

Date of Hearing: April 18, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

AB 2816 (Ting) – As Amended April 6, 2022

**SUBJECT:** State Air Resources Board: zero-emission incentive programs: requirements

**SUMMARY:** Requires the State Air Resources Board (CARB) to award incentives for passenger zero-emission vehicles (ZEV) based on the amount of gasoline or diesel the applicant's vehicle consumed. Specifically, **this bill**:

- 1) Applies to ZEV incentive programs that receive funding from, or are administered by, CARB including Clean Cars 4 All, the Clean Vehicle Rebate Project (CVRP), and the Clean Vehicle Assistance Program.
- 2) Requires CARB, on or before January 1, 2024, to develop a tool to calculate the average annual gallons of gasoline or diesel that a particular vehicle has used by using both:
  - a) Publicly available data on the miles per gallon rating of the make, model, and year of the vehicle; and,
  - b) The odometer reading at the time the applicant registered the vehicle, and the current odometer reading.
- 3) Requires CARB to publish the tool on its website to enable applicant of a ZEV incentive program to determine the incentive amount they will receive.
- 4) Requires CARB to ensure that beginning January 1, 2024 ZEV incentives are awarded based on the average annual gallons of gasoline or diesel that the applicant's vehicle consumed.
- 5) Requires CARB to set the amount of the incentive at a level that maximizes the displacement of gasoline or diesel and the reduction of emissions criteria pollutants per dollar spent.
- 6) Requires CARB to provide additional per gallon incentive payments to applicants that are low or moderate income.
- 7) Authorizes CARB to require that the applicant sell or otherwise surrender the internal combustion engine vehicle on which the incentive payment is based.
- 8) Requires CARB to establish the maximum amount of a ZEV incentive, not to exceed \_\_\_\_\_ dollars per gallon of gasoline or diesel consumed.
- 9) Requires CARB, on or before January 1, 2024, to develop and implement a strategy for:
  - a) Identifying the drivers who use the most gasoline or diesel and are low to moderate income; and,
  - b) Expediting the replacement of gasoline- or diesel-powered vehicles of the above identified drivers with ZEVs.

- 10) Requires CARB to report to the Legislature no later than January 1, 2024, and every other year after, on:
- a) The actual gasoline or diesel and criteria emissions reduced per dollar spent on ZEV incentives under this requirement.
  - b) The impacts on ZEV incentive spending in terms of quantifiable emissions reductions and transportation savings among low- to middle-income individuals; and,
  - c) The changes in annual gasoline and diesel use at local levels by census tract or ZIP Code.

**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.
- 2) Establishes the Clean Cars 4 All Program, administered by CARB, to focus on achieving reductions in the emissions of greenhouse gases (GHG), 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.

**FISCAL EFFECT:** Unknown

**COMMENTS:** The Legislature has set a number of goals to reduce GHG emissions and address climate change. The Global Warming Solutions Act of 2006 [AB 32 (Nuñez), Chapter 488, Statutes of 2006] and subsequent companion legislation SB 32 (Pavley), Chapter 249, Statutes of 2016, requires California to reduce statewide GHG emissions to 40% below the 1990 level by 2030. The 1990 level is an aggregated statewide limit, and is not sector- or facility-specific. CARB is responsible for developing a Scoping Plan to detail how the state will achieve its GHG emissions reduction targets mandated by law.

Nearly 40% of California's GHG emissions are generated by the transportation sector, which includes both the light-duty (passenger) and medium- and heavy-duty fleets. Heavy-duty diesel trucks also contribute to unhealthy levels of ozone, inhalable particulate matter, carbon monoxide, NOx, and sulfur dioxide, affecting local air quality. In the transportation sector, measure to reduce GHG emissions include requiring the use of low carbon fuels, cleaner vehicles, and strategies to promote sustainable communities and improved transportation choices that reduce growth in number of vehicle miles traveled. To further these efforts, at the end of 2020, Governor Newsom issued Executive Order (EO) N-79-20 which requires 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. EO N-79-20 charges CARB with developing and proposing medium- and heavy-duty vehicle regulations requiring increasing volumes of new zero-emission trucks and buses sold and operated in the state towards that goal.

*CVRP offers rebates for the purchase or lease of new, eligible ZEVs, including battery-electric, plug-in hybrid electric and fuel cell electric vehicles. CVRP is one of many programs designed to help California achieve its climate goals. In addition to the goal of reducing emissions from*

the vehicle sector, the Legislature has directed CARB to ensure vehicle incentive programs provide equitable access to ZEVs via income caps and creating programs and funding set-asides specifically for low-income households. CVRP bases incentive amounts on vehicle technology type and also includes additional money for lower-income participants.

