

Date of Hearing: June 20, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

SB 1382 (Gonzalez) – As Amended May 19, 2022

SENATE VOTE: 33-5

SUBJECT: Air pollution: Clean Cars 4 All Program: Sales and Use Tax Law: zero emissions vehicle exemption

SUMMARY: Requires the California Air Resources Board (CARB) to identify barriers to accessing the Clean Cars 4 All (CC4A) program, to develop outreach protocols and metrics, and to evaluate outcomes of outreach efforts. Specifically, **this bill:**

- 1) Requires CARB to coordinate with air quality management districts and local nonprofit and community organizations to identify barriers to accessing the CC4A program and to develop outreach protocols and metrics to assess the success of outreach across the air quality management districts.
- 2) Adds the following to the information that CARB is required to annually post on its internet website, related to a performance analysis for CC4A:
 - a) An assessment identifying target groups underserved by CC4A, and assessing barriers to CC4A, including language access barriers, geographic barriers, or information barriers.
 - b) An evaluation of outreach efforts to target groups currently underserved by CC4A.
- 3) On or after January 1, 2023, exempts from state sales and use tax vehicles purchased through CC4A.

EXISTING LAW:

- 1) Requires CARB and the Bureau of Automotive Repair to adopt a program allowing for the voluntary retirement of passenger vehicles and light- and medium-duty trucks that are high polluters (Enhanced Fleet Modernization Program or EFMP). EFMP provides for the voluntary retirement of passenger vehicles and light- and medium-duty trucks that are high polluters.
- 2) Establishes CC4A, 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.
- 3) Requires CARB to collect and post information yearly related to the performance of CC4A, including funding allocated, expenditures by region, and a performance analysis broken down by district of the replacement and mobility options component.
- 4) Imposes a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state or on the storage, use, or other consumption in this state of

tangible personal property purchased from a retailer for storage, use, or other consumption in this state.

- 5) Provides for various exemptions to Sales and Use Tax Law.

FISCAL EFFECT: According to the Senate Appropriations Committee:

- 1) The California Department of Tax and Fee Administration (CDFTA) estimates that this bill would result in General Fund revenue losses of \$1.8 million in 2022-23, and \$3.6 million in 2023-24. The department would incur minor, largely one-time administrative costs to update its website, revise publications, promulgate a regulation, and answer questions.
- 2) CARB would incur annual administrative costs of \$211,000 to implement its provisions of the bill (Greenhouse Gas Reduction Fund, GGRF).

COMMENTS:

Governor Newsom's Executive Order (EO) N-79-20, dated September 23, 2020, established the goal that 100% of in-state sales of new passenger cars and trucks be zero-emission by 2035. In order to accomplish this goal, the EO requires CARB to develop passenger vehicle and truck regulations that would increase over time the volume of new zero-emission vehicles (ZEVs) sold in the state.

One strategy the state has used to increase the sales of ZEVs is to provide consumer incentives such as rebates through the Clean Vehicle Rebate Project (CVRP) and CC4A. Revenues from the state's cap-and-trade allowance auction, authorized under AB 32 (Nunez), Chapter 488, Statutes of 2006 and reauthorized by AB 398 (E. Garcia), Chapter 135, Statutes of 2017, are deposited in the GGRF and used for California Climate Investments broadly. The Legislature sets the budget for these investments each year, and CARB allocates funding to the individual programs (including CC4A) through the Funding Plan. The amount of GGRF funding available for investments fluctuates from year to year, due to the nature of the auction, and there are many competing demands for the funding. Recent budget surpluses have directed increased General Funds toward ZEV incentives.

Program performance. AB 630 (Cooper), Chapter 636, Statutes of 2017 requires CARB to set specific and measurable goals annually for EFMP Scrap Only and the CC4A Scrap-and-Replace programs. AB 630 also requires CARB to evaluate the performance of each program towards these goals and to update the guidelines if necessary, to ensure these goals are met.

The 2019-20 AB 630 report covered the performance of the CC4A programs in the South Coast, San Joaquin Valley, Bay Area, and Sacramento Metropolitan air districts. Overall, the programs effectuated 3,412 participants scrapping old vehicles and purchasing a cleaner replacement. Of those statewide participants, 2,095 (61.4%) bought a plug-in hybrid electric vehicle, 924 (27%) bought a conventional hybrid, 378 (11%) bought a battery electric vehicle, 8 (2.3%) bought fuel cell electric vehicles, and 7 (2.1%) opted for an alternative mobility voucher. More recent data, as of May 2021, shows that CC4A has placed over 11,000 vehicles with eligible households.¹

¹ Pierce, G., Connolly, R., and Blanco. I. (2021). Procedural Equity In Implementing California's Clean Cars 4 All Program.

Effectiveness of CARB Programs Unknown. As directed by the Joint Legislative Audit Committee, the State Auditor's office conducted an audit of CARB's transportation programs that reduce GHG emissions. According to the audit report, "CARB has not consistently collected or analyzed data to determine whether some of its programs provide the socioeconomic benefits that CARB has identified for those programs, such as maximizing participants' economic opportunities. Because these programs may cost significantly more than other incentive programs from the perspective of reducing GHG emissions, CARB must do more to measure and demonstrate specific benefits to disadvantaged communities and low-income communities and households that the programs intend to serve."

