

To: **Liane M. Randolph, Chair**
Honorable Board Members

From: Craig Segall, Deputy Executive Officer 

Date: May 4, 2022

Subject: Update on the Clean Vehicle Rebate Project

Background

The California Air Resources Board (CARB or Board) implements a number of clean transportation equity and light-duty vehicle incentive programs supported by proceeds from Cap-and-Trade auction proceeds. These investments are aimed at supporting the long-term transformation of California's fleet and ensuring that this transformation occurs in an equitable manner. One such program is the Clean Vehicle Rebate Project (CVRP) that supports increasing the number of zero-emission vehicles (ZEV) on California's roadways to meet deployment goals and achieve large scale transformation of the fleet while increasing ZEV adoption in low-income communities.

During the November 19, 2021, Board Meeting, the Board approved the Fiscal Year (FY) 2021-22 Funding Plan for Clean Transportation Incentives and requested an update on CVRP by early-May 2022 to assist with ongoing discussions about the program. This memorandum provides the requested update.

Program Overview

CVRP offers vehicle rebates of up to \$4,500 to eligible applicants on a first-come, first-served basis to reduce the purchase price for light duty ZEVs, plug in hybrid electric vehicles (PHEV), fuel cell electric vehicles (FCEV) and zero emission motorcycles. CVRP helps get the cleanest vehicles on the road in California by providing consumer rebates to partially offset the higher initial cost of these advanced technologies. Per-vehicle rebate amounts are based on consumers' income and vehicle technology as shown in Table 1. Increased rebates, which were introduced in 2016, provide an additional \$2,500 rebate for income qualified applicants to help address the cost barrier experienced by many lower-income car buyers when making the transition to a new ZEV.

CVRP is one program in a suite of electric vehicle purchase incentive programs offered through CARB, which also includes Clean Cars 4 All and Financing Assistance programs. Clean Cars 4 All and Financing Assistance are designed to increase access to cleaner vehicles in disadvantaged communities and lower-income households, as well as provide support to the secondary ZEV market. These incentive programs can be stacked with each other to maximize the incentive for lower-income car buyers. For example, a lower-income consumer

purchasing a new battery electric vehicle (BEV) can get a \$4,500 rebate from CVRP, take advantage of low-interest rate loan options through Financing Assistance, and receive an additional \$4,500 from Clean Cars 4 All for scrapping an older, higher-polluting vehicle. This \$9,000 in CARB incentive funding is in addition to any local and federal incentives available.

In 2016, the Legislature passed Senate Bill (SB) 859 (Committee on Budget and Fiscal Review, Chapter 368, Statutes of 2015), which mandated a number of changes to CVRP, including:

- Increasing rebate amounts for low-income applicants with household incomes less than or equal to 300 percent of the federal poverty level to those shown in Table 1.
- Reducing the income cap to the levels shown in Table 1.
- Limiting PHEV eligibility to vehicles with at least 20 miles of electric range.
- Requiring outreach to low-income consumers.
- Requiring prioritized rebate payments for low-income consumers.

CARB incorporated all these changes to CVRP as part of the FY 2016-17 Funding Plan. SB 615 (Cooper, Chapter 631, Statutes of 2017) extended these provisions through December 31, 2018. In addition, Assembly Bill (AB) 2885 (Rodriguez, Chapter 366, Statutes of 2018) extended the requirements to continue providing outreach to low-income households and low-income communities and prioritize rebate payments to low-income applicants until January 1, 2022.

While the statutory requirement for some of the above-mentioned provisions sunset at the end of 2018, staff has kept the following provisions in place for the program:

- Provide rebates for applicants who report gross annual income on Internal Revenue Service (IRS) Form 1040, IRS Form 1040A, or IRS Form 1040EZ, that does not exceed the limits as shown in Table 1.
- Provide increased rebates to eligible low-income applicants as shown in Table 1.
- Limit PHEV eligibility to those that meet the current electric range requirement.

