



BOARD OF DIRECTORS
POLICY, GRANTS, AND TECHNOLOGY COMMITTEE

October 16, 2024

BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

COMMITTEE MEMBERS

VICKI VEENKER – CHAIR
MARGARET ABE-KOGA
NOELIA CORZO
JUAN GONZÁLEZ III
KATIE RICE

SERGIO LOPEZ – VICE-CHAIR
KEN CARLSON
JOELLE GALLAGHER
ERIN HANNIGAN

**MEETING LOCATION(S) FOR IN-PERSON ATTENDANCE BY
COMMITTEE MEMBERS AND MEMBERS OF THE PUBLIC**

**Bay Area Metro Center
1st Floor Board Room
375 Beale Street
San Francisco, CA 94105**

**Napa County Administration Building
Crystal Conference Room
1195 Third Street, Suite 310
Napa, CA 94559**

**Office of Contra Costa County
Supervisor Ken Carlson
2255 Contra Costa Blvd., Suite 202
Pleasant Hill, CA 94523**

THE FOLLOWING STREAMING OPTIONS WILL ALSO BE PROVIDED

These streaming options are provided for convenience only. In the event that streaming connections malfunction for any reason, the Policy, Grants, and Technology Committee reserves the right to conduct the meeting without remote webcast and/or Zoom access.

The public may observe this meeting through the webcast by clicking the link available on the air district's agenda webpage at www.baaqmd.gov/bodagendas.

Members of the public may participate remotely via Zoom at <https://bayareametro.zoom.us/j/86047617828>, or may join Zoom by phone by dialing (669) 900-6833 or (408) 638-0968. The Webinar ID for this meeting is: 860 4761 7828

Public Comment on Agenda Items: The public may comment on each item on the agenda as the item is taken up. Members of the public who wish to speak on a matter on the agenda will have two minutes each to address the Committee on that agenda item, unless a different time limit is established by the Chair. No speaker who has already spoken on an item will be entitled to speak to that item again.

The Committee welcomes comments, including criticism, about the policies, procedures, programs, or services of the District, or of the acts or omissions of the Committee. Speakers shall not use threatening, profane, or abusive language which disrupts, disturbs, or otherwise impedes the orderly conduct of a Committee meeting. The District is committed to maintaining a workplace free of unlawful harassment and is mindful that District staff regularly attend Committee meetings. Discriminatory statements or conduct that would potentially violate the Fair Employment and Housing Act – i.e., statements or conduct that is hostile, intimidating, oppressive, or abusive – is *per se* disruptive to a meeting and will not be tolerated.

POLICY, GRANTS, AND TECHNOLOGY COMMITTEE MEETING AGENDA

WEDNESDAY, OCTOBER 16, 2024

1:00 PM

1. Call to Order - Roll Call

The Committee Chair shall call the meeting to order and the Clerk of the Boards shall take roll of the Committee members.

2. Pledge of Allegiance

CONSENT CALENDAR (Item 3)

The Consent Calendar consists of routine items that may be approved together as a group by one action of the Committee. Any Committee member or member of the public may request that an item be removed and considered separately.

3. Approval of the Draft Minutes of the Policy, Grants, and Technology Committee Meeting of September 18, 2024

The Committee will consider approving the Draft Minutes of the Policy, Grants, and Technology Committee Meeting of September 18, 2024.

ACTION ITEM(S)

4. Transportation Fund for Clean Air 40% Fund Policies Commencing Fiscal Year Ending 2026

The Committee will consider recommending to the Board of Directors that the Board approve the proposed updates to the Transportation Fund for Clean Air 40% Fund Policies. This item will be presented by Linda Hui, Supervising Staff Specialist in the Strategic Incentives Division.

INFORMATIONAL ITEM(S)

5. State Legislative Update (Special Session)

The Committee will discuss state legislation introduced during the Special Session of the Legislature, called by the Governor on August 31, 2024, including, but not limited to, ABX2-1 (Hart and Aguiar-Curry) and ABX2-9 (Petrie-Norris). This item will be presented by Alan Abbs, Legislative Officer.

6. Hydrogen Policy Considerations

The Committee will discuss hydrogen, including an introduction to how hydrogen is produced and used as an energy solution. In addition, the Committee will discuss the opportunities and challenges hydrogen presents as it becomes part of our energy system, and a summary of the state policy landscape driving growth in the hydrogen market. This item will be presented by Idania Zamora, Assistant Manager of the Planning and Climate Protection Division.

