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Transportation & Climate Initiative of the Northeast and Mid-Atlantic States

Dear Chair Kathleen Theoharides and Vice-Chair R. Earl Lewis, Jr.:

Thank you for the opportunity to comment on the TCI Framework for a Draft Regional Policy Proposal, which was released on October 1. The National Consumer Law Center (NCLC) is a non-profit organization that works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training. NCLC submits these comments on behalf of our low-income clients. These comments will focus on equity issues, program design, and other elements that may directly affect low-income consumers.

The transition to electric vehicles (EVs) should move ahead in a way that is consistent with equity, strong consumer protections, sound electric utility rate design, and fair infrastructure investment cost allocation principles. Positive outcomes for all, even the most vulnerable, will also encourage the transition to EVs and broader electrification of transportation. Regarding TCI specifically, we urge states to commit to prioritizing the needs of their low-income residents by taking measures to hold these households harmless from any financial impacts of TCI programs, and to dedicate most or all of TCI revenues to improving access to affordable, reliable and cleaner transportation for these households and their communities.

Program Design Elements:

## **<u>Equity</u>**

We appreciate that equity has been prioritized by TCI leadership and is addressed first in the TCI Framework for a Draft Regional Policy Proposal ("framework"). As efforts to reduce emissions and electrify transportation progress, prioritizing the needs of low-income consumers will be essential if the potential benefits of electric vehicles and electrified transportation are to be realized and shared. Low-income consumers must not disproportionately bear expenses or risks that accompany these transitions. These households already struggle to pay for basic living expenses, including transportation and home energy.[i] Therefore, TCI states should commit to using program revenues to mitigate any increased costs of fuel due to TCI or other harmful financial impacts on low-income consumers. States should ensure that these consumers are better off, or at the very least are held harmless, after TCI investments are made to support these consumers and their communities.[ii]

A fair and equitable policy will ensure reduction of emissions while at the same time protecting low-income consumers, and low-income communities that have been overburdened by transportation-related pollution, from losing their purchasing power or access to affordable energy and transportation. General equity principles to guide program development should include increasing transportation access and security for low-income consumers, equitably allocating costs and benefits associated with transportation electrification for low-income consumers, and reducing emissions and air pollution which have historically impacted low-income communities and communities of color in a disproportionate manner.[iii]

From a low-income consumer advocacy perspective, preferred methods of revenue collection should be the least regressive. Utilities have sought to fund a number of transportation electrification projects through electricity costs paid by ratepayers, which is a regressive source of revenue unless steps are taken to hold low-income ratepayers harmless from the financial impacts. While we are generally supportive of sources of funding for transportation electrification that do not involve increased utility rates, steps should be taken in the design of TCI investment programs to mitigate financial harm to low-income households. These mitigation efforts could be included in state plans to invest TCI revenues. To that end, states should agree to certain thresholds that will protect their low-income residents, developed in conjunction with low-income stakeholders.

Ongoing engagement with these low-income consumers and communities will be crucial to developing investment strategies and other program aspects to advance equity. We appreciate that the TCI process has recognized this and held at least one program that specifically focused on equity and sought community input during 2019. These efforts must continue and continue to broaden to include more members of affected communities.

Affordability of basic living expenses, and access to transportation, are significant concerns. In addition to mitigating financial harm, there is an opportunity for TCI investment programs to address existing inequities in access to transportation, and to expand transportation options for low-income households. Low-income families, and particularly people of color, are less likely to own or have access to a vehicle than those living in higher income households.[iv] Similarly, low-income households may live in areas that lack consistent and reliable public transportation. Since greater access to transportation can help low-income families achieve their employment, education and health goals,[v] improved low-cost transportation options would have wide-ranging benefits.

Additional Program Design Elements:

**<u>Investment of Proceeds</u>**

Although it may be premature to propose a detailed plan for investment of TCI revenues, we suggest some general principles for investment of proceeds, and provide some examples of the types of investments that may help mitigate possible financial impacts on low-income consumers while helping low-income consumers and communities obtain access to transportation resources.