Table 1: CVRP Rebate Amounts and Income Limits as of February 24, 2022

Rebate Type	Fuel Cell Electric Vehicle	Battery Electric Vehicle	Plug-in Hybrid Electric Vehicle ¹	Zero-Emission Motorcycle
Increased Rebate for Low-Income Applicants Households with income less than or equal to 400% of federal poverty level	\$7,000	\$4,500	\$3,500	\$750
Standard Rebate Available for: Individual tax filers whose income is greater than 400% of the federal poverty level but less than or equal to \$135,000 Head-of-household tax filers whose income is greater than 400% of the federal poverty level but less than or equal to \$175,000 Joint tax filers whose income is greater than 400% of federal poverty level but less than or equal to \$200,000	\$4,500	\$2,000	\$1,000	\$750
Above Income Cap² Individual tax filers whose income is greater than \$135,000 Head-of-household tax filers whose income is greater than \$175,000 Joint tax filers whose income is greater than \$200,000	\$4,500	Not eligible	Not eligible	Not eligible

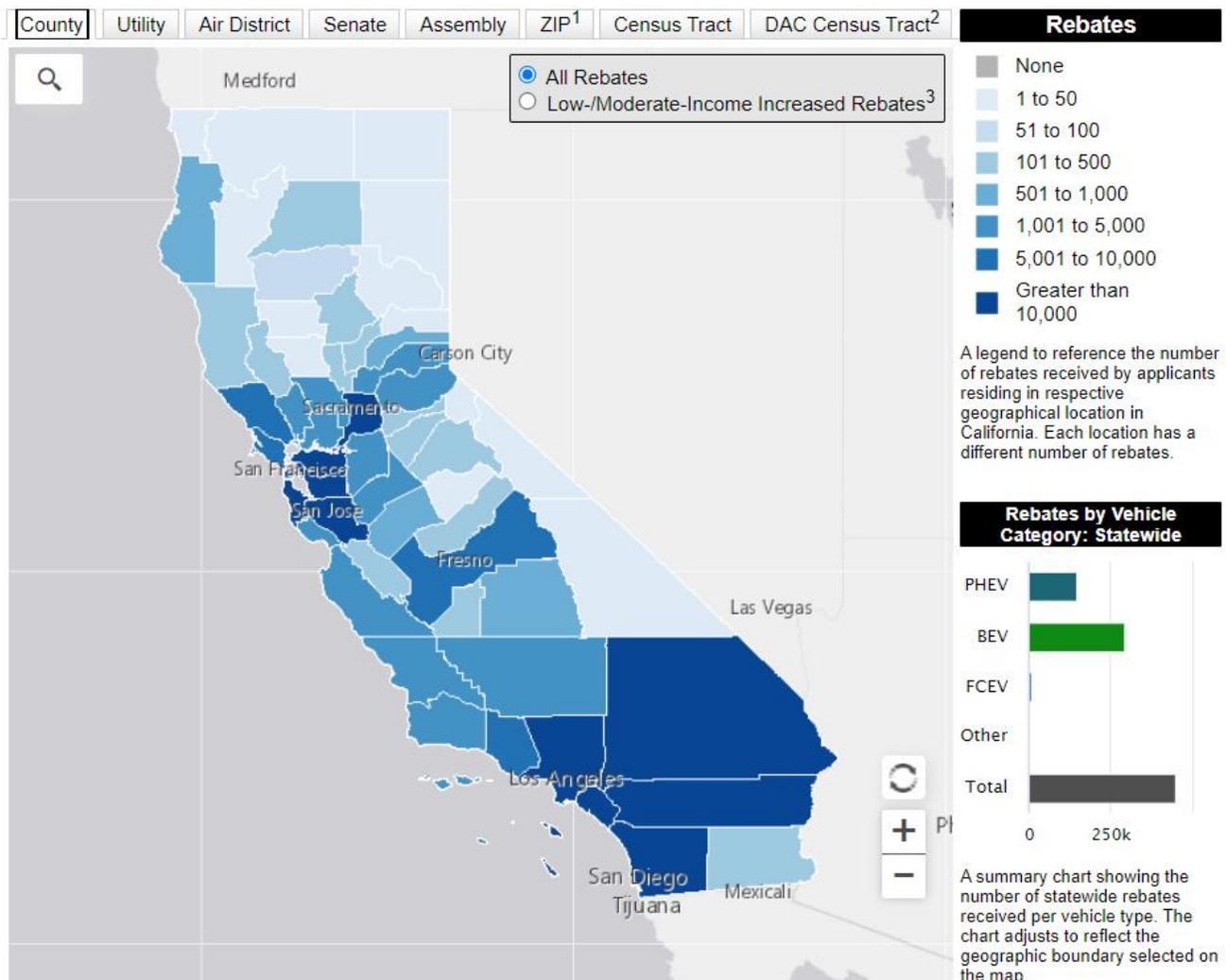
¹ With an all-electric range of at least 30 miles as determined by U.S. Environmental Protection Agency

² Income caps do not apply to fuel cell electric vehicles.

