

SB-4 Passes the Legislature

Major Changes to CHEAPR Incentive Program Coming

The big environmental omnibus bill with 16 parts to it passed the legislature today. It awaits the signature of the governor.

CHEAPR Highlights

- Eliminates the program's sunset date, which was December 31, 2025.
- Expands the board and turns into a strictly advisory body. In other words, DEEP makes all the decisions.
- MSRP cap is raised from \$42,000 to \$50,000. (It remains at \$60,000 for FCEVs.)
- Loosens eligibility for income limited (known as LMI) rebate eligibility. The current program, which has awarded very few rebates, requires someone to be using certain government assistance programs, such as SNAP (food stamps), Operation Fuel, and others. It now adds an income threshold of 3 times the poverty level, which translates to \$83,250 for a family of 4 or \$40,770 for an individual.
- Adds a minimum \$500 rebate for e-bikes (DEEP has discretion to modify it) for an e-bike costing no more than \$3,000. This rebate is intended for income limited individuals. (The legislation isn't totally clear – it says “prioritize granting incentives” to these individuals.)
- Raises the CHEAPR budget considerably. CHEAPR will now receive the entirety of the GHG fees collected during registration. This would yield roughly \$8 million

compared to the current \$3 million budget. But that's not all. The program, beginning in 2024, will also get proceeds from the RGGI (regional power plant cap and trade) program that previously went to the Green Bank.

- Incentive amounts are not addressed in the bill. They are set by DEEP.
- Expands eligibility from the current residential owner only to include municipalities, businesses, nonprofits, and tribal entities. These new entities can receive up to 10 incentives in any one year with a total cap of 20. Entities operating entirely in environmental justice communities can be allocated additional incentives by DEEP.
- DEEP is required to submit a report on program performance to the legislature on an annual basis.

A Number of Other provisions Are in the Bill.

Here are some of them.

- Accelerates the transition to EV school buses. There is a requirement that by 2030 in environmental justice communities and by 2040 elsewhere, all school buses must be electric or "alternative fuel." (Alternative fuel includes natural gas, hydrogen, propane, or biofuels. These are not zero-emission vehicles and we don't agree with this aspect of the legislation.) A major change is that school districts are able to enter into contracts that have a maximum 10-year duration, up from 5. This enables EV school buses pencil out. The bill establishes a grant program to help municipalities fund the transition, which is administered by DEEP.
- Prohibits purchase of diesel-powered transit buses as of 2024.
- Requires 50% of the state's vehicle fleet to be electric by 2026.

- Adoption of the California emission standards for medium and heavy-duty vehicles. This made it through after failing last year and it is a big deal. It includes a voucher program to offset some of the cost for fleet owners to make the transition, funded out of the CHEAPR account. These same fleet operators will be able to tap the utility incentives to offset the cost of charging infrastructure and mitigate demand charges.
- Traffic signal matching grant program. This helps municipalities fund smart traffic lights (which really do reduce emissions).
- Right to charge legislation. The objective is to prevent condo associations or landlords from unreasonably refusing a request from a resident to install an EV charging station. We will be examining this in more detail to understand the various use cases.
- The discount that all of us EV owners have enjoyed with respect to vehicle registration goes away.
- In general, it makes available funds to leverage federal matching grants, something that last year's failed TCI legislation would have done.

When Will CHEAPR Changes Be Implemented?

There is an open question regarding when the changes in the CHEAPR program will take effect. The bill has language about July 1, but that is unrealistic. The implementation logistics take time. The last time there were significant changes to CHEAPR, particularly the addition of the LMI incentives, it took 6 months to develop the back-end. Now they need to get into income-verification, which is something they tried hard to avoid previously. Aside from the restrictiveness of the current LMI eligibility, one of the barriers to its use is that unlike the main CHEAPR rebate, which is cash on the hood, it is provided after the fact, forcing an income limited individual to float the cash. If there is any way to make this a credit on the invoice, that would be a big improvement.

There was a lengthy discussion at the board meeting in March about the administrative burden of doing that. The next CHEAPR board meeting is in June and perhaps some of these details will be addressed.