
SENATE COMMITTEE ON ENVIRONMENTAL QUALITY

Senator Allen, Chair

2021 - 2022 Regular

Bill No: SB 1230
Author: Limón
Version: 3/15/2022
Urgency: No
Consultant: Eric Walters

Hearing Date: 4/20/2022
Fiscal: Yes

SUBJECT: Zero-emission and near-zero emission vehicle incentive programs: requirements

DIGEST: This bill makes specified changes to the Clean Cars 4 All Program to expand the pool of eligible applicants. It also applies new, uniform requirements to clean vehicle incentive programs in the state, as specified.

ANALYSIS:

Existing law:

- 1) Establishes the Air Resources Board (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 ARB to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by December 31, 2030 (i.e., SB 32); and allows ARB, until December 31, 2030, to adopt regulations that utilize market-based compliance mechanisms (i.e., the cap-and-trade program) to reduce GHG emissions. (HSC §§ 38566, 38562)
- 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) Establishes the Air Quality Improvement Program (AQIP), administered by ARB in consultation with local air districts, to fund programs that reduce criteria air pollutants, improve air quality, and provide research for alternative fuels and vehicles, vessels, and equipment technologies. (HSC §44274 et seq.)

- 5) Establishes, as a part of the Charge Ahead Initiative, the Enhanced Fleet Modernization Program (EFMP)—funded with moneys from the Enhanced Fleet Modernization Subaccount within the High Polluter Repair or Removal Account within the Vehicle Inspection and Repair Fund—to incentivize the voluntary retirement of passenger vehicles and light- and medium-duty trucks. (HSC §44125 et seq.)
- 6) Establishes the Clean Cars 4 All (CC4A) Program, to be administered by ARB, to focus on achieving reductions in the emissions of GHGs, 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. (HSC § 44124.5)
- 7) Establishes the Clean Vehicle Rebate Project, to be administered by ARB, under AQIP. (HSC § 44274 et seq)
- 8) Requires, under Governor Brown’s Executive Order B-16-2012, that the state ensure 1.5 million zero-emission vehicles (ZEVs) are on the road by 2025.
- 9) Requires, under Governor Brown’s Executive Order B-48-2018, that the state ensure 5 million ZEVs are on the road by 2030.

This bill:

- 1) Makes modifications to the Clean Cars 4 All (CC4A) Program, specifically to:
 - a) Authorize each air district in the state to participate in CC4A and contract with ARB to implement it;
 - b) Permit a resident of the state who is otherwise eligible to participate in CC4A to do so regardless of whether the air district they reside in has implemented it;
 - c) Limit use of CC4A incentives only to hybrid or zero-emission vehicles; and
 - d) Align dispensation of funds with the Clear Car Incentive Program Requirements, as specified.
- 2) Establishes Clean Car Incentive Program Requirements, which include:

- a) Definitions of “mobility option” to mean a voucher for public transit, car sharing, bike sharing, or electric bicycles, and “zero-emission or near-zero-emission vehicle incentive program” to mean a program that provides incentives to an individual for the purchase of a light-duty zero-emission or near-zero-emission vehicle.”
- b) States that these requirements apply to ZEV and near-ZEV incentive programs, including, but not limited to, CC4A, CVRP, CVAP, and CCFR.
- c) Requires ARB to, on or before July 1, 2023, create a single unified education and application portal for all the included incentive programs.
- d) Requires ARB to, on or before July 1, 2023, adopt revisions to the requirements of the included incentive programs to ensure:
 - i) An incentive is provided to the applicant before they purchase the vehicle (or other mobility option);
 - ii) A submitted application is approved or denied within 24 hours of submission;
 - iii) A person’s participation in one program does not affect eligibility for another; and
 - iv) A person who is eligible can participate once between July 1, 2023 and July 1, 2026, regardless of if they participated prior.
- e) Permits ARB to, on or before July 1, 2023, limit the combined total amount of incentives (when combined with relevant federal incentives) provided to customers does not exceed 120% of the price difference between the clean vehicle and a comparable combustion vehicle.
- f) Requires ARB to ensure that an incentive provided under CVAP can be used for a mobility option, as defined.
- g) States that it is the intent of the Legislature to enact subsequent legislation regarding equitable access to ZEV infrastructure.

