

Date of Hearing: April 10, 2023

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Luz Rivas, Chair

AB 1267 (Ting) – As Amended March 16, 2023

**SUBJECT:** Zero-emission vehicle incentive programs: gasoline superusers.

**SUMMARY:** Requires the Air Resources Board (ARB) to ensure that beginning January 1, 2025, an additional incentive is awarded under a zero-emission vehicle (ZEV) incentive program to a recipient who is a gasoline superuser, as defined.

**EXISTING LAW:**

- 1) Requires ARB, pursuant to California Global Warming Solutions Act of 2006 [AB 32 (Núñez), Chapter 488, Statutes of 2006], to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020 and to reduce GHGs to 40% below 1990 levels by 2030 and to 85% below 1990 levels by 2045. (Health & Safety (HSC) Code 38500 et seq)
- 2) Establishes, pursuant to the Clean Energy and Pollution Reduction Act of 2015 [SB 350, De León, Chapter 547, Statutes of 2015] to increase the renewable electricity procurement goal to 50% by 2030. (Public Utilities Code 399.15 (b)(2)(B))
- 3) Establishes the Charge Ahead California Initiative pursuant to SB 1275 [(de León), Chapter 530, Statutes of 2014], that, among other things, includes the goal of placing at least one million ZEV and near-zero emission vehicles (NZEV) into service by January 1, 2023, and increasing access to these vehicles for disadvantaged, low-income, and moderate income communities and consumers. (HSC 22458)
- 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)
- 5) Establishes the Clean Cars 4 All Program (CC4A) to be administered by ARB to focus on achieving reductions in the emissions of 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. Requires ARB to set specific, measurable goals for the replacement of passenger vehicles and light- and medium-duty trucks that are high polluters. (HSC 44124.5)
- 6) Establishes the Clean Vehicle Rebate Project (CVRP) established as a part of AQIP to expand financing mechanisms, including, but not limited to, a loan or loan-loss reserve credit enhancement program to increase consumer access to zero-emission and near-zero-emission vehicle financing and leasing options that can help lower expenditures on transportation and

prequalification or point-of-sale rebates or other methods to increase participation rates among low- and moderate-income consumers. (HSC 44274.9(e)(1)(2))

- 7) Establishes the Clean Vehicle Assistance Program (CVAP) under AQIP to provide grants and other financing opportunities to low-income drivers to offset the cost of electric vehicles and associated charging infrastructure. (HSC 44274)

**THIS BILL:**

- 1) Defines the following terms for purposes of this bill:
  - a) “Gasoline superuser” means a person who consumes an amount of gasoline in excess of a threshold established by ARB in the operation of an internal combustion engine vehicle registered to that person.
    - i) Requires ARB to establish the threshold in a manner that maximizes the displacement of gasoline, the reduction of emissions of criteria pollutants and GHG per dollar spent, and the turnover of older vehicles resulting from incentives provided. Requires ARB to consider establishing that threshold at an average annual amount of 700 gallons in a calendar year.
  - b) “Zero-emission vehicle incentive program” or “ZEV incentive program” means a program that provides incentives to an individual for the purchase of a light-duty ZEV and that receives funding from, or is administered by, ARB. A ZEV incentive program includes, but is not limited to, all of the following programs: CC4A, CVRP, and CVAP.
- 2) Requires, on or before January 1, 2025, ARB to develop and implement a strategy for doing all of the following:
  - a) Identifying the drivers who are gasoline superusers and are low income or moderate income;
  - b) Expediting the replacement of gasoline-powered vehicles of drivers with ZEVs;
  - c) Identifying barriers that prevent gasoline superusers from accessing ZEV incentive programs and adopting ZEVs; and,
  - d) Developing ZEV outreach protocols to target gasoline superusers and prioritize those superusers who are low income or moderate income and measure the success of outreach to gasoline superusers in each district in the state.
- 3) Requires ARB, in advertising the availability of ZEV incentive programs to gasoline superusers, to consider coordinating with districts and local nonprofit and community organizations, prioritizing those organizations that have a strong and ongoing local presence in areas within the applicable district.
- 4) Requires ARB, upon appropriation by the Legislature, ensure that beginning January 1, 2025, an additional incentive, to be known as the “superuser incentive,” is awarded under a ZEV

incentive program to a gasoline superuser who otherwise qualifies for an incentive under the ZEV incentive program.