OTHER BUSINESS

7. Public Comment on Non-Agenda Matters

Pursuant to Government Code Section 54954.3, members of the public who wish to speak on matters not on the agenda will be given an opportunity to address the Committee. Members of the public will have two minutes each to address the Committee, unless a different time limit is established by the Chair. The Committee welcomes comments, including criticism, about the policies, procedures, programs, or services of the District, or of the acts or omissions of the Committee. Speakers shall not use threatening, profane, or abusive language which disrupts, disturbs, or otherwise impedes the orderly conduct of a Committee meeting. The District is committed to maintaining a workplace free of unlawful harassment and is mindful that District staff regularly attend Committee meetings. Discriminatory statements or conduct that would potentially violate the Fair Employment and Housing Act – i.e., statements or conduct that is hostile, intimidating, oppressive, or abusive – is per se disruptive to a meeting and will not be tolerated.

8. Committee Member Comments

Any member of the Committee, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2)

9. Time and Place of Next Meeting

At the Call of the Chair.

10. Adjournment

The Committee meeting shall be adjourned by the Chair.

CONTACT:

MANAGER, EXECUTIVE OPERATIONS
375 BEALE STREET, SAN FRANCISCO, CA 94105
vjohnson@baaqmd.gov

(415) 749-4941
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov

- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the Air District's offices at 375 Beale Street, Suite 600, San Francisco, CA 94105, at the time such writing is made available to all, or a majority of all, members of that body.

Accessibility and Non-Discrimination Policy

The Bay Area Air Quality Management District (Air District) does not discriminate on the basis of race, national origin, ethnic group identification, ancestry, religion, age, sex, sexual orientation, gender identity, gender expression, color, genetic information, medical condition, or mental or physical disability, or any other attribute or belief protected by law.

It is the Air District's policy to provide fair and equal access to the benefits of a program or activity administered by Air District. The Air District will not tolerate discrimination against any person(s) seeking to participate in, or receive the benefits of, any program or activity offered or conducted by the Air District. Members of the public who believe they or others were unlawfully denied full and equal access to an Air District program or activity may file a discrimination complaint under this policy. This non-discrimination policy also applies to other people or entities affiliated with Air District, including contractors or grantees that the Air District utilizes to provide benefits and services to members of the public.

Auxiliary aids and services including, for example, qualified interpreters and/or listening devices, to individuals who are deaf or hard of hearing, and to other individuals as necessary to ensure effective communication or an equal opportunity to participate fully in the benefits, activities, programs and services will be provided by the Air District in a timely manner and in such a way as to protect the privacy and independence of the individual. Please contact the Non-Discrimination Coordinator identified below at least three days in advance of a meeting so that arrangements can be made accordingly.

If you believe discrimination has occurred with respect to an Air District program or activity, you may contact the Non-Discrimination Coordinator identified below or visit our website at www.baaqmd.gov/accessibility to learn how and where to file a complaint of discrimination.

Questions regarding this Policy should be directed to the Air District's Non-Discrimination Coordinator, Suma Peesapati, at (415) 749-4967 or by email at spesapati@baaqmd.gov.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

375 BEALE STREET, SAN FRANCISCO, CA 94105

FOR QUESTIONS PLEASE CALL (415) 749-4941

EXECUTIVE OFFICE:

MONTHLY CALENDAR OF AIR DISTRICT MEETINGS

OCTOBER 2024

| <u>TYPE OF MEETING</u> | <u>DAY</u> | <u>DATE</u> | <u>TIME</u> | <u>ROOM</u> |
|--|------------|-------------|-------------|----------------------------------|
| Board of Directors Finance and Administration Committee | Wednesday | 16 | 10:00 a.m. | 1 st Floor Board Room |
| Board of Directors Policy, Grants and Technology Committee | Wednesday | 16 | 1:00 p.m. | 1 st Floor Board Room |
| Advisory Council Meeting | Wednesday | 30 | 9:30 a.m. | 1 st Floor Board Room |

