

**State of California
California Environmental Protection Agency**

AIR RESOURCES BOARD

GUIDELINES FOR

**A ZERO EMISSION VEHICLE INCENTIVE PROGRAM
PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 44260-44265
(AB 2061, Statutes of 2000, Lowenthal)**



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Prepared By:



ZEV Implementation Section
Mobile Source Control Division

Analisa Bevan, Manager

Contributing Staff

Lisa Kasper
Gayle Sweigert
Judy Yee

Victoria Davis
Office of Legal Affairs

With Review By:

California Energy Commission

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CHAPTER I.

INTRODUCTION

Zero emission vehicles (ZEVs) are an integral part of California's efforts to meet health-based air quality standards. Incentives for the purchase of new ZEVs are an important element in the effort to commercialize ZEVs.

This report presents guidelines for the implementation of the ZEV Incentive Program. The ZEV Incentive Program is the result of Assembly Bill 2061 (AB 2061) which was sponsored by Assemblyman Alan Lowenthal of Long Beach and signed by Governor Gray Davis on September 30, 2000 (See Appendix A). This program will provide a total of \$18 million in grants to reduce the incremental cost of new ZEVs over the next three years. Individual grants totaling up to \$9,000 may be provided in three allotments over a 36-month period. These grants are available to qualified private and public consumers who purchase or lease a new ZEV between October 1, 2000, and December 31, 2002.

\$18 million is available for grants. All of the funds will be used for grants, and none will be used for program administration. If each recipient is awarded the full \$9,000, this program would support 2,000 vehicles.

The purpose of the program is to make the price of a full-service electric vehicle comparable to that of a conventionally fueled vehicle, spurring the electric vehicle market in California. This is important for supporting a critical ramp-up period needed for the 2003 ZEV requirement.

The program will be developed and administered by the California Air Resources Board (Board or ARB) in conjunction with the State Energy Resources Conservation and Development Commission (Energy Commission or CEC). The guidelines establish the administrative process and vehicle eligibility. At a December 7, 2000 public meeting, the Board considered and approved staff's proposed guidelines, with some modifications, with Resolution 00-38, (See Appendix B). With Board approval of the guidelines, ARB staff has implemented the program almost immediately. A timetable for implementation of the program is shown in Table 1, below. ARB, CEC, the local air quality management and air pollution control districts (local air districts or districts), and bill proponents are committed to a quick, successful implementation of the program.

Table 1
Timetable for AB 2061 Implementation

December 7, 2000	ARB public meeting to consider approval of guidelines.
December 15, 2000	Target date to begin taking applications
February 1, 2001	Target date to begin distribution of grants.

A. Background

Air quality in California has improved dramatically over the past 25 years, largely due to continued progress in controlling pollution from motor vehicles. Faced with ever more stringent regulations, vehicle manufacturers have made remarkable advances in vehicle technology. Several thousand zero-emission vehicles (battery-electric vehicles) are now in everyday service on California roads, and the latest conventional internal combustion engine vehicles achieve emission levels that seemed impossible just a few short years ago.

Despite this progress, however, air quality in many areas of the state still does not meet federal or state health-based ambient air quality standards. Mobile sources still are responsible for well over half the ozone-forming emissions in California, and passenger cars and small trucks are responsible for a significant portion of the mobile source contribution. State and federal law requires the implementation of control strategies to attain ambient air quality standards as quickly as practicable.

B. Air Resources Board's Zero Emission Vehicle Program

In 1990, the ARB adopted the Zero Emission Vehicle (ZEV) program as part of the Low Emission Vehicle regulations. The ZEV program is an integral part of California's mobile source control efforts, and is intended to create a market for advanced technologies that will secure increasing air quality benefits for California now and into the future. ZEVs have significant long-term benefits because they have no emission control equipment that can deteriorate or fail, and generate only minimal "upstream" refueling and fuel cycle emissions.

ZEVs also have the capability to provide comprehensive energy benefits. High-efficiency ZEVs result in significant reductions in emissions of carbon dioxide (CO₂) and other greenhouse gases. Vehicles powered by grid electricity will increase the diversity of California's fuel supply and reduce our dependence on imported oil. In addition, electric drive vehicles have the potential to be powered by renewable sources of energy such as wind, hydropower, or solar energy.

At its September 2000 meeting, the Air Resources Board unanimously adopted a resolution affirming that the ZEV program is an essential component of the State's long-term air quality strategy. Staff was directed to review the regulation and propose appropriate modifications to address issues such as the current lack of ZEV availability/ramp-up, market demand, public education, infrastructure needs, manufacturer costs and incentives to assure successful penetration of ZEVs into the market. ARB staff returned to the Board with its recommendations on how to address these issues on January 25, 2001.

C. Need for Incentives

One way to address vehicle cost is by using government incentives. Incentives are commonly used to promote the introduction of new technology that will benefit society. Because ZEVs are a relatively new technology and are currently produced in limited quantities, they are more expensive than conventional vehicles. To enhance vehicle marketability in the near term and to assist in the transition to large volume production, it is vital to provide support, both monetary and non-monetary, in the form of vehicle and infrastructure incentives.

CHAPTER II.

PROGRAM ADMINISTRATION

This chapter provides staff's recommendations for how the program should be administered. Specifically, this chapter outlines roles and responsibilities of the Program Manager, how the program will operate from the consumer's perspective, including how consumers will get information about the program, how they will apply for grants and how grants will be distributed.

A. Program Administration

The enabling legislation, AB 2061, specifies that ARB will administer the program in consultation with the Energy Commission. In addition, the legislation provides the opportunity for air districts to voluntarily administer the program within their jurisdiction.

ARB has the primary responsibility for administering the program. In developing the proposed guidelines, ARB staff has consulted with the CEC, local air districts, legislative bill sponsors, automakers and other stakeholders in the development of this program. Coordination among all parties is essential for an effective, seamless, consumer-friendly program.

Air districts may voluntarily administer the grant program within their jurisdiction. However, air districts must use the guidelines adopted by ARB, including the forms in Appendix B. In addition, AB 2061 does not provide any funds to either ARB or air districts to administer the program.

An air district interested in administering the program should submit a letter to the Program Manager, signed by the Air Pollution Control Officer, stating the district's desire to administer the program. This letter should identify district staff who will be responsible for the program, and whether the district will augment these funds. The Program Manager will work with each interested district to assist it in developing its program, and will develop a mechanism for the transfer of grant funds. Districts administering the program will be responsible for approving all applications, allocating grant funds, providing documentation to ARB, and verifying vehicle registration in subsequent years.

B. Energy Commission and Air District Incentive Programs

Vehicle "buy-down" incentives are currently available in many areas of the State. In the South Coast, these incentives are provided by the Mobile Source Air Pollution Reduction Committee (MSRC). In the rest of the State, these incentives are co-funded by CEC, and available in air districts that provide matching funds. These buy-down incentives reduce the capitalized cost of the ZEV, and the lease payments are recalculated on the reduced cost of the

vehicle. The incentives, while awarded to the consumer, are transferred through the lessor. These incentives are available for vehicles that meet specific performance criteria and are certified to applicable Federal Motor Vehicle Safety Standards (FMVSS).

Since 1996, the CEC has partnered with local air districts and automakers to provide zero-emission vehicle buy-down and infrastructure incentives for vehicles leased or purchased. As a result, the CEC has gained valuable knowledge and experience in the elements necessary to conduct a successful statewide incentive program and is developing an expanded pilot incentive program with \$5 million in funding from the Governor's 2000/2001 budget. This new efficiency-based program is designed to create a statewide market-based program that will provide incentives and information on comparable vehicle technologies for all vehicle technologies and class types including ZEVs. This program will potentially include a variety of efficient vehicle types such as hybrid electric vehicles and alternatively fueled vehicles.

