
SENATE COMMITTEE ON ENVIRONMENTAL QUALITY

Senator Allen, Chair

2021 - 2022 Regular

Bill No: AB 1261

Author: Burke

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Urgency: No

Fiscal: Yes

Consultant: Eric Walters

SUBJECT: State Air Resources Board: greenhouse gas emissions: incentive programs

DIGEST: Requires the California Air Resources Board (ARB) to, contingent upon an appropriation by the Legislature, implement a number of recommendations as suggested by the State Auditor, which would improve ARB's ability to isolate greenhouse gas (GHG) emissions from specific programs, help identify the effectiveness of specific programs, and more accurately estimate GHG emission reductions.

ANALYSIS:

Existing law:

- 1) Establishes ARB as the air pollution control agency in California and requires ARB, among other things, to control emissions from a wide array of mobile sources and coordinate, encourage, and review the efforts of all levels of government as they affect air quality. (Health and Safety Code (HSC) §39500 et seq.)
- 2) Requires, under the California Global Warming Solutions Act of 2006 (also known as AB 32), ARB to (1) determine the 1990 statewide greenhouse gas (GHG) emissions level and approve a statewide GHG emissions limit that is equivalent to that level to be achieved by 2020; (2) ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by December 31, 2030 (i.e., SB 32); and (3) adopt regulations, until December 31, 2030, that utilize market-based compliance mechanisms to reduce GHG emissions (i.e., the cap-and-trade program) and achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions. (HSC §38500 et seq.)
- 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. (Government Code

§16428.8)

- 4) Directs, under AB 1532 (J. Pérez, Chapter 807, Statutes of 2012), the Department of Finance to develop and periodically update a three-year investment plan that identifies feasible and cost-effective GHG emission reduction investments to be funded with cap-and-trade auction revenues.
- 5) Requires, under SB 535 (De Leon, Chapter 830, Statutes of 2012), a minimum of 25% of GGRF moneys to be spent on projects benefiting disadvantaged communities (DACs), as defined.
- 6) Requires, under AB 1550 (Gomez, Chapter 69, Statutes of 2016), a minimum of 25% of GGRF moneys to be spent on projects located within and benefiting DACs and an additional minimum of 10% of GGRF moneys be spent on projects that benefit low-income households or are within, and benefit low-income communities.

This bill:

- 1) Defines “incentive program” for this section to mean an incentive program administered by ARB that was included in the California State Auditor (CSA) audit report number 2020-114. The 10 incentive programs reviewed in the audit are: Advanced Technology Freight Demonstrations, Agricultural Worker Vanpools, Car-sharing pilots, Clean Vehicle Rebate Project (CVRP), Clean Cars 4 All, Financing Assistance for Lower-Income Consumers, Funding Agricultural Replacement Measures for Emissions Reduction (FARMER), Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program (HVIP), Zero-Emission Drayage Truck Pilot, and Zero-Emission Truck and Bus Pilot Projects.
- 2) Requires ARB to, contingent upon an appropriation by the Legislature and within three years of receiving said appropriation, do the following:
 - a) Establish a process to formally identify any overlap among any incentive programs that share the same objective;
 - b) Develop a process to define, collect, and evaluate data on the behavioral changes that result from each of its incentive programs;
 - c) Develop a process to define, collect, and evaluate data that will translate to metrics demonstrating the socioeconomic benefits that result from each of

its incentive programs.

- 3) Use the results of the above processes to refine GHG emission estimates, and to make funding and design recommendations based on the efficacy and costs of its incentive programs in providing socioeconomic benefits.

Background

- 1) *2018 Legislative Analyst's Office Report*. As required by AB 398 (E. Garcia, 2017), the Legislative Analyst's Office (LAO) reports annually on the economic impacts and benefits of California's statutory GHG emission goals. In December of 2018, the LAO published a report focusing specifically on California's transportation policies. Notably, since the statutory requirement is to report on GHG emission goals, that was the primary pollution type considered, though the report also touched on other impacts of the state's emission reduction policies.

The LAO report identified four major categories of transportation programs at ARB: reducing emissions from light-duty vehicles; reducing emissions from heavy-duty vehicle; increasing the use of lower carbon fuels; and reducing the number of vehicle miles traveled. The report assessed the costs and benefits of each of these categories, and arrived at four key takeaways. They found that (1) the overall economic impacts and benefits of the state's transportation GHG policies were unclear, (2) the large number of policies targeting transportation emissions created challenges for assessing interactions, net effects, and coordination, (3) policies were relatively costly ways to reduce GHGs, but could be valuable in instances of promoting infrastructure, technological innovation, or co-pollutant reductions, and (4) the effect of California's transportation emission policies on other jurisdictions was unclear.