NOVEMBER 2024

| <u>TYPE OF MEETING</u> | <u>DAY</u> | <u>DATE</u> | <u>TIME</u> | <u>ROOM</u> |
|---|------------|-------------|-------------|---|
| Board of Directors Meeting | Wednesday | 6 | 10:00 a.m. | 1 st Floor Board Room |
| Board of Directors Finance and Administration Committee | Wednesday | 6 | 11:30 a.m. | 1 st Floor Board Room |
| Board of Directors Stationary Source Committee | Wednesday | 13 | 10:00 a.m. | 1 st Floor, Yerba Buena Room |
| Board of Directors Community Equity, Health, and Justice Committee | Wednesday | 13 | 1:00 p.m. | 1 st Floor, Yerba Buena Room |
| Board of Directors Finance and Administration Committee – CANCELLED AND RESCHEDULED to Wednesday, November 6, 2024, at 11:30 a.m. | Wednesday | 20 | 10:00 a.m. | 1 st Floor Board Room |
| Board of Directors Policy, Grants and Technology Committee -- CANCELLED | Wednesday | 20 | 1:00 p.m. | 1 st Floor Board Room |
| Board of Directors Community Advisory Council Meeting | Thursday | 21 | 6:00 p.m. | 1 st Floor, Yerba Buena Room |

HL 10/11/2024 – 11:17 a.m.

G/Board/Executive Office/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Vicki Veenker and Members
of the Policy, Grants, and Technology Committee

From: Philip M. Fine
Executive Officer/APCO

Date: October 16, 2024

Re: Approval of the Draft Minutes of the Policy, Grants, and Technology Committee
Meeting of September 18, 2024

RECOMMENDED ACTION

Approve the attached Draft Minutes of the Policy, Grants, and Technology Committee Meeting of September 18, 2024.

BACKGROUND

None.

DISCUSSION

Attached for your review and approval are the Draft Minutes of the Policy, Grants, and Technology Committee Meeting of September 18, 2024.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

ATTACHMENTS:

1. Draft Minutes of the Policy Grants and Technology Committee Meeting of September 18, 2024

Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, CA 94105
(415) 749-5073

Policy, Grants, and Technology Committee Meeting
Wednesday, September 18, 2024

DRAFT MINUTES

This meeting was webcast, and a video recording is available on the website of the Bay Area Air Quality Management District at www.baaqmd.gov/bodagendas

CALL TO ORDER

1. **Opening Comments:** Policy, Grants, and Technology Committee (Committee) Chairperson, Vicki Veenker, called the meeting to order at 1:01 p.m.

Roll Call:

Present, In-Person (Bay Area Metro Center (375 Beale Street, 1st Floor Board Room, San Francisco, California, 94105): Committee Chairperson Vicki Veenker; Committee Vice Chairperson Sergio Lopez; and Directors Ken Carlson, Noelia Corzo, and Katie Rice.

Present, In-Person Satellite Location (Napa County Administration Building, Crystal Conference Room, 1195 Third Street, Suite 310, Napa, CA 94559): Director Joelle Gallagher.

Absent: Directors Margaret Abe-Koga, Juan González III, Erin Hannigan.

2. **PLEDGE OF ALLEGIANCE**

CONSENT CALENDAR

3. **APPROVAL OF THE DRAFT MINUTES OF THE POLICY, GRANTS, AND TECHNOLOGY COMMITTEE SPECIAL MEETING OF JULY 10, 2024**

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Carlson made a motion, seconded by Director Corzo, to **approve** the Draft Minutes of the Policy, Grants, and Technology Committee Meeting of July 10, 2024; and the motion **carried** by the following vote of the Committee:

- AYES: Carlson, Corzo, Gallagher, Rice, Veenker.
- NOES: None.
- ABSTAIN: None.
- ABSENT: Abe-Koga, González, Hannigan, Lopez.

ACTION ITEMS

4. **CONSIDERATION OF PROPOSITION 4, THE SAFE DRINKING WATER, WILDFIRE PREVENTION, DROUGHT PREPAREDNESS, AND CLEAN AIR BOND ACT OF 2024**

Alan Abbs, Legislative Officer, gave the staff presentation *Consideration of Proposition 4 (2024)*, including: action requested; Proposition 4 (2024); key goals of Proposition 4 bond funds; fiscal effects; and recap: action requested.

NOTED PRESENT: Vice Chair Lopez was noted present at 1:06 p.m.

Public Comments

Public comments were given by Dr. Stephen Rosenblum, Palo Alto resident.