Close coordination between the administration of ZEV Incentive Program and the new Efficient Vehicle Program is critical.

C. Coordination Between Incentive Programs

The ARB, CEC and local air districts are working towards a statewide coordinated vehicle incentive program that can be implemented through a single, seamless application process. Staff recommends that coordination of incentive programs be achieved through on-going communication and cooperative development of public information products.

Implementation of the ZEV Incentive Program will include establishment of an ongoing Working Group. This group may be formed as an extension or expansion of existing air district incentive program working groups if appropriate. This Working Group will be composed of interested air districts, the MSRC, CEC, the Department of General Services' Office of Fleet Administration (DGS), legislative bill sponsors, automakers and other interested parties. The Working Group will meet quarterly to discuss the status of the program, implementation issues, and share information. One of the goals of the Working Group is to ensure that all entities have the most up to date information on incentive programs and to ensure that the public receives complete and accurate information about all incentive opportunities available.

It is important that information on all incentive programs be centrally available at a web site, www.zevinfo.com, in addition to the information provided by the ARB, CEC, air district, DGS (for public agencies), and other web sites. The website www.zevinfo.com is likely to be the easiest for a consumer to use, as it is primarily established to provide easy and up-to-date information on just zero emission vehicles, their availability, attributes, incentives and benefits. Many consumers

find it more difficult and time-consuming to navigate government web sites that contain information on a wide variety of programs and issues.

The web site www.zevinfo.com will allow potential consumers to indicate the type of vehicle they are interested in purchasing or buying and the city where they live; and then the consumer would be given specific information on eligibility and how to apply, including the ability to download the application and instructions. Links to appropriate web sites to obtain additional information as well as e-mail links to program staff that can provide assistance would also be included along with a listing of dealers who sell or lease ZEVs. In addition, the customary MSRP and lease price for each ZEV will be posted on the web site to give consumers a baseline price for the vehicles. Staff has a multitude of ideas about additional ways that www.zevinfo.com can be designed to assist dealers and customers.

Information will also be available through ARB's 1-800-END-SMOG information line. Operators of the 1-800-END-SMOG line will use the www.zevinfo.com web site to provide information about available incentive programs and direct callers to the appropriate staff person at the ARB, CEC, or local air district.

D. Program Manager

The statewide ZEV Incentive Program will be administered by an ARB Program Manager. The Program Manager will be responsible for administering the program in a manner consistent with the guidelines adopted by the Board.

The duties of the Program Manager will include, but not be limited to the following:

- ◆ Review applications for eligibility
- ◆ Approve or disapprove grant applications
- ◆ Verify that all required information has been submitted prior to grant distribution
- ◆ Authorize grant distribution
- ◆ Track program status, including funding allocation
- ◆ Submit quarterly reports on program status to the Executive Officer
- ◆ Recommend changes to the guidelines, as needed
- ◆ Prepare outreach and educational materials
- ◆ Work with CEC, local air districts, MSRC, and DGS to ensure consistent implementation of the program throughout the State
- ◆ Provide information, upon request, to individuals or organizations that wish to appeal a grant denial to the Executive Officer
- ◆ Coordinate with CEC, MSRC, air districts, DGS and vehicle dealers to assist the buyer in receiving all other incentives that may apply to the vehicle (buy-down, infrastructure, etc).

E. Overview: Grant Payment Process

Staff has structured the application process so that consumers can assign the grant to a participating lessor or receive the grant payments directly from the ARB.

At any time, a potential consumer can access the web site www.zevinfo.com or 1-800-END-SMOG to get information on program eligibility. Both of these resources will be designed to assist consumers with their purchase or lease decisions. Information will be provided on the amount of total funding available, vehicle eligibility, and the maximum grant that is available for each qualified vehicle. This information will be updated on a weekly basis. Information on vehicle sales contacts, as well as staff at local air districts, CEC, and DGS will also be provided to ensure that prospective consumers are able to get as much assistance as needed to facilitate their participation in the program.

1. Assignment of Grant to Participating Lessors

The grant assignment option is a mechanism that allows consumers to sign over the grant to the lessor in exchange for a lower monthly lease price. In order to assign the grant to the participating lessor, the vehicle must be leased, not purchased. It would also be an option for vehicles that are leased with an option to buy at the end of the lease period, if the lease period is at least 36 months. This transaction would be handled by the lessor for the consumer. This option would result in the entire grant going directly to the lessor. The lessor would reduce the capitalized cost of the ZEV by the entire grant amount. It is anticipated that most consumers will find this the easiest option to use.

At the time of the lease transaction, a lessor (or authorized representative) would contact the Program Manager for a voucher number for the qualifying vehicle using a phone number established by the Program Manager. Each voucher number will represent the total grant amount for the qualifying vehicle. Obtaining this voucher number would constitute a "pre-authorization" of grant approval. To simplify the process, the voucher number will be provided to the by the Program Manager either on the phone or by fax. It is the responsibility of the Program Manager to ensure that the applicant is qualified under the program. A voucher number will guarantee that the lessor will receive the total grant amount, provided that the lease is executed with the applicant and the required documentation is submitted.

Once a voucher number has been issued, the consumer can complete the lease agreement. The lessor will reduce the lease obligation by the total grant amount. The lessor will submit the completed application, which has been signed by both the applicant and lessor, along with an Assignment of Grant Form that is included in Appendix C. The applicant must also check and initial the box on the application form indicating that he or she has assigned the grant benefits to the

lessor. Lessors can also use their own grant assignment form, as long as it has been approved in advance by the Program Manager.

The lessor will submit the application to the Program Manager, along with the required documentation of the purchase or lease, such as a copy of the sales or lease contract, along with an itemization of discounts, incentives and credits received, and appropriate proof of temporary or permanent vehicle registration. Once the application with the valid voucher number and required documentation is received, a check for the total grant amount will be sent to the lessor. A voucher number assures the lessor that it will receive payment, as long as the lessor submits a complete application and the required supporting documentation.

2. Payment of Grant to Vehicle Lessee/Owner

A consumer who is purchasing or leasing a eligible ZEV can apply for direct payment of the grant which typically will be distributed in three allotments over a 36-month period.

At the time of, or following, the purchase or lease transaction, an applicant or sales/lessor representative would contact the Program Manager to receive a voucher number for the eligible vehicle. Each voucher number will represent the total grant amount for the eligible vehicle. Obtaining this voucher number would constitute a "pre-authorization" of grant approval. To simplify the process, the voucher number will be provided to the applicant or sales/lessor representative by the Program Manager either on the telephone or by fax. It is the responsibility of the Program Manager at this time to ensure that the applicant is qualified under the program. A voucher number will guarantee the applicant will receive the grant in three allotments over a 36-month period, provided that the purchase, or lease, is executed with the applicant and a complete application and the required supporting documentation is submitted.

Once a voucher number has been issued, the applicant will submit the application to the Program Manger, along with the required documentation of the purchase or lease, such as a copy of the sales or lease contract, along with an itemization of discounts, incentives and credits received, and appropriate proof of temporary or permanent vehicle registration. Once the application with the valid voucher number and required documentation is received, a check for the first grant allotment will be sent to the lessee. What a grant recipient must do to receive the second and third grant allotments is described Section 3. below.

This program is retroactive to October 1, 2000. Therefore, if an eligible ZEV has been purchased between October 1, 2000 and the date of program implementation, the applicant shall submit a completed application and required documentation to the Program Manager. In such cases, applicants do not need to obtain voucher numbers prior to submitting applications.

