DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 6, 2009
POSITION: Neutral, note concerns
SPONSOR: General Motors

BILL NUMBER: SB 535
AUTHOR: L. Yee
RELATED BILLS: AB 1500 (Lieu)

BILL SUMMARY: Vehicles: High-Occupancy Vehicle Lanes

This bill would authorize the following low emission vehicles to operate in high-occupancy vehicle (HOV) lanes without regard to minimum occupancy requirements beyond the current January 1, 2011 sunset date:

- A vehicle that meets California's super ultra-low exhaust emission (SULEV) standard and the federal inherently low-emission evaporative emission (ILEV) standard
- A vehicle produced during the 2004 model-year or earlier that meets the California ultra-low emission (ULEV) standard and the federal ILEV standard

This bill would also require the Department of Motor Vehicles (DMV), upon request and payment of the required fee, to issue up to 65,000 stickers to vehicles that meet California's enhanced technology partial zero-emission vehicle (PZEV) standard and have a 65 miles per gallon (mpg) or greater combined fuel economy rating. This provision would be effective on January 1, 2011, and would sunset on January 1, 2015, or at any time the Secretary of State receives notice from the Department of Transportation (Caltrans) that federal law no longer authorizes HOV lane access for single-occupancy vehicles with such stickers.

FISCAL SUMMARY

This bill would result in minor and absorbable cost to the DMV to continue to process applications and issue white HOV access stickers to vehicles meeting the SULEV and ULEV standards beyond the current sunset date. However, in order to implement the new clean air sticker program, the DMV estimates approximately $170,000 in new workload costs over the life of the program and a cost of $3.75 per set of stickers, or $243,750 for 65,000 sets. These costs will be offset by the $8 fee DMV is able to charge for each set of stickers under current law.

Although flagged as a mandate by Legislative Counsel because it alters the definition of a crime or infraction, under Section 6(b) of Article XIII B of the California Constitution, any costs to a unit of local government which result from legislation defining a new crime or changing an existing definition of a crime are not reimbursable by the state.

COMMENTS

While this bill would permit the DMV to charge enough in fees to cover the cost of administering this program, we note the following:

- According to Caltrans' latest assessment, more than 50 percent of the state's HOV lanes experience degradation of performance during peak hours. While this bill would allow for the existing program to sunset on January 1, 2011, as currently scheduled, 65,000 new stickers would be able to be issued. In addition, should there be an increase in the development of vehicles meeting the SULEV and ULEV standards, this could result in further congestion, thereby reducing the incentive of carpooling in less congested HOV lanes.
- A similar bill, AB 1500 (Lieu), which would extend the sunset date to January 1, 2016, that allows vehicles meeting SULEV and ULEV standards to use HOV lanes without meeting occupancy

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requirements, could be in conflict with this bill should it be chaptered because this bill would allow those vehicles to use HOV lanes beyond the January 1, 2016 sunset date.

ANALYSIS

A. Programmatic Analysis

Current law authorizes the following vehicle types to operate in high-occupancy vehicle (HOV) lanes regardless of vehicle occupancy:

- A vehicle that meets California's super ultra-low exhaust emission (SULEV) standard and the federal inherently low-emission evaporative emission (ILEV) standard
- A vehicle produced during the 2004 model year or earlier that meets California's ultra-low emission vehicle (ULEV) standard for exhaust emissions and the federal ILEV standard.
- A hybrid or alternative fuel vehicle that meets California's advanced technology partial zero-emission (PZEV) standard and has a 45 miles per gallon (mpg) or greater fuel economy highway rating.
- A hybrid vehicle that was produced during the 2004 model year or earlier that has a 45 mpg or greater fuel economy highway rating and meets the state's ULEV, SULEV, or PZEV standards.

The authority to access HOV lanes expires for all four vehicle types on January 1, 2011.

Current law authorizes the Department of Motor Vehicles (DMV) to charge a fee sufficient to reimburse its costs for issuing distinctive decals, labels, and other identifiers for specified vehicles to operate in HOV lanes without regard to occupancy requirements. The DMV currently charges an $8 fee for each set of stickers.