Committee Comments

The Committee and staff discussed whether Air District staff recommends that the Board supports this proposition; whether the passage of the proposition reduce future funding for the Air District; the manner in which the bond measures within Proposition 4 (2024) would be implemented, should it be passed; the definition of “water resilience”; potential local and State savings if funding prevents disasters; the period of time over which the bond funds be paid out, and whether the and is these funding allocation amounts may be adjusted; the request for Air District staff to report to the Committee how the funds were allocated (even funds not pertaining to air quality), if the proposition passes; and the desire to endorse bills regarding wildfire prevention and resilience.

Committee Action

Director Rice made a motion, seconded by Vice Chair Lopez, to recommend the Board of Directors take a SUPPORT position on California Proposition 4, the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, appearing on the November 5, 2024, Statewide General Election Ballot; and the motion **carried** by the following vote of the Committee:

AYES: Carlson, Corzo, Gallagher, Lopez, Rice, Veenker.
NOES: None.
ABSTAIN: None.
ABSENT: Abe-Koga, González, Hannigan.

5. **AUTHORIZATION TO EXECUTE GRANT AGREEMENTS FOR RECOMMENDED PROJECTS WITH PROPOSED GRANT AWARDS OVER \$500,000**

Chengfeng Wang, Manager in the Strategic Incentives Division, gave the staff presentation *Authorization to Execute Grant Agreements for Recommended Projects with Proposed Grant Awards Over \$500,000*, including: action items; outline; primary grant funding sources for Fiscal Year Ending (FYE 2025); Mobile Source Incentive programs: solicitations; cost effectiveness (CE) of mobile source projects; proposed project; Mobile Source Incentive programs: funding status summary (7/1/24 to 8/19/24); and recommendations.

Public Comments

Public comments were given by Dr. Stephen Rosenblum, Palo Alto resident.

Committee Comments

The Committee and staff discussed cost-effectiveness of zero-emission replacement projects; and whether Air District staff believes that the goal of allocating least 80% of \$113.6 million (for reward in FYE 2025) to clean air projects that benefit priority communities will occur.

Committee Action

Director Carlson made a motion, seconded by Director Rice, to recommend the Board of Directors approve the award of state and local incentive funding for one project with a proposed grant award in excess of \$500,000 and authorize the Executive Officer/Air Pollution Control Officer (APCO) to execute a grant agreement for the recommended project; and the motion **carried** by the following vote of the Committee:

AYES: Carlson, Corzo, Gallagher, Lopez, Rice, Veenker.
NOES: None.
ABSTAIN: None.
ABSENT: Abe-Koga, González, Hannigan.

INFORMATIONAL ITEMS

6. **STATE LEGISLATIVE UPDATE**

Mr. Abbs gave the staff presentation *State Legislative Update*, including: action requested; summary; Air District-sponsored and co-sponsored bills: Assembly Bill (AB) 1465 (Wicks) – Nonvehicular air pollution: civil penalties, AB 2298 (Hart, et al.) – coastal resources: Protecting Blue Whales and Blue Skies program, Senate Bill (SB) 382 (Becker) – single family residential property: disclosures; Board-approved position bills: AB 2522 (Carrillo) – air districts: governing boards: compensation, AB 2851 (Bonta) – metal shredding facilities: fenceline air quality monitoring, AB 2958 (Calderon) – California

State Air Resources Board (CARB): board members: compensation, SB 674 (Gonzalez) – air pollution: covered facilities: community air monitoring systems: fence-line monitoring systems, SB 1158 (Archuleta) – Carl Moyer Program Air Quality Standards Attainment Program, SB 1193 (Menjivar) – airports: leaded aviation gasoline, SB 1298 (Cortese) – Certification of thermal powerplants: data centers; other bills of interest: SB 1234 (Allen) – hazardous materials: metal shredding facilities, AB 98 (J. Carrillo) – Planning and zoning: logistics use: truck routes, AB 180 (Gabriel) – Budget Act of 2024 (Budget Bill Junior), AB 218 (Committee on Budget) – Oil and gas: trailer bill; AB 1122 (Bains) – Commercial harbor craft: equipment, A 1296 (Grayson) – Bar pilots; regulation of vessels, AB 2401 (Ting) – Clean Cars 4 All program; AB 2561 (McKinnor) – Local public employees: vacant positions, SB 310 (Dodd) – Prescribed fire: civil liability: cultural burns, SB 950 (Skinner) – Energy: transportation fuels: inventories: turnaround and maintenance; and Special Session bills: ABX2-1 (Hart and Aguiar-Curry) – Energy: transportation fuels: inventories: turnaround and maintenance.

