

Date of Hearing: April 25, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

AB 2737 (Carrillo) – As Amended April 7, 2022

SUBJECT: Air pollution: purchase of new drayage and short-haul trucks: incentive programs: lessees: labor standards

SUMMARY: Excludes a rental or leasing entity from the definition of a fleet purchaser, as it relates to fleet purchaser labor standards, and adds requirements for lessees of vehicles purchased using an incentive program to be compliant with labor standards. Specifically, **this bill:**

- 1) Defines a rental or leasing entity as an entity in the trade or business of renting or leasing vehicles to other persons who are renters or lessees for use or operation by renters or lessees.
- 2) Provides that rental or leasing entity does not include an entity whose primary purpose is to rent or lease vehicles to an affiliated motor carrier, including a parent company or subsidiary.
- 3) Requires a lessee of a vehicle that was purchased using a covered incentive to comply with the requirements applicable to a fleet purchaser.
- 4) Requires a rental or leasing entity that purchases vehicles for use in fleet operations using a covered incentive program to notify lessees of these vehicles with lease terms of greater than one year that the lessee is required to comply with the requirements applicable to fleet purchasers.
- 5) Provides that an agreement to lease a vehicle purchased using a covered incentive is equivalent to the attestations described in fleet purchaser labor standards law.
- 6) Requires a lessee of a vehicle that was purchased using a covered incentive to comply with requirements applicable to a fleet purchaser and provide the California Air Resources Board (CARB) all information and disclosures required by that section.
- 7) Subjects fleet purchasers and a rental or leasing entity to penalties, if CARB determines that a fleet purchaser and rental or leasing entity entered into a rental agreement of less than one year for the express purpose of circumventing fleet purchaser labor standards.
- 8) Provides that a lessee of a vehicle that was purchased using a covered incentive is in violation of fleet purchaser labor standards, if at any time during the term of the operative lease, any of the following apply to the lessee:
 - a) The lessee has been in violation of any applicable law.
 - b) The lessee appears on the list maintained by the Division of Labor Standards Enforcement.
 - c) The lessee fails to retain direct control over the manner and means for performance of any individual using or driving the vehicle; and,

- d) The lessee fails to make accurate and truthful attestations as required under the fleet purchasing labor standards.
- 9) States that a lessee in violation of the fleet purchaser labor standards is subject to a civil penalty in the amount of any incentive received by the rental or leasing entity related to the vehicle leased, prorated to the term of that lease.

EXISTING LAW:

- 1) Establishes baseline standards, job quality standards, and a structure for eligibility to participate in incentive programs for the purchase of new drayage or short-haul trucks.
- 2) Conditions eligibility to participate in grant, loan, voucher, or other incentive programs to purchase new drayage and short-haul trucks on compliance with specified labor standards. Covered incentives include those funded by Greenhouse Gas Reduction Fund, Air Quality Improvement Fund, Carl Moyer Memorial Air Standards Attainment Trust Fund, and Air Pollution Control Fund.
- 3) Applies the standards only to fleet purchasers of new vehicles for drayage and short-haul trucking services within the state.
- 4) States that beginning with the 2022-23 fiscal year, a fleet purchaser of new drayage and short-haul trucks is eligible to participate in a covered incentive program if it can demonstrate that it does not have any applicable law violation at the time of applying for the covered incentive program, is not on the list maintained by the Division of Labor Standards Enforcement, and attests it will retain direct control over the manner and means for performance of any individual using or driving the vehicle.

FISCAL EFFECT: Unknown

COMMENTS:

AB 794 (Carrillo), Chapter 748, Statutes of 2021 establishes labor standards that a fleet purchaser is required to meet in order to be eligible to receive incentives for new drayage and short-haul trucks under CARB incentive programs beginning with the 2022-23 fiscal year.

The provisions of AB 794 were not meant to apply to a rental nor leasing agency. Both the California Trucking Association (Caltrux) and the Teamsters (the sponsors of AB 794) have agreed on language to correct this oversight. Because of their business model, rental or leasing entities are unable to attest they will retain direct control over the manner and means for performance of any individual using or driving the vehicle. Without being able to comply with the attestation requirement, these entities are not eligible for incentives to purchase drayage or short-haul trucks. This bill exempts rental or leasing entities from fleet purchaser status, and therefore the requirement to provide this attestation. This bill adds requirements for the lessees themselves to be compliant with labor standards.

According to the author, "Governor Newsom's Executive Order (EO) N-79-20 requires that 100% of medium- and heavy-duty vehicles in the state be zero-emission by 2045 for all operations where feasible and by 2035 for drayage trucks. To help accomplish this goal, the EO requires CARB to develop passenger and medium- and heavy-duty vehicle regulations that

would increase over time of new ZEVs sold in the state. Some of the larger truck rental and leasing entities have already begun to make significant investments in ZEVs and infrastructure. This sector is key in helping the state meets its clean energy goals as it pertains to the transportation and good movement industry. [This bill] is another needed step to keep California on track to meet these goals while also protecting workers.”

In support, Caltrux writes, “Due to certain provisions of AB 794, truck rental and leasing entities would have been excluded from participating in the state’s zero-emission vehicle incentive programs to the extent those vehicles would have been utilized in the short-haul or port drayage markets. Truck rental and leasing entities will be key participants in advancing the state’s zero-emission goals. [This bill] will allow for truck rental and leasing entities to participate in these programs while also ensuring the intent of the labor provisions of AB 794 remain intact.”

Double referral: This bill passed out of the Labor and Employment committee on 4/20 with a **x** vote. See that policy committee analysis for additional details.

REGISTERED SUPPORT / OPPOSITION:

Support

California Trucking Association (sponsor)
Truck Renting and Leasing Association

Opposition

None on file

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