3. Distribution of 2nd and 3rd Grant Allotments

For those customers who receive grant payments directly and have not assigned the benefits to the lessor, the Program Manager is required to verify continued California vehicle registration to the grant recipient prior to making subsequent grant distributions. To simplify this process, the ARB Program Manager will send each grant recipient a reminder letter requesting that any changes in information be provided regarding vehicle ownership and owner address along with a copy of the current vehicle registration.

4. Annual Reports from Participating Lessors

The Program Manager will send a letter on a quarterly basis to participating lessors with grant assignments requesting status information on a specific list of vehicles that received grants at the beginning of the previous 12-month period. The Project Manager is requesting that information be provided for any changes in the status of the vehicle lease and vehicle lessees and addresses.

5. Assignment of Benefits to New Lessees/Owners.

As mentioned earlier, the intent of this program is to place ZEVs in the 2000-2002 timeframe and to reduce the cost of a ZEV over a 36-month period. With that said, the ARB realizes that some ZEVs may be sold or returned to a dealer within the 36-month period. Staff recommends that the grant remain with the vehicle if it is sold or re-leased. If this occurs, a new owner or lessee can request a continuation or transfer of the grant benefit.

For those vehicles that were leased under the assignment of grants option, the lessor will continue to provide the grant benefit in the form of reduced lease payments to the new customer who re-leases the vehicle. A lessor may, at its sole discretion, return the unused grant amount should it no longer wish to make the vehicle available for lease in California.

6. Statewide Availability

This grant is available statewide to all eligible consumers. However, ARB acknowledges that several areas of the State have taken many actions to become "EV Ready." Areas such as the South Coast, Bay Area, and Sacramento have made significant public investments in electric vehicle infrastructure and incentive programs. In particular, the MSRC has been a leader in this area. As a result of these programs, there now exists considerable unmet interest in electric vehicles. These are also the areas with some of the most challenging air quality problems.

The ARB encourages these "EV Ready" areas to continue their supportive activities such as infrastructure development, public education and buy-down incentives.

7. Appeal Process

If an applicant is denied a grant, the Program Manager will provide the applicant with the reason for the denial in writing. Any applicants who feel that they have been unfairly denied a grant may submit an appeal to the ARB Executive Officer. Such an appeal must be submitted to the ARB Executive Officer within 30 days of the date shown on the written denial letter. The appeal must be made in writing, and be signed by the applicant. Appeals made by e-mail, fax or phone will not be considered. A written response to the appeal will be provided by the ARB Executive Officer within 60 days of receipt.

CHAPTER III.

ELIGIBILITY CRITERIA

This chapter describes staff's plan for determining which applicants and vehicles are eligible for the grants provided by this program.

The program may only provide grants to individuals, local government, state agencies, nonprofit organizations, and private businesses purchasing or leasing an eligible ZEV. Federal agencies are not identified in the enabling legislation, AB 2061; therefore, federal agencies will not qualify as grant recipients and should not apply.

Vehicles must meet all of the criteria that are specified in Section B, below, to be considered eligible vehicles for the purposes of this program. Using the criteria specified in Section B, ARB staff has created an Initial List of Eligible Vehicle Models (See Appendix D). ARB will maintain the list of eligible vehicle models to reflect new additions, as they become available. A vehicle manufacturer will have the burden of providing sufficient information to ARB staff to make a determination regarding a vehicle model's eligibility.

Vehicles discussed below can be separated into three different categories. They include Full Function Electric Vehicles (FFEV), City Electric Vehicles (CEV) and Neighborhood Electric Vehicles (NEV). FFEVs are freeway capable, meet all FMVSS requirements, and have the same functionality as the typical passenger car or light-duty truck on the road. CEVs have some of the features of FFEVs, but are generally much smaller and exhibit lower vehicle performance; however, it is likely that CEVs will be eligible for the grant. NEVs are Low Speed Vehicles (LSV) as described in California Vehicle Code Section 22400. NEVs have a top speed of 25 miles per hour and are not permitted on roads with speed limits exceeding 35 miles per hour. NEVs are therefore not freeway capable and are not eligible for a grant.

A. Criteria for Applicant Eligibility

Per AB 2061, an applicant must meet one of the eligibility criteria listed below to qualify as a grant recipient:

- be an individual (i.e., a retail or private customer/consumer),
- be a local government entity or agency,
- be a state government entity or agency,
- be a nonprofit organization or,
- be a private business.

For a leased ZEV, ARB staff would clarify that the grant applicant shall be the person or entity financially responsible for registration of the vehicle.

B. Criteria for Vehicle Eligibility

A qualified recipient may be provided with a maximum available grant for a new zero emission light-duty car or truck eligible for the program.¹ In order to be eligible to receive a grant, a zero emission vehicle shall meet all of the following criteria:

- be purchased or leased on or after October 1, 2000, and on or before December 31, 2002;
- be registered with the Department of Motor Vehicles (DMV) for use in this state;
- meet all applicable federal and state safety standards, or, if the vehicle is to be utilized solely for a demonstration program, have received the applicable waivers from the National Highway Traffic Safety Administration; in the case where vehicles of a particular vehicle model are to be utilized solely for a demonstration project, have the applicable waivers for those vehicles from the National Highway Traffic Safety Administration (NHTSA)
- be capable of operation on the freeway, as determined by the ARB, in conjunction with the CEC; and
- any other criteria established by the ARB.

1. New Vehicle

To be eligible, the vehicle shall be a new vehicle as defined in Section 430 of the California Vehicle Code², except one circumstance provided for by AB 2061. For purpose of this program, AB 2061 specifies that “new zero emission vehicle” shall include previously leased vehicles that have been determined by the ARB to have been substantially upgraded with new technologies, including, but not necessarily limited to, advanced batteries or power electronics. What would constitute a substantial upgrade with new technologies will be addressed below.

2. Zero Emission Light-Duty Car or Truck

To be eligible, the vehicle must be a zero emission light-duty car or a zero emission light-duty truck. For purposes of this program, a zero emission light-duty car shall be a vehicle in the vehicle class passenger car and a model that

¹ The maximum available grant for any qualified recipient, as determined by the state board, shall be an amount equal to 90 percent of the incremental cost above one thousand (\$1,000) of a new zero emission light-duty car or truck eligible for the program.

² Per Section 430 of the California Vehicle Code, a "new vehicle" is a vehicle constructed entirely from new parts that have never been the subject of a retail sale, or registered with the department, or registered with the appropriate agency or authority of any other state, District of Columbia, territory or possession of the United States, or foreign State, province, or country.

ARB has certified as a Zero Emission Vehicle. A zero emission light-duty truck shall be a vehicle in the vehicle class light-duty truck and a model that is ARB has certified as a Zero Emission Vehicle.

For a vehicle model that is not yet ARB-certified as a Zero Emission Vehicle, the manufacturer may apply to ARB for the necessary certification. It is ARB staff's experience that the approval process typically takes two to four weeks, provided a complete application with the results of applicable test procedures³ is submitted.

For the purposes of this program, a vehicle in a vehicle class other than passenger car and light-duty truck shall not be considered an eligible vehicle. Therefore, a vehicle that is classified as a motorcycle, a medium-duty vehicle, or a heavy-duty vehicle would not be an eligible vehicle.