The Committee then received an update on the Governor’s call for a Special Session of the Legislature to address California’s gasoline supply and gas price spikes.

Public Comments

Public comments were given by Dr. Stephen Rosenblum, Palo Alto resident.

Committee Comments

The Committee and staff discussed the reasons that the South Coast Air Quality Management District desires that the Governor veto AB 2851 (Bonta), and whether the Bay Area Air Quality Management District plans to be involved in any next steps with this bill; and whether the vetoing of SB 674 (Gonzalez) may affect the Community Air Protection program, and what next steps might be to reintroduce to the Legislature.

Committee Action

No action taken.

7. CALIFORNIA AIR RESOURCES BOARD ACTIVITIES UPDATE

Viet Tran, Deputy Executive Officer of Public Affairs, gave the staff presentation *California Air Resources Board Activities Update*, including: action requested; outcome; summary; rulemaking – amendments to area designations, zero-emission forklift regulation, Low Carbon Fuel Standard; and update – Cap and Trade program, Community Air Protection program, zero-emission school bus and infrastructure, statewide mobile monitoring initiative, Electrify America (Volkswagen investment), zero-emission vehicles.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed how the recently expanded eligible projects under the Community Air Protection program is being communicated to potential recipients; appreciation for zero-emission school buses projects; and the nature of Air District and CARB staff interaction.

Committee Action

No action taken.

OTHER BUSINESS

8. PUBLIC COMMENT ON NON-AGENDA MATTERS

No requests received.

9. COMMITTEE MEMBER COMMENTS

None.

10. TIME AND PLACE OF NEXT MEETING

Wednesday, October 16, 2024, at 1:00 p.m. at 375 Beale Street, San Francisco, CA 94105. The meeting will be in-person for the Policy, Grants, and Technology Committee members and members of the public will be able to either join in-person or via webcast.

11. ADJOURNMENT

The meeting was adjourned at 3:01 p.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Vicki Veenker and Members
of the Policy, Grants, and Technology Committee

From: Philip M. Fine
Executive Officer/APCO

Date: October 16, 2024

Re: Transportation Fund for Clean Air 40% Fund Policies Commencing Fiscal Year
Ending 2026

RECOMMENDED ACTION

Recommend to the Board of Directors that the Board approve proposed updates to the Transportation Fund for Clean Air 40% Fund Policies Commencing Fiscal Year Ending 2026 as shown in Attachment 1.

BACKGROUND

In 1991, the California State Legislature authorized the Bay Area Air Quality Management District (Air District) to impose a \$4 surcharge on motor vehicles registered within the Air District's jurisdiction to fund projects that reduce on-road motor vehicle emissions. This surcharge is used to fund eligible projects through the Air District's Transportation Fund for Clean Air (TFCA) program. The statutory authority for the TFCA and requirements of the program are set forth in California Health and Safety Code (HSC) Sections 44241 through 44242.

Forty percent of TFCA revenue is passed through to the nine counties in the Air District's jurisdiction, based on each county's proportionate share of vehicle registration fees. The county's designated agency (i.e., administering agency) then awards the funds to eligible projects in their county. Each year the Air District Board of Directors adopts proposed updates to the TFCA 40% Fund Policies (also called the County Program Manager Fund) to maximize emissions reductions and public health benefits.

DISCUSSION

The process of annually reviewing and updating the Policies for the 40% Fund began earlier this year and is a collaborative process between the Air District and the administering agencies. This process involved Air District staff developing draft recommended revisions that reflected the recently adopted policy updates to the TFCA Regional Fund and input received during the past year from the administering agency liaisons. On June 21, 2024, Air District staff issued a draft of the policies with the recommended updates to the administering agency liaisons for comment.

The liaisons also distributed the draft for input and feedback from project sponsors within their respective jurisdictions. Written comments were submitted by three of the nine administering agencies.

