

Date of Hearing: April 21, 2025

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Isaac G. Bryan, Chair

AB 674 (Connolly) – As Amended March 10, 2025

SUBJECT: Clean Cars 4 All Program

SUMMARY: Requires the implementing regulations for the Clean Cars 4 All (CC4A) Program to ensure that incentives are available in all areas of the state, and requires the Air Resources Board (ARB) to prioritize vehicle retirement in areas of the state that meet specified criteria.

EXISTING LAW, pursuant to Health and Safety Code 44124 – 44127:

- 1) Establishes the CC4A, administered by ARB, to focus on achieving reductions in greenhouse gases (GHG) emissions, 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.
- 2) Requires ARB to update guidelines for CC4A no later than January 1, 2019. Requires CC4A to be administered by the Bureau of Automotive Repair in the Department of Consumer Affairs pursuant to guidelines adopted by ARB.
- 3) Requires ARB to coordinate with districts and local nonprofit and community organizations, prioritizing those organizations that have a strong and ongoing local presence in areas within the district, to identify barriers to accessing CC4A and to develop outreach protocols and metrics to assess the success of outreach across the districts.
- 4) Requires ARB to annually collect and post on its internet website all of the following data from CC4A: the performance of the program, and an accounting that includes, but need not be limited to, moneys allocated to the program and CC4A and the expenditures of the program and CC4A by region.
- 5) Requires ARB to conduct an assessment identifying populations that are eligible for, but underserved by CC4A, including an evaluation of the participation of households in census tracts shown to be the most impacted in each region, households making less than 225% of the federal poverty level, and households that are primarily non-English speaking.
- 6) Requires each replacement vehicle in the program to be either a plug-in hybrid or zero-emission vehicle (ZEV), unless ARB makes specified determinations.

THIS BILL:

- 1) Establishes, as one of the goals under the CC4A program, ARB to prioritize vehicle retirement in areas of the state that have the highest percentage of people residing in

disadvantaged and low-income communities and the highest number of vehicles manufactured prior to 2004 or that are at least 20 years old.

- 2) Extends, from January 1, 2019, to July 1, 2027, the date by which ARB is required to update the guidelines for the program.
- 3) Requires ARB's regulations for CC4A to include:
 - a) Incentives provided under CC4A to be available in all areas of the state. Requires ARB, in those areas where an air district has not elected to participate in CC4A to manage the distribution of incentives within its jurisdiction, to manage the distribution of incentives to eligible residents of those areas. Prohibits ARB from managing the distribution of incentives in the jurisdiction of an air district if the district has elected to participate in the program to distribute incentives within its jurisdiction;
 - b) The application process and procedures for delivering available funding for CC4A to include performance metrics for evaluating funding delivery and program administration and implementation;
 - c) Established triggers and procedures for reallocating funds from portions of the CC4A managed by districts or by ARB that have a surplus of funds to other portions of CC4A managed by other districts or ARB that have exhausted program funding and have demonstrated a need; and,
 - d) Tracking and reporting of all CC4A data at the census tract level to support eligibility criteria that offers increased incentives for residents of disadvantaged communities.
- 4) Requires, for the accounting applicable to CC4A, the accounting to separately display the portions of the program managed by each participating district and by ARB, and to include projections of available funds for each portion of the program.
- 5) Requires the performance analysis to include an evaluation of the funding for targeted outreach in low-income or disadvantaged communities with the highest number of vehicles manufactured before 2004 or that are at least 20 years old, including whether the funding should be enhanced or modified to reach the specified goals.
- 6) Requires, in allocating funding under CC4A to districts participating in the program, and to the statewide program, ARB to consider the number and total value of vouchers deployed, and, for retired vehicles, the metric of older model year.
- 7) Authorizes ARB, in areas of the state where ARB manages the distribution of incentives, to use up to 5% of the moneys for the purpose of outreach in those areas.
- 8) Authorizes ARB to use between 5%-10% of the moneys available for distribution if ARB finds that the allocation would further the specified purposes.
- 9) Requires ARB to establish a means-based strategy to identify potential recipients of incentives under CC4A who meet all of the following criteria:
 - a) A person living in the top decile of disadvantaged communities;

- b) A person owning a vehicle manufactured before 2004 or a vehicle that is at least 20 years old; and,
- c) A person from an underserved population.

