

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

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

Policy Committee: Transportation

Vote: 15 - 0

Natural Resources

14 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill makes numerous changes to the Air Resources Board's (ARB) Clean Cars for All (CC4A) program.

Specifically, this bill, among other things:

- 1) Requires, as one of the goals of 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) Requires ARB's implementing regulations for CC4A to include the following:
 - a) Requires that incentives provided under CC4A 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 to eligible residents of those areas, as specified.
 - b) Requires 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) Requires ARB to establish triggers and procedures for reallocating funds from portions of 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.
 - d) Requires ARB to track and report all CC4A data at the census tract level to support eligibility criteria that offer increased incentives for residents of disadvantaged communities.
- 3) 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 specified goals.
- 4) Requires ARB, in allocating funding under CC4A to districts participating in the program, and to the statewide program, to consider the number and total value of vouchers deployed, and, for retired vehicles, the metric of older model year.

- 5) Requires ARB to establish a means-based strategy to identify potential recipients of incentives under CC4A who meet specified criteria. Requires ARB, as part of the means-based strategy, to require an increased incentive be provided under CC4A to individuals who meet the aforementioned criteria as compared to individuals who otherwise qualify for the CC4A but do not meet all of the criteria.
- 6) 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:

Given the scope of the required changes to the CC4A program, it is unlikely that ARB could absorb the workload resulting from this bill within existing resources. ARB is likely to incur new costs of an unknown but potentially significant amount. It is not entirely clear how this bill interacts or overlaps with ARB's ongoing implementation of the CC4A program, including some of the recent changes to the program – some of which are consistent with this bill's provisions. Costs to the board could range from the low hundreds of thousands of dollars (to hire one or two new staff, for example) to the high hundreds of thousands of dollars.

For its part, ARB estimates ongoing annual costs of approximately \$1.1 million (Greenhouse Gas Reduction Fund) for five new positions to develop methodologies to modify the program and adjust incentive levels based on the required criteria; establish a means-based strategy; establish triggers and procedures for reallocating funds; track and report program data at the census tract level; collect, evaluate, and share accounting of program funds in accordance with the bill's requirements; gather public input through workshops and other outreach events; and other tasks.

COMMENTS:

- 1) **Purpose.** According to the author:

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) **Background.** CC4A provides incentives to help lower-income California drivers scrap their older, high-polluting cars and replace them with cleaner options. Supporters contend this bill will enable the CC4A program to prioritize the retirement and replacement of the oldest and highest emitting vehicles on the state's roads with zero-emission vehicles by requiring ARB to collect additional data and use it to establish a needs-based approach to identify and target outreach and incentives to low-income drivers with older, high-polluting vehicles.

CC4A operates in the five largest air districts in California. Districts are allowed to tailor their programs to meet region-specific needs, so long as they adhere to the minimum requirements established by ARB. Recently, ARB implemented the Driving Clean Assistance

Program (DCAP), which operates statewide and expands access to CC4A to areas of the state that do not have a pre-existing, district-operated CC4A 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. ARB notes that the statewide expansion will provide “access to the program for the nearly 4 million residents in or near low-income communities which contain 60-70% of the 1.3 million older, higher polluting vehicles that may be eligible for replacement.”

To date, CC4A has been highly successful in retiring the oldest and most polluting vehicles. Data from 2015 through December 2024 shows that the majority of vehicles retired under CC4A have been older vehicle models, with 11,628 out of 13,335 retired vehicles (79.47%) being model year 2004 or older. As part of its statewide expansion, ARB is exploring a needs-based model prioritizing lower-income applicants who meet additional criteria.

CC4A was not appropriated any funding for fiscal year (FY) 2024-25. However, the FY 2024-25 budget directs ARB to shift FY 2023-24 funding from the statewide CC4A portion of DCAP to maintain funding for each district participating in CC4A if a district has insufficient funds to meet projected demand. In May 2024, ARB shifted \$14 million from the statewide CC4A portion of DCAP to the San Joaquin Valley Air Pollution Control District to ensure available funding through FY 2024-25. For the statewide CC4A portion of DCAP, about \$20 million of the \$125 million allocated in FY 2022-23 had been expended as of April 2025. ARB expects program participation to increase now that DCAP is available statewide.

In addition, the Budget Acts of 2023 and 2024, as amended by AB 100 (Gabriel), Chapter 2, Statutes of 2025, appropriated \$19.8 million exclusively for air districts participating in CC4A. ARB notes it is working with the air districts to prioritize this funding for districts that have insufficient funds to meet demand. ARB staff is also working with districts to implement project changes approved in its FY 2023-24 clean transportation 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. It also 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 funding and have demonstrated need. The author may wish to work with ARB on differences between ARB’s current CC4A statewide program and the criteria proposed by this bill to eliminate any implementation inefficiencies.

- 3) **Prior Legislation.** AB 2401 (Ting), of the 2023-24 Legislative Session, would have made a number of modifications to the CC4A program – some of which are reflected in AB 674. AB 2401 was vetoed by the Governor.