In addition to minor text revisions to provide clarification, the following is a high-level summary of key proposed updates to the TFCA 40% Fund Policies:

- Increase the maximum cost-effectiveness for alternative fuel vehicles from \$500,000/ton to \$522,000/ton to align with the Carl Moyer Program (policy #2)
- Focus the definition of "Priority Areas" by removing Community Air Risk Evaluation (CARE) areas
- Revert the amount of time in which a grantee is required to commence a project from 24 to 12 months (policy #6)
- Update language so that zero emission vehicles are not restricted to the same gross vehicle weight rating (GVWR) as the baseline vehicle being replaced, as zero emission vehicles that complete the same work and are of the same size are often heavier than their diesel counterparts due to battery weight (policies #22 and #24)
- Update the bike-parking language to allow for upgrades from bike racks to e-lockers or to bicycle storage facilities. (policy #30.a.)

The proposed updates to the TFCA 40% Fund Policies are shown in Attachment 1 and a redlined version is shown in Attachment 2. Attachment 3 shows the written comments received and the responses from staff.

At the request of members of the Community Advisory Committee (CAC) at a meeting in May 2023, over the past year, Air District staff organized meetings between members of the CAC and staff from the administering agencies to talk about the community input process for identifying projects and awarding funds. In those meetings, the administering agencies shared their own community input process, and in some cases, shared that they had their own community advisory committee that advises on project identification and selection. Because these are pass-through funds, the Air District will continue to have the administering agencies use their own local process for project review, selection, and community feedback. The program this year will reflect this and will start collecting information on the agencies' community process for project identification and selection, as well as ask for more detailed information as to where projects are located.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. The recommended policy updates have no impact on the Air District's budget.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Jason Newman

Reviewed by: Karen Schkolnick, Minda Berbeco, and Linda Hui

ATTACHMENTS:

1. Proposed TFCA 40% Fund Policies (clean version)
2. Proposed TFCA 40% Fund Policies (redlined version of Board-approved TFCA 40% Fund Policies for FYE 2025)
3. Comments Received from the Administering Agencies on the Draft Proposed Updates to TFCA 40% Fund Policies and Air District Staff's Responses
4. TFCA 40 % Fund Policies Presentation

**PROPOSED UPDATES TO THE
TFCA 40% FUND POLICIES COMMENCING FYE 2026**

The following Policies apply to the Bay Area Air Quality Management District’s (Air District) Transportation Fund for Clean Air (TFCA) 40% Fund, also referred to as the County Program Manager Fund, commencing fiscal year ending (FYE) 2026.

BASIC ELIGIBILITY

- 1. Reduction of Emissions:** Only projects that result in the reduction of motor vehicle emissions within the Air District’s jurisdiction are eligible.

Projects must conform to the provisions of the California Health and Safety Code (HSC) sections 44220 et seq. and these Air District Board of Directors adopted TFCA 40% Fund Policies.

Projects must achieve surplus emission reductions, i.e., reductions that are beyond what is required through regulations, ordinances, contracts, and other legally binding obligations at the time of the execution of a grant agreement between the administering agency and the grantee. Projects must also achieve surplus emission reductions at the time of an amendment to a grant agreement if the amendment modifies the project scope or extends the project completion deadline.

- 2. TFCA Cost-Effectiveness:** Projects must not exceed the maximum cost-effectiveness (C-E) limit specified in Table 1. Cost-effectiveness (\$/weighted ton) is the ratio of TFCA funds awarded to the sum of surplus emissions reduced, during a project’s operational period, of reactive organic gases (ROG), nitrogen oxides (NOx), and weighted PM10 (particulate matter 10 microns in diameter and smaller). All TFCA-generated funds (e.g., reprogrammed TFCA funds) that are awarded or applied to a project must be included in the evaluation. For projects that involve more than one independent component (e.g., more than one vehicle purchased, more than one shuttle route), each component must achieve this cost-effectiveness requirement.

Administering agencies’ administrative costs are excluded from the calculation of a project’s TFCA cost-effectiveness.

