

Annual Performance Goals for the Enhanced Fleet Modernization Program and Clean Cars 4 All Fiscal Year 2019-2020

Overview

Assembly Bill (AB) 630 (Cooper, Chapter 636, Statutes of 2017) requires the California Air Resources Board (CARB or Board) to set specific and measurable goals annually for the Enhanced Fleet Modernization (EFMP) Scrap Only and the Clean Cars 4 All Scrap-and-Replace programs. AB 630 also requires CARB to evaluate the performance of each program towards these goals and to update the guidelines if necessary, to ensure these goals are met. CARB's intent with these goals is to set benchmarks for continued yet realistic progress for each district's programs.

The Office of Administrative Law approved CARB's guidelines for Clean Cars 4 All and updated guidelines for EFMP with an effective date of June 7, 2019. As such, fiscal year (FY) 2019-20 is the initial year that CARB is formally setting goals for these 2 programs. The goals focus on participation levels for each program, based on data collected over 4 years of implementation, as well as regular consultations with each implementing air district and the Bureau of Automotive Repair (BAR).

To ensure this initial establishment of goals was properly responsive to stakeholder concerns, CARB program staff developed these goals through a broad public process. Staff conducted an initial public work group meeting on May 1, 2019, and presented draft final goals at a public work group meeting on August 27, 2019. Following this, staff continued the process and included discussion of the goals in the Funding Plan for Clean Transportation Incentives from the Low Carbon Transportation Investments and Air Quality Improvement Program Funding Plan workshops.

In October 2019, the Board approved the Funding Plan, which included an update to the 3-year plan for expending funding for the Clean Cars 4 All program. As the funding for each year will be dependent on the Board's action when it considers the funding plan, staff will follow a similar process for subsequent years to maximize opportunities for public input and consistency with the final approved funding levels. Staff anticipates that all future reports will be posted no later than the January after each Funding Plan has been adopted by the Board. Each FY CARB will set new goals for the upcoming FY and evaluate the performance of each program relative to the goals from the previous year. Below, staff outlines the goals for FY 2019-20 and describes how staff determined each goal.

Clean Cars 4 All

Background

Clean Cars 4 All provides incentives for lower-income consumers living in and near disadvantaged communities who scrap their old vehicles and purchase new or used hybrid, plug-in hybrid, or Zero Emission Vehicle (ZEV) replacement vehicles. The program was initially launched as a pilot project called EFMP Plus-Up Pilot Project (or EFMP Plus-Up) in July 2015. After several years of growth, AB 630 formally codified the pilot project as a stand-alone program and changed the name to Clean Cars 4 All. At the start of FY 2019-20, 3 air districts were implementing Clean Cars 4 All: South Coast Air Quality Management District (AQMD), San Joaquin Valley Air Pollution Control District (APCD), and Bay Area AQMD.

Clean Cars 4 All is part of a larger suite of incentive programs funded by Cap-and-Trade auction proceeds, called the Low Carbon Transportation Investments and Air Quality Improvement Program (LCTI Incentives). The Legislature sets the budget for LCTI Incentives each year, and CARB allocates funding to the individual programs (including Clean Cars 4 All) each year through the Funding Plan.

Since FY 2014-15, CARB allocated a total of \$112 million for Clean Cars 4 All, including \$102 million of LCTI Incentives and \$10 million of Volkswagen funding. As part of a legal settlement in 2017, Volkswagen was also required to fund ZEV-related aspects of EFMP Plus-Up and similar incentive programs. CARB has granted \$71 million to implementing air districts by the beginning of FY 2019-20. CARB is currently in the process of granting the remaining \$41 in million reserve funding to air districts that have demonstrated the greatest need by April 2020. As of June 30, 2019, districts have expended approximately \$36 million. Up to 15 percent of the total grant amount may be used to help implement this program. A significant portion of this implementation funding is spent on targeted outreach. At this time, that funding appears sufficient, as the participation in the mature programs is now trending upward, as illustrated in Table 1. Staff will continue to monitor to determine if funding should be modified based on future performance as compared to the goals.

FY 2019-20 Goals

The primary metric for success of the Clean Cars 4 All program is the number of low-income Californians who can replace their old, higher-polluting vehicles with cleaner modes of transportation. Table 1 summarizes the historic participation data and the projected goals for FY 2019-20 for each of the 4 implementing air districts.

Table 1: Clean Cars 4 All Historic Participation Rates and Projected FY 2019-20 Vouchers

Air District	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Projected FY 2019-20
South Coast	586	947	1,008	1,725	1,800–2,000
San Joaquin Valley	548	364	274	704	700–900
Bay Area	Not Applicable	Not Applicable	Not Applicable	15	400–600
Sac Metro	Not Applicable	Not Applicable	Not Applicable	Not Applicable	200–250
Total Participants*	1,134	1,311	1,282	2,444	3,100–3,750

*In addition to participants choosing replacement vehicles, eight participants chose alternative mobility vouchers in place of a vehicle replacement.

To determine these goals, staff made the following general assumptions for each air district:

- 1) The incentive amount (averaged across participants) stays fairly consistent throughout this three-year period;
- 2) The average total cost of each incentive is \$9,000; and
- 3) Participation will be at least as high as the previous FY. Participation is primarily determined by applicant demand, available funding and air district processing capacity. All implementing air districts use a website to help outreach to potential low-income consumers living in disadvantaged communities. Low income consumers have access to relevant program information and can submit initial application information at any time. Case managers then process these requests as received. No district has a waitlist of the type operated in other programs like the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP). Currently, available funding exceeds the current demand as determined by applications received. Thus, the limiting factors affecting participation in FY 2019-20 will be the participant demand and capacity of each district to process applications; in response, each district is continuing to expand its outreach efforts.

Provided below is additional detail on how staff determined the goals for each air district.

South Coast AQMD

CARB is setting a goal of between 1,800 to 2,000 participants for FY 2019-20. The district launched their program in July 2015, and has demonstrated a steady increase in participation each year. During the first 2 years of implementation, demand consistently surpassed the district's capacity to process applications, which ultimately determined overall program participation. After making a number of adjustments to improve operational efficiency, the district significantly increased participation from 1,008 in FY 2017-18 to 1,725 in FY 2018-19. CARB and the air district expect the program to maintain high participation rates in FY 2019-20, with some additional, modest growth due to marginal gains in operational efficiency.

San Joaquin Valley APCD

CARB is setting a goal of between 700 to 900 participants in FY 2019-20. The district launched their program in July 2015, and has experienced varying participation since. After starting with over 500 participants in FY 2014-15, participation declined over the subsequent 2 years before improving to just over 700 participants in FY 2018-19. Recently, the district was able to increase participation at their traditional bi-weekly Tune-in/Tune-up events through increased outreach and by developing a new website that provides residents the option to apply online. Staff and the district expect participation to grow steadily in through FY 2019-20 with the continued success of their Tune-in/Tune-up events as well as increased access to the program through the district's online application portal.

Bay Area AQMD

CARB is setting a goal of between 400 to 600 participants in FY 2019-20. The district launched their Clean Cars 4 All program just 1 month before the start of FY 2019-20. Without historic participation data to help inform goal-setting for Bay Area AQMD's program, staff is using South Coast AQMD's participation from its first year of implementation (i.e. FY 2014-15) as a benchmark. Bay Area AQMD designed their program based on South Coast AQMD's successful model, so it is reasonable to assume they will be able to achieve a similar level of participation at the same stage of implementation.

Sacramento Metropolitan AQMD

CARB is setting a goal of between 200 to 250 participants in FY 2019-20. The district launched their Clean Cars 4 All program during the first quarter of 2020, halfway through FY 2019-20. Like Bay Area AQMD, Sacramento Metropolitan AQMD's program also closely follows South Coast AQMD's model. As such, staff and the district expect participation in FY 2019-20 to match what South Coast AQMD achieved in their first 6 months of implementation.

EFMP Goals for FY 2019-20

Background

EFMP consists of 2 component programs: A statewide Scrap-only program implemented by BAR, and a Scrap-and-Replace program implemented by South Coast AQMD and San Joaquin Valley APCD. Funding for EFMP comes from a 1-dollar surcharge on vehicle registration, which generates approximately \$30 million annually. The Legislature appropriates the majority (just over 90 percent) of the annual EFMP budget to implement the Scrap-only program. CARB uses the remainder (typically \$2.8 million or less than 10 percent) to implement EFMP Scrap-and-Replace and has historically split the funding evenly between the 2 implementing air districts, South Coast AQMD and San Joaquin Valley APCD. Both component programs are oversubscribed, so the primary determinants of participation levels each year is the amount of funding available and the average total cost of each incentive.

FY 2019-20 Goals

The goal for FY 2019-20 for EFMP Statewide Scrap-Only program and EFMP Scrap-and-Replace program is the number of vehicles brought through these programs as detailed in Table 2.

Table 2: EFMP FY 2019-20 Goals for Scrap-only and Scrap-and-Replace

EFMP Program	FY 2019-20 Goals
Statewide Scrap-only	25,900
EFMP Scrap-and-Replace Total	560
<i>South Coast AQMD</i>	<i>280</i>
<i>San Joaquin Valley APCD</i>	<i>280</i>

Statewide Scrap-only Program

FY 2019-20 EFMP goal is to retire 25,900 vehicles, an increase of 91 vehicles over the number of vehicles scrapped last year. As the Scrap-only only program is very popular and oversubscribed each year, staff determined this goal based on available program funding and the average cost of vehicle purchases. FY 2019-20 EFMP Scrap-only budget is similar to last year's and allocates \$37 million for vehicle purchases. Currently, the average cost of vehicle purchases is slightly lower than last year due to new dismantler contracts that reduced per-vehicle administrative fees in some areas.

EFMP Scrap-and-Replace

FY 2019-20 funding for Scrap-and-Replace is \$2.8 million and is evenly split between South Coast AQMD and San Joaquin Valley APCD. While the Scrap-and-Replace

funding is restricted to the same lower-income levels served by Clean Cars 4 All, it is not limited to either advanced technology replacement vehicles, nor to residents of disadvantaged communities. This allows districts with flexibility to ensure that they are able to serve constituents for whom an advanced technology vehicle may not be an adequate replacement. The demand for this flexibility determines if the funding is used to pay a portion of Clean Cars 4 All projects or is attributed to separate EFMP Scrap-and-replace transactions. If all the funding went to EFMP Scrap-and-Replace transactions, approximately 560 vouchers could be funded. This is based on the average total cost of each incentive, which is \$5,000 (the average includes projects receiving the mobility option of \$7,500). Thus, staff determined that a goal of 560 transactions funded in whole or in part by EFMP Scrap-and-Replace funds was an appropriate goal.

Future allocations of EFMP Scrap-and-Replace funds will likely be broadened to include other air districts, where there may be a greater number of applicants who would be eligible for EFMP Scrap-and-Replace but not Clean Cars 4 All.

Program Improvements

Few participants have chosen any alternative mobility option during the life of the program. To address this, the Board increased the incentives amount for the mobility option from \$2,500 to \$7,500 when it approved the Clean Cars 4 All Guidelines. This action put the alternative mobility incentive on equal footing with that offered for a conventional hybrid vehicle.

CARB staff also evaluated how to maximize participation and emissions reductions. Given the clean vehicle rebate program (CVRP), which provides additional support. For example, a battery electric vehicle can get up-to \$9,500 from Clean Cars 4 All and also \$4,500 from CVRP for a total of \$14,000 in incentives to help the participant purchase a newer, cleaner vehicle. Furthermore, participants may also apply for financing assistance to help secure a low-interest loan for the remaining balance. Based on these opportunities, CARB believes that no changes to funding amounts are needed at this time to increase program participation. That enables Clean Cars 4 All to serve more consumers, maximizing the emissions benefits achieved by the program. Thus, CARB has identified no specific program improvements that need to be implemented at this time. CARB staff will continue to monitor participation rates and other data to ensure that the program continues to perform as needed.

Conclusion

Clean Cars 4 All has made significant progress since launching in July 2015. The participation goals established in this document reflect staff's expectation of continued growth in FY 2019-20, especially with the launch of new programs in the

Bay Area and Sacramento Metropolitan air districts. CARB will evaluate each air district's progress toward these goals at the end of FY and make the results available on our website.

As of June 30, 2019, CARB recommends that no changes be made to the current guidelines for the Clean Cars 4 All Program. Based on data reported by implementing air districts, there is no need to increase funding for outreach or administration because each program has sufficient funding to meet demand.

The process of setting and evaluating goals each year will help CARB determine whether any programmatic changes are necessary moving forward on an annual basis. Some changes may be implemented by air districts modifying their implementation, if staff identify any necessary policy changes, these will be formally proposed and finalized through the annual Funding Plan process.