Background

- 1) *ZEV Market Development Strategy*. The ZEV Market Development Strategy (ZEV Strategy) is a website featuring a number of documents maintained by the Governor’s Office of Business and Economic Development (GO-Biz) meant to help California move collectively toward the ambitious statewide targets established by Executive Order N-79-20: 100% of in-state sales of new passenger vehicles and drayage trucks to be zero-emission by 2035. It outlines

how state agencies and stakeholders can move together with the scale and speed required to reach those ZEV targets.

The goal of the ZEV Strategy is to achieve large-scale equitable market development, while focusing on air quality, reduced GHGs, access, and economic development & jobs. Accordingly, the Strategy details four pillars: vehicles, infrastructure, end users, and workforce.

The pillar most relevant to SB 1230 is end users. According to the ZEV Strategy, this pillar is led by ARB, with the California Energy Resources Conservation and Development Commission (CEC), California Public Utilities Commission (CPUC), California Department of Transportation (Caltrans), Department of General Services (DGS), and GO-Biz being the primary supporting agencies. The ZEV Strategy notes that funding and regulatory program administration improvements are designed to be inherent in each agency's public process, and that a key part of the ZEV Strategy is to better align programs across agencies.

- 2) *Air Quality Improvement Program (AQIP)*. AQIP, which was established by AB 118 (Nuñez, Chapter 750, Statutes of 2007), is a voluntary incentive program administered by ARB to finance, through grants, revolving loans, or loan guarantees, projects that improve air quality and promote research on the air quality impacts of alternative fuels and advanced technology vehicles.

Each fiscal year, ARB submits a Clean Transportation Incentives Funding Plan which includes AQIP programs. The plan carefully prioritizes and balances between investing in technologies that are just coming to market and providing support to emerging advanced technologies that help meet all of California's goals.

AQIP is funded through, among other things, surcharges on vehicle registration fees and a portion of the Smog Abatement Fee. AQIP also receives funding from the Greenhouse Gas Reduction Fund.

- 3) *Consumer incentives under AQIP*. There are many programs and projects funding within AQIP, which have been established and modified separately over the years. Several of them are explicitly named in SB 1230:
 - a) *Clean Cars 4 All*. The Clean Cars 4 All (CC4A) program (formerly known as the Enhanced Fleet Modernization Plus-Up Program) helps get lower-income consumers into cleaner technology vehicles by retiring their older, higher-polluting vehicle and upgrading to a cleaner vehicle. Participants

also have the option to replace their older vehicle for alternative mobility options such as public transit passes or an electric bicycle. The CC4A program and scrap-and-replace programs are implemented through participating air districts and funded through the GGRF.

Today, five of California's thirty-five air districts implement CC4A: Bay Area Air Quality Management District, Sacramento Metro Air Quality Management District, San Diego Air Pollution Control District, San Joaquin Valley Air Pollution Control District, and South Coast Air Quality Management District. As part of the 2021 Budget, money was provided to allow for a statewide expansion of CC4A, and regulations to do so are expected to be promulgated early this year.

- b) *Clean Vehicle Rebate Project*. The CVRP is funded by ARB and administered by the Center for Sustainable Energy, in order to promote the production and use of zero-emission vehicles, including electric, plug-in hybrid electric and fuel cell vehicles. CVRP enables the purchaser or lessee of an eligible vehicle to receive a rebate. A consumer can apply for a rebate within 18 months of purchasing or leasing an eligible vehicle. The consumer must retain ownership of the vehicle in California for at least 30 consecutive months after the purchase or lease date or reimburse ARB for part of or the entire rebate amount. Rebates are distributed on a first-come, first-served basis and issued within 90 days of application approval.