Table 1: Maximum Cost-Effectiveness for TFCA 40% Fund Projects

| Policy No. | Project Category | Maximum C-E (\$/weighted ton) |
|-------------------|--|--------------------------------------|
| 3 | Case-by-Case Approval | 250,000 |
| 22 | Alternative Fuel Light- and Medium-Duty Vehicles | 522,000 |
| 23 | Reserved | Reserved |
| 24 | Alternative Fuel Heavy-Duty Trucks and Buses | 522,000 |
| 25 | Reserved | Reserved |
| 26 | Alternative Fuel Infrastructure | 500,000 |
| 27 | Ridesharing Projects – Existing | 150,000 |

Attachment 1
Proposed TFCA 40% Fund Policies Commencing FYE 2026 (clean version)

| | | |
|-------|--|--|
| 28 | First- and Last-Mile Connections – Existing | 250,000 |
| 29.a. | First- and Last-Mile Connections – Pilot projects not in Priority Areas ¹ or Priority Development Areas ² (PDAs). <i>These projects will be evaluated every year.</i> | Year 1 - 500,000 Year 2 and beyond - see Policy #28 service is considered existing |
| | First- and Last-Mile Connections – <i>Pilot shuttle projects located in Highly Impacted Communities as defined in the Air District Priority Areas and/or a Planned or Potential PDA may receive TFCA Funds under the Pilot designation. These projects will be evaluated every year.</i> | Years 1 & 2 - 500,000 Year 3 and beyond - see Policy #28 service is considered existing |
| 29.b. | Pilot Trip Reduction | 500,000 |
| 30.a. | Bicycle Parking | 250,000 |
| 30.b. | Bikeways | 500,000 |
| 31 | Bike Share | 500,000 |
| 32 | Reserved | Reserved |
| 33 | Infrastructure Improvements for Trip Reduction | 500,000 |
| 34 | Telecommuting | 150,000 |

¹ Priority Areas include communities identified through the Assembly Bill (AB) 617 (2017) process; and Priority Populations as defined by SB 535 disadvantaged communities and AB 1550 low-income communities.

² Priority Development Areas are designated areas within existing communities and near public transit that are planned for new homes, jobs, and community amenities. These areas have been identified and approved by local cities or counties for future growth and have been identified in the region’s long-range plan, developed by the Association of Bay Area Governments and the Metropolitan Transportation Commission.

3. **Eligible Projects and Case-by-Case Approval:** Eligible projects are those that conform to the provisions of the HSC section 44241, Air District Board-adopted policies, and Air District guidance. On a case-by-case basis, agencies that administer the 40% funds may receive approval by the Air District for projects that are authorized by the HSC section 44241 and achieve Board-adopted TFCA cost-effectiveness but do not fully meet other Board-adopted Policies.
4. **Consistent with Existing Plans and Programs:** All projects must comply with the Transportation Control and Mobile Source Control Measures included in the Air District's most recently approved strategies for achieving and maintaining State and national ozone standards ([2017 Clean Air Plan](#)), those plans and programs established pursuant to HSC sections 40233, 40717, and 40919; and, when specified, other adopted federal, State, regional, and local plans and programs.
5. **Eligible Recipients:** Grant recipients must be responsible for the implementation of the project, have the authority and capability to complete the project, and be an applicant in good standing with the Air District (Policies #8-10).
 - a. **Public agencies** are eligible to apply for all project categories.

Attachment 1

Proposed TFCA 40% Fund Policies Commencing FYE 2026 (clean version)

- b. **Non-public entities** are eligible to apply for only new alternative-fuel (light, medium, and heavy-duty) vehicle and infrastructure projects, and advanced technology demonstrations that are permitted pursuant to HSC section 44241(b)(7).
6. **Readiness:** Projects must commence within 12 months from the date of execution of the funding agreement with the subgrantee. If the project is sponsored directly by the agency that administers the 40% funds, the project must commence within 12 months from the date of the agency's project allocation. For purposes of this policy, "commence" means a tangible preparatory action taken in connection with the project's operation or implementation, for which the grantee can provide documentation of the commencement date and action performed. "Commence" includes, but is not limited to, the issuance of a purchase order to secure project vehicles and equipment, commencement of first- and last-mile connections and ridesharing service, or the delivery of the award letter for a construction contract.

Prior to contract execution with the subgrantee, projects must have completed all applicable environmental reviews and must have been either deemed exempt by the lead agency or issued the applicable negative declaration, environmental impact report, or statement.

7. **Maximum Two Years Operating Costs for Service-Based Projects:** Unless otherwise specified in policies #22 through #33, TFCA 40% Funds may be used to support up to two years of operating costs for service-based projects (e.g., ridesharing, first- and last-mile connections service). Grant applicants that seek TFCA funds for additional years must reapply for funding in the subsequent funding cycles.