3. Date of Purchase or Lease

To be eligible, the vehicle must be purchased or leased on or after October 1, 2000, and on or before December 31, 2002. For purposes of this program, the date of purchase shall be the day of sale. A sale is deemed completed and consummated when the purchaser of the vehicle has paid the purchase price, or, in lieu thereof, has signed a purchase contract or security agreement, and taken physical possession or delivery of the vehicle. For purposes of this program, a vehicle shall be deemed to be leased on the date upon which the lease of the vehicle commences, as specified in a signed lease agreement.

4. Registration with the Department of Motor Vehicles for Use In California

To be eligible, the vehicle must be registered with the Department of Motor Vehicles for use in California. The appropriate proof of temporary or permanent vehicle registration must be submitted with the grant application.

5. Applicable Federal and State Safety Standards

It is the responsibility of the vehicle manufacturer to provide ARB with a written statement and documentation regarding whether, or not, vehicles of a particular vehicle model meet all applicable federal and state safety standards, including any applicable Federal Motor Vehicle Safety Standards (FMVSS). If a written statement and documentation have been previously provided to ARB in the course of applying for ARB approval/certification of the vehicle model, no additional written statement is required.

³ The results of tests specified in, and in conformance with, "California Exhaust Emission Standards and Test Procedures for 2003 and Subsequent Model Zero-Emission Vehicles, and 2001 and Subsequent Model Hybrid Electric Vehicles, in the Passenger Car, Light- Duty Truck and Medium-Duty Vehicle Classes, Adopted August 5, 1999."

In the case where vehicles of a particular vehicle model are to be utilized solely for a demonstration project, the written statement must include documentation that the applicable waivers for those vehicles have been received, from the NHTSA or that the manufacturer has submitted the appropriate applications, or required notifications to NHTSA.⁴

6. Capable of Operation on the Freeway

For the purpose of this program, the ARB may request a vehicle manufacturer to provide a written statement on whether, or not, vehicles of a particular vehicle model are capable of operation on the freeway. Per California Vehicle Code Section 22400 (Minimum Speed Law), no person shall drive upon a highway at such a slow speed as to impede or block the normal and reasonable movement of traffic. In order for a vehicle to be considered capable of operation on a freeway, it must be in compliance with California Vehicle Code Section 22400. Therefore, NEVs are not eligible for this grant. CEVs may be considered freeway capable assuming they are not subject to any of the circumstances listed below.

A vehicle shall be presumed not capable of operation on the freeway if any one of the following circumstances apply:

- the vehicle is a low-speed vehicle as defined by Section 385.5 of the California Vehicle Code;
- the vehicle is prohibited by law from being operated on the freeway or is only capable of limited operation on the freeway;
- the manufacturer has required, or will require, the purchaser or lessee to sign an agreement that limits, or prevents, the operation of the vehicle on the freeway; or
- there is a written manufacturer's statement or recommendation (which can include the owner's manual for the vehicle) that the vehicle should not be operated on the freeway or should have limited operation on the freeway.

7. Previously Leased Vehicle that has been Substantially Upgraded with New Technologies

ARB will determine on a case-by-case basis whether or not a previously leased vehicle has been substantially upgraded with new technologies and may be an eligible vehicle for the purposes of this program. An eligible previously leased vehicle shall not include a vehicle that is currently owned, or has previously been owned, by a person, or entity that is not the vehicle manufacturer, an authorized dealer, or their financing company. Previously leased vehicles that have been

⁴ The application or notification required by applicable FMVSS including Part 555 –Temporary Exemptions from Motor Vehicle Safety Standards (Effective 1-29-73) and Part 591- Importation of Vehicles and Equipment Subject to Federal Safety, Bumper and Theft Prevention Standards (Effective 3-28-90).

substantially upgraded may be eligible to receive up to \$9,000 depending on their incremental cost as determined by the CEC.

New technologies include, but are not limited to, advanced batteries or power electronics. For purposes of this program, replacement of spent batteries with batteries of equivalent performance or application of upgrades that do not provide substantial increase in battery or vehicle performance will not be considered substantial upgrades with new technologies.

For purposes of this program, only the vehicle manufacturer or an authorized dealer/service provider may perform the upgrades to the vehicle. The vehicle manufacturer is encouraged to submit, as expeditiously as possible, sufficient information to enable ARB to determine if a substantial upgrade with new technologies has been, or will be, made to a previously leased vehicle. Only one submittal of information is required if the manufacturer has made, or plans to make, essentially the same upgrade to one or more previously leased vehicles of the same vehicle model. The submittal must be made in writing to the ARB and must include, at a minimum, the following information:

- a summary description of the changes that have been, or will be, made and the effect the changes will have on battery and vehicle performance, operation or durability;
- for battery upgrades, include whr/kg, w/kg and manufacturer's estimated cycle life specifications for the battery modules to be installed as well as those to be replaced;
- for drive systems, provide manufacturer's specifications including peak and continuous power rating of the new and replaced drive systems;
- a list of the parts/components replaced or to be replaced, and the retail value of such parts/components, if new;
- a list of the new parts/components installed or to be installed, and the retail value of each part/component;
- the manufacturer's total cost to upgrade the vehicle, with parts, labor and overhead cost identified;
- the retail value of the previously leased vehicle before the upgrade and the retail value when the vehicle was new; and
- a comparison of the retail value of the upgraded vehicle to the retail value of a comparable new vehicle.

CHAPTER IV.

INCENTIVE STRUCTURE

This chapter describes staff's plan for distributing the grant and how the amount of the grant will be calculated.

A. Distribution of Assigned Grants for Leased Vehicles

If the grant recipient has assigned the grant to the vehicle lessor, the entire grant amount will be provided to the lessor, or to the lessor's financing company. The Program Manager will work with a participating lessor to establish mutually agreeable procedures and schedules for submitting grant applications and grant distribution requests and making the grant distributions. However, grant distributions shall be made by the Program Manager no less frequently than quarterly, except if the lessor requests otherwise.

B. Distribution of Grants for Purchased Vehicles and Non-Assigned Grants for Leased Vehicles

Typically, the grant for an eligible vehicle will be distributed to the qualified recipient in three equal allotments, one allotment for each of the first, second and third 12-month periods, if applicable, after vehicle purchase or lease.⁵ The monies for the second and third allotments, if applicable, shall be reserved and disbursed as early as practicable in the second and third 12-month periods, respectively. The reserved monies will be released and made available for other eligible vehicles if the required documentation and verification for grant distribution is not received within the applicable 12-month period.

The three grant allotments shall be distributed in the following manner:

- Up to \$3,000 of the grant will be provided for the first 12-month period of the purchase or lease. The distribution of this first allotment of the grant will be made as soon as possible, but no later than 60 days, after receipt and verification of the documentation required for approval of the grant application.
- Up to \$3,000 of the grant remaining will be provided for the second 12-month period after vehicle purchase or lease. The release of this second allotment of the grant will be made as soon as possible after receipt and verification of any required documentation establishing continued eligibility of the vehicle for purposes of this program. Such documentation must be submitted during the second 12-month period.

⁵For a vehicle lease term of 24 months or less, but more than 12 months, the grant will be made in two equal allotments.

- Up to \$3,000 of the grant remaining will be provided for the third 12-month period after vehicle purchase or lease. The distribution of this third and final allotment of the grant will be made as soon as possible after receipt and verification of any required documentation. Such documentation must be submitted during the third 12-month period.

Each of the three grant allotments will be equal to one third of the grant. For example, If the grant is \$9,000, then each allotment will be \$3,000. If the grant amount is calculated to be \$6,000, then each allotment will be \$2,000. If the grant is \$3,000, then each allotment will be \$1,000.

