

Date of Hearing: April 8, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 126 (Cooper) – As Amended March 21, 2019

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

SUMMARY: Prohibits the Air Resources Board (ARB) until January 1, 2022, for purposes of the Clean Vehicle Rebate Project (CVRP), to offer rebates to applicants whose income exceeds a specified amount. Specifically, **this bill**:

- 1) Requires ARB until January 1, 2022 to only offer rebates for the purchase of eligible vehicles through the CVRP to applicants whose income does not exceed the following:
 - a) \$150,000 for single filers;
 - b) \$204,000 for head-of-household filers; or,
 - c) \$300,000 for joint filers.
- 2) Requires ARB to provide an additional \$500 rebate to low-income applicants for all eligible vehicle types.
- 3) Requires ARB to offer rebates only for plug-in hybrid vehicles that have an electric range of at least 20 miles.
- 4) Provides that the aforementioned income limits do not apply to the purchase of a fuel cell vehicle.

EXISTING LAW:

- 1) Requires 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 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 Greenhouse Gas Reduction Fund (GGRF) in the State Treasury, requires all moneys, except for fines and penalties, collected pursuant to a market-based mechanism be deposited in the fund and requires the Department of Finance, in consultation with ARB and any other relevant state agency, to develop, as specified, an investment plan for the moneys deposited in the GGRF.
- 4) 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 vehicles (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.

- 5) 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.
- 6) Establishes the CVRP, as part of the AQIP, to provide incentives, in the form of rebates toward the purchase of certain new, light-duty vehicles.
- 7) Requires ARB to provide outreach to low-income households and low-income communities to increase consumer awareness of the CVRP.
- 8) Requires ARB until January 1, 2022, to prioritize rebate payments to low-income applicants.
- 9) Defines “low-income” as a resident of the state whose household income is less than or equal to 300 percent of the federal poverty level (i.e. less than \$36,420 for a household of 1, less than \$49,380 for a household of 2, less than \$62,340 for a household of 3, and less than \$75,300 for a household of 4).

FISCAL EFFECT: Unknown.

COMMENTS: Pursuant to its authority under the AQIP, ARB developed the CVRP. The CVRP 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 million ZEVs on California's roadways by 2023, Governor Brown's 2012 goal of placing 1.5 million ZEVs on California's roadways by 2025 (Executive Order B-16-12) and Governor Brown's latest goal of 5 million ZEVs on the road by 2030 (Executive Order B-48-18).

As of March 30, 2019, the CVRP has provided rebates for 285,164 vehicles at a cost of over \$639 million since its launch in 2010. The program offers vehicle rebates on a first-come, first-served basis and has been typically oversubscribed each 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. With these rebates, California's ZEV market has grown significantly. The number of ZEVs passenger vehicles sold in California expanded from approximately 25,000 in 2012 to over 500,000 now—more than any other state, and about half of all the ZEVs nationwide. There are over 40 ZEV/NZEV models on the California market and in 2017, ZEVs accounted for about 7% of all new sales in California.

While the CVRP has been effective in creating a market for ZEVs, it has come under 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. To address these concerns, SB 1275 called upon ARB to establish the CVRP rebate eligibility based on income. In response, ARB established income caps and, in 2016, the Legislature approved a budget trailer bill [AB 859 (Committee on Budget), Chapter 368, Statutes of 2016] that established an income cap for the CVRP of \$150,000 for single filers, \$204,000 for head-of-household filers and \$300,000 for joint filers and exempted fuel-cell electric cars rebates from the new income cap. AB 859 also required ARB to conduct outreach to low-income communities, offer additional rebate payments of \$500 for low-income applicants, and prioritize rebate payments for low-income applicants. AB 859 had a sunset date of July 1, 2017, and AB 615 (Cooper),

Chapter 631, Statutes of 2017, extended the sunset date to January 1, 2019. While the income caps in state law have already expired, ARB is currently using the same income caps for rebate eligibility. Additionally as it relates to this bill, ARB only offers rebates for the purchase of a plug-in hybrid vehicle that has an electric range of at least 20 miles.

To ensure that the CVRP is reaching its goal of ZEV market acceleration, AB 615 also required ARB, by December 31, 2018, to prepare and submit to the Legislature a report on the impact the CVRP has had on the state's zero-emission vehicle market. In developing the report, ARB is required to consider the impact of income caps, increased rebates for low-income consumers, and increased outreach on the electric vehicle market, as well as a quantification of emissions reductions attributable to the CVRP. ARB has not submitted the report to the Legislature and has indicated that the report would be finalized in late spring or early summer of this year.

