Valley Clean Air Now (co-sponsor)  
350 Bay Area Action  
350 Conejo / San Fernando Valley  
350 Humboldt  
Active San Gabriel Valley  
California Environmental Voters  
Climate Action California  
Ecology Action  
Elders Climate Action So-Cal Chapter  
Environmental Defense Fund  
GreenLatinos  
Norcal Elder Climate Action

NRDC  
Recolte Energy  
San Francisco Bay Physicians for Social Responsibility  
Santa Cruz Climate Action Network  
Sierra Club California  
Sustainable Mill Valley  
The Climate Center  
Transformative Wealth Management

**Opposition**

None on file

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