

AB 118: Enhanced Fleet Modernization Program
California Air Resources Board
Bureau of Automotive Repair

Initial Regulatory Concepts for Discussion at
September 2, 2008 Public Workshop

August 2008

Introduction

The purpose of this document is to receive public comment on initial regulatory concepts for a new program to reduce emissions through the voluntary early retirement of motor vehicles. The initial concepts will be presented at a public workshop scheduled for September 2, 2008, at the Cal/EPA Headquarters Building in Sacramento, California. Those wishing to comment may do so either in person at the workshop or by contacting Air Resources Board (ARB) staff, noted below, before or after the workshop (by September 12th).

Background

In October 2007, Governor Schwarzenegger signed AB 118 (Nunez) into law. AB 118 provides approximately \$200 million annually through 2015 for three new programs to fund air quality improvement projects and develop and deploy technology and alternative and renewable fuels. The bill creates new funding for the programs via increases to the smog abatement, vehicle registration, and vessel registration fees. One of the three programs, the Enhanced Fleet Modernization Program (EFMP), is a new vehicle scrap program that is to be developed by the ARB in consultation with the Bureau of Automotive Repair (BAR). The program will be administered by BAR, beginning January 1, 2010. A copy of the bill language related to the EFMP is provided as an attachment.

Voluntary vehicle retirement programs provide benefits by removing older, more polluting vehicles that are still operational and have useful remaining life. The state currently provides \$1,000 through BAR's Consumer Assistance Program (CAP) for the retirement of vehicles that did not pass their most recent Smog Check. The objective of CAP is to provide options, both vehicle retirement and repair assistance, for Californians facing difficulties in registering their vehicles due to emissions-related issues resulting from a failing Smog Check.

Local air districts also administer programs that provide incentives to voluntarily retire older vehicles. District programs are referred to as voluntary accelerated vehicle retirement or "VAVR" programs. VAVR programs do not overlap with the state's CAP

since the vehicles participating in district programs are all outside of the registration renewal cycle and have to pass their Smog Check to be eligible.

The focus of the EFMP is to augment the existing state program by providing new funding (roughly \$30 million annually through 2015) to retire the highest polluting vehicles in the areas with the greatest air quality problems. The legislation also directs that the program consider flexible compensation related to the replacement of the vehicles being retired. This paper discusses the regulatory concepts and initial ideas now being considered by ARB and BAR staff.

Regulatory Concepts

By placing EFMP within Article 11 of the California Health and Safety Code, independent of the requirements of either the CAP or VAVR authorizing legislation, the Legislature provided increased flexibility in designing the new program (AB 118 directs that districts retain their authority to administer existing VAVR programs). The regulatory concepts below are designed to provide consistency with existing programs where possible while still addressing the specific directives contained within the legislation.

General Eligibility

- 1976 and newer model-year vehicles
- Passenger cars and light- and medium-duty trucks up to 10,000 pounds gross vehicle weight rating (GVWR)
- Vehicles to meet CAP functionality requirements
- Vehicles may be scrapped at any time (even outside of the biennial Smog Check process)
- Registered or operational proof in lieu of registration

Discussion: Consistent with CAP, staff proposes that all 1976 and newer model-year vehicles be eligible for voluntary retirement under EFMP. Staff proposes to increase the weight cut point for the existing program to 10,000 pounds GVWR. Doing so will increase the total number of eligible vehicles and respond to the bill language that medium-duty trucks be included.

CAP and VAVR programs require that all vehicles be registered for two years to show that they are operational at the time of retirement. AB 118 provides some flexibility by allowing that vehicles either be continuously registered for two years or otherwise proven to have been driven primarily in California for two years and not registered in any other state. For unregistered vehicles, staff proposes that proof of ownership and other documentation to show the vehicle has been driven in California for the last two years be provided as needed (e.g., insurance, repair receipts acceptable on case-by-case basis).

Consideration of Greatest Air Quality Impact

- Program available statewide
- Initial outreach campaign Statewide focused on vehicles registered in South Coast and San Joaquin Valley air districts
- Mailings to additional areas as necessary to ensure full utilization of funds

Discussion: AB 118 directs that the program be focused “where the greatest air quality impact can be identified.” Staff proposes that the program be statewide because the fee to establish the program is paid by all motorists upon vehicle registration. However, the proposal would provide directed mailings aimed at the South Coast and San Joaquin Valley to ensure that these areas, with the most severe air quality issues, are served to the greatest extent possible. Outreach would be expanded based on the availability of funds in a given year. While staff proposes to target 75 percent of the funds to South Coast and San Joaquin Valley, the actual percentage will be flexible to respond to program demand.

Base Incentive

- \$1,000 for vehicles 18 years and older
- \$1,500 for vehicles less than 18 years

Discussion: The staff proposal would offer more money for newer vehicles as newer vehicles have greater remaining life and thus emission benefits. As such, additional incentives are appropriate. Currently, all vehicles eligible for CAP receive \$1,000 (however, efforts are underway to increase the amount to \$1,500 for newer vehicles). While one would assume that EFMP incentives would be higher than CAP since failing vehicles have less intrinsic value, providing consistent base incentives allows program clarity with the public.

Targeted Vehicles

- Top percentages of vehicles based on likely high emitter data
- Data includes vehicle age/remaining life
- Vehicles failing Smog Check but not eligible for CAP

Discussion: Staff proposes to identify likely “high polluting” vehicles through the use of a database administered by BAR. Owners of vehicles with the greatest potential for having the highest emissions would be the focus of the outreach campaign for this program and be eligible for additional incentives for the purchase of a newer cleaner vehicle. The data used would consider both vehicle emissions and useful remaining life to ensure the greatest benefits. Targeted vehicles would include those that fail Smog Check but for some reason are not eligible under CAP.

Vouchers for replacement vehicles

- Additional incentives for purchase of a LEV II-certified (MY2004+) vehicle
- Administered through local air districts
- Initial South Coast and San Joaquin Valley pilot program
- Work with other districts to establish voucher system
- New or used vehicle purchases through commercial car dealerships

Discussion: To encourage that replacement vehicles be significantly cleaner than average, staff proposes that an additional incentive or voucher be made available for participants in the South Coast and San Joaquin Valley purchasing clean vehicles. Vouchers would be good only at participating dealers for the purchase of vehicles certified to the Low Emission Vehicle II Program (model-year 2004 and newer). As experience with the voucher program is gained, staff expects that other major urban areas would be included. The voucher amount would be determined after considering cost-effectiveness and market issues.

Consideration of Impacts on Low-Income Populations

- Additional \$500 voucher amount toward replacement vehicle for income-eligible participants
- Low-income eligibility criteria consistent with existing eligibility determination and repair assistance option of CAP (i.e., 225 percent of federal poverty limit; would be adjusted if legislation changes definition)

Discussion: Staff proposes that an additional \$500 be provided to income-eligible participants as part of the voucher system. The same criteria currently used by CAP would be used to determine low-income eligibility.

Cost-Effectiveness

- Moyer cost-effectiveness limits used a guide

Discussion: Cost-effectiveness is a metric used by the Carl Moyer Program to ensure that state funds are well spent and achieve the maximum air quality benefit. The current limit per Moyer is \$16,000 per weighted ton of hydrocarbon, oxides of nitrogen and particulate matter reduced. AB 118 directs that cost-effectiveness be considered but does not specify a cost-effectiveness limit.

Staff Contacts

If you have questions or would like to provide comments, please call Tom Evashenk, Air Resources Engineer, at (916) 445-8811 or by email at tevashen@arb.ca.gov, or Tess Sicat, Manager, at (626) 459-4435 or by email at tsicat@arb.ca.gov.

Attachment

Excerpts from AB 118 (Chapter 750, Statutes of 2007)

SEC. 4. Article 11 (commencing with Section 44125) is added to Chapter 5 of Part 5 of Division 26 of the Health and Safety Code, to read:

Article 11. Enhanced Fleet Modernization Program

44125. (a) No later than July 1, 2009, the state board, in consultation with the Bureau of Automotive Repair (BAR), shall adopt a program to commence on January 1, 2010, that allows for the voluntarily retirement of passenger vehicles and light-duty and medium-duty trucks that are high polluters. The program shall be administered by the BAR pursuant to guidelines adopted by the state board.

(b) The guidelines shall ensure all of the following:

(1) Vehicles retired pursuant to the program are permanently removed from operation and retired at a dismantler under contract with the BAR.

(2) Districts retain their authority to administer vehicle retirement programs otherwise authorized under law.

(3) The program is available for high polluting passenger vehicles and light-duty and medium-duty trucks that have been continuously registered in California for two years prior to acceptance into the program or otherwise proven to have been driven primarily in California for the last two years and have not been registered in any other state or country in the last two years.

(4) The program is focused where the greatest air quality impact can be identified.

(5) Compensation levels for retired vehicles are flexible, taking into account factors including, but not limited to, the age of the vehicle, the emission benefits of the vehicle's retirement, the emissions impact of any replacement vehicle, and the location of vehicles in areas of the state with the poorest air quality.

(6) Cost-effectiveness and impacts on disadvantaged and low-income populations are considered.

44126. The Enhanced Fleet Modernization Subaccount is hereby created in the High Polluter Removal and Repair Account. All moneys deposited in the subaccount shall be available to the department and the BAR, upon appropriation by the Legislature, to establish and implement the program created pursuant to this article.