This report was cited repeatedly at the 2020 hearing of the Joint Legislative Audit Committee (JLAC) as a justification for calling upon the State Auditor to assess ARB's transportation and climate programs. ARB rebutted that the statutory direction for the report to focus on GHGs and not criteria pollutants or air toxics meant it did not accurately assess the full value of the considered programs. Regardless of this assertion, JLAC approved the audit request.

- 2) *2020 State Auditor Report Number 2020-114*. On February 23, 2021, the State Auditor released the report of its audit of ARB's incentive programs. According to the State Auditor,

“Our assessment focused on transportation programs intended to reduce (GHG) emissions, and the following report details the audit's findings and conclusions. In general, we determined that ARB must do more to help the State work strategically toward its climate change goals.

“ARB has not done enough to measure the GHG emissions reductions its individual transportation programs achieve. Specifically, ARB has not collected or evaluated sufficient data to allow it to determine whether or how its incentive programs, which pay consumers in exchange for purchasing low- and zero-emission vehicles, reduce GHG emissions beyond what ARB's regulations already require... Given the ambitious nature of the State's climate change goals and the short time frame to meet them, California is in need of more reliable tools with which to make funding decisions.

“Additionally, ARB has not consistently collected or analyzed data to determine whether some of its programs provide the socioeconomic benefits that ARB 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, ARB must do more to measure and demonstrate specific benefits to disadvantaged communities and low-income communities and households that the programs intend to serve.”

- 3) *ARB's response.* Upon the audit being completed, ARB provided the following response:

“CARB has already started implementing a number of steps to address these recommendations and will be taking future steps as described in the attachment consistent with direction from the Legislature... I also want to note that implementing a number of the recommendations will likely come with an assessment that additional staffing and resources will be needed to fulfill CARB's ability to deliver them.”

The full response extensively addressed the audit's central recommendations. Excerpts follow that pertain to the specific provisions of AB 1261.

- a) *Program overlap.* “CARB will undertake a process to better document the interaction between incentive and regulatory programs and how to refine methods to better account for emission reductions from incentives going forward.

“We would like to clarify that, for purposes of tracking progress in meeting health protective federally mandated clean air laws, tools such as EMFAC (which CARB uses to assess emissions levels from specific mobile sources) account for the complementary nature of policies that may impact those sources and avoid overestimating emissions benefits.”

- b) *Behavioral changes.* “CARB currently has work underway that will help with this effort through surveys of participants in projects such as the Clean Vehicle Rebate Project (CVRP), Clean Cars 4 All, Car Sharing, Financing Assistance, and Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) among others.

“CARB has also contracted with UC Berkeley to develop an evaluation model/process for CARB to use as a new standard for assessing the effectiveness, sustainability and outcomes of CARB’s clean mobility equity pilot projects for disadvantaged communities and low-income communities. Researchers will identify both community-preferred and research-preferred metrics and evaluation methodologies that can be consistently applied across CARB’s clean transportation equity projects.”

- c) *Socioeconomic benefits.* “CARB will clarify which Low Carbon Transportation incentive programs provide socioeconomic benefits, including but not limited to public health benefits, green economic opportunities, and greater access to zero emission mobility. CARB’s Low Carbon Transportation equity projects authorized under Health and Safety Code Section 44258.4 (4)(A) are the projects which primarily focus on providing socioeconomic benefits.

“CARB’s clean transportation equity projects currently incorporate surveys, focus groups, vehicle telematics, and other means of documenting overall project effectiveness, the results of which are used to adaptively manage the projects, address users’ needs, and increase community participation, while also informing future project planning. CARB will evaluate the need to modify future grant solicitations to accommodate relevant additional metrics.”

Comments

- 1) *Purpose of Bill.* According to the author, “... AB 1261 simply codifies the auditor’s recommendations by requiring CARB, three years upon an appropriation by the Legislature, to establish specified processes to assist the state in achieving its greenhouse gas emissions reduction goals, including a

process to identify any overlap among its incentive programs that share the same objectives and a process to define, collect and evaluate data on the behavioral changes and socioeconomic benefits that result from each of its incentive programs.

“CARB would be required to use this information to refine greenhouse gas emissions estimates in its annual reports to the Legislature, its funding plans, and any long-term planning documents or reports.

“Additionally, AB 1261 would require CARB to develop a process to define, collect and evaluate data that will translate to metrics demonstrating the socioeconomic benefits that result from each of its incentive programs, and, beginning July 1, 2023, to use this data to make funding and design recommendations in its annual reports to the Legislature and funding plans.

