

The New CHEAPR

CHEAPR Board Meets Following Passage of Public Act 22-25

Following the passage of SB-4/Public Act 22-25, the Department of Energy and Environmental Protection (DEEP) and the CHEAPR board met on June 16th. The legislation made extensive changes to the state's purchase incentive program, which we have detailed in earlier posts such as [this one](#). Now comes the time for rule making to fill in the gaps and the implementation logistics. Though the legislation has an effective date of July 1, the fact is this will be a work in progress for the rest of the year. So with that preamble, this what we know to this point as well as our thoughts about changes we would like to see that follow the new legislation

MSRP Cap and Other Changes

- The MSRP cap increase to \$50,000 is the easiest to implement and it should happen at some point over the summer. We will update everyone when that is the case. (**Update:** This is now in place and updated on the CHEAPR website.)
- The enhanced funding from the additional clean air registration fees and proceeds from the Regional Greenhouse Gas Initiative proceeds begins next year. However, the program has been so under spent, and there is still an implementation period, it is unlikely to deplete funds before the new funding stream begins. DEEP is currently sitting on over \$5MM of funds, well above current needs. New expenditures flowing from program changes will be folded into the program as they are ready between summer and the end of the year. It is our

bet that the year will end with a surplus.

- DEEP is preparing an RFI for the new e-bike incentive with projected implementation by the end of the year.
- The income limited (Rebate+) incentives will be transitioning from an after the fact reimbursement to a pre-qualification/voucher program. This is great news. It requires a new process be developed and implemented, which will take at least until Q4, though technically, the eligibility requirements will have been changed before then. In other words, some of the folks becoming newly eligible could access the incentive but would have to float the cash.
- Expanded eligibility to municipalities, businesses, non-profits, and tribal entities are designated as “mid-term” changes and will likely happen in several month’s time.

This graphic from DEEP indicates which new EVs will be rebate-eligible as a result of the change in the MSRP cap. Keep in mind that eligibility is determined by the base price of a particular trim level. Ordering options does not disqualify a vehicle from being eligible. Buying a trim level with an MSRP above the limit would. Almost all vehicles nowadays have multiple trim levels. Although we don’t recommend doing this, if you pay a dealership premium over MSRP, that does not count towards the cap. The graphic is based on registrations from 2021. It will not pick up the newest vehicles which doesn’t mean they are not (or should not be) included! If you encounter a problem in obtaining a rebate for which you should be eligible, please let us know.

Expected Additions*

Make	Model	Type	MY	MSRP
BMW	3-Series Plug in	PHEV	2022	\$42,950
Audi	Q5 Plug In	PHEV	2022	\$43,300
Ford	Mustang Mach-E	BEV	2022	\$43,895
Audi	Q4 e-Tron	BEV	2022	\$43,900
BMW	i3	BEV	2021	\$44,450
Tesla	Model 3: RWD	BEV	2022	\$46,990
Polestar	2 LR-SM	BEV	2022	\$48,400
Volvo	s60 Plug In	PHEV	2022	\$47,650
BMW	i3 REX	PHEV	2021	\$48,300
BMW	X3	PHEV	2021	\$49,545

Rebate Structure

- It is DEEP's responsibility to determine rebate structure and amount. We expect the amount of the income-limited rebates to increase.
- The consumer's first interaction with CHEAPR is likely to be with the home page and what they see there is not what most people will get. For some reason, DEEP, from the beginning, has been intent on selling the highest possible rebate number that only applies to a minority (or zero in the case of fuel cell) of people.
- There has been an overly complicated multi-tier rebate

structure with base, adders, and supplements. A simpler structure of standard rebate, Rebate+ New, Rebate+ Used would be preferred. Rebate+ New would simply be higher than the standard rebate. Each of these would have a BEV/PHEV version. That's enough.

- For Rebate+ Used, since recipients of this incentive are already income screened, don't restrict eligible vehicles. Let's make it easy for people to use this by not restricting it to vehicles that were originally eligible for a standard CHEAPR rebate as is now the case. There is some concern about battery degradation for older vehicles. There are tools available to address this, which dealers should be encouraged to adopt.

Reporting

- There have been inconsistencies in the reporting from time to time. For example, in the recently released April data, the Tableau chart has 51 rebates. The Excel file has 59 rebate submissions (and 48 sales).
- Rebate+ New is reported as a separate line. So the number of rebates exceeds the number of people receiving rebates. There have been so few of them that it hasn't made much difference. If the new LMI rebates are more successful, it will color the data. If the suggestion about Rebate+ noted above is adopted, it would solve this.
- Add new fields for "Rebate Type" and "Dealership." The former will make it easier to parse the data. The latter will save the FOIA exercise that we go through each year.

Rebate Utilization

- DEEP is investigating reports that some of the finance companies that hold title to the vehicle for leasing customers are not participating in the rebate. Dealer representation on the board, possibly in concert with their affiliated manufacturers, should be proactive

about working upstream with the finance companies to change this.

- Dealers should take it upon themselves to be proactive about alerting DEEP when new eligible vehicles or new model years of eligible vehicles are about to start delivery. That way consumers won't get caught as a result of a dealer not being able to process a rebate because the database has not been updated.
 - DEEP issues a forecast periodically to project expenditures and use that for guidance in setting program parameters. The actual expenditures have come in substantially below the forecast every year since the current regimen was established in 2019. For various reasons, that may not continue to be the case. But even if the program is running hot, it will be easy to identify in plenty of time to make adjustments and avoid funds depletion.
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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.

SB-4 Would Raise CHEAPR MSRP

Cap

Omnibus Transportation and Energy Committee Bill Includes Support for EVs

Aside from SB-214 that would enable direct EV sales, there was another significant bill that advanced to the full chamber in SB-4 which passed by a committee vote of 23 – 11.

CHEAPR

Changes to the state EV purchase-incentive program, CHEAPR, are one aspect of the bill.

- The MSRP cap for eligible vehicles is raised to \$50,000.
- The budget of the program is being increased, though an exact amount is not specified.
- Changes are coming to incentives designed for income-limited individuals that will broaden eligibility and raise the incentive. The current formulation has had a very low take-rate. If a way can be found so that it can be cash on the hood as is the case with the standard incentive, that would also help. There are incentives for both new and used EVs.
- There will be an e-bike incentive of \$500 for individuals who are income-limited or live in an environmental justice community. Eligible bikes have a price cap of \$2000. (There is some discussion regarding whether that cap is unrealistically low.)
- Currently, CHEAPR incentives are only available to residents. This bill expands it to include businesses, municipalities, non-profits, and tribal entities. It entitles them to up to 10 rebates in a single year with

a total cap of 20.

- The CHEAPR Board is changing. The specifics of who is eligible to be appointed are being modified. The board is losing some agency and becomes an advisory board.

DEEP released a discouraging stat that only 34% of eligible vehicles are being sold with a rebate. This number starts with June of 2021, so the lifetime cap would not be an issue. There could be a few reasons for this, but at the risk of being IF0, this is a point of sale rebate and the point of sale is the dealership. According to the Center for Sustainable Energy, the consultant that runs the program for DEEP, Tesla has the rebate integrated into its checkout flow. The dealers should do the same, and in general be more proactive about educating customers about the program.

These are some of the other items in SB-4:

- Right to charge language that would make it easier for residents of multi-unit dwellings to be permitted to install a charger.
- A requirement that any state funded project not contribute to emissions, either directly or via an offset.
- Mandates to increase the electrification of the state vehicle fleet until it covers 100% of the fleet by 2030.
- Funding for the installation of EV charging stations in the rural areas of the state that are not likely to benefit from the Infrastructure Bill funding, which focuses on major highway corridors.
- School bus contracts would be permitted to be extended to 10 years from the current 5, making the numbers pencil out for electric.
- A prohibition on purchasing/leasing diesel transit buses beginning in 2024.

Passing out of committee is just the first step. However, SB-4 has 56 sponsors and is thought to have a high likelihood of becoming law.

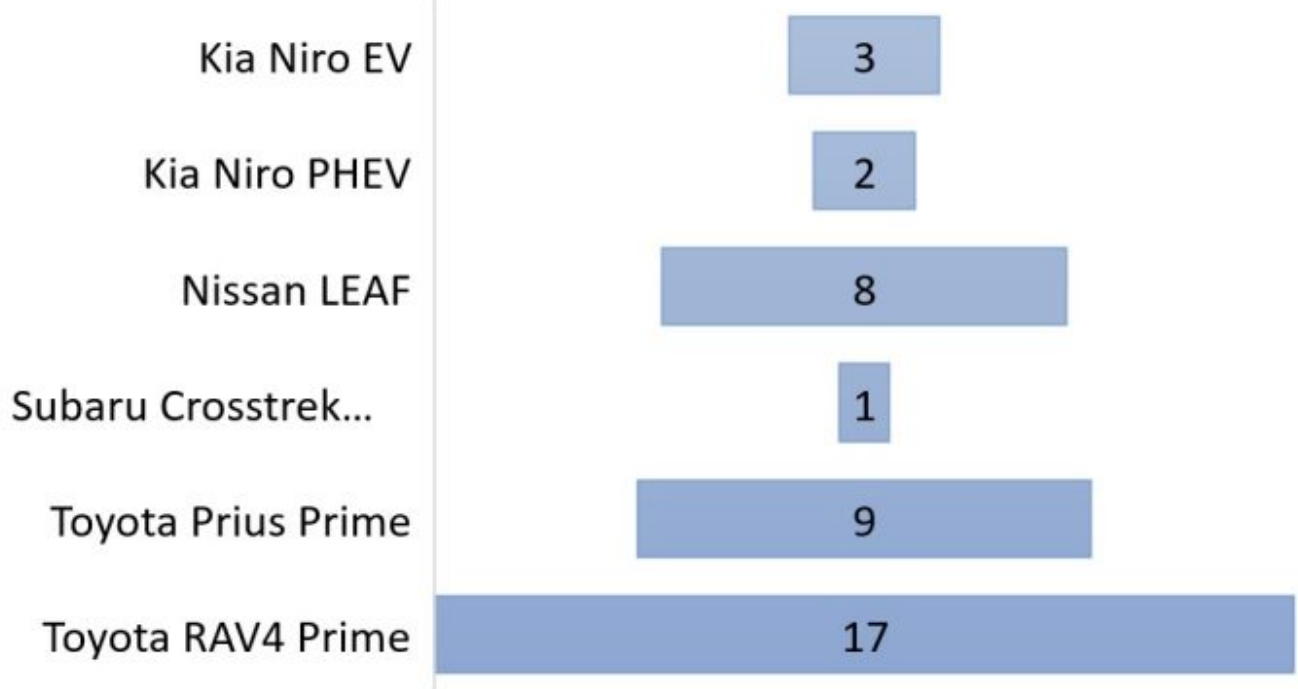
Changes Coming to CHEAPR?

Help Needed to Remedy Persistently Low Rebate Levels

As can be seen in the chart at the top, the rebate count for January was exceedingly low with only 40 rebates, just over half of the low number of 78 from January 2021.

Continuing recent trends, the Toyota RAV4 Prime plug-in hybrid dominated with 17 rebates, with PHEVs overall accounting for 28 of the 40 rebates.

CHEAPR Rebates by Model Jan '22



Some changes could be afoot if SB-4, raised jointly by the Transportation and Environment Committees of the legislature, become law. There are several CHEAPR-related provisions included in the draft text. This is the description to the best of our knowledge.

Environmental Justice Focus

There is a statement of purpose now that focuses on environmental justice communities and lower income individuals. It is phrased as, "The commissioner shall prioritize the granting of rebates to residents of environmental justice communities, residents having household incomes at or below three hundred per cent of the federal poverty level, and residents who participate in state and federal assistance programs, including, but not limited to, the state-administered federal Supplemental Nutrition Assistance Program, state-administered federal Low Income Home Energy Assistance Program, or a Head Start program established pursuant to section 10-16n. The program shall provide rebates

of five thousand dollars to residents of environmental justice communities.”

This represents a loosening of rules for income limited individuals, often referred to by the shorthand LMI. Currently, only participants in state and federal assistance plans are eligible for the Rebate+ incentives and very few have been used. There were zero in January. This expansion to 300% of the federal poverty level should expand the pool. The poverty level for a family of 4 is \$27,750. Aside from an overly limited applicant pool, the rebate+ incentives arguably suffer from being awarded after the fact. If that can be addressed, it would be up to DEEP and the board to determine the process.

The LMI incentive is increased to \$5000. Currently, a BEV carries a total incentive of \$4250. It is not clear if \$5,000 applies to everything.

Standard Rebate and Higher MSRP Cap

The standard rebate still exists and the rules are below.

MSRP cap increase to \$50,000. This is the level where it was before being lowered in 2019 to \$42,000, which began the chronic underspending and has more recently resulted in a program tilted heavily toward PHEVs. For example, over the past 4 months, BEVs accounted for 30% of CHEAPR rebates, but represent 59% of all registered EVs.

While the EV Club has pushed for a restoration of the \$50,000 level for the past couple of years, in the current inflationary environment, it arguably could be higher. The average transaction price of an EV, according to Kelly Blue Book, is \$56,437 (excluding Tesla). The marketplace has blown through the cap level.