This bill would authorize the following low emission vehicles to operate in HOV lanes without regard to minimum occupancy requirements beyond the current January 1, 2011 sunset date:

- A vehicle that meets California's SULEV standard and the federal ILEV standard.
- A vehicle produced during the 2004 model-year or earlier that meets the California ULEV standard and the federal ILEV standard

This bill would also require the DMV, upon request and payment of the required fee, to issue up to 65,000 stickers to vehicles that meet California's enhanced technology PZEV standard and have a 65 mpg or greater combined fuel economy rating. This provision would be effective on January 1, 2011, and would sunset on January 1, 2015, or at any time the Secretary of State receives notice from the Department of Transportation (Caltrans) that federal law no longer authorizes HOV lane access for single-occupancy vehicles with such stickers.

Discussion: Upon the January 1, 2011 sunset of the existing authorization for 85,000 fuel-efficient hybrids to operate in HOV lanes, this bill would allow DMV to issue up to 65,000 new stickers for vehicles meeting the PZEV standard with a 65 mpg or greater fuel economy. Caltrans indicates that more than 50 percent of the state's HOV lanes experience degradation of performance during peak hours. As a result, the Federal Highway Administration has required Caltrans to develop a plan to mitigate this degradation and has warned that that if significant progress is not made in this area, it may have to shut down the state's current program authorizing 85,000 fuel-efficient hybrids to operate in HOV lanes. Essentially, this bill would substitute one problem for another by eliminating any marginal decrease in degradation from the expiration of the existing program by allowing 65,000 new vehicles to access HOV lanes.

According to the author, there are at least five new vehicles anticipated to enter the market that will meet this bill's standard: the Chevy Volt, Fisker Karma, Chrysler ReEV, and the Ford Escape and

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Toyota Prius plug-in hybrids. Since this is first generation technology, vehicle costs will likely be high. It is hoped that between federal tax incentives, potential fuel savings, and state policies such as HOV access as proposed in this bill, consumers will accept the higher costs associated with these vehicle types that reduce air pollution and would improve air quality in the state.
The current federal authorization allowing vehicles that do not meet occupancy requirements to operate in HOV lanes with clean air stickers is due to expire September 30, 2009. Recently introduced legislation would extend the expiration date to 2015.

Related legislation: A similar bill, AB 1500 (Lieu), would extend until January 1, 2016, the sunset date for the statute that allows vehicles meeting the SULEV and ILEV standard to operate in HOV lanes without regard to occupancy requirements. AB 1500 is currently in the Senate Appropriations Committee. The Department of Finance does not have an approved position on this bill.

B. Fiscal Analysis

This bill would result in minor and absorbable cost to the DMV to continue to process applications and issue white HOV access stickers to vehicles meeting the SULEV and ULEV standards beyond the current sunset date. However, in order to implement the new clean air sticker program, the DMV estimates approximately $170,000 in new workload costs over the life of the program and a cost of $3.75 per set of stickers, or $243,750 for 65,000 sets. These costs will be offset by the $8 fee DMV is able to charge for each set of stickers under current law.

When implementing the provisions of Chapter 725, Statutes of 2004 (AB 2628), which authorized the DMV to issue 85,000 clean air stickers for hybrid vehicles, the DMV had estimated that the costs for system programming would be approximately $250,000. The DMV decided to instead issue all the stickers from a single headquarters unit, while keeping track of them on a department computer. The cost to set up this program was minimal.

Although flagged as a mandate by Legislative Counsel because it alters the definition of a crime or infraction, under Section 6(b) of Article XIII B of the California Constitution, any costs to a unit of local government which result from legislation defining a new crime or changing an existing definition of a crime are not reimbursable by the state.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Fund Code
				(Fiscal Impact by Fiscal Year) (Dollars in Thousands)					
2660/Caltrans	SO	No		------------------- No/Minor Fiscal Impact -------------------					0042
2740/DMV	SO	No		--------------------- See Fiscal Summary ---------------------					0044
2720/CHP	SO	No		------------------- No/Minor Fiscal Impact -------------------					0044

Fund Code	Title
0042	Highway Account, State, STF
0044	Motor Vehicle Account, STF