10) Requires, as part of the means-based strategy, ARB to require an increased incentive to be provided under CC4A to individuals who meet all of the aforementioned criteria as compared to individuals who otherwise qualify for the CC4A but do not meet all of the criteria.

11) Requires, in establishing the means-based strategy, ARB to coordinate with air districts and local nonprofit and community organizations that have a strong and ongoing local presence in areas within a particular district.

12) Requires a participating district, and ARB with respect to the areas where it manages the distribution of incentives, to implement the means-based strategy and provide increased incentives.

FISCAL EFFECT: Unknown**COMMENTS:****1) Author's statement:**

Clean Cars 4 All (CC4A) is the largest vehicle purchase incentive program currently operating in California. CC4A aims to reduce emissions, improve air quality, and help low-income vehicle owners replace potentially high-polluting vehicles with cleaner, more efficient options. Encompassed of five air district-administered programs serving regions with the largest population density, and the recently expanded statewide program serving the rest of the state, CC4A is instrumental to ensuring California's clean transportation goals are reached in a just manner. AB 674 furthers this intent. The bill targets program dollars, maximizing incentives for lower income individuals retiring older, higher polluting cars in disadvantaged communities. The bill also codifies the expansion of the program to confirm it is subject to the same requirements established by this measure and previously enacted equity, funding, and tax exemption provisions. These changes are necessary to ensure a just transition into California's clean transportation future.

2) Transportation GHG reduction goals. 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. ARB's 2022 Scoping Plan explains that to meet the overall state goal of carbon neutrality by 2045, vehicles must transition to zero emission technology. 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. In the fourth quarter of 2024, Californians purchased 108,303 ZEVs, representing 25.1% of all new vehicle sales in the state, and EV charging ports now outnumber gas nozzles across the state.

- 3) **Clean Cars 4 All eligibility.** CC4A provides 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 four). ARB and air districts are looking to implement a new increased amount of up to \$12,000. To qualify for the higher incentive amount, participants must live in a disadvantaged census tract that has been identified by CalEnviroScreen 4.0 and still adhere to program eligibility requirements. 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.

This bill requires ARB to establish a means-based strategy to identify potential recipients of incentives under CC4A who live in the top decile of disadvantaged communities, own a vehicle manufactured before 2004 or a vehicle that is at least 20 years old, and are from an underserved population.

The June 2023 report, *Cleaner Cars, Cleaner Air*, studied how old cars negatively impact air quality in California notes that despite making up only 19% of the vehicles in the state, pre-2004 vehicles emit three times as much smog-forming nitrogen oxides as compared to all 2004 and newer vehicles combined. The study further confirmed that communities with the highest exposure to pollution from pre-2004 vehicles are home to higher percentages of people of color. To reduce inequitable exposure to pollution, the report concluded that the state should prioritize incentives and target outreach and education toward priority populations owning pre-2004 vehicles and living in areas with high concentrations of older vehicles.

According to ARB, under the current program, the average vehicle retirement age is 1999. Looking at the average vehicle age of retirement for each air district, 11,628 out of 13,335 vehicles (87.20%) were model year 2004 or older, and 13,217 out of 13,335 (99.12%) were model year 2009 or older. While eliminating the drivers with slightly less old vehicles (model year 2005 or newer) ineligible from the program precludes opportunities to replace a polluting vehicle with a ZEV, 2004 and older vehicles have substantially worse emissions controls than newer vehicles, and as time progresses, more vehicles will be captured by the 20 year or older requirement.

- 4) **CC4A administration.** CC4A is currently administered in the five largest air districts in California: South Coast Air Quality Management District (AQMD), San Joaquin Valley Air Pollution Control District (APCD), Bar Area AQMD, Sacramento Metropolitan AQMD, and San Diego APCD.

Each air district serves regions of California that are distinct; as such, air districts are allowed to tailor their programs to meet region-specific needs, so long as they adhere to the minimum requirements established by ARB and may design program elements beyond what is included in ARB's regulation to equitably serve their communities.

In addition to district administered programs, the program was expanded statewide through the Driving Clean Assistance Program (DCAP) to reach communities that have not been reached by air district programs.

