

Date of Hearing: April 18, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1691 (Gipson) – As Amended April 12, 2016

SUBJECT: Vehicular air pollution: vehicle retirement

SUMMARY: Requires the California Air Resources Board (ARB) to evaluate the Enhanced Fleet Modernization Program (EFMP) guidelines to ensure that the program is not misused and that priority is given to replacement of the oldest, high-mileage vehicles. Specifically, **this bill:**

- 1) Declares the intent of the Legislature that the Plus Up Pilot program be focused on disadvantaged communities and increase the number of vehicles that are replaced annually.
- 2) Requires ARB, no later than June 30, 2017, to update the Plus Up Pilot guidelines to ensure the following:
 - a) That each local air district implementing a vehicle retirement program funded by ARB's Plus Up Pilot Project with a backlog or a waiting list for applicants is required to develop a plan on how to eliminate the backlog or waiting list;
 - b) That specific steps are taken to ensure the program is not being misused, including, but not limited to, random income eligibility verification and contact with program participants at least once after their vehicles are replaced;
 - c) That evaluation of whether prescreening of applicants for the program can be enhanced; and,
 - d) For the portion of the program focused on disadvantaged communities, that priority is given to the retirement of vehicles that are 15 years old or older and vehicles with more than 75,000 miles

EXISTING LAW:

- 1) AB 32 (Núñez), Chapter 488, Statutes of 2006, requires ARB to reduce greenhouse gas (GHG) emissions to the 1990 level by 2020 and authorized ARB to use market-based mechanisms (cap and trade) to achieve compliance with these regulations.
- 2) Created the Consumer Assistance Program (CAP) to encourage voluntary accelerated vehicle retirement ("car scrap") which provides a monetary incentives to vehicle owners to retire older, high polluting vehicles. Under this program owners who scrap their vehicles are given \$1,000 (\$1,500 for low income consumers) for vehicles that have failed their last smog test.
- 3) Established the EFMP pursuant to AB 118 (Núñez), Chapter 750, Statutes of 2007, to be funded by a \$1 surcharge on motor vehicle registration, to encourage the retirement of high polluting passenger vehicles and light- and medium-duty trucks in areas with the greatest air quality impacts. The program offers \$1,000 (\$1,500 for low-income consumers) to retire specified high-polluting vehicles.

- 4) Established the EFMP-Plus-Up as a pilot project in the Greater Los Angeles area and San Joaquin Valley to help low-income individuals and families retire high-polluting vehicles and purchase cleaner cars. The program provides increasingly larger cash payments for the lowest-income families to move into the cleaner cars.
- 5) Established the Charge Ahead California Initiative (Initiative), pursuant to SB 1275 (de León), Chapter 530, Statutes of 2014, to provide incentives that increase the availability of zero-emission vehicles (ZEV) and near-zero-emission vehicles (NZEV) vehicles, particularly in disadvantaged and low-and-moderate-income communities.

FISCAL EFFECT: Unknown

COMMENTS: Approximately 40% of emissions generated in California can be attributed to the transportation sector. Older vehicles are known to be some of the highest polluting vehicles, because they lack the modern emission-reducing technologies that are currently available. ARB estimates that California has five times more cars that are over 20-years old compared to the national average.

To help improve air quality and help meet the state's emissions reduction goals and improve air quality, a number of programs have been developed to encourage vehicle owners to scrap their older, high-polluting cars and trucks and replace them with newer, cleaner vehicles. While many of these programs are offered to all consumers, some programs are specifically target toward disadvantaged communities and lower-income residents who tend to own and operate some of the oldest, high-polluting cars on our roads primarily because they are more affordable to purchase, but not necessarily inexpensive to fuel and operate.

CAP, administered by the Bureau of Automotive Repair offers low-income drivers money to complete repairs needed to pass a smog test. The EFMP, administered by ARB, augments CAP by allowing vehicles to be retired, without first having to fail a smog test, by authorizing vouchers to replace older, high-emitting vehicles with cleaner cars. The program offers consumers \$1,000 to retire an older, high polluting vehicle (\$1,500 for low-income consumers).

In addition, ARB also administers EFMP Plus-Up in two air districts in California that are classified as extreme non-attainment (San Joaquin Valley and South Coast). EFMP Plus-Up, with funding from the Greenhouse Gas Reduction Fund (or cap-and-trade revenues), provides additional down payment incentives (on top of the "base" EFMP incentives) to further encourage individuals to retire and replace their older, less-efficient vehicles with advanced-technology cars.