Through the CVRP, the Center for Sustainable Energy, the administrator on behalf of ARB, offers a rebate of \$5,000 for hydrogen electric (e.g. Hyundai Tucson Fuel Cell and the Toyota Mirai), \$2,500 for battery electric (e.g. BMW i3, Nissan Leaf and the Tesla Model 3), and \$1,500 for plug-in hybrid electric vehicles (e.g. Honda Clarity Plug-in Hybrid and the Ford Fusion Energi), and an additional \$2,000 for low income drivers. The Center of Sustainable Energy also offers a rebate of \$900 for zero-emission motorcycles (ZEM). Currently, applicants who wish to buy a fuel cell vehicle are exempt from the CVRP income caps. However, fuel cell vehicle consumers who exceed the aforementioned income cap must choose between a Clean Air Decal (a decal that allows single-rider eligible clean vehicle drives to use carpool lanes) and a CVRP rebate.

CVRP rebates are a crucial part of Governor Brown's 2018 Executive Order and eight-year initiative to accelerate sales of ZEVs. As part of this initiative, the Governor Brown's administration proposed a total of \$200 million annually from GGRF through 2025, which includes \$175 million for CVRP and \$25 for additional incentives for low-income consumers. In last year's budget bill, the Legislature approved the appropriation of \$200 million for CVRP of which at least \$25 million is to be used to support low-income increased rebates. This year, Governor Newsom has proposed \$200 million for the CVRP from GGRF monies as well.

As the number of clean vehicles purchased increases over time, ARB has indicated that it will revise the program's income eligibility requirements to target moderate and low-income consumers that are most influenced by the availability of rebates. Additionally, ARB is planning to continue to grow their existing efforts of outreach and public education to low-income and disadvantaged communities by collaborating with community based organizations, developing educational materials, and coordinating ZEV test-drives.

According to the author, "AB 126 aims to make clean vehicles more accessible to California drivers living in communities with poor air quality by limiting eligibility by income and increasing rebate levels for low-income households."

In support, Valley Clean Air Now states, "Keeping the income limits in place helps ensure that the people who need the rebates most are getting access to them."

Committee Comments: There are many consumer behavior and market considerations impacting the development of this incentive program. A rebate can be expected to increase consumer demand for a ZEV because the rebate effectively reduces the price the consumer has to pay for

the vehicle. There are a number of studies that find that rebates do increase ZEV (or other low-emission vehicle) purchases in California and elsewhere. However, there are also many consumers that may have purchased a ZEV regardless of whether an incentive was available. These consumers may have the means to buy such a vehicle, prefer the technology, or simply believe in the environmental benefits that lower-emission vehicles have to offer. In fact, survey data compiled by the Center for Sustainable Energy shows more than half of consumers who received a CVRP rebate reported that they would have purchased a ZEV even if the program did not exist. Although the AB 615 report has not been completed, ARB staff does monitor CVRP participation rates. Historically, about 74% of ZEVs purchased or leased in California received a rebate prior to the introduction of income-based consumer eligibility. Since the introduction of the CVRP income cap, roughly 50% of ZEV purchases or leases in California have received rebates. This suggests that the income cap is having its intended effect. Considering that ARB needs to live “within its means” of \$200 million and that ARB has indicated that applicants will be waitlisted as soon as September this year, it seems rational that the Legislature ensure that we are using monies as wisely and efficiently as possible. For these reasons, the committee strongly encourages the author to urge ARB to finalize and submit the AB 615 report to the Legislature to better inform the policy debate around this bill.

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

Related and Previous legislation: AB 1046 (Ting) of the current legislative session would require ARB to develop an annual forecast for the CVRP, until January 1, 2030 that includes, among other things, the total state rebate investment necessary to reach the goal of 5 million ZEV on California roads by 2030 and recommendations on changes to the project structure and rebate levels. AB 1046 is pending in this committee.

AB 2885 (Rodriguez), Chapter 366, Statutes of 2018, required ARB to provide outreach to low-income households and low-income communities to increase consumer awareness of the CVRP and requires ARB until January 1, 2022, to prioritize rebate payments to low-income applicants.

AB 615 (Cooper), Chapter 631, Statutes of 2017, among other things, extended the sunset on the income restrictions for CVRP from July 1, 2017 to January 1, 2019.

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 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, among other things, imposed specified income eligibility limits on CVRP.

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 NLEV vehicles, 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.

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

REGISTERED SUPPORT / OPPOSITION:

Support

Valley Clean Air Now (Valley CAN)

Opposition

None on File

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