C. Grant Calculation

AB 2061 specifies that the "maximum available grant" for any qualified recipient shall be the amount equal to 90 percent of the incremental cost of the vehicle above one thousand dollars. AB2061 further specifies that up to \$3,000 of the available grant funds may be provided for each of the first, second and third 12-month periods of the lease or purchase of vehicle.

AB 2061 defines the incremental cost as the amount determined by the CEC as the reasonable difference between the cost of the zero-emission vehicle and the cost of a comparable gasoline or diesel-fueled vehicle. CEC staff will provide ARB staff with a description of its methodology for determining the reasonable incremental costs of an eligible vehicle model and a list of incremental cost determinations for existing eligible vehicle models.⁶

The ARB will establish a maximum grant for each eligible vehicle model. The maximum grant shall be equal to "the maximum available grant", up to \$9,000, except if a vehicle is leased for less than 36 months. If a vehicle is leased for less than 36 months, the maximum grant shall be equal to "the maximum available grant", up to \$9,000, multiplied by the lease term in months and divided by 36 months. The ARB will include the information on the maximum grant for each eligible vehicle model in its List of Eligible Vehicle Models (See Appendix D.). As provided for in this program's enabling legislation, local air districts may augment the grant.

It will be a challenge to determine the incremental cost of a previously leased vehicle that has been substantially upgraded with new technologies. The vehicle manufacturers of such vehicles are encouraged to work cooperatively with CEC and ARB to arrive at an appropriate incremental cost.

⁶ Currently, the CEC determines a similar incremental cost of electric vehicles for use in the AB 1782 program.

CHAPTER V.

SUMMARY

In summary, the incentive program provided by AB 2061 is a positive step towards supporting the ZEV market in California. It provides a total of \$18 million in grants to reduce the incremental cost of new ZEVs over the next three years. ZEVs will be more affordable for the general public, state and local government agencies, and private fleets.

Incentive programs such as the one created by AB 2061 are essential to increase sales volumes and reduce the cost of ZEVs. This program may also encourage manufacturers to increase the numbers of electric vehicles available between the years 2000-2002. This is important for developing the momentum necessary to support the 2003 market.

However, AB 2061 alone will not achieve all of our goals. Other incentives such as access to high occupancy vehicle lanes, decreased vehicle license fees, and preferential parking are also valuable for making ZEVs more attractive to consumers. In addition, continued support for the current incentive and infrastructure programs is encouraged. These programs need to work in tandem with new programs coming on board in order to achieve our mutual goals of a sustainable market for ZEVs. ARB recommends that districts continue to provide additional funding to complement grants provided under AB 2016, where appropriate. This includes "buy-down" funds, as well as funds designed to offset costs of infrastructure installation. The Program Manager will work with local agencies to ensure that all available incentives are rolled into one consolidated package. Finally, it is our goal to make this program seamless and consistent statewide so that it is easy for consumers, air districts, dealers and manufacturers to use.

Appendix A

Assembly Bill 2061

BILL NUMBER: AB 2061 CHAPTERED

BILL TEXT

CHAPTER 1072

FILED WITH SECRETARY OF STATE	SEPTEMBER 30, 2000
APPROVED BY GOVERNOR	SEPTEMBER 30, 2000
PASSED THE ASSEMBLY	SEPTEMBER 1, 2000
PASSED THE SENATE	AUGUST 31, 2000
AMENDED IN SENATE	AUGUST 31, 2000
AMENDED IN SENATE	AUGUST 30, 2000
AMENDED IN SENATE	JUNE 26, 2000
AMENDED IN ASSEMBLY	MAY 26, 2000
AMENDED IN ASSEMBLY	MAY 1, 2000

INTRODUCED BY Assembly Member Lowenthal
(Coauthor: Assembly Member Scott)

FEBRUARY 22, 2000

An act to add Chapter 8.6 (commencing with Section 44260) to Part 5 of Division 26 of the Health and Safety Code, relating to air pollution, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2061, Lowenthal. Zero-emission vehicles: alternative diesel fuel.

(1) Existing law contains various provisions relative to air pollution control.

This bill would create a grant program for the purchase and lease of zero-emission vehicles, as defined, in the state, to be developed and administered by the State Air Resources Board, in conjunction with the State Energy Resources Conservation and Development Commission. The program would provide grants to specified recipients in an amount equal to 90% of the incremental cost above \$1,000 of an eligible new zero-emission light-duty car or truck, as defined.

This bill would appropriate \$18,000,000 from the General Fund to the State Air Resources Board for allocation for the purposes of the bill.

(2) Existing law authorizes the State Air Resources Board, among other things, to adopt and implement motor vehicle fuel specifications for the control of air contaminants and the sources of air pollution.

This bill would appropriate \$500,000 from the General Fund to the State Air Resources Board for allocation for grants to air pollution control districts and air quality management districts for fiscal years 2000-01, 2001-02, and 2002-03. The bill would require districts receiving grants to use these funds to offset the

incremental operating costs of alternative diesel fuel, as defined, and as used in heavy-duty vehicles and equipment, as specified.

(3) The bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Chapter 8.6 (commencing with Section 44260) is added to Part 5 of Division 26 of the Health and Safety Code, to read:

CHAPTER 8.6. ZERO-EMISSION VEHICLE GRANTS

44260. The state board, in conjunction with the State Energy Resources Conservation and Development Commission, shall develop and administer a program to provide grants to individuals, local governments, state agencies, nonprofit organizations, and private businesses, to encourage the purchase or lease of a new zero-emission vehicle.

44261. (a) The maximum available grant for any qualified recipient, as determined by the state board, shall be an amount equal to 90 percent of the incremental cost above one thousand dollars (\$1,000) of a new zero-emission light-duty car or truck eligible for the program.

(b) For the purposes of this chapter:

(1) "Incremental cost" means the amount determined by the State Energy Resources Conservation and Development Commission as the reasonable difference between the cost of the zero-emission vehicle and the cost of a comparable gasoline or diesel fueled vehicle.

(2) "New zero-emission vehicle" shall include previously leased vehicles that have been substantially upgraded, as determined by the state board, with new technologies, including, but not necessarily limited to, advanced batteries or power electronics.

44262. Grants made pursuant to this chapter shall be distributed in the following manner, in amounts as determined by the state board:

(a) Up to three thousand dollars (\$3,000) of the available grant funds may be provided for the first 12-month period of the lease or purchase of the vehicle.

(b) Up to three thousand dollars (\$3,000) of the remaining available grant funds may be provided for the second 12-month period of the lease or purchase of the vehicle.

(c) Up to three thousand dollars (\$3,000) of the remaining available grant funds may be provided for the third 12-month period of the lease or purchase of the vehicle.

(d) No grant funds shall be provided following the third 12-month period of the lease or purchase of the vehicle.

44263. In order to be eligible to receive a grant under this chapter, a zero-emission vehicle shall meet all of the following criteria:

(a) Be purchased on or leased on or after October 1, 2000, and on or before December 31, 2002. For purposes of this subdivision, a vehicle shall be deemed to be leased on the date upon which the lease of the vehicle commences.

(b) Be registered with the Department of Motor Vehicles for use in this state.

(c) Meet all applicable federal and state safety standards, or, if the vehicle is to be utilized solely for a demonstration program, have received the applicable waivers from the National Highway Traffic Safety Administration.

(d) Be capable of operation on a freeway, as determined by the state board in conjunction with the State Energy Resources Conservation and Development Commission.

(e) Any other criteria established by the state board.

44265. (a) The grant program described in this chapter may be administered by a local air management district or air pollution control district on a voluntary basis, provided that the district administers the program based upon the guidelines developed by the state board in conjunction with the State Energy Resources Conservation and Development Commission pursuant to subdivision (b) of Section 44264.