“California has set some of the most ambitious climate goals in the nation. The Legislature should have the most accurate data available to make more informed budget and policy decisions related to transportation sector emissions - so that we can appropriately address mobile source air quality concerns throughout the state.”

- 2) *Top priority recommendations on select programs.* The requirements of AB 1261 are only a portion of what was recommended by the Auditor and committed to by ARB. In this bill, the Legislature has an opportunity to highlight priority findings from the audit, and provide direction to ARB in adopting changes.

It should be noted that complying with AB 1261 should only be part of ARB's response to the audit. Assembly Appropriation Committee amendments limited the scope of the bill to 10 specific incentive programs. While this does not preclude ARB from assessing and potentially reworking any of their other programs in implementing the audit's findings, AB 1261 does not require them to do so.

The contemplated increases in data collection and analysis will, not surprisingly, require considerably more state resources to conduct than ARB's present operations. However, there is reason to believe that these increased costs could be exceeded by the benefits in the long run of having more efficiently-run, less redundant programs that deliver more accurate estimations of emission reductions and cost effectiveness.

- 3) *Clearer goals make for clearer evaluations.* Defining “success” in transportation and climate policy is complicated. A given policy intervention can easily have impacts on GHG emissions, criteria air pollutants, air toxics, equity, innovation, behavioral changes, and socioeconomic development, even if the stated intent is only to improve one of those. While ARB has many programs that do reduce GHG emissions, not all of those were established with GHG emission reduction as their primary goal. In order to evaluate different programs and compare their outcomes, efficiency, or cost-effectiveness, a holistic assessment is necessary.

This is an important distinction, because the same policy can be successful by some metrics, but unsuccessful by others. As an example, consider GHG emissions under cap-and-trade. In terms of cost-effectiveness, trading fungible emission allowances on an open market is a rousing success: 1 ton of GHG can be nominally mitigated for approximately \$19. However, by other metrics, such as equity, criteria air pollutant exposure, or certainty of reduction permanence, success is much less clear. If cost-effectiveness of those other outcomes were considered (e.g. “dollars spent per reduction in toxic air contaminant exposure” instead of “dollars spent per ton of GHG emissions reduced”), the same program could be much less effective.

Directing—and providing additional resources—to ARB to perform more holistic assessments of their policies will help the state achieve its climate goals. Importantly, it will allow for greater transparency and accountability of ARB to the Legislature. Nearly as important as ARB’s commitment to provide more complete data to the Legislature, however, is what the Legislature does with that data. Being clear about what is expected out of a program will help all parties share a definition of success, which will in turn help determine when a program is or is not working as intended.

Implementing the recommendations in the audit, and particularly the ones included in AB 1261, will be an important step towards providing these valuable insights. While AB 1261 does not encompass all the changes ARB must implement to respond to the audit, it is a reasonable first step.

Related/Prior Legislation

AB 794 (Carrillo, 2021) attaches labor and workforce standards to eligibility for various clean vehicle incentive programs administered by ARB and fleet purchasing in port drayage and short-haul trucking service. AB 794 also states that it is the intent of the Legislature to maximize economic cobenefits of vehicle

incentive money. AB 794 is currently in this committee and will be heard on July 7th, 2021.

SOURCE: Author

SUPPORT:

African American Farmers of California
Beaumont Chamber of Commerce
Big Bear Chamber of Commerce
Black Business Association
California African American Chamber of Commerce
California Association of Black Pastors
Central Valley Latino Mayors and Elected Officials Coalition
Chino Valley Chamber of Commerce
Coastal Energy Alliance
Colab Ventura County
Corona Chamber of Commerce
Fontana Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater High Desert Chamber of Commerce
Greater Los Angeles African American Chamber of Commerce
Greater Ontario Business Council
Harbor Association of Industry & Commerce
Hemet San Jacinto Valley Chamber of Commerce
Highland Area Chamber of Commerce
Inland Empire Economic Partnership (IEEP)
Latin Business Association
Long Beach Area Chamber of Commerce
Long Beach Chamber of Commerce
Menifee Valley Chamber of Commerce
Moreno Valley Chamber of Commerce
Murrieta Wildomar Chamber of Commerce
Nisei Farmers League
Perris Valley Chamber of Commerce
Pomona Chamber of Commerce
Rancho Cucamonga Chamber of Commerce
Redlands Chamber of Commerce
San Diego Urban Sustainability Coalition
Santa Barbara County Taxpayers Association
Si Se Puede
South Bay Association of Chambers of Commerce
Temecula Valley Chamber of Commerce
Upland Chamber of Commerce

Valley Industry & Commerce Association
Ventura County Coalition of Labor, Agriculture and Business
Wilmington Chamber of Commerce

OPPOSITION:

None received

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