- 5) Requires ARB to set the amount of the incentive at a level that maximizes the displacement of gasoline and the reduction of emissions criteria pollutants and GHGs per dollar spent.
- 6) Requires ARB to require an applicant to provide the vehicle identification number, the odometer reading from the applicant's vehicle registration, and the current odometer reading from the applicant's vehicle under penalty of perjury to verify whether the applicant qualifies as gasoline superuser.
- 7) Requires ARB to report to the Legislature no later than January 1, 2025, and biennially thereafter, all of the following information:
  - a) The gasoline emissions reduced per dollar spent on ZEV incentive programs;
  - b) The impacts of ZEV incentive program spending in terms of quantifiable carbon emissions reductions and transportation savings among low- to moderate-income individuals; and,
  - c) The changes in annual gasoline use at local levels by census tract or ZIP Code.
- 8) Requires the report to be submitted to the Legislature in compliance with Section 9795 of the Government Code.
- 9) Provides that no reimbursement is required by this act pursuant to the California Constitution.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

- 1) **Need for the bill.** According to the author:

California has a variety of incentive programs aimed at getting more drivers into zero emission vehicles (ZEVs), but we are still seeing slow adoption of ZEVs among the biggest gasoline users (superusers). Many gasoline superusers are lower-income consumers who cannot afford to live near their workplaces and must spend much of their income on fuel. To reduce greenhouse gas emissions efficiently and equitably, the state must maximize its investments to reduce gasoline consumption, especially among lower-income consumers. AB 1267 furthers that goal by requiring the California Air Resources Board (CARB) to create an additional ZEV incentive award for gasoline superusers, targeting our top gasoline consumers in the state. It would also require CARB to measure the emissions reductions achieved by our ZEV incentive programs to track our progress in meeting our ambitious climate and transportation goals.

- 2) **Zero Emission Vehicles.** ZEV is an umbrella term for hydrogen fuel cell electric vehicles, battery electric vehicles (EVs), and plug-in hybrid electric vehicles (PHEVs). California has some of the most ambitious GHG reduction goals in the nation, which include goals to reduce petroleum use in California up to 50% from 2015 levels by 2030, phase out passenger combustion-engine cars by 2035, and reduce GHG emissions 85% below 1990 levels by 2045. The transportation sector represents about 40% of California's total GHG emissions portfolio, and replacing traditional gas-powered cars with ZEVs is a significant part of California's effort to reduce climate emissions.

Governor Newsom's ZEV Executive Order N-79-20 set the following ZEV targets for California: 100% of in-state sales of new passenger cars and light-duty trucks will be zero emission by 2035; 100% zero-emission medium and heavy-duty vehicles in the state by 2045, where feasible, and by 2035 for drayage trucks; and, 100% zero-emission off-road vehicles and equipment operations by 2035, where feasible.

- 3) **ZEV rebate programs.** CC4A is an existing program that focuses on providing incentives up to \$9,500 per vehicle through California Climate Investments to help lower-income California drivers scrap their older, high-polluting cars and replace them with zero- or near-zero emission replacements. Eligible applicants must fall below 300% of the Federal Poverty Level (\$83,250 for a family of 4). As of February 2021, more than 10,000 scrapped old, dirty cars had been replaced with ZEVs under this program. These incentive funds can be stacked with incentive dollars from the statewide CVRP so that a low-income participant can receive up to \$14,000 for a new battery-electric vehicle. The average vehicle retired is about 22 years old with an estimated fuel economy of 21.5 miles per gallon. The average replacement vehicle has a fuel economy of 80 miles per gallon equivalent. According to ARB's CC4A annual report for FY 2020/2021, "even with the past [years'] global economic and health crisis, demand for all air quality management district car incentives remained strong. This indicates a continued high level of interest and demand for these incentives among the priority populations."

The CVRP offers rebates up to \$7,000 on a first-come, first-served basis to offset the cost of ZEVs. Rebates are available to California residents that meet income requirements and purchase or lease an eligible vehicle. To-date, more than 30,000 low-income consumers have been assisted under CVRP. The income eligibility is higher for this program; eligible applicants can earn up to \$135,000 for single filers; \$175,000 for head-of-household; and, \$200,000 for joint filers.

The CVAP supports lower-income consumers' access loans to purchase or lease ZEVs, including up to \$5,000 down payment assistance, special financing, and free vehicle charger and installation opportunities. Eligible recipients may not exceed \$69,680 for max gross income for 2 people. It is important to note that CVAP is a financing assistance program, not an incentive program, like CVRP and CC4A.