(b) Any district that voluntarily administers this grant program is authorized to provide grants from its own funding sources in an amount of five hundred dollars (\$500) to one thousand dollars (\$1,000) or more per year for each qualified zero-emission vehicle registered within the boundaries of its territorial jurisdiction.

SEC. 2. The sum of eighteen million dollars five hundred thousand dollars (\$18,500,000) is hereby appropriated from the General Fund to the State Air Resources Board for expenditure as follows:

(a) Eighteen million dollars (\$18,000,000), without regard to fiscal year, to implement Chapter 8.6 (commencing with Section 44260) of Part 5 of Division 26 of the Health and Safety Code.

(b) Five hundred thousand dollars (\$500,000) for grants for fiscal years 2000-01, 2001-02, and 2002-03 to air pollution control districts and air quality management districts.

(b) An air pollution control district or air quality management district that receives a grant under this section shall use these funds to offset the incremental operating costs of alternative diesel fuel, as defined in subdivision (d), and as used in heavy-duty vehicles and equipment. For the purposes of this section, heavy-duty vehicles and equipment include, all of the following:

(1) On-road motor vehicles with a gross vehicle weight rating exceeding 14,000 pounds.

(2) Off-road equipment with engines that exceed 50 horsepower.

(3) Marine vessels.

(4) Locomotives.

(5) Stationary agricultural pump engines.

(6) Forklifts.

(7) Airport ground support equipment.

(c) Grants under this section shall be awarded only to air pollution control districts and air quality management districts that apply for funds under this section. These grants shall not be used to fund engine research and development, certification testing, training, or operational controls.

(d) As used in this section, "alternative diesel fuel" means a fuel emulsion that, when used in a conventional diesel engine, reduces oxides of nitrogen emissions by at least 10 percent and particulate matter emissions by at least 15 percent as compared to the 10-percent aromatic reference fuel as defined in subdivision (g) of Section 2282 of Title 13 of the California Code of Regulations. The emissions characteristics of any alternative diesel fuel shall be determined by the State Air Resources Board based on data submitted by the producer of the fuel in accordance with data and testing protocols specified by the State Air Resources Board. Alternative diesel fuel shall not increase toxic emissions and shall have hydrocarbon emissions that are at least 25 percent lower than the engine exhaust emissions standard.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to achieve early introduction of zero-emission vehicle technologies for the purposes of meeting federal and state air quality standards as soon as possible and providing grants for alternative diesel fuel, it is necessary that this act take effect immediately.

Appendix B

Resolution 00-38

State of California
AIR RESOURCES BOARD

Resolution 00-38

December 7, 2000

Agenda Item No.: 00-11-2

WHEREAS, the California State Implementation Plan (SIP) for ozone, adopted by the Air Resources Board (ARB or Board) in November 1994, establishes the state strategy for attaining the ambient air quality standard for ozone in all areas of the state by 2010 as required by federal law; this plan includes, as part of the mobile source element developed by the ARB, the California Low-Emission Vehicle (LEV) program, which was approved by the Board in 1990 to provide significant reductions of ozone precursor pollutant emissions from passenger cars and light-duty trucks;

WHEREAS, the California LEV program includes a zero-emission vehicle (ZEV) element under which at least 10 percent of the passenger cars and the lightest light-duty trucks produced by a large or intermediate-volume manufacturer and delivered for sale in California must be ZEVs, beginning in model year 2003;

WHEREAS, with respect to the environment, ZEVs are the "gold standard" for vehicular air pollution control as they reduce both criteria and toxic pollutant emissions to the maximum feasible levels; high-efficiency ZEVs and hybrid electric near-ZEVs also cut emissions of carbon dioxide and other greenhouse gases;

WHEREAS, for the September 2000 ZEV program biennial review, the staff evaluated vehicle technologies and concluded that there is no technological barrier to building battery powered ZEVs but issues of cost and consumer acceptance remain;

WHEREAS, in Resolution 00-29, the Board found the ZEV program to be an essential component of the State's long-term air quality strategy and resolved that the basic ZEV requirements be retained and implemented in California;

WHEREAS, the Board directed the staff to develop and propose regulatory modifications and other steps that address the challenges associated with the successful long-term implementation of the ZEV program - in particular the need for product availability and market stability, the need to greatly enhance public awareness and education of the attributes and benefits of ZEV technologies, and the need to reduce or mitigate the high initial costs of vehicles and batteries in low-volume production - and that result in a sustainable market for ZEVs;

WHEREAS, staff is scheduled to present such proposed regulatory modifications and staff's plan for non-regulatory steps to address public awareness and education, incentives and charging at the Board's January 2001 public meeting;

WHEREAS, Assembly Bill (AB) 2061, introduced by Assembly Member Lowenthal and signed into law by Governor Davis on September 30, 2000, added chapter 8.6 (commencing with section 44260) to part 5 of division 26 of the Health and Safety Code creating a zero emission vehicle incentive program, providing \$18 million for grants, up to \$9,000 per eligible ZEV;

WHEREAS, the Board, in conjunction with the State Energy Resources Conservation and Development Commission (CEC or Energy Commission), is to develop and administer a program to provide grants to individuals, local governments, state agencies, nonprofit organizations, and private businesses to encourage the purchase or lease of a new zero emission vehicle;

WHEREAS, the maximum grant for any qualified recipient shall be an amount equal to 90 percent of the incremental cost above one thousand dollars (\$1,000) of a new zero-emission light-duty car or truck eligible for the program;

WHEREAS, in order to be eligible to receive a grant, a ZEV shall meet all the following criteria: (a) be purchased on or leased on or after October 1, 2000, and on or before December 31, 2002, (b) be registered with the Department of Motor Vehicles for use in this state, (c) meet all applicable federal and state safety standards, or, if the vehicle is to be utilized solely for a demonstration program, have receive the applicable waivers from the National Highway Traffic Safety Administration, (d) be capable of operation on a freeway, and (e) any other criteria established by the Board;

WHEREAS, the program may be administered on a voluntary basis by a local air quality management district or air pollution control district (local air district) within its own jurisdiction, provided that the district administers the program based upon guidelines developed by the Board in conjunction with the Energy Commission;

WHEREAS, staff has prepared for the Board's consideration proposed guidelines for a zero emission vehicle incentive program pursuant to AB 2061; and

WHEREAS, coordination with ZEV buy-down and grant programs and infrastructure programs currently available in several areas of the state will provide consumers statewide with consistent and seamless access to available ZEV incentives.

WHEREAS, the Board has held a duly noticed public meeting to consider approval of guidelines for a Zero Emission Vehicle Incentive Program and has heard and considered the comments made by representatives of state agencies, local government, vehicle manufacturers and dealers, fleet administrators, ZEV proponents and other interested persons and agencies.

NOW, THEREFORE, BE IT RESOLVED that the Board finds that AB 2061 creates a significant and timely ZEV incentive program, providing \$18 million in grants for 2,000 or more ZEVs during a period when manufacturers are not required to make ZEVs available.

BE IT FURTHER RESOLVED that in order to be eligible to receive a grant, a ZEV shall be an ARB certified zero emission passenger car or zero emission light-duty truck.

BE IT FURTHER RESOLVED that the qualified recipient shall have the option of assigning the grant to the vehicle lessor in order to receive an up front reduction in the vehicle lease price.

BE IT FURTHER RESOLVED that the grants shall be made available statewide on a first-come-first-served basis, to the extent practicable.