CVRP has been modified repeatedly through legislation and other guideline updates in the 12 years since its inception. These modifications have served to reduce eligibility for the (consistently and severely oversubscribed) program, by capping applications by applicant income, vehicle manufacturer's suggested retail price (MSRP), previous rebate receipt, and electric-only miles of plug-in hybrid vehicles. Moreover, as of December 2019, lower-income consumers are eligible for an additional \$2,500 on top of the base rebate amount. Altogether, the demographics served by the CVRP have shifted over time towards lower-income consumers.

Notably, the "Rebate Now" preapproval option for CVRP has been piloted in San Diego and the San Joaquin Valley. Rebate Now allows dealerships to apply the CVRP rebate towards the down payment on a vehicle for pre-qualified buyers. This process involves the buyer getting prequalified with the CVRP (typically 30-45 days), the dealer verifying and applying the rebate during the purchase transaction, the dealer subsequently providing proof of purchase to ARB (within 14 days of purchase), and ARB

reviewing the documentation and providing the rebate payment (typically 7-10 days). This allows vehicle buyers in these two served air districts to apply the CVRP savings at point-of-sale instead of paying the higher price upfront and receiving a rebate potentially months later.

- c) *Clean Vehicle Assistance Program*. The Clean Vehicle Assistance Program (CVAP) is a collaboration between ARB and the Beneficial State Foundation, an equity-focused banking organization. It provides grants and affordable financing to help income-qualified Californians purchase or lease a new or used hybrid or electric vehicle. The source of funding is the GGRF, and recipients are eligible at up to 400% of the federal poverty level.

According to the CVAP website, applicants must first submit their application online where it may take between three weeks and three months to be approved. Once an approval letter is received in the mail, the prospective buyer then has 35 days to redeem the grant at an approved dealership. Once a vehicle is chosen, the dealership either applies the anticipated grant towards the closing cost, or they may choose to hold the vehicle until the grant is verified and paid, which may take a few more weeks.

- 4) *California Clean Fuel Reward Program (CCFR)*. On September 27, 2018, ARB adopted amendments to the Low Carbon Fuel Standard (LCFS) Regulation (17 CCR§ 95480) that mandated the creation of a statewide, electric utility-run, point-of-sale incentive program for the purchase or lease of new qualifying Plug-in Hybrid (PHEV) or Battery Electric (BEV) vehicles.

On November 17, 2020, after two years of collaboration with ARB, CPUC, and electric utilities throughout the state, the CCFR program was launched under administration by Southern California Edison to provide an instant reward of up to \$1,500 at the point of sale for the purchase of an eligible new plug-in light-duty vehicle at a participating retailer.

The CCFR abides by 12 guiding principles, including to, “Maximize the CCFR, including by stacking the CCFR with other state, local, and federal incentives, while minimizing the amount of LCFS revenue expended on administration and marketing,” “Implement the program consistent with an equity-based framework, consistent with CARB direction,” and “Provide continuity, certainty, and simplicity in the CCFR program for California’s PEV purchasers and minimize changes to the CCFR amount.”

In short, the CCFR is distinct from the other ZEV purchase incentives described above. It is funded solely through LCFS revenues, administered by Southern California Edison, and works with retailers to provide lower purchase prices at point-of-sale by guaranteeing a rebate to the retailer pre-purchase. Despite these differences, the CCFR is still directed to align with other incentives by explicitly encouraging incentive stacking, consistency with ARB direction on equity, and providing a continuous and certain incentive.

- 5) *Access Clean California*. Not entirely unlike the single education and application portal envisioned by SB 1230, Access Clean California is a website run by ARB and GRID Alternatives, which is supported by GGRF moneys. Access Clean California is a targeted outreach platform that provides drivers living in underinvested communities a streamlined application webtool called the Benefits Finder to help them find and apply for clean transportation and mobility incentives, including for electric vehicles. The website launched in December 2020 and the Benefits Finder is still under development, but can be used to evaluate eligible EV incentives today. While the tool will link to clean vehicle incentive websites, it cannot be used directly to apply for those incentives as the website functions today.