Inclusion of Fleets

Expansion of program to include municipalities, businesses, organizations, and tribal entities. These organizations are entitled to up to 10 rebates per year up to a max total of 20. Organizations located in an environmental justice community can receive more at the discretion of the DEEP Commissioner. This could be a big help.

eBikes

eBikes are now included with a rebate of \$500 for a bike costing no more than \$2,000. In the Transport Hartford/Center for Latino Progress meetings, they have said that \$2,000 isn't enough for a quality bike. We support eBike rebates, along with their efforts to advocate for a higher price cap.

Higher Budget

The CHEAPR budget established in the 2019 legislation is \$3MM per year, which has been underspent since the day it started. With the expansion of incentives described in this post, the spend level looks to be considerably higher. The proposed legislation authorizes the program to spend "a minimum of \$3MM per year." This indicates that more funds are forthcoming, but it doesn't specify a cap. CHEAPR funding comes from the clean air fees collected as part of auto registration. These fees bring in about \$8MM per year. \$3MM have been going to CHEAPR with the rest having gone to the general fund. The new legislation designates that 57.5% go to transportation funding, though it is possible that other programs could be included.

Board

There are proposed changes to the board, specifically the inclusion of a "representative of an association representing electric vehicle manufacturers," and a "representative of an

association representing electric vehicle consumers.” For the former, we don’t know if this is a way to draw in the new EV-exclusive manufacturers or if it can be filled by an organization such as the Automotive Alliance which represents legacy OEMs. The manufacturer representative is appointed by the Senate President Pro Tempore. The consumer organization representative is appointed by the House minority leader. These replace 2 current positions appointed by the same individuals. Those positions are currently filled and it is not known if those people will depart.

There are also a couple of unfilled board positions, appointed at large by DEEP, and designated for representatives of an industrial fleet or transportation company.

The board is characterized as operating in an advisory capacity so it is not completely clear how much power they have when it comes to setting policy.

Other Legislative Items

In this and other bills, there are other items of note.

- Right to charge legislation to make it easier for residents (owners and renters) to be able to install a charging station.
- Adoption of California medium and heavy duty vehicle emission standards, pending results of DEEP analysis. (Does anyone seriously doubt we desperately need this??) Update: DEEP released their expected endorsement of this measure on March 9th. (This is bill HB-5039.)
- Allowance for school to enter into 10-year contracts for EV school buses. Currently, only 5-year contracts are allowed. For EV buses, 10 years are needed to make the numbers work.
- Accelerated purchases of smart traffic signals (yes, this really does reduce emissions).
- EV charging stations that go beyond the federal

Infrastructure bill and highway corridors to cover communities with lack of charging access.

- Active transportation – pedestrian and bike paths.
- Any project involving state funds must not add to carbon emissions. If it does, there needs to be offsets.

Advocacy:

We are supportive this bill. There are many good things in it. We would prefer an MSRP cap of \$55,000 for CHEAPR to reflect the realities of the electric car marketplace, as well as a higher cap on the cost of eBikes.

Go [here](#) to find your legislators and contact information.

The Transportation Committee and the Environment Committee will hold a joint public hearing on Friday, March 11, 2022 at 11:00 A.M. via Zoom. The public hearing can be viewed via YouTube Live. In addition, the public hearing may be recorded and broadcast live on CT-N.com. Individuals who wish to testify via Zoom must register using the On-line Testimony Registration Form. Registration will close on Thursday, March 10, 2022 at 3:00 P.M. Speaker order of approved registrants will be posted on the Transportation Committee website on Thursday, March 10, 2022 at 6:00 P.M. under Public Hearing Testimony. If you do not have internet access, you may provide testimony via telephone. To register to testify by phone, call the Phone Registrant Line at (860) 240-0590 to leave your contact information. Please email written testimony in PDF format to TRAtestimony@cga.ct.gov. Testimony should clearly state testifier name and related Bills. The Committee requests that testimony be limited to matters related to the items on the Agenda. The first hour of the hearing is reserved for Legislators, Constitutional Officers, State Agency Heads and Chief Elected Municipal Officials. Speakers will be limited to three minutes of testimony. The Committee encourages witnesses to submit a written statement and to condense oral testimony to a summary of that

statement. All public hearing testimony, written and spoken, is public information. As such, it will be made available on the CGA website and indexed by internet search engines.