

Air Quality Improvement Program (AQIP) and Low Carbon Transportation Investments Fiscal Year 2015-16

Clean Vehicle Rebate Project (CVRP) Work Group Handout

March 12, 2015
10:00 AM – 12:00 PM PST

1. Overview

- Proposed budget for fiscal year (FY) 2015-16 is \$116 million
 - \$5 million from AQIP
 - \$111 million from GGRF
- Projected demand for FY 2015-16: 70,000 rebates, ~\$150 million - \$160 million
 - At current vehicle rebate levels, without project modifications
 - Early and dynamic market, projected estimates may change as more data becomes available
- Senate Bill (SB) 1275 (De León, Statutes of 2014, Chapter 530) established the Charge Ahead California Initiative with the goals to:
 - Place in service at least 1,000,000 zero-emission and near zero-emission vehicles by January 1, 2023
 - Establish a self-sustaining California market in which zero-emission and near-zero-emission vehicles are a viable mainstream option
 - Increase access for disadvantaged, low-income, and moderate-income communities and consumers to zero-emission and near-zero-emission vehicles
 - Increase the placement of those vehicles in those communities and with those consumers to enhance the air quality, lower greenhouse gases, and promote overall benefits for those communities and consumers
- SB 1275 also directs ARB to adopt revisions to the criteria and other requirements for CVRP no later than June 30, 2015, to ensure the following:
 - Rebate levels can be phased down in increments based on cumulative sales levels as determined by ARB
 - Consideration of the conversion to prequalification and point-of-sale rebates or other methods to increase participation rates
 - **Eligibility is limited based on income**

2. Income Eligibility Limit

Key principles

- Ensure minimal impact to the market to support the adoption of near-zero and zero-emission vehicles to meet California goals
- Simple approach for first year, can be refined in future years
- Income verification procedures must be enforceable and auditable

Process

- Reviewed existing programs with income limits

- Evaluated CVRP survey data
- Considered stakeholder feedback throughout the public process thus far

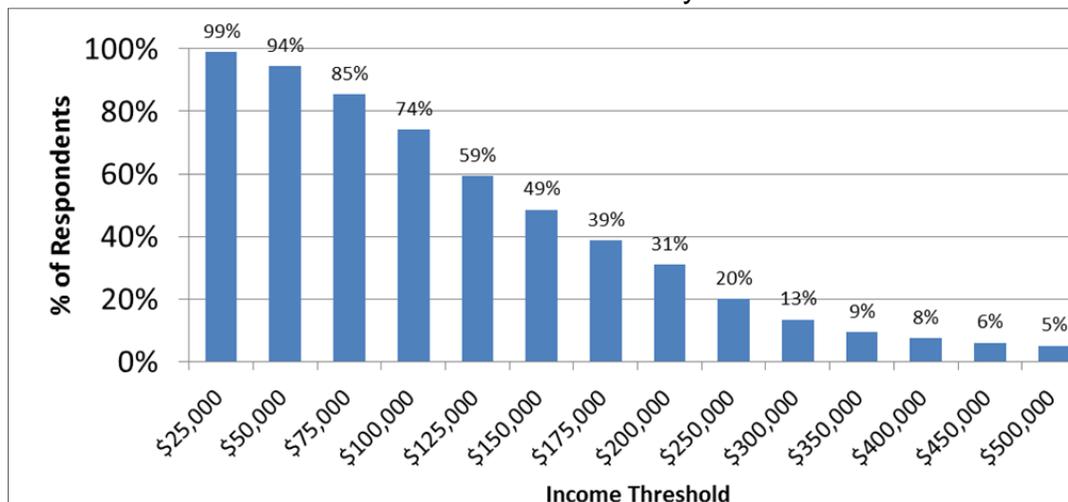
Draft Staff Recommendation

- Based on continued evaluation of existing programs and stakeholder input, staff recommends establishing an income eligibility limit consistent with Proposition 30, approved by California voters in 2012, that increased the tax rates on the following income levels
 - \$250,000 for single filer's taxable income
 - \$340,000 for head-of-household filer's taxable income
 - \$500,000 for joint filers' taxable income
- By aligning with Proposition 30, the income eligibility limits will be based on an already established initiative or program
- At higher income eligibility limits, market growth and rebate effectiveness are impacted minimally
- Income eligibility limit may be adjusted in future funding cycles
 - Staff will evaluate impact after implementation when more data becomes available
 - Current survey instrument is based on annual household income, thereby limiting staff's ability to thoroughly estimate the impact of the proposed income eligibility limits
- An income eligibility limit consistent with levels identified in Proposition 30 may also reduce the funding need for CVRP; however, because of limited data, staff currently does not have the ability to estimate the potential impact to the overall funding needs
 - Additional analysis will be performed when data becomes available after implementation

Survey Data

- Based on the income distribution data from the survey, staff analyzed the potential impact to rebate demand based on various income eligibility limits
 - Figure 1 shows the cumulative percentage of CVRP participants with an annual household income of greater than an income threshold
 - Data is based on a split of 55% BEVs and 45% PHEVs