Through the support of these programs, as of February 25, 2022, more than one million plug-in electric cars, pickup trucks, sport utility vehicles (SUV), and motorcycles have been sold in California. The data also show that California, with only 10% of the nation's cars, now accounts for more than 40% of all ZEVs in the country. In fact, a recent study shows that more than 50% of ZEV purchasers would not have purchased a ZEV without a rebate.

ARB's incentive amounts for these programs are set through an extensive public process that occurs annually through the development of ARB's funding plan. They are also informed by statute, climate and air quality goals, funding availability, and need projections.

- 4) **Gas displacement.** Gasoline is the most used transportation fuel in California, with 97% of all gas being consumed by light-duty cars, pickup trucks, and SUVs. In 2021, 13.8 billion gallons of gasoline were sold, according to the California Department of Tax and Fee Administration. ARB's 2022 Scoping Plan, the roadmap for achieving the state's GHG reduction goals below 1990 levels, calls for a 50% reduction in gasoline use between 2021 and 2030 to meet the statutorily mandated GHG reduction requirements.

This bill would require ARB to provide an *additional* incentive, layered on top of the existing ZEV incentive programs, to a gasoline superuser who receives an incentive or rebate under one of the existing programs. ARB would be tasked with identifying a threshold for gas usage to define "superuser," and would have the discretion to set the amount of the incentive at a level that maximizes the displacement of gasoline and the reduction of emissions criteria pollutants per dollar spent. The bill encourages ARB to consider establishing the gas usage threshold at an average annual usage of 700 gallons in a calendar year.

- 5) **Equity.** Though the goal of this bill is notably to reduce GHG associated with transportation, and reducing GHGs does benefit low income and disadvantaged communities who are disproportionately impacted by ozone and exhaust pollution, calculating an incentive based on the amount of gas that would be replaced can create concerns around equity.

This bill would require ARB to develop and implement a strategy for identifying gasoline "superusers" who are low income or moderate income, identifying barriers to superusers getting ZEV incentives, and doing outreach to superusers about ZEV incentive programs, but concern remains that a superuser who uses enough gas to exceed the threshold that ARB establishes for incentive eligibility has the financial means to afford the car, and/or afford the gas.

According to Coltura, the sponsor of the bill, the lower fuel economy cars and the cars being driven a lot of miles are the target cars to replace since they will reap greater GHG reductions if removed from the road, which will also provide environmental benefits (cleaner air) to all Californians. Coltura also explains that their research shows that on the whole, wealthier people tend to drive less than lower income drivers. Lower income drivers often have to drive longer distances in older, less efficient vehicles either because they can't afford to live near where they work, or because they drive for their work. Many lower income drivers are in the top bracket for gasoline consumption, spending 25% or more of their household income on vehicle fuel.

- 6) **Funding.** The 2022-23 fiscal year budget included \$54 billion over five years to support transformative climate investments in transportation, energy, housing, education, wildfire resilience, drought, and health. The Budget included \$6.1 billion for new zero-emission transportation investments over four years. Of these investments, \$4.2 billion was appropriated to ARB and the California Energy Commission for heavy duty zero-emission technology advancement and to expand investments in passenger vehicle incentives and infrastructure.

This year, the state is facing a \$22.5 billion budget deficit and the Governor's January 10 budget is proposing significant cuts across the board for the state's climate investments and environmental programs, including \$6 billion in cuts to last year's 5-year climate spending plan. More than half of those proposed cuts – \$3.3 billion – come from the state's clean transportation initiatives. Money for ZEV incentive programs, such as rebates for car buyers, and charging infrastructure would be cut by \$2.5 billion. About \$1.4 billion of that amount would be shifted to the state's fund for its cap-and-trade program, a market that is paid into by fossil fuel companies, amongst others. That leaves a net decrease of \$1.1 billion.

While the Governor does propose to maintain the full funding amount for the CC4A program (\$656 million), CVRP is anticipated to run out of money before this bill would go into effect.

- 7) **Double referral.** This bill was heard in the Assembly Transportation Committee on March 27 by a vote 15-0.
- 8) **Related legislation.** AB 2816 (Ting, 2022) would have required ARB to award incentives for passenger ZEVs based on the amount of gasoline or diesel the applicant's vehicle consumed. This bill was held in the Assembly Appropriations Committee.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

California Interfaith Power & Light  
Coltura  
Elders Climate Action, Norcal and SoCal Chapters  
Fossil Free Mid Peninsula  
Plug in America  
Rapid Substitution  
Silicon Valley Youth Climate Action  
Zev 2030

##### **Opposition**

None on file

**Analysis Prepared by:** Paige Brokaw / NAT. RES. /