BE IT FURTHER RESOLVED that the Board hereby approves the Proposed Guidelines for the Zero Emission Vehicle Incentive Program Pursuant Health and Safety Code Sections 44260-44265, as set forth in Attachment A to this resolution and as modified to incorporate changes proposed by staff in Attachment B to this resolution.

BE IT FURTHER RESOLVED that the Board directs staff to administer the program statewide in accordance with the guidelines.

BE IT FURTHER RESOLVED that, where a local air district has volunteered to administer the program in its own jurisdiction, the Board directs staff to work with the local air district to ensure that the program is implemented in accordance with the guidelines and to develop a mechanism for the transfer of grant funds; staff is directed to coordinate with the local air district to ensure that the locally-administered program and the statewide, ARB-administered program are consistent and seamless to the consumer.

BE IT FURTHER RESOLVED that the Board directs staff to coordinate with the program managers of other ZEV and infrastructure programs to ensure that the consumer is aware of all the available incentives.

I hereby certify that the above is a true and correct copy of Resolution 00-38, as adopted by the Air Resources Board.

(Original Signed By)

Marie Kavan, Clerk of the Board

Resolution 00-38

December 7, 2000

Identification of Attachments to the Resolution

Attachment A: Proposed Guidelines for the Zero Emission Vehicle Incentive Program Pursuant Health and Safety Code Sections 44260-44265

Attachment B: Staff's Recommended Modifications to the Proposed Guidelines for a Zero Emission Vehicle Incentive Program

ATTACHMENT A:

**Proposed Guidelines for a
Zero Emission Vehicle Incentive Program
Pursuant to Health and Safety Code Sections 44260-44265
(AB 2061, Statutes of 2000, Lowenthal)**

With Public Notices

Note:

The documents identified as Attachment A are not provided here.

***Copies of these documents may be obtained by contacting
Ms. Judy Yee, Program Manager, Statewide ZEV Incentive Program at
(916) 327-5610 or via email at jyee@arb.ca.gov.***

***These documents may also be obtained from the Internet at
<http://www.arb.ca.gov/msprog/zevprog/zip/zip.htm>***

ATTACHMENT B:

Staff's Recommended Modifications to the Proposed Guidelines for a Zero Emission Vehicle Incentive Program

Suggested Modification: There was ambiguity regarding who is entitled to the incentive in a lease transaction where the leasing company is not the zero emission vehicle (ZEV) manufacturer, but a private leasing company that purchases ZEVs for the purpose of leasing vehicles to a fleet or individual consumer?

To address this issue, language will be added to make it clear that the incentive shall go to the entity that pays for the registration of the vehicle.

Suggested Modification: In Section III Vehicle Eligibility, B. Criteria for Vehicle Eligibility it reads, "AB 2061 specifies that this program will provide the maximum allowable grant to any qualified recipient for the purchase or lease of a new zero emission light-duty car or truck eligible for the program."

To more accurately reflect the language in the bill, this sentence will be replaced with, "The maximum allowable grant for any qualified recipient, as determined by the state board, shall be an amount equal to 90 percent of the incremental cost above one thousand (\$1,000) of a new zero-emission light-duty car or truck eligible for the program."

Suggested Modification: Add to paragraph one in Section III Vehicle Eligibility, Part B. Criteria for Vehicle Eligibility, the following sentence:

As a matter of policy, vehicles that are required by ARB's Memoranda of Agreement (MOA) with the automakers, are ineligible for incentives through this program.

Suggested Modification: There is a sentence on the back of the Assignment form that provides tax advice. Since the ARB cannot give tax advice, the sentence "The participating lessor will then be responsible for any tax consequences associated with the grant incentive" will be replaced with "This grant may be taxable, so please contact your tax professional or the IRS for additional information."

Suggested Modification: The Ford Think City EV will be added to the list of eligible vehicles in Appendix C of the guidelines.

Suggested Modification: Addition of clarifying language and correction of typos.

Appendix C

Application Forms



Requirements and Instructions for Receiving A Zero Emission Vehicle Incentive Grant

Pursuant to California Health and Safety Code (H&SC) Sections 44260-44265

Applicant and Vehicle Eligibility Requirements

Applicant and vehicle eligibility requirements are specified in Sections 44260-44265 of the California Health and Safety Code (H&SC) and in the Air Resources Board's (ARB's) program guidelines and are available from the Program Manager or on the Internet at www.arb.ca.gov/msprog/zevprog/zip/zip.htm. The applicant must be an individual, a local government entity or agency, a state government entity or agency, a nonprofit organization or a private business. A federal government entity or agency is not eligible for a grant. For a leased vehicle, the applicant shall be the individual or entity that is financially responsible for the cost of the registration of the vehicle.

Applicant and vehicle must meet requirements that include, but are not limited to, the following:

1. The applicant is a resident of the State of California or represents an entity that conducts business in the State of California.
2. The applicant has purchased or is leasing a new zero emission vehicle (ZEV) that meets the criteria specified in H&SC Sections 44261 and 44263 and the vehicle is an ARB certified zero emission passenger car or light-duty truck.
3. The purchase or lease of this new ZEV commenced on or after October 1, 2000 and on or before December 31, 2002.
4. This new ZEV is registered with the California Department of Motor Vehicles for use in California.

There are two options for receiving the grant:

1) "Grant Assignment to Lessor"

If you intend to lease the new ZEV, you may consider assigning the grant to a participating lessor. The participating lessor would then receive the entire grant amount directly from the Program Manager. This will allow the lessor to reduce the three-year lease price of the qualifying vehicle by the entire grant amount, giving you lower monthly lease payments. If the lease period is less than 36 months, you or the participating lessor should contact the Program Manager, as the maximum grant for the ZEV may be reduced. This grant may be taxable so please contact your tax professional or the Internal Revenue Service for additional information. If you choose this option, complete and submit, through the participating lessor, the following items to the Program Manager (See contact information on next page.):

- A completed Application for Zero Emission Vehicle Incentive Grant (Form MSCD/ZEV-2)
- A completed Assignment of Zero Emission Vehicle Incentive Grant Form (Form MSCD/ZEV-3)
- A copy of the lease/purchase agreement signed by all parties with an itemization of credits, discounts, incentives received, if applicable
- A copy of the current vehicle registration

2) “Direct Payment”

With this option, you would receive your grant directly in three equal allotments. The first allotment will be sent out upon approval of your grant application. The second allotment will be sent out at the beginning of the second 12-month period after the purchase or lease of the new ZEV. The third allotment will be sent out at the beginning of the third 12-month period after the purchase or lease of the new ZEV. If you intend to lease a new ZEV and the lease period is less than 36 months, you should contact the Program Manager, as the maximum grant for that ZEV may be reduced. This grant may be taxable so please contact your tax professional or the Internal Revenue Service for additional information. If you choose this option, complete and submit the following items to the Program Manager♦:

- A completed Application for Zero Emission Vehicle Incentive Grant (Form MSCD/ZEV-2)
- A copy of the lease/purchase agreement signed by all parties with an itemization of credits, discounts and incentives received, if applicable
- A copy of the current vehicle registration

If you choose the “Direct Payment” option, the Program Manager will send you a letter each year to remind you to submit a request for payment of your ZEV incentive grant that remains available. At that time, you would complete the form provided to you and send it to the Program Manager, along with a copy of the current vehicle registration. If you change addresses during the three-year period after the date of purchase or lease, please provide the Program Manager with your new address as soon as possible.

To receive the entire grant amount, you must own the vehicle for a continuous 36 month period after the date of purchase or continue to lease the vehicle for the entire period specified in the your application. If you decide to sell the ZEV or terminate the lease, please contact the Program Manager.

PRIVACY STATEMENT

Section 7(b) of the Privacy Act of 1974 (Public Law 93-5791) requires that any federal, state, or local governmental agency which requests an individual to disclose his/her social security account number shall inform that individual whether that disclosure is mandatory or voluntary, by which statutory or other authority such number is solicited, and what uses will be made of it.

The State of California requires that all parties entering into business transactions that may lead to payments from the State must provide their Taxpayer Identification Number (TIN) as required by the State Revenue and Taxation Code, Section 18646 to facilitate tax compliance enforcement activities and to facilitate the preparation of Form 1099 and other information as required by the Internal Revenue Code, Section 6109(a). The TIN for individual and sole proprietorships is the Social Security Number (SSN).

It is mandatory to furnish the information requested. Federal law requires that payments for which the requested information is not provided be subject to 31% withholding and state law imposes noncompliance penalties of up to \$20,000.

You have the right to access records containing your personal information, such as your SSN. To exercise that right or if you have any questions regarding this Privacy Statement, please contact the Program Manager of the Statewide Zero Emission Vehicle Incentive Grant Program at 1-800-END-SMOG.

◆ CONTACT INFORMATION ◆

Statewide ZEV Incentive Program
California Air Resources Board
Mobile Source Control Division (MSCD)
P.O. Box 2815, Sacramento, CA 95812
General Information Line: 1-800-END-SMOG

Judy Yee, Program Manager
(916) 327-5610
1-800-XXX-XXXX (*available soon*)
FAX (916) 322-3923
E-Mail: jyee@arb.ca.gov



Application for Zero Emission Vehicle Incentive Grant Pursuant to California Health and Safety Code (H&SC) Sections 44260-44265

Obtain from ARB Voucher Number:

**Complete and Submit to:
Program Manager, Statewide ZEV Incentive Program,
California Air Resources Board, MSCD/ZEV
P.O. Box 2815, Sacramento, California 95812
General Information Line: 1-800-END-SMOG**

A. APPLICANT INFORMATION (Please print.)

Name of Vehicle Owner/Lessee:		PURPOSE: Information contained in this form will be used by the Air Resources Board for determining grant eligibility, processing grant allocations, and to prepare Information Returns (Form 1099). <small>(See Privacy Statement in Requirements and Instructions)</small>	
Street Address:			
City:	State:	Zip Code:	
Mailing Address:			
Telephone Number:	FAX Number:	E-mail Address (optional):	

B. PAYMENT OPTION

Please check option and initial:

Direct Payment (Initial here: _____)

Grant Assigned to Lessor (Also complete and submit Form MSCD/ZEV-3.) (Initial here: _____)

Please check one box below, as applicable, and provide the requested information:

Private Individual, Sole Proprietor *Please provide Social Security Number:*

OR

State Government Agency

Local Government Agency

Non-profit Organization *Federal Employer's Identification Number:*

Corporation

Partnerships, Estates or Trusts

C. VEHICLE INFORMATION

Date of Purchase or Date on Which Lease Commences:	Lease Term in Months (if applicable):
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):
Manufacturer/Lessor Contact (Please print name and title.):	Telephone Number

I hereby certify to the best of my knowledge and belief that the requirements for this grant as specified in H&SC 44260-44265 and the Air Resources Board's (ARB's) program guidelines have been met and that all information provided in this application and supporting attachments are true and correct.

Name of Applicant, or Authorized Representative and Title (Please print.):	
Signature:	Date:

FOR ARB USE ONLY:

Name and Title (Please print.):	Date:	Approval Number
Signature:	Grant Amount:	Number of Allotments



**Assignment of Zero Emission Vehicle Incentive Grant
Pursuant to California Health and Safety Code (H&SC) Sections
44260-44265**

Obtain from ARB
Voucher Number:

**Complete and Submit with Form MSCD/ZEV-02 to:
Program Manager, Statewide ZEV Incentive Program,
California Air Resources Board, MSCD/ZEV
P.O. Box 2815, Sacramento, California 95812
General Information Line: 1-800-END-SMOG**

By signing and submitting this form through the lessor or dealer, you, the lessee or the authorized representative of the lessee, are assigning the entire grant amount to the lessor. This will allow the lessor to reduce the price of the qualifying vehicle by the available grant amount, giving you a lower monthly lease cost. This grant may be taxable, so please contact your tax professional or the Internal Revenue Service for additional information.

I, the lessee or authorized representative of the lessee, hereby certify to the best of my knowledge and belief to the following:

1. I am a resident of the State of California or represent an entity conducting business in the State of California.
2. I am leasing a new zero emission vehicle that meets the criteria specified in H&SC Sections 44261 and 44263 and the vehicle is an Air Resources Board certified zero emission passenger car or light-duty truck. The Vehicle Identification Number (VIN) is set forth below.
3. The lease of this new zero-emission vehicle commences on the date set forth below, which is on or after October 1, 2000 and on or before December 31, 2002.
4. This new zero-emission vehicle is or shall be registered with the Department of Motor Vehicles for use in California.
5. I understand that H&SC Sections 44260-44265 provide zero-emission vehicle incentive grants to purchasers or lessees of eligible zero-emission vehicles. I hereby assign my rights to these grants to _____ . I understand that, in consideration of this assignment, my vehicle lease cost has been reduced by an amount equal to the amount of the grant assigned to _____ over the lease period of the vehicle.

Name of Lessee, or Authorized Representative and Title (<i>Please print.</i>):		
Signature:	Date:	
Make, Model and Model Year of ZEV:	Vehicle Identification Number (VIN):	
Date on Which Lease Commences:	Lease Term in Months	
Lessor:		
Lessor Address:		
City	State:	Zip Code:
Federal Employer's Identification Number:		

I, the lessor agent, hereby certify to the best of my knowledge and belief that the requirements of this grant as specified in H&SC Sections 44260-44265 and the Air Resources Board's program guidelines have been meet and that all information provided in this application and supporting attachments are true and correct.

Name of Lessor Agent and Title (<i>Please print.</i>):	Telephone Number:
Signature:	Date:

Appendix D

List of Eligible Vehicle Models For the Statewide ZEV Incentive Program

Pursuant to California Health and Safety Code
Sections 44260-44265 (AB 2061, Lowenthal)

Part 1: New Vehicles

Make and Model	Incremental Cost ¹	Total Grant ²
Chrysler EPIC EV NiMH (van)	\$17,905	\$9,000
Ford Ranger EV NiMH (truck)	\$36,395	\$9,000
Ford Ranger EV Pb-A (truck)	\$23,265	\$9,000
Ford Th!nk City EV (2-seat city car)	\$15,491	\$8,500 ³
General Motors EV1 Pb-A (2-seat coupe)	\$11,925	\$9,000
General Motors EV1 NiMH (2-seat coupe)	\$21,925	\$9,000
General Motors S-10 Pb-A (truck)	\$18,067	\$9,000
General Motors S-10 NiMH (truck)	\$30,577	\$9,000
Toyota RAV 4 NiMH (sport utility)	\$21,395	\$9,000
Solectria Force Pb-A (sedan)	\$18,935	\$9,000

Part 2: Previously Leased Vehicles with Substantial Upgrades

Make and Model	Incremental Cost ¹	Total Grant ²
1997 General Motors EV1 with Panasonic Pb-A (2-seat coupe)	\$4,888	\$2,333 ⁴ /\$3,500 ⁵

¹ Incremental cost information provided by the California Energy Commission

² For 36-month, or longer, lease term or purchase.

³ For 34-month lease term of demonstration vehicles only

⁴ For 24-month lease term only

⁵ For 36-month lease term, including an extension to a 24-month lease