



San Joaquin Valley

AIR POLLUTION CONTROL DISTRICT

June 18, 2014

Chairman Mary D. Nichols
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Proposed Amendments to the Enhanced Fleet Modernization Program

Dear Chairman Nichols,

Thank you for the opportunity to provide comment on the Proposed Amendments to the Enhanced Fleet Modernization Program (EFMP). Developing an effective vehicle replacement program is particularly important in the San Joaquin Valley, which is home to chronically high unemployment levels and many low income communities. Given the Valley's disproportionately high number of disadvantaged communities, any vehicle replacement strategy must include feasible options for Valley residents to replace their existing vehicles with cleaner, affordable vehicles. Strategies that may work in other parts of the state are simply not feasible or realistic for many Valley residents. The San Joaquin Valley Air Pollution Control District (District) commends the California Air Resources Board (CARB) for proactively searching for potential enhancements to this program and supports the majority of the proposed amendments.

The District has a long history of operating highly successful incentive programs utilizing funding from federal, state, and local sources in order to achieve significant emission reductions throughout the Valley. Recent audits conducted by CARB and the Department of Finance (DOF) confirmed that the District's programs are fiscally sound and are "efficiently and effectively achieving their emission reduction objectives."

One such program has been the Polluting Automobile Scrap and Salvage Program (PASS) that replaced high emitting vehicles within the San Joaquin Valley. PASS offered \$5,000 towards the retirement and replacement of targeted vehicles which had a history of failing required smog tests. This program was successful in replacing over 200 vehicles and retiring an additional 500 cars with the funding that was available. Our experience with this program indicated a strong demand for vehicle replacement incentives as the number of applications greatly exceeded the available funding. This program allowed eligible participants to purchase vehicles at a dealership of their choice as long as the vehicle was 4 model years old or newer (8 model years for low income participants).

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The \$5,000 incentive for this purchase was immediately available for the consumer through our contracted dismantler who issued payment to the participant when the old vehicle was surrendered to the dismantler for destruction. This allowed the participant to take full advantage of the incentive as a down payment on their new vehicle purchase and allowed applicants to “shop around” as they were not limited to a specific set of participating dealerships.

Recently, the District launched a pilot program to replace vehicles participating in the highly popular Tune-In Tune-Up program. The Tune-In Tune-Up program is a vehicle repair program operated in conjunction with Valley Clean Air Now. This award winning program holds weekend events throughout the Valley with a focus on reaching Environmental Justice and low income communities. Interested participants can have their vehicle emissions screened to determine the likelihood that it would fail a smog test. Vehicles who fail the screening test at the weekend event are provided a voucher to be redeemed at participating STAR certified smog stations for emissions related vehicle repairs. In the pilot replacement program, vehicles who meet specific criteria (model age of the vehicle and results of the emissions test) and who demonstrate an interest and willingness to replace their vehicle are provided the opportunity to receive \$5,000 towards a replacement vehicle 8 model years old or newer. Since the launch of the pilot program in April 2014, the District has replaced 11 vehicles.

Based on our experience in developing and implementing successful vehicle repair and replacement programs targeted at disadvantaged communities, the District respectfully submits the following comments regarding the proposed amendments for your consideration.

Incentive level

The base incentive level for vehicle replacement projects should initially be set at \$5,000 for both low and moderate income participants. These incentive levels could be reviewed periodically and adjusted depending on program demand as CARB has done with the Clean Vehicle Rebate Project (CVRP). Incentives for higher fuel efficiency vehicles, plug-in hybrid, and electric vehicles would need to be increased as well as the cost of these vehicles increases accordingly. In order to provide additional benefit to the low income category compared to the moderate income category, the District would suggest limiting the moderate income participants to purchasing a vehicle 4 model years old or newer. Through the implementation of vehicle replacement programs in the District, a \$5,000 incentive has allowed participants the ability to make a substantial down payment on their vehicle and also allows for an increased ability to receive financing from a reputable lending institution. As we have seen recently in our pilot replacement program many low income participants face challenges in acquiring affordable loan rates; by providing an increased incentive this would decrease their loan to value ratio which should allow easier access to financing. In addition, ARB should evaluate the opportunity to provide lenders access to the loan guarantee programs that are available for other source categories.