Comments

- 1) *Purpose of Bill*. According to the author, “Transitioning from internal combustion engine vehicles to zero and near-zero emission vehicles is already an essential part of California’s climate goals. There are numerous incentive programs to help consumers purchase or lease a low emission or zero emission vehicle, but the process is often confusing, time-consuming, and generally inaccessible for customers. Furthermore, consumers remain hesitant to adopt ZEV technology given the scarcity of public charging infrastructure, particularly in low-income communities.

“SB 1230 will make low emission vehicles more accessible for more Californians. The bill will bundle existing clean car financial incentive programs into a single, simplified application and web portal and transforms state ZEV financial incentives into point-of-sale rebates that make sense for low- and moderate-income Californians. It also expands the number of incentive programs that support mobility options, such as e-bikes and public transit, for low-income residents.”

- 2) *Overlap or synergy?* As described in the background, the four clean vehicle incentive programs discussed in SB 1230 have a number of similarities but also differences. The overall effect of these programs is unclear – are the State’s

goals of rapid ZEV deployment and greater distributional equity achieved more successfully through the current constellation of programs that exist than they would be by fewer larger programs?

This is comparable to some of the key findings from the Legislative Analyst's Office (LAO) in their 2018 report on the climate impacts of the State's transportation policies. That report found that the overall effects of the state's policies aimed at reducing transportation GHGs were largely unclear, though that report went beyond just light-duty vehicle incentives. The LAO suggested that the Legislature might want to consider options to facilitate a more consistent evaluation of these policies, such as requiring regular retrospective evaluations of these policies and prioritizing policies that are designed in ways that facilitate evaluation. The report suggested that a large number of policies targeting transportation emissions created more challenges, namely challenges in evaluating the net effects of each policy, a potential lack of coordination among policies, and higher administrative costs.

SB 1230 does not propose to consolidate or shrink any of the consumer clean vehicle incentive programs; it seeks to standardize the application process and accelerate consumer access to incentive dollars.

Going forward, the author should consider if her goals might be achieved through a more comprehensive restructuring of the considered incentive programs.

- 3) *CCFR is unique.* Unlike the other vehicle incentives under AQIP, the CCFR is run by utilities and funded out of LCFS revenues. This means that, unlike the other incentive programs, changing the CCFR requirements is not a matter of amending the AQIP statute, but rather the LCFS regulations.

It is worth considering whether CCFR should be removed altogether from this bill, given its unique funding and administration, but ultimately this concern may be addressed by the suggested amendments in comment #7 below.

Going forward, the author may wish to assess if CCFR should be included alongside the other clean vehicle incentives, given the unique considerations it requires.

- 4) *Money up front.* It should be noted that for the incentives that allow point-of-sale price reductions (CVRP's Rebate Now pilot, the CCFR, and the CVAP), none of those work by giving the incentive moneys to the consumer pre-purchase. This is likely because doing so could open up the programs to

significant risk of fraud and/or unintended losses (i.e. a consumer receives an incentive and then is unable to complete the planned purchase).

Instead, these programs typically work through a pre-approval process that guarantees the buyer and dealership that the state incentive will be afforded, and then requires the funding entity to provide money directly to the dealership after the purchase occurs.

The committee may wish to consider amending SB 1230 not to direct ARB to provide incentives to applicants before vehicle purchase, but rather to conform all incentive programs with existing best practices to provide for point-of-sale price reductions by working with dealerships.

- 5) *Clean Cars 4 All, for all.* Among other things, SB 1230 requires two changes of how CC4A is administered in the state: (1) it authorizes all 35 air districts in the state to participate in the program, and (2) it permits any resident of the state to participate in CC4A regardless of if their air district has implemented it or not yet. It is unclear how the latter provision would work in practice.

If a resident can participate in CC4A without their air district implementing it, then why is air district implementation needed? Would doing so require ARB to offer a uniform statewide CC4A program independent of the air districts? If so, why is authorization for all 35 air districts to run CC4A needed?

Should this bill move forward, the author should continue to refine her intent with these modifications to CC4A and work with ARB and the air districts to determine the most harmonious way to achieve her goals. This may also include consideration of the efforts underway to expand CC4A statewide and the search for a statewide administrator.