As an initial matter, each state should commit to ongoing discussions with stakeholders from low-income communities, to develop and shape the state's programs. In all areas related to TCI, but especially the use of revenues for investment, states will need to seek community input and follow it to shape programs. Public meetings will continue to be important forums for discussion, and states will need to continue efforts to make these meetings accessible by continuing outreach efforts in partnership with organizations that serve low-income consumers, scheduling meetings at times and locations that are convenient for residents of low-income communities, providing opportunities for engagement for those who cannot attend meetings, providing materials in languages other than English, and other strategies to welcome input.

When establishing the content of investment programs, it is clear that a mix of programs will be needed to address different needs and concerns of different communities (e.g., environmental justice, rural, urban, suburban and gateway communities).

As part of a mix of programs, we encourage states to consider issuing cash rebates to all low-income households. These households could be identified through one of several measures already used by states, such as eligibility for Low Income Home Energy Assistance Program (LIHEAP), or other state or federal public assistance programs. Offering cash rebates would assist households that use a range of transportation methods, including those who purchase gasoline for a personal vehicle. Cash rebates would also help defray increased costs of goods and services. In designing a rebate program or other programs suggested here, it will be necessary to exclude these rebates from income for the purposes of determining eligibility for other government benefit programs.

Additional programs could be more targeted to increasing public transit ridership, such as providing free transit passes for low-income households, and expanding transit routes into underserved areas and regions that are overburdened with traffic or air pollution from traffic.

For low-income households that rely on personal vehicles, several program types could support consumers who wish to transition to EVs. As an initial matter, purchasing a car is significantly more expensive for low-income households than for higher income houses, due to higher expenses related to financing and insurance. Discrimination based on race further exacerbates this inequity.[vi] Other predatory practices may drive up the cost of purchasing cars. For instance, low-income purchasers, and consumers who are people of color, are more likely to be overcharged for dealer "add-ons."[vii]

The cost of obtaining credit is particularly high for low-income consumers, who may resort to auto loans with high interest rates in order to finance the necessary purchase of a used car. TCI revenues could be used to support fair auto financing programs for low-income consumers. Innovations such as low-interest loans and principal reductions, such as the type of financing available through the Massachusetts solar loan program[viii] or pilot programs for EV purchases in California,[ix] could be developed to support access to EVs for low-income and underserved communities. TCI revenues could also be directed to support nonprofit car ownership programs.[x]

Although the technology is still under development, battery replacement programs for used EVs may offer another avenue to provide relatively low cost cleaner transportation options to low-income consumers who need a vehicle. For instance, a recently approved pilot program in California is intended to provide rebates to low-income and moderate-income consumers who seek to replace a used EV battery.[xi] If battery technology continues to improve and if costs decline, then battery replacements could offer a way to increase the availability of lower cost used EVs.

Many states, including those within the TCI region, offer rebates or tax incentives for purchasers of EVs, which may complement the benefits available through the federal EV tax incentive. The availability of TCI revenues could present an opportunity to make state EV incentive programs more equitable and accessible to low-income drivers. Possible design elements could include:

- Providing incentives to low-income consumers for the purchase of used EVs
- Additional or enhanced rebates or incentives for low-income drivers
- Provide a point of sale rebate, since many low-income consumers cannot benefit from a traditional tax incentive
- If a tax incentive is used, structure it as a refundable tax credit, as is done for the federal Earned Income Tax Credit (EITC)
- Place an upper cap on the price of EVs that are eligible for the incentive, to promote the availability of more affordable models

## Complementary Policies

More broadly, states should continue to prioritize public transit and fleet electrification in low-income communities and environmental justice communities. Public transit and other shared transportation could be supported through subsidizing purchases for government fleet vehicles, and subsidizing electric buses for school use or public transit use. In addition, states can build on programs that utilize VW settlement funds or other complementary initiatives to support purchases of electric vans and medium-duty vehicles for programs that serve low-income and other vulnerable consumers. These initiatives could include supported electrified transportation for a range of social services programs such as Head Start, programs that transport older adults to medical appointments or other services and activities, or paratransit services for people with disabilities.

Affordable broadband internet service, and/or access to smartphones, will be needed to ensure that many of these transportation programs are accessible to low-income consumers. Public transportation, EV car-sharing programs, and EVs themselves are easier for consumers to use when these consumers have a smartphone or other internet access to learn about and use these services, yet many lower income consumers may lack broadband access. Those with smart phones may have very limited data access.[xii] Continued access to Lifeline services[xiii] and public wi-fi can help address these barriers to transportation services.

The use of TCI revenues should coordinate with existing programs that support low-income households. As noted previously, benefits allocated through TCI investments should not be counted as income for the purposes of determining eligibility for benefit programs that are designed to assist low-income consumers. Otherwise, unintended consequences such as the loss of free school lunches or energy assistance could harm families and upend efforts to improve equity through TCI investments.

When designing programs, states could examine how TCI-funded programs and investments could support or coordinate with existing programs that support low-income consumers, such as energy efficiency programs, utility bill payment assistance and fuel assistance.

Thank you for the opportunity to provide these comments. If you have additional questions, please contact Jenifer Bosco at the National Consumer Law Center, at jbosco@nclc.org.

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[i] Energy insecurity affects almost one third of all households: 31% of U.S. households report difficulty paying energy bills or sustaining adequate heating and cooling in their homes. U.S. Energy Information Administration, Residential Energy Consumption Survey 2015.

[ii] Similar concerns have been expressed by other organizations that advocate for low-income people, e.g., Massachusetts Campaign for a Clean Energy Future, *Principles for Carbon Pricing/Cap-and-Invest* (2019), at https://masscleanenergyfuture.org/the-policy/; National Community Action Foundation, NCLC, Public Citizen, Friends of the Earth, *Statement on Consumer Impacts of a Cap-and-Trade Climate Change Policy* (March 12, 2009); NCLC, *Essential Consumer Protections: Critical Improvements to HR 2454* (2009), at https://www.nclc.org/images/pdf/special_projects/climate_change/presentation_essential-cons-protections.pdf

[iii] For a further discussion of principles, see National Consumer Law Center, *Principles for Fair and Equitable Investment in Electric Vehicles and Transportation Electrification* (Oct. 2018), at https://www.nclc.org/images/pdf/electric_vehicles/nclc-ev-principles-oct18.pdf.

[iv] See, Jones, Philip B, Jonathan Levy, Jenifer Bosco, John Howat, and John W Van Alst. *The Future of Transportation Electrification: Utility, Industry and Consumer Perspectives*. Ed. Schwartz, Lisa C. Vol. FEUR Report No. 10. 2018 (summarizing research on access to vehicles and transportation by income and race).

[v] E.g., N.Y. Times, *Transportation Emerges as Crucial to Escaping Poverty* (May 7, 2015); The Atlantic, *The Transportation Barrier* (Aug. 9, 2015).

[vi] John Van Alst, National Consumer Law Center, *Time to Stop Racing Cars: The Role of Race and Ethnicity in Buying and Using a Car* (April 2019), at https://www.nclc.org/images/pdf/car_sales/report-time-to-stop-racing-cars-april2019.pdf.

[vii] National Consumer Law Center, *Auto Add-Ons Add Up: How Dealer Discretion Drives Excessive, Arbitrary, and Discriminatory Pricing* (Oct. 2017), at https://www.nclc.org/issues/auto-add-ons-add-up.html.

[viii] Massachusetts Solar Loan Program, at https://www.masssolarloan.com/loan-support-incentives.

[ix] CHDC's Driving Clean Assistance Program, at https://drivingclean.chdcnr.com/.

[x] National Consumer Law Center, *Shifting into Gear: A Revised Guide to Creating or Improving a Car Ownership Program* (April 2014), at https://www.workingcarsforworkingfamilies.org/images/files/shifting-into-gear.pdf.

[xi] Zero-Emission Assurance Project, at https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB193.

[xii] See, e.g., Aaron Golub and Michael Serritella, Portland State University, Vivian Satterfield and Jai Singh, OPAL Environmental Justice Oregon, *Community-based Assessment of Smart Transportation Needs in the City of Portland* (April 2019), at https://forthmobility.org/storage/app/media/Documents/Community%20Assessment%20of%20Smart%20Mobility%20OPAL_PSU_Forth%20Final.pdf.

[xiii] See Lifeline information, Universal Services Administration, at https://www.lifelinesupport.org/ls/.