Figure 1: Percentage of CVRP Survey Respondents with Household Income Greater than Income Threshold that may be Excluded



- Based on CVRP survey data, the proposed income eligibility limits will not exclude a high percentage of CVRP participants and minimize impact to potential market growth
 - This approach is consistent with the overarching goals of SB 1275 for achieving one million near-zero and zero-emission vehicles in service by 2023 and supporting the establishment of a self-sustaining market

3. **Implementation: Draft Staff Recommendations**

- Timeline
 - SB 1275 requirements (e.g. income eligibility) for FY 2015-16 CVRP must be adopted by ARB no later than June 30, 2015; however, implementation of these program changes will begin at a later date
 - Staff recommends implementing income eligibility 4-6 months from July 1, 2015, to allow for consumer outreach and dealer training
 - During this time CVRP will continue to operate as programmatic changes necessary for implementing income eligibility are developed
- Eligibility Criteria
 - Recommend basing income eligibility on annual gross income consistent with levels identified in Proposition 30
- Implementation/Enforcement
 - Staff is considering multiple options for income eligibility implementation:
 - Preferred approach: random income verification during the application process prior to issuing rebate check (similar to the Bureau of Automotive Repair Consumer Assistance Program)
 - Staff recommends the CVRP Administrator conduct random income eligibility verification

- Propose a sample size of 1-5% of rebate applications received
- This approach would require selected rebate applicants only to provide verification of income prior to receiving rebates
- Conducting back-end auditing of a percentage of applicants through direct verification of income with Internal Revenue Service (IRS) or Franchise Tax Board (FTB)
 - IRS Form 4506-T
 - FTB Form 3518

4. Other SB 1275 Issues

- Additional input on other SB 1275 requirements
 - Rebate levels can be phased down in increments based on cumulative sales levels as determined by ARB
 - Consideration of the conversion to prequalification and point-of-sale rebates or other methods to increase participation rates

5. Addressing Budget Gap

- With the projected funding demand for FY 2015-16 to be between approximately \$150 million and \$160 million (excluding the potential reduction in funding need from the income eligibility limit), a funding gap will need to be addressed with an available budget of \$116 million
- In order for CVRP to be sustainable and minimize project disruptions between funding cycles, staff recommends that funding be provided to carry the project past the June 30 close of the budget cycle
 - A modest reserve to carry the project through the transition of budget cycles will allow the project to operate seamlessly without disruptions to the distribution of rebates
- As a first step in evaluating the budget gap, ARB staff is reexamining its projections for the 14/15 funding cycle
 - There has been a slight reduction in the rate of growth of CVRP rebate demand over the last several months¹
 - Staff estimates that the possibility of up to \$10 million in FY 2014-15 CVRP funds may be available to assist the transition between the current and next funding cycles
 - This funding should not be counted against funding needs for FY 2015-16 to maintain sustainability between fiscal years
- With the proposed budget and available funding, staff proposes to establish a waiting list to address the funding shortfall
 - Staff does not recommend suspending the project (as suggested at the January 23 workshop) when funds are depleted as it creates consumer

¹ <http://energycenter.org/clean-vehicle-rebate-project/rebate-statistics>

uncertainty regarding rebate availability and may cause significant market impact

- Staff has received input from stakeholders that more funding may become available and staff will revisit how to address the budget gap based on any potential revisions to the Governor's budget, which will be released in May 2015

6. Additional Considerations

- Staff is seeking feedback on the concept of offering increased rebate amounts for low- and moderate-income consumers if additional funding beyond the projected demand becomes available
- Incentivizing low- and moderate-income consumers may increase the effectiveness of the program by supporting the purchase of advanced technology vehicles to consumers that value the rebates the most
- By increasing rebate amounts for low- and moderate-income consumers, the program may be able to further support the purchase of advanced technology vehicles
 - Comparing survey data from the California Department of Transportation^{2,3} and CVRP shows the following:
 - ~33% of new conventional car buyers in California have an annual household income level below \$75,000 compared to ~15% for CVRP participants
 - ~50% of new conventional car buyers in California have an annual household income level below \$100,000 compared to ~25% for CVRP participants
- This concept, combined with investments in light-duty pilot projects, is consistent with the goals of SB 1275 to increase access and placement of advanced technology vehicles in disadvantaged, low-income, and moderate-income communities and consumers
- Staff also recommends that with increased available funding, funds should also be directed to expand light-duty vehicle pilot projects in disadvantaged communities
- Other considerations?

7. Expiration of IRS Federal Tax Credit for Fuel Cell Vehicles

- A federal tax credit of up to \$4,000 for the purchase of qualified light-duty fuel cell vehicles expired on December 31, 2014
- CVRP currently offers a rebate amount of \$5,000 for fuel cell vehicles
- Staff seeks input on whether CVRP should play a larger role in supporting fuel cell vehicles with the expiration of the federal tax credit

² <https://catalog.data.gov/dataset/california-household-transportation-survey>

³ http://www.arb.ca.gov/html/ca_pegmarket_study_ucdits.pdf