The UCLA Luskin Center for Innovation's report, *An Analysis of California Electric Vehicle Incentive Distribution and Vehicle Registration Rates Since 2015*, found that Clean Vehicle Rebate Program (a DCAP predecessor) was "heavily skewed towards benefitting non-DAC tracts, with only 12.1% of its funds distributed to recipients in DACs throughout the lifetime of the program." To ensure equitable statewide distribution of CC4A incentives, this bill codifies the statewide expansion and requires ARB to distribute incentives to eligible residents in areas where an air district has not elected to participate in CC4A.

5) **CC4A funding.** CC4A was not appropriated any funding for the fiscal year (FY) 2024-25 budget cycle; however, the State Budget directs ARB to shift FY 2023-24 funding from DCAP to maintain funding for each district participating in CC4A if a district has insufficient funds to meet projected demand. Most districts have funding from previous years that they are currently using to fund people to obtain a vehicle. Only about \$6.1 million (5%) of the \$122.8 million allocated in FY 2022-23 had been expended as of July 2024.

The FY 2024-25 State Budget requires ARB to consider metrics in allocating future funding to both regional district CC4A projects and DCAP, and include, at a minimum, the:

- Number of vouchers deployed;
- Proportion of applications that have been started and resulted in completed replacement transactions or mobility vouchers;
- Demand for vouchers;
- Proportional investment to underserved populations; and,
- Population in eligible CC4A ZIP codes.

In late 2024, ARB approved the FY 2024-25 Funding Plan for Clean Transportation Incentives with the following funding allocations:

Program	Percentage of Total Future Allocations
South Coast Air Quality Management District	36%
San Joaquin Valley Air Pollution Control District	24%
Bay Area Air Quality Management District	19%
Sacramento Metropolitan Air Quality Management District	6%
San Diego County Air Pollution Control District	6%
Driving Clean Assistance Program	9%
Total	100%

Considering the projected demand, existing fund balances from prior FYs, and the need to ensure consistent funding in future years, ARB staff will shift \$14 million from DCAP to the San Joaquin Valley APCD to ensure available funding through FY 2024-25.

ARB staff is working with districts to implement project changes approved in the FY 2023-24 Proposed Funding Plan. These changes include the addition of zero-emission motorcycles as an eligible vehicle replacement type, and increased incentive levels to accommodate costs associated with adaptive equipment for eligible Californians with physical disabilities.

This bill requires ARB to strive to maintain continuous funding to each district participating in CC4A, which is consistent with ARB's staff proposal, and it requires ARB to establish triggers and procedures for reallocating funds from portions of CC4A managed by districts or ARB that have a surplus of funds to other air districts or ARB that have exhausted program funding and have demonstrated a need.

The author may wish to work with ARB on differences between ARB's current CC4A statewide program and the criterion proposed by this bill to eliminate any implementation inefficiencies.

- 6) **Double referral.** This bill was heard in the Assembly Transportation Committee on April 7 and approved 15-0.
- 7) **Related legislation:**

AB 2401 (Ting, 2023) would have required ARB, in administering CC4A, to prioritize vehicle retirement in areas of the state with the highest percentages of low-income, high-mileage drivers with older, high-polluting vehicles; makes these incentives available statewide, and requires ARB to establish a means-based strategy provide an increased incentive to potential recipients with vehicles manufactured prior to 2004 or that are at least 20 years old, and that have poor fuel economy and high number of vehicle miles traveled. This bill was vetoed by the governor.

AB 1267 (Ting, 2023) would have required ARB to ensure that beginning January 1, 2025, an additional incentive is awarded under a ZEV incentive program to a recipient who is a gasoline superuser, as defined. This bill was held in the Assembly Appropriations Committee.

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

350 Bay Area Action
350 Conejo / San Fernando Valley
350 Humboldt
Active San Gabriel Valley
California Environmental Voters
Cleanearth4kids.org
Climate Action California
Coalition for Clean Air

Ecology Action
Elders Climate Action Socal Chapter
Environmental Defense Fund
Greenlatinos
Norcal Elder Climate Action
NRDC
Recolte Energy
San Francisco Bay Physicians for Social Responsibility
Santa Cruz Climate Action Network
Sierra Club California
Socal Elders Climate Action
Sustainable Mill Valley
The Climate Center
Transformative Wealth Management LLC
Union of Concerned Scientists
Valley Clean Air Now

Opposition

None on file

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