By "stacking" incentive payments, low-income consumers can receive between \$4,000 and \$9,500 toward the purchase of a replacement vehicle, depending on the make and model of the replacement vehicle. While the program allows individuals to trade in their high-polluting cars for cleaner gas-powered cars, greater incentives are provided if the individual opts to purchase a hybrid, hybrid-electric, or fully electric vehicle.

The EFMP Plus-Up has been extremely successful and has resulted in the retirement of 292 high emitting vehicles in the first six months of the program in the San Joaquin Valley alone. The model used for EFMP Plus-Up pilot program in the San Joaquin Valley differs slightly for the pilot program established in the South Coast Air District. For example, in the San Joaquin

Valley, the program uses "grass roots" advertising to encourage low- and moderate-income individuals and households to participate. The programs are offered at "events" where participants are offered free smog testing and information about what programs are available and participants are screened to determine their program qualification status. Following the screening participants are encouraged to take part in various programs for which they qualify. At the events, which are offered monthly, substantial numbers of individuals are offered vouchers for smog repairs and other interested qualifying individuals are guided through the car scrap and vehicle replacement programs by program staff. Using the pre-screening process, staff are able to identify participants qualifying participants with the greatest need and who own and operate the oldest, highest polluting vehicles.

This style of outreach is contrasted with the EFMP Plus-Up program piloted in the South Coast Air District whereby individuals are encouraged to participate using more traditional outreach methods like posters, flyers, billboards, and websites. While this style of outreach has been successful, resulting in long waiting lists of participants, it does not necessarily provide the pre-screening that would allow staff to prioritize applications so that older, dirtier cars are addressed first.

The author has introduced AB 1691 to help encourage the most efficient use of EFMP funds within the Plus-Up program, to encourage the replacement of the oldest and dirtiest cars from California roadways, and to help the lowest-income individuals and households access the EFMP programs. To accomplish this, this bill would require ARB to update EFMP guidelines by June 30, 2017, to ensure that districts implementing the program have strategies in place to eliminate backlogs and waiting lists. Additionally, this bill would also call upon ARB to ensure the programs are not misused by requiring income eligibility verification and follow up with participants. AB 1691 also calls upon ARB to continuously evaluate the program to determine where program enhancements might be made.

The requirement that ARB continuously work to enhance and update the program will undoubtedly increase program success by encouraging the use of new and innovative methodologies to better reach and assist low income program participants and further encourage the retirement and replacement of the oldest and dirtiest cars. With these measures in place, this bill will result in air quality improvements in some of California's most highly polluted areas.

Committee suggested amendments: This bill, in its current form, identifies the EFMP Plus-Up pilot program rather than EFMP, upon which the Plus-Up pilot is based. The author may wish to amend the bill to reference to the EFMP program as well as to include provisions that require ARB to evaluate community partnerships and outreach to ensure the programs are accessed by the lowest income disadvantaged communities in the state and that an outreach and partnership report be submitted to the state board every six months after July 1, 2017. The author may also wish to include sunset provisions (of July 1, 2022) since by that date it is likely that the program will be running smoothly and to avoid the imposition of unnecessary long-term reporting requirements.

Related legislation: AB 1965 (Cooper), requires ARB to expand the EFMP Plus-Up in disadvantaged communities and in areas with poor air quality to increase the retirement and replacement of high-polluting vehicles. AB 1965 passed out of this committee on April 11, 2016, with a vote of 12-3, and is awaiting a hearing in the Assembly Appropriations Committee.

Previous legislation: AB 1275 (de León), Chapter 530, Statutes of 2014, created the Charge Ahead California Initiative with the goal of placing at least 1 million ZEV and NZEVs into service by January 1, 2023, and increasing access to these vehicles by disadvantaged, low-income, and moderate-income communities and consumers.

SB 459 (Pavley), Chapter 437, Statutes of 2013, required ARB to update the EFMP guidelines by June 30, 2015, in accordance with specified goals and considerations. SB 459 included provisions that restricted program eligibility and adjusted vehicle retirement and replacement compensation amounts to ensure the program achieved greater emission reductions while also serving low-income drivers. Additionally, SB 459 permitted the vehicle retirement component of CAP to accept vehicles that have lapsed in registration.

AB 118 (Núñez), Chapter 750, Statutes of 2007, created the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 that required the California Energy Commission to implement certain programs and provide funding to develop and deploy technologies and alternative and renewable fuels in the marketplace to help attain the state's climate change policies.

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.

REGISTERED SUPPORT / OPPOSITION:**Support**

None on file

Opposition

None on file

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