This bill partly codifies actions that CARB is taking in response to the audit. CARB has added a secondary metric of program effectiveness, the evaluation of participant surveys, for ongoing analysis. These surveys can be tailored by air districts to their specific needs, and thus far have fairly low return rates, both of which limit their ability to be considered uniformly across the board. Examples of questions in the participant surveys include:

- a) "On a scale of 1 to 10, with 1 being very unsatisfied and 10 being very satisfied, how satisfied are you with the process to retire and replace your vehicle?"
- b) "Has your replacement vehicle changed your employment opportunities or your plans for your future?"
- c) "What, if anything, about your replacement vehicle worries you?"

Luskin Center study on Implementation of CC4A. The University of California, Los Angeles' Luskin Center for Innovation published a report titled *Procedural Equity in Implementing California's Clean Cars 4 All Program* in May of 2021. The report stated that, "The intent and efficacy of outreach to potential CC4A participants is crucial to ensure both procedural and distributive equity in program outcomes... This is particularly true for this program given that districts have discretion in implementation, there has been limited state funding for the program, and the program offers a large benefit for a relatively complex technology to those who successfully apply. It is thus important to analyze strategies used by the districts and program partners to provide both information about the program opportunity as well as support to help navigate the program enrollment process to interested participants, given the limited benefit dollars available compared to the pool of income-eligible and interested households in each region."

The authors studied whether and how implementing districts' strategies have achieved procedural equity outcomes, and included a supplementary focus on distributive equity as well. The report concluded that procedural equity was not consistent across all CC4A implementation. They found that the extent of outreach, variation in outreach approaches employed, and effort through partnerships with local community-based organizations (CBOs) varied widely across the districts. Moreover, greater success was found by synchronizing CC4A benefits with other assistance programs, as well as by involving and compensating CBO staff in outreach, and by providing direct assistance with applications to interested parties.²

² Pierce, G., Connolly, R., and Blanco. I. (2021). *Procedural Equity In Implementing California's Clean Cars 4 All Program*.

This bill's provisions align with the findings and recommendations of the Luskin Center study.

Current efforts toward a statewide expansion of CC4A. The 2021 ZEV Package provided \$250 million (with \$125 million in 2022-23) to expand CC4A statewide. This year's budget proposes an additional \$256 million (\$76 million GGRF and \$180 million General Fund) low-income consumer purchases, including CC4A, financing assistance, new vehicle purchases for low-income consumers, and other equity projects focused on low-income vehicle ownership.

According to the author, "As California moves towards its ambitious ZEV targets, it is essential that we steer towards a truly equitable ZEV deployment that makes clean transportation options and air quality benefits accessible to our most vulnerable and underserved communities.

Currently, the data shows that low-income, Black and Brown communities and disadvantaged communities are less likely to own ZEVs than wealthier white communities. CC4A has been one of the most effective state programs in advancing access to zero-emission vehicles in low-income communities, placing over 11,000 zero emission and hybrid vehicles into the hands of low-income Californians. [This bill] builds off the strong success of CC4A and further reduces costs and uncertainty for participants in CC4A by waiving state taxes for cars bought and sold through the program. [This bill] also requires a holistic approach to clean transportation equity, directing CARB to identify and address barriers, such as language access, trust in government, timing and resource constraints, or other factors that currently prevent underserved Californians from participating in CC4A."

In support the California Electric Transportation Coalition writes, "CC4A advances transportation equity on two fronts: it makes ZEVs and clean transportation options more accessible to low-income Californians, and it reduces air pollution by getting older, heavier-polluting cars off the road. Over the course of its six years of operation, CC4A has been extremely popular, successful, and replaced over 11,000 fossil fuel vehicles with zero-emission and hybrid vehicles in low-income households. However, despite the strong accomplishments of CC4A, there are many barriers that continue to prevent the most vulnerable Californians from participating in the Program. [This bill] will address some of these concerns by waiving the State taxes on cars bought and sold through CC4A, lowering the cost to participate. [This bill] will also address holistic equity concerns by ensuring that the CC4A program is designed to be inclusive of the needs of the most underserved and vulnerable Californians."

Double referral: This bill will be sent to the Assembly Committee on Revenue and Taxation should it pass out of this committee.

Related and previous legislation: SB 1230 (Limon) of this session requires CARB to the extent feasible, to make specified changes to CC4A to expand the pool of eligible applicants. It would also apply new, uniform requirements to clean vehicle incentive programs in the state, as specified. SB 1230 is being heard in this committee today.

SB 1251 (Gonzalez) of this session establishes the Office of ZEV Equity Advocate within the Governor's office to, among other things, steer the development of a shared, cross-agency definition of equity, and set an equity agenda for the deployment of light-, medium-, and heavy-duty ZEVs, the supporting infrastructure, and workforce development. SB 1251 was heard in the Accountability and Administrative Review Committee on June 15 and passed out on a x-x vote. SB 1251 is now pending in this committee.

AB 745 (Gipson) of 2021 would have made various changes to CC4A to meet the goals of the program. AB 745 was held in the Assembly Appropriations Committee.

AB 630 (Cooper, Chapter 636, Statutes of 2017) requires ARB to set specific and measurable goals annually for EFMP Scrap Only and the CC4A Scrap-and-Replace programs. AB 630 also requires CARB to evaluate the performance of each program towards these goals and to update the guidelines if necessary, to ensure these goals are met.

REGISTERED SUPPORT / OPPOSITION:**Support**

Bay Area Air Quality Management District
California Electric Transportation Coalition
California Environmental Voters (formerly Clcv)
California New Car Dealers Association
CALSTART
Valley CAN (Clean Air Now)

Opposition

None on file

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