Fuel Economy ratings

In order to operate a successful replacement program the requirements need to be as minimal and streamlined as possible in order to allow participants the greatest flexibility in finding a vehicle that meets their needs. The recent results of the District's pilot program indicate that approximately 1/3 of the vehicles purchased to date may not meet the current fuel economy ratings as proposed. It's possible that not allowing these participants to purchase these vehicles would have resulted in them continuing to drive their old polluting vehicles thereby losing the benefit of reducing criteria pollutants. In addition, even though these vehicles did not meet the minimum requirements as proposed, even modest increases in fuel economy compared to their previous vehicles would result in significant fuel savings to the consumer. In one example a 1990 Mercedes-Benz 300E vehicle was replaced with a 2012 Chevy Malibu which achieves a combined fuel efficiency rating of 26 MPG according to www.fueleconomy.gov. Although this consumer would likely save over \$1,000 per year in fuel costs, additional savings on maintenance costs, and the emissions benefit in replacing a 24 year old vehicle, the District would not have been able to allow this replacement under the current proposal. Setting arbitrary fuel efficiency requirements will only cause additional confusion and barriers to participation for this program. The SJVAPCD proposes eliminating or greatly reducing fuel efficiency requirements for the base incentive level while maintaining the higher proposed incentive level for those applicants who choose to purchase a vehicle achieving 35+ MPG.

Income classifications

CARB's proposed amendments to the EFMP guidelines contain a category for 'Above Moderate Income' participants to receive \$2,500 for the purchase of a Plug-In Hybrid or Zero Emission Vehicle (ZEV). Currently the District has targeted low income and Environmental Justice communities for participation in the pilot replacement program. Data indicates that a significant portion of old high-polluting vehicles are operated in these communities. In order to ensure that EFMP incentive dollars are spent in the communities of most need, the District proposes to eliminate the incentives for these two categories while maintaining the option for Above Moderate Income to participate in the Alternative Transportation Mobility Option. There are existing incentive programs that would provide comparable incentive levels to the values proposed for Plug-In Hybrid and Zero Emission Vehicles. Residents interested in funding for plug-in hybrid or electric vehicle funding would be directed to state and local incentive programs designated for these types of vehicles. In addition, CARB could revise CVRP guidelines to allow for additional incentives for consumers who retire their existing vehicles.

In the November 2013 CARB staff report detailing issues with the previous EFMP guidelines CARB indicates that "the program is overly complicated, highly bureaucratic, and monetary incentives offered are too low." By implementing the suggestions noted above CARB has an opportunity to make the program more attractive to participants by offering an increased incentive compared to previous proposals, reduce the complication of the program by removing barriers to participation and ensure that

requirements of recent legislation are met by focusing this funding on low income and Environmental Justice areas. As we have seen with our PASS program and the recent pilot program, developing a program with minimal hoops to jump through will allow the greatest amount of participation. Even minimal requirements cause applicants to drop out of the process so focusing on a few basic requirements will result in the most successful and efficient program. Adding fuel efficiency requirements and multiple income classifications with various incentive amounts will only lead to confusion and reduce participation in the program.

These proposed changes to the program will allow for the greatest amount of flexibility for consumers to determine the vehicle that meets the needs of their family without losing the air quality benefits needed for the District to reach state and federal attainment requirements.

We appreciate the opportunity to provide comments on the proposed guidelines and look forward to implementing EFMP in the San Joaquin Valley. If you have any questions, please do not hesitate to contact Mr. Todd DeYoung of my staff at (559) 230-6000.

Sincerely,



Seyed Sadredin
Executive Director/APCO