Current Project Status

Since CVRP’s launch in 2010, over 450,000 rebates totaling over \$1 billion have been issued. Since March 2016 when increased rebates for low- and moderate-income applicants were introduced, CVRP has issued almost 30,000 increased rebates totaling over \$128 million. About 65.5 percent of all rebates issued went to battery electric vehicles (BEV), 32 percent to PHEVs, and about 2.5 percent to FCEVs and zero-emission motorcycles. Currently, about 40 percent of rebates are being issued to low- and moderate-income applicants. Figure 1 shows the total number of rebates issued in each county.

Figure 1: Map of CVRP Rebates by County



While CVRP has only offered an increased rebate for lower-income applicants since 2016, the program has provided benefits to disadvantaged and low-income communities since the program’s inception. Since 2010, over 117,000 rebates totaling over \$312 million have been issued to applicants residing in communities identified as AB 1550 disadvantaged

communities and AB 1500 low-income communities. This accounts for 30 percent of the CVRP funding issued to-date.

In November 2021, the Board approved a phased in plan of program changes that are expected to allow CVRP to operate through FY 2023-24 while continuing to prioritize funding for lower-income consumers. The first phase of these changes includes a reduction in the income cap for standard rebate eligibility and a decrease in the Manufacturer's Suggested Retail Price (MSRP) cap from \$60,000 to \$45,000 for smaller vehicle classes. The MSRP cap for larger vehicle classes (vans, trucks, and sport utility vehicles) remains at \$60,000. These changes went into effect on February 24, 2022. The second phase of changes planned for February 2023 includes a second reduction in the income cap for standard rebate eligibility, a \$250 decrease in rebate amounts overall, and removal of PHEVs from CVRP eligibility. While these changes were already approved by the Board in November 2021, staff are in the process of analyzing current ZEV market conditions, updating funding projections, and meeting with stakeholders to determine if this second phase of planned changes are indeed necessary to keep the program open through FY 2023-24. A detailed explanation of these changes can be found in the FY 2021-22 Funding Plan for Clean Transportation Incentives.³ Staff may present a proposal for updates to this plan at the November 2022 Board meeting based on stakeholder input through the public process.

CVRP-Eligible Vehicles and Program Demand

There are currently over 70 plug-in electric vehicle models available for purchase in California with 28 of those models eligible for CVRP given current vehicle eligibility requirements. This includes 9 PHEV models, 16 BEV models, and 3 FCEV models.

During the last five years, Tesla vehicles have accounted for a larger percentage of CVRP's demand as Tesla continues to produce some of the most popular electric vehicle (EV) models available. On March 15, 2022, Tesla announced an immediate increase in the base MSRP of both the Model 3 and Model Y that placed these vehicles over the program's MSRP cap. Any Tesla Model 3 or Model Y that was ordered on or after March 16, 2022, is not eligible for a CVRP rebate. However, consumers who ordered a Tesla Model 3 or Tesla Model Y on or before March 15, 2022, are still eligible for a rebate if they meet all other eligibility requirements.

Now that all of Tesla's models are no longer eligible for CVRP, there may be a significant decrease in program demand for the foreseeable future until equally popular EV models enter the market in larger numbers. Staff is working to update funding need projections to take this into account and presented a preliminary projections update to stakeholders at a public working group held on May 2, 2022.

³ Proposed FY 2021-22 Funding Plan for Clean Transportation Incentives, Page 40-51, Approved at the November 19, 2021, CARB Board Meeting, https://ww2.arb.ca.gov/sites/default/files/2021-10/fy21-22_fundingplan.pdf.

These preliminary projections indicate a much lower program demand now that Tesla vehicles are no longer eligible for rebates. While there will be an impact to CVRP demand, updated projections also indicate that we are still well on track to meet the next ZEV deployment goals of 1.25 million and 5 million ZEVs by their respective deadlines of 2025 and 2030.

It is important to note that these updated projections are created from a snapshot of the market as it is today and does not account for upcoming ZEV model releases or changes to federal and state incentives or regulations. Additionally, staff anticipate a percentage of Tesla shoppers who deem the rebate essential to their purchase may choose to buy a different ZEV that is eligible for CVRP. As the ZEV market is constantly evolving, staff will continue to analyze funding need projections and will use this information along with input from stakeholders in additional public meetings to develop an updated three-year plan proposal to be considered at the November 2022 Board meeting.