APPLICANT IN GOOD STANDING

8. **Independent Air District Audit Findings and Determinations:** Grantees who have failed either the financial statement audit or the compliance audit for a prior TFCA-funded project awarded are excluded from receiving an award of any TFCA funds for three (3) years from the date of the Air District's final audit determination in accordance with HSC section 44242 or for a duration determined by the Air District Air Pollution Control Officer (APCO). Existing TFCA funds already awarded to the project sponsor will not be released until all audit recommendations and remedies have been satisfactorily implemented. A failed financial statement audit means a final audit report that includes an uncorrected audit finding that confirms an ineligible expenditure of TFCA funds. A failed compliance audit means an uncorrected audit finding that confirms a program or project was not implemented in accordance with the applicable Funding Agreement or grant agreement.

A failed financial statement or compliance audit of the administering agency or its grantee may subject the administering agency to a reduction of future revenue in an amount equal to the amount which was inappropriately expended pursuant to the provisions of HSC section 44242(c)(3).

9. **Authorization for Administering Agency to Proceed:** Only a fully executed Funding Agreement (i.e., signed by both the Air District and the administering agency) constitutes the Air District's award of TFCA 40% Funds. Agencies may incur costs (i.e., contractually obligate itself to allocate the 40% Funds) only after the Funding Agreement with the Air District has been executed.
10. **Maintain Appropriate Insurance:** Both the administering agency and each grantee must obtain and maintain general liability insurance, workers compensation insurance, and additional insurance as appropriate for specific projects, with required coverage amounts provided in Air District guidance and final amounts specified in the respective grant agreements.

Attachment 1
Proposed TFCA 40% Fund Policies Commencing FYE 2026 (clean version)

INELIGIBLE PROJECTS

11. **Duplication:** Projects that have previously received any TFCA funds, e.g., TFCA Regional Funds or TFCA 40% Funds, and that do not propose to achieve additional emission reductions are not eligible.
12. **Planning Activities:** The costs of preparing or conducting feasibility studies are not eligible. Planning activities are not eligible unless they are directly related to the implementation of a specific project or program.
13. **Reserved.**
14. **Cost of Developing Proposals and Grant Applications:** The costs to prepare proposals and/or grant applications are not eligible.

USE OF TFCA FUNDS

15. **Combined Funds:** TFCA 40% Funds may not be combined with TFCA Regional Funds to fund a project. Projects that are funded by the TFCA 40% Fund are not eligible for additional funding from other funding sources that claim emissions reduction credits. However, TFCA 40% fund projects may be combined with funds that do not require emissions reductions for funding eligibility.
16. **Administrative Costs:** The administering agency may not expend more than 6.25 percent of its TFCA 40% Funds for its administrative costs. The agency's costs to prepare and execute its Funding Agreement with the Air District are eligible administrative costs. Interest earned on TFCA 40% Funds shall not be included in the calculation of the administrative costs. To be eligible for reimbursement, administrative costs must be clearly identified in the expenditure plan application and in the Funding Agreement, and must be reported to the Air District.
17. **Expend Funds within Two Years:** TFCA 40% Funds must be expended within two (2) years of receipt of the first transfer of funds from the Air District to the administering agency in the applicable fiscal year, unless it has made the determination based on an application for funding that the eligible project will take longer than two years to implement. Additionally, an administering agency may, if it finds that significant progress has been made on a project, approve no more than two one-year schedule extensions for a project. Any subsequent schedule extensions for projects can only be given on a case-by-case basis, if the Air District finds that significant progress has been made on a project.
18. **Unallocated Funds:** Pursuant to HSC 44241(f), any TFCA 40% Funds that are not allocated to a project within six months of the Air District Board of Directors approval of the administering agency's Expenditure Plan may be allocated to eligible projects by the Air District. The Air District shall make reasonable effort to award these funds to eligible projects in the Air District within the same county from which the funds originated.
19. Reserved.
20. Reserved.
21. Reserved.

Attachment 1
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ELIGIBLE PROJECT CATEGORIES

Clean Air Vehicle Projects

22. Alternative Fuel Light- and Medium-Duty Vehicles:

These projects are intended to accelerate the deployment of zero- and partial-zero emissions motorcycles, cars, and light-duty vehicles. All of the following conditions must be met for a project to be eligible for TFCA funds:

- a. Vehicles must have a gross vehicle weight rating (GVWR) of 8,500 lbