



Steering Committee:

Coalition for Clean Air
Communities for a Better Environment
Environment California
The Greenlining Institute
Natural Resources Defense Council

TO: California Air Resources Board
FROM: Charge Ahead California Campaign
DATE: June 18, 2015
RE: Comments on FY 2015-16 Funding Plan for Low Carbon Transportation Investments and the Air Quality Improvement Program (“AQIP”)

I. Introduction

The Charge Ahead California Steering Committee (“Charge Ahead California”) provides comments to the “Proposed Fiscal Year 2015-16 Funding Plan for Low Carbon Transportation Investments and the Air Quality Improvement Program” released May 21, 2015 (the “Proposed Funding Plan”).

The Proposed Funding Plan is an important step toward meeting the directives in the Charge Ahead California Initiative established by Senate Bill 1275 (de León, 2014) (“SB 1275”).

Charge Ahead California commends the California Air Resources Board (“CARB”) for taking the initiative to include several funding priorities in support of SB 1275 objectives, including:

- Adding a new pilot project to create van pooling for Central Valley agricultural workers
- \$37M for equity programs
- \$167M for medium/heavy duty vehicles
- Introducing larger purchase rebates for low- and moderate-income consumers

The comments below are Charge Ahead California’s recommendations to CARB on how to improve the Proposed Funding Plan to ensure it meets SB 1275 mandates.

SB 1275 directs CARB to adopt revisions to the Clean Vehicle Rebate Project (“CVRP”) by June 30, 2015 pursuant to the following objectives: (1) Rebate levels can be phased down in increments based on cumulative sales levels as determined by CARB; (2) Consideration of the conversion to prequalification and point-of-sale rebates or other methods to increase participation rates; (3) Eligibility is limited based on income. Below, we comment on how the Proposed Funding Plan complies with those three statutory directives and provide additional recommendations to ensure disadvantaged, low-income, and moderate-income communities and consumers benefit from widespread electric transportation.

II. Charge Ahead California Comments

(1) Phase Down of Vehicle Rebates

Charge Ahead California supports the staff proposal to refrain from reducing CVRP rebates prematurely, as doing so could endanger progress toward the million-vehicle deployment goal established by SB 1275. The Charge Ahead California Initiative also set a goal of creating a self-sustaining market and directed CARB to conduct long-term planning to inform the phase down of rebates based on cumulative sales levels. The Proposed Funding Plan details appropriate metrics to evaluate in this effort and we look forward to working with CARB to develop the long-term strategy required by SB 1275 in the Fiscal Year 2016-17 AQIP/Low Carbon Transportation Funding Plan.

(2) Conversion to Prequalification or Point-of-Sale Rebates

The Proposed Funding Plan notes that staff considered converting CVRP to a pre-qualification or point-of-sale model to increase participation rates, as required by SB 1275, but determined it would not be feasible to effect such a change in this funding cycle. This delay would have a disproportionate impact on low- and moderate-income consumers. Charge Ahead California commends staff for proposing larger purchase rebates for low- and moderate-income consumers, which could further SB 1275's goal of ensuring zero and near-zero emission vehicles become a "viable mainstream option." However, we urge CARB to ensure that supplemental incentives for low- and moderate-income consumers are meaningfully accessible as the CVRP is modified pursuant to this Proposed Funding Plan.

The current CVRP implementation model requires consumers to apply for rebates after the point of purchase and wait for up to 90 days for checks to arrive in the mail. Wait times have generally been much shorter, and progress is continuing to be made in shortening them to a few weeks. However, many low- and moderate-income consumers cannot afford to wait at all and must be able to use the rebates to immediately offset acquisition costs (e.g., down payments in financed acquisitions or larger initial payments in lease acquisitions). In other words, under the current implementation model, the supplemental low- and moderate-income incentives could prove illusory for the consumers they are intended to benefit. Accordingly, Charge Ahead California recommends the following:

- Charge Ahead California recommends that CARB commit in the Proposed Funding Plan to making low- and moderate-income rebates accessible at the point of electric vehicle purchase as soon as possible, and no later than June 30, 2016.
- Charge Ahead California recommends that CARB immediately initiate a prequalification or point-of-sale rebate program for Enhanced Fleet Modernization Program ("EFMP") Plus-Up participants who have already been screened as part of their EFMP Plus-Up qualification process.
- Charge Ahead California recommends CARB consider additional solutions to ensure low- and moderate-income supplemental incentives are accessible in this funding plan cycle. To this end, Charge Ahead California provides the following concepts for CARB to consider:
 - Allow low- and moderate-income consumers to assign their rebates to dealers in the case of cash purchases or lenders in the case of financed or leased purchases.
 - Encourage lenders to replicate the "balloon payment" option developed to allow consumers to immediately realize the benefit of the federal tax incentives, regardless of when they purchase their vehicle. Under such a model, lenders would reduce down payments, loan amounts, or lease payments as if the rebate were immediately available and require a "balloon" monthly payment after the rebate is actually received by the consumer.

(3) Limiting Eligibility Based on Income

The Household Income Cap Should Be Reduced to Reserve Rebates for Those Influenced by Them

Charge Ahead California believes the CVRP household income cap level proposed by CARB is too high. CARB should select income cap levels that reflect SB 1275 objectives and priorities around market acceleration, cost effectiveness, and equity. As noted in the Proposed Funding Plan, it is critical that the income cap be set at a level “that targets incentives towards those likely to value the rebate most in deciding to make a [Zero-Emission Vehicle (“ZEV”)] purchase.”¹ CARB staff analysis reveals that a lower cap would conserve resources that could be used to put more ZEVs on the road by reserving incentives for consumers who are influenced by them.

The Proposed Funding Plan would limit CVRP eligibility to single-filers earning less than \$250,000 annually and households earning less than \$500,000 annually. Limiting eligibility to households earning less than \$400,000 would provide additional budget savings, while slowing sales by less than two percent, according to CARB staff analysis of survey data showing the vast majority of CVRP applicants with incomes in excess of those levels report they would have bought their cars without the CVRP rebate. Those budget savings could be used to fund the proposed supplemental low- and moderate-income incentives for more price sensitive consumers resulting in a net gain in total sales with the same total budget.

Purchasers of Fuel Cell Vehicles Should not Be Exempted from SB 1275’s Requirements

Charge Ahead California opposes the proposal to provide CVRP rebates to purchasers of fuel cell vehicles, regardless of their income. SB 1275 requires CARB to modify the CVRP to ensure eligibility is limited based on income. It does not restrict this directive based on powertrain technology. The proposed exemption for purchasers of fuel cell vehicles may not be legally permissible, and certainly violates the intent of SB 1275 to direct incentive dollars at those who are influenced by them.

The Proposed Funding Plan rationalizes the proposed exemption as a means to ensure fuel cell vehicles are placed on equal footing with battery electric vehicles (“BEVs”) when the CVRP began. However, the legal framework has changed since that time; the Charge Ahead California Initiative did not exist then, but it is now law. Furthermore, it is never too early to prevent the issuance of rebates that have little to no impact on purchase decisions. Exempting purchasers of fuel cell vehicles would also complicate the implementation of CVRP and the income cap.

(4) Supplemental Incentives for Low and Moderate Income Consumers

Charge Ahead California commends CARB for increasing rebate amounts for low- and moderate-income consumers. This is critical for increasing access to electric vehicles in low- and moderate-income communities as mandated by SB 1275, and helping to reduce transportation emissions in communities exposed to the worst air quality in California. The proposed incentives for low- and moderate-income

¹ California Air Resources Board, *Proposed Fiscal Year 2015-16 Funding Plan for Low Carbon Transportation Investments and*

consumers should also ensure that households who must rely on personal vehicles to meet the majority of their transportation needs are able to displace significant amounts of petroleum fuels and enjoy significant operating cost savings.

As recommended above under “Conversion to Prequalification or Point-of-Sale Rebates,” CARB should identify programmatic changes and other strategies to ensure low- and moderate-income consumers can access these incentives.

(5) Disadvantaged Community Requirements

Zero-Emission Truck and Bus Pilot Projects in Disadvantaged Communities

We appreciate the fact that CARB for the first time is reserving some funding for investments that are located in disadvantaged communities, in compliance with Senate Bill 535 (de León, 2012) (“SB 535”). We recognize the importance of providing flexibility to fund a variety of projects to accelerate the deployment of zero-emission truck and bus technologies, but believe a higher requirement to deliver benefits to disadvantaged communities should be included in the Proposed Funding Plan, since those communities suffer the greatest impacts of heavy-duty diesel exhaust and have the least resources with which to mitigate its impacts.

In the heavy duty sector, we propose that 75 percent of total zero emission truck and bus pilot project funding be spent on projects for disadvantaged communities compared to the 50 percent proposed in the Proposed Funding Plan (and compared to 100 percent in the current year). Within the specific categories, 50 percent of bus funding should go to projects directly in disadvantaged communities, with an additional 25 percent benefiting those communities, and 25 percent of truck funding should go to projects directly in disadvantaged communities, with an additional 50 percent benefitting those communities.

Defining CVRP Benefits to Disadvantaged Communities

To the extent that funds in the Proposed Funding Plan will “benefit a disadvantaged community,” those funds, in addition to reducing air pollution, must provide multiple benefits. Charge Ahead California recommends that funds identified in the Proposed Funding Plan should be consistent with, but not limited to, the points made by the SB 535 Quad Coalition where funds should “directly and significantly address a need commonly identified by low-income populations such as reducing health disparities; lowering household costs of housing, transportation or energy; increasing family income, job readiness or career opportunities; or improving mobility and access to opportunity.”²

Charge Ahead California agrees with the SB 535 Coalition that CARB's interim guidelines for SB 535 compliance define benefits to disadvantaged communities too loosely, with the result that CARB is overestimating the percentage of CVRP funds that benefits those communities. We recommend that CARB adopt standards for benefits that will be recommended by the SB 535 Coalition during the guidelines finalization process.

(6) Heavy-Duty Vehicles and Off-Road Equipment

² SB 535 Quad, “Report on ARB’s Interim SB 535 Guidance & Recommendations for the Final Guidance” (May 2015).

We support the significant increase in funding for clean trucks, buses and off-road equipment, pursuant to Senate Bill 1204 (Lara/Pavley, 2014) (“SB 1204”), and the alignment of these programs with the Sustainable Freight Strategy. We support funding for zero and near-zero-emission vehicle technologies that have the potential to clean up the heavy-duty sector.

We support the increased Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (“HVIP”) incentives for clean vehicles in disadvantaged communities. We also support the staff proposal that HVIP vehicles be equipped with telematics devices, which will allow for verification of how often the vehicles are operating in disadvantaged communities. Charge Ahead California also agrees with the staff proposal to expand HVIP eligibility to zero-emission and hybrid vehicle conversions, as directed by SB 1204, a law that we strongly supported.

We endorse the targeting of zero-emission operation to disadvantaged communities and extreme non-attainment areas. Charge Ahead California supports funding for zero-emission school buses.

(7) Additional Comments in Support of SB 1275 Goals

Targets and Deadlines: Charge Ahead California recommends that CARB set targets for vehicle sales in disadvantaged communities. These targets should include deadlines. Charge Ahead California is committed to working with CARB staff to help scope appropriate target levels and deadlines during program implementation.

Metrics, Assessments, and Modifications: Charge Ahead California recommends that CARB build in criteria and metrics to assess and verify the progress of SB 1275 programs. In addition, Charge Ahead California recommends that CARB build in flexibility to modify programs as assessments are made. Potential modifications should include the ability to move money between programs depending on funding needs with an aim to accelerate progress toward the goals established by SB 1275 and to optimize the use of state resources.

Outreach Requirements: Charge Ahead California recommends that CARB require the same community outreach commitments in low- and moderate-income communities as part of the CVRP program as those that are required in the SB 1275 pilot programs. This includes required coordination with community-based organizations within the specific area where the program is being implemented in order to ensure that outreach materials and activities are prepared in appropriate languages, are designed to reach and engage low- and moderate-income communities, and that this information is conveyed by organizations that are trusted in the communities.

Expanding EFMP Plus-Up: Charge Ahead California strongly supports the significant expansion in funding for EFMP Plus-Up, as well as the expansion of the program to all air districts that meet its requirements.

Coordination with Electric Vehicle Charging Infrastructure Investments: Charge Ahead California urges CARB to coordinate with other state agencies, private businesses, local governments, and other entities engaged in electric vehicle charging station investments and planning in California in order to maximize the impact of state resources and ensure that charging station investments are consistent with electric vehicle investments and market uptake.

IV. Conclusion

Charge Ahead California commends CARB staff for the considerable effort required to draft the Proposed Funding Plan. With the modifications recommended above, we urge CARB to adopt the Proposed Funding Plan and continue progress toward the goals codified by SB 1275.