2021 CVRP Waitlist

Due to the increase in program participation in early 2021, it became evident that the remaining FY 2019-20 funding for CVRP would be exhausted by the end of April 2021. Staff initially expected this funding to last further into the year especially for increased rebates. CARB issued a press release on April 14, 2021, and held a public work group on April 16, 2021, to signal the impending end of current funding and to announce that a waitlist would be opened. The CVRP administrator, the Center for Sustainable Energy (CSE), officially notified applicants of the impending waitlist on April 23, 2021. Remaining funding allowed CVRP to accept applications through May 18, 2021. All applications for both standard and increased rebates received on or after May 19, 2021, were added to the waitlist until September 15, 2021, when new funding from the FY 2021-22 allocation was added to the program.

A total of 16,214 applications equaling \$42,104,250 were received during the waitlist period of May 19 through September 15, 2021. A total of 11,536 rebates (\$28,895,250) were issued, which includes 9,290 standard rebates (\$18,820,250) and 2,246 increased rebates (\$10,075,000). The remaining applications were either deemed ineligible or cancelled.

Update on CVRP Rebate Processing Times

CVRP rebate eligibility is dependent on the applicant's income. For standard rebates, applicants are not eligible if their gross annual incomes are above set income shown in Table 1, above. The income cap applies to all eligible vehicle types except FCEVs. To be eligible for an increased rebate, an applicant must have a household income that is 400 percent of the federal poverty level or less.

Because of these requirements, all applications for increased rebates and a percentage of applications for standard rebates are income verified by the CVRP administrator, CSE. Applicants selected for income verification must provide proof of income in the form of current tax transcripts to CSE's rebate processors, who undergo rigorous and routine training

for handling this sensitive and confidential information. If current tax transcripts are not available, additional documentation, such as W2's, bank statements, or paystubs, is required to verify income. CVRP rebate processing staff must review and verify that all information submitted matches the information included in the rebate application, and verify that the applicant meets the income requirements of the program. Including the time needed for income verification, it normally takes about 90 days for a rebate application to be reviewed and approved from the date of application.

In September 2021, a memo was sent to the Board with information on increased rebate processing times brought on by compounding effects of the pandemic and staffing reductions due to program budget uncertainty. These impacts led to unusually long processing times. At the time the memo was sent, it was taking about 3.5 months to process non-income verified applications and just over 7 months to process income verified applications.

As outlined in the September 2021 memo, CARB staff worked with CSE to address staffing issues and incorporate various program efficiencies that greatly improved processing times. Currently, non-income verified applications are being processed on average in 88 days and income verified applications are being processed in 162 days. While it is still taking longer than 90 days to process income verified applications, CARB staff is encouraged that a recent increase in the number of rebate processing staff and additional program efficiencies will bring this number down to normal levels by July 2022.

CVRP Rebate Now

CVRP rebates are issued after an eligible consumer purchases or leases a new ZEV. SB 1275 (De León, 2014) directed CARB to consider converting CVRP to a prequalification or point-of-purchase rebate to address the barrier of increased upfront costs typical of a new ZEV. In response, CARB directed CSE to launch the CVRP Rebate Now Pilot (Rebate Now) in January 2018 for residents of San Diego County. Eligible customers would be pre-qualified for a CVRP rebate prior to their purchase/lease of a new ZEV. Customers would have the choice of either redeeming the preapproval voucher with a participating dealership at the point of purchase, thereby lowering the total purchase/lease price of a new ZEV, or "self-claiming" the rebate in which customers choose to have the rebate mailed to themselves after purchasing/leasing a new ZEV.

In the initial pilot phase of CVRP Rebate Now, a vast majority of participants elected to self-claim the rebate as opposed to redeeming it at a participating dealership. Early data also indicated that Rebate Now attracted a larger proportion of applications from lower-income car shoppers than the traditional CVRP program in San Diego. Taking early pilot data and lessons-learned into account, CARB directed CSE to modify Rebate Now so that it was restricted to only increased rebate applicants and expanded the pilot to include the counties under the jurisdiction of the San Joaquin Valley Air Pollution Control District.

The expansion of the Rebate Now Pilot to the residents of the San Joaquin Valley created new pre-purchase stacking opportunities with the Clean Vehicle Assistance Program and the

replace portion of the Drive Clean in the San Joaquin program. Stacking multiple incentives increased access to a new ZEV for Central Valley residents who are most vulnerable to air pollution and social economic burdens. The expansion of Rebate Now also demonstrated how community-based organizations (CBO) can increase participation in incentive programs as well as provide case management services to applicants to assist with the application process and ensure they take advantage of all available incentives.

CVRP Rebate Now is currently closed as CSE focuses on addressing application processing times. Once processing times are back to normal levels for all application types, CARB plans to reopen Rebate Now to continue refining the pre-approval process for CVRP and potentially expand to other areas of California with the ultimate goal of statewide implementation.