*Clean Cars 4 All provides incentives to help lower-income consumers replace their old higher-polluting vehicles with newer and cleaner transportation options.* Options include the purchase of new or used hybrid, plug-in hybrid, or ZEV replacement vehicles. In lieu of purchasing a replacement vehicle, participants can choose an alternative mobility option such as an electric bike, a voucher for public transit, or a combination of clean transportation option. In addition, buyers of plug-in hybrid and battery electric vehicles are also eligible for home charger incentives or prepaid charge cards if home charger installation is not an option. Participants must have a household income of less than 400% of the federal poverty limit and live in a ZIP Code containing a disadvantaged community census tract. The Clean Vehicle Assistance Program, an income qualified program administered by the Beneficial State Foundation, provides grants and affordable financing to help with the purchase or lease a new or used hybrid or electric vehicle.

CARB delegates authority for the administration of Clean Cars 4 All to participating air pollution control and air quality management districts (air districts). Currently the Bay Area Air Quality Management District, San Joaquin Air District, Sacramento Air Quality Management District, and South Coast Air Quality Management District have Clean Cars 4 All programs. San Diego plans to join soon, although statewide expansion is also underway.

*CARB allocates money through the Funding Plan for Clean Transportation Incentives.* Each fiscal year CARB submits a Funding Plan to the Board for approval. The Funding Plan serves as the blueprint for expending the Clean Transportation Incentives funds appropriated to CARB in the state budget and is developed through a series of public workshops and work group meetings. CARB's 2021-22 Funding Plan includes \$100 million for CVRP and \$75 million for Clean Cars 4 All.

The state budget proposes a total of \$250 million for 2022-23 and 2023-24 to expand the Clean Cars 4 All program statewide. The proposed \$250 million is in addition to the \$75 million to Clean Cars 4 All that the Legislature specified should be allocated from the 2021-22 Low Carbon Transportation Clean Transportation Equity appropriation. This year CARB staff will take steps to plan and prepare for expansion statewide of Clean Cars 4 All.

This bill requires CARB to award incentives for ZEVs through CVRP, Clean Cars 4 All, and the Clean Vehicle Assistance program based on the amount of diesel or gasoline the applicant's vehicle consumed. The bill also requires CARB to develop a tool to calculate the average annual gallons of gasoline or diesel that a particular vehicle has used by using publicly available data on the miles per gallon that a particular make and model of vehicle uses and the odometer reading at the time the applicant obtained the vehicle and the current odometer reading.

*Committee comments:*

- 1) *The Legislature has considered how to "ramp-down" CVRP.* SB 1275 (de Leon), Chapter 530, Statutes of 2014 requires CARB to assess when a self-sustaining ZEV market is expected and how existing incentives may be modified to recognize expected changes in future market conditions. CARB expects once the California new ZEV market share reaches 16-20%, the market has reached the early majority segment, and there will be enough

demand to help market mechanisms take over and drive the market.<sup>1</sup> 12.41% of new vehicle sales are zero-emission through 2021.<sup>2</sup> Recent modeling by the Center for Sustainable Energy indicates that California could reach 16% of new ZEV sales as soon as summer 2024. Therefore, it is possible that in the next couple of years, state-funded incentive programs will no longer be necessary, or should be significantly modified at that time to target very specific circumstances.

- 2) *This bill could prove administratively burdensome.* Tailoring awards based on the average annual gallons of gas or diesel the car being replaced is likely to have consumed is administratively burdensome and difficult to verify especially if the car being replaced is not surrendered. The Legislature should consider whether the administrative burden outweighs the improved outcomes over the current process for determining who receives incentives under the CVRP and Clean Cars 4 All programs.
- 3) *Air districts have expressed concerns over programmatic changes.* Consumers who apply for a Clean Car 4 All rebate know up front how much of an incentive they would receive. This bill would require an applicant to submit certain information before they are informed of the incentive amount. Air districts are worried that this hurdle will greatly decrease participation in the program.

*According to the author,* “California has a variety of incentive programs aimed at getting more drivers into ZEVs, but we are still seeing slow adoption of ZEVs among the biggest gasoline users. To reduce GHG emissions efficiently and equitably, the state must invest its incentive dollars to maximize gasoline reduction, especially among lower-income consumers. AB 2816 requires CARB to redesign ZEV incentive programs to award incentive payments based on the applicant’s past average annual gallons of gasoline consumed and based on their income.”

*In support,* a coalition of climate groups writes, “Current ZEV incentives do not focus on maximizing displacement of gasoline and do not effectively advance California’s climate and equity goals. The incentives tend to be used by higher income drivers who use less gasoline than the average driver. Meanwhile, California’s biggest gasoline users – many of whom are lower-income – are currently on track to be the last people to switch to ZEVs – with their disproportionate share of vehicle emissions and gasoline expenditures continuing for decades to come. We must change these policies to be more equitable and better at reducing auto pollution.”

*In opposition,* the Bay Area Air Quality Management District writes, “[We are] currently one of five air districts administering the Clean Cars 4 All Program. In this highly successful program, a qualifying low-income household can scrap a registered older vehicle (pre-2006) and purchase a new or used hybrid, plug-in hybrid, or EV/fuel cell vehicle with an up-front incentive of up to \$7,000, \$9,500, or \$9,500 respectively. Applicants can also opt for pre-paid transit passes or electric bicycles in the amount of up to \$7,500. While a simple concept, encouraging eligible applicants through the process is challenging and time consuming, and involves working with community partners on outreach to eligible participants, loan providers, and car dealers to complete any given project. The certainty of the up-front incentive assists in the process at all points in the process.

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<sup>1</sup> Fiscal Year 2020-21 Funding Plan on Clean Transportation Incentives – Appendix C: Light Duty ZEV Market Update

<sup>2</sup> California Energy Commission Zero Emission Vehicle and Infrastructure Statistics, accessed 2/17/2022

“[This bill] proposes to upend this by creating a variable incentive for the Clean Cars 4 All Program, CVRP, and CVAP using a tool associated with a DMV database that estimates annual fuel usage of the prospective household, and then estimates the incentive an eligible household could receive. This makes the Clean Cars 4 All Program more difficult to administer in that there is no certainty on the incentive available for any previously eligible household, making it challenging to do effective outreach, to enlist car dealerships, and to provide loan assistance for the remaining cost of the vehicle. In addition, the estimated incentive could end up being far lower than incentives currently provided under the program.

“It should be noted that unlike CVRP, the Clean Cars 4 All Program scraps one vehicle for every new or used vehicle funded through the program, meaning one lower-efficiency vehicle is off the roads forever. This results in decreased fuel usage and decreased criteria pollutant and greenhouse gas emissions. While well-intentioned, we believe that the goals of [this bill] would be better tested on incentive programs like CVRP that do not currently require scrappage or sale of an older vehicle and have no guarantee of subsequent reduction of fuel or air pollution. For this reason, we request that future amendments to [this bill] remove the Clean Cars 4 All Program from the list of applicable ZEV programs subject to the bill, and we look forward to continued discussions with the author’s office on this.”

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

*Related and previous legislation:* 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.

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.

AB 615 (Cooper), Chapter 631, Statutes of 2017 extended the applicability of CVRP income caps, established in SB 859, to January 1, 2019.

SB 859 (Budget Committee, Public Resources Trailer Bill), Chapter 368, Statutes of 2016 between November 1, 2016, and July 1, 2017, requires CARB to offer CVRP rebates only to applicants who purchase an eligible vehicle and have a specified maximum gross annual income; increase rebate payments by \$500 for low-income applicants, as defined; and prioritize rebate payments for low-income applicants.

SB 1275 (de Leon), Chapter 530, Statutes of 2014 required CARB to adopt revisions to the criteria and requirements for CVRP to ensure 1) rebate levels can be phased down in increments based on cumulative sales levels as determined by CARB, 2) eligibility is limited based on income, and 3) consideration of conversion to prequalification and point-of-sale rebates or other methods to increase participation rates.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

Coltura (sponsor)  
350 Conejo  
350 Marin  
350 Silicon Valley  
Acterra  
Benisol, LLC  
Breathe California  
California Interfaith Power & Light  
Carbon Free Mountain View  
Carbon Free Silicon Valley  
Charge Across Town  
Clean Coaliton  
Congas  
Electrify Now  
Fossil Free Mid Peninsula  
Green Latinos  
Menlo Spark  
Project Green Home  
Silicon Valley Youth Climate Action  
Sustainable Mill Valley  
The Climate Center  
ZEV 2030

**Opposition**

Bay Area Air Quality Management District

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