- 6) *One-stop shop.* As noted in the background, Access Clean California is an existing statewide webtool with similarities to the portal envisioned by SB 1230. Given the glut of incentives, minimizing the number of unifying portals to connect the incentives would likely serve consumers well.

The author may wish to determine whether, with modifications to facilitate applying, Access Clean California could serve as the portal envisioned by SB 1230, and if not, may wish to amend SB 1230 to allow it to do so.

- 7) *What is feasible?* There is a tremendous amount of financial and programmatic detail that undergirds even seemingly straightforward incentive programs. While SB 1230 makes the laudable effort to streamline these programs to

improve the consumer experience, some of these specific requirements may be irreconcilable with some of the incentive programs as they exist today.

The committee may wish to amend SB 1230 to require ARB to make the programmatic changes directed by this bill only where feasible. Moreover, in the interest of streamlining the state's clean vehicle incentives and advancing the goals of this bill, the committee may also wish to amend the bill to require ARB to report to the Legislature on any of the revisions dictated in Sec 4. HSC § 44258.6(d) of this legislation that are deemed infeasible explaining why, including identification of where statutory changes may be necessary.

- 8) *Committee amendments. Staff recommends the committee adopt the bolded amendments contained in comments 4 & 7 above. Due to timing constraints, should the committee approve this bill, the amendments will be adopted by the Senate Transportation Committee.*

Related/Prior Legislation

SB 1382 (Gonzalez) directs ARB to identify barriers and develop outreach protocols to accessing CC4A, and it exempts those vehicles from the state sales and use tax. SB 1382 is currently before this committee.

AB 117 (Boerner Hoervath, 2021) added incentives for purchasing e-bikes as a project eligible for funding under AQIP.

AB 745 (Gipson, 2021) would have required ARB to, on or before January 1, 2024, review award amounts under CC4A, ensure vouchers are sufficient to incentivize ZEV purchases, develop metrics to demonstrate the socioeconomic benefits from CC4A, establish a centralized online database for EV incentives, and develop a community outreach strategy. AB 745 died in the Assembly Appropriations Committee.

SB 400 (Umberg, Chapter 271, Statutes, 2019) expanded the eligible modes of transportation for which the Clean Cars 4 All “mobility option” vouchers may be used to include bike sharing and e-bikes.

AB 630 (Cooper, Chapter 636 Statutes of 2017) established CC4A, providing drivers of high polluting vehicles financial incentives and support to switch to lower-emission vehicles or other modes of transportation. Also required ARB to set specific and measurable goals annually for the Enhanced Fleet Modernization Scrap Only and CC4A Scrap-and-Replace programs.

SB 859 (Committee on Budget and Fiscal Review, Chapter 368, Statutes of 2016), among other things, required outreach to low-income households for CVRP and set the following income caps for CVRP eligibility: \$150K for applicants that file taxes as a single individual, \$204K for those that file head of household, and \$300K for those that file jointly.

AB 1851 (Gray, 2016) would have created and expanded a broad array of incentive programs to increase the sale and use of certain clean air vehicles. AB 1851 died in the Assembly Appropriations Committee.

SB 1275 (de León, Chapter 530, Statutes of 2014) established the Charge Ahead California Initiative to place in service at least 1.0 million zero-emission and near-zero-emission vehicles by January 1, 2023, with a focus on disadvantaged and low-and-moderate-income communities.

DOUBLE REFERRAL:

If this measure is approved by the Senate Environmental Quality Committee, the do pass motion must include the action to re-refer the bill to the Senate Transportation Committee.

SOURCE: The Romero Institute and the Dolores Huerta Foundation

SUPPORT:

1000 Grandmothers, Bay Area
350 Conejo / San Fernando Valley
350 Humboldt: Grass Roots Climate Action
350 Sacramento
350 Silicon Valley
350 Ventura County Climate Hub
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Terra Advocati
The Climate Center
Unite Here Local 30
Veggielution
Veterans for Peace Los Angeles
Youth Alliance

OPPOSITION:

None received