Engagement and Outreach in Disadvantaged and Low-Income Communities

Each year, CVRP has continued to increase outreach on ZEVs and available incentives in disadvantaged and low-income communities. This includes building a Community Partner Network which is a statewide coalition of CBOs that have a common goal of ensuring clean air for all. The CVRP administrator works with CBOs and their respective communities by breaking down EV barriers and providing information about CVRP increased rebates and other stackable incentives. The Community Partner Network includes several CBOs, such as:

Central California Asthma Collaborative	Metropolitan Area Advisory Committee on Anti-Poverty (MAAC)
Central California Environmental Justice Network	Community Resource Project
Valley Improvement Project	Comite Civico de Valle
Madera Coalition for Community Justice	Pryor Consulting
Catholic Charities Diocese of Stockton	California Interfaith Power and Light (includes multiple statewide partners)
LEAP Institute	Little Manila Rising

CBOs help support on-the-ground outreach efforts, including ride and drives, presentations, local events and providing information to community members through canvassing efforts. CSE is planning on bringing in additional CBOs to be part of the Community Partner Network.

CSE is also expanding outreach efforts to increase awareness of ZEVs and incentives in underserved areas, including African American communities. To assist with outreach efforts CSE is working with Pryor Consulting, a firm specializing in communicating information to the African American community. Additionally, CSE is forming the California Black EV Collaborative to bring together stakeholders that have an interest in sharing EV related information with others.

Reaching tribal communities is another area of focus for CVRP outreach. Outreach teams are building stronger relationships with tribal nations in California. CSE will also be including tribal nations in upcoming focus group forums to better understand the concerns and barriers to adopting ZEVs that are specific to tribal communities.

In addition to outreach to targeted communities, CSE has increased outreach to dealerships in disadvantaged and low-income communities. Outreach efforts include phone calls, conference calls, emails and webinars with dealerships. In the past 12 months, CSE has emailed or called over 6,000 times to 624 dealerships that are located in areas designated as benefitting disadvantaged communities.

Emission Reductions Attributable to CVRP

To date, a total of \$1.6 billion has been allocated to CVRP from the Air Quality Improvement Fund, the Greenhouse Gas Reduction Fund, and the General Fund. Of this total, CVRP has implemented just over \$1 billion dollars resulting in over 440,000 projects creating a reduction of 9.5 million metric tons of carbon dioxide (CO₂) equivalent, about 420 tons of nitrogen oxides (NO_x), just over 110 tons of fine particulate matter (PM 2.5), and about 175 tons of reactive organic gas (ROG) emission reductions.⁴

Although no specific set aside for increased rebates for low-income consumers was included in the Budget Act of 2021, staff estimates that at least 50 percent of the FY 2021-22 CVRP funding allocation of \$515 million would be used for increased rebates and the remainder used for standard and fleet rebates. This estimate is based on the changes proposed over the next few years that aim to narrow the program's focus to middle- and lower-income ZEV buyers. With this framing, staff estimates that \$257.5 million of the total allocation will be used for standard rebates which would fund about 130,500 rebates and provide over 1.04 million metric tons of CO₂ equivalent greenhouse gas (GHG) emission reductions. The funding would also provide about 68 tons of NO_x, 45 tons of PM 2.5, and 13 tons of ROG emission reductions.

Staff estimates that the remaining \$257.5 million of the allocation used for increased rebates for low-income consumers would fund about 57,000 rebates and provide 431,000 metric tons of CO₂ equivalent GHG emission reductions. The allocation would also provide about 28

⁴ Number of vehicles and emission reductions are based on \$927M in Greenhouse Gas Reduction Fund funding implemented as of June 30, 2021, as reported in the [California Climate Investments 2021 Mid-Year Data Update](#), and \$67M in Air Quality Improvement Program (AQIP) funding implemented through June 30, 2016, as reported in the [2016 AQIP Biennial Report to the Legislature](#).

tons of NO_x, 20 tons of PM 2.5, and 6 tons of ROG emission reductions. After the funding is expended, CARB will report on the actual number of rebates issued, emission reductions achieved, and disadvantaged community benefits as part of future Annual Reports to the Legislature on California Climate Investments and future iterations of the Funding Plan for Clean Transportation Incentives.

Looking Ahead

CARB staff will continue to provide regular updates to the Executive Office to document progress towards decreasing CVRP processing times. CARB staff will continue providing a more in-depth update on CVRP to be included in the annual Funding Plan for Clean Transportation Investments.

If you have questions or need further clarification, please contact me at 916-720-2974, or by email at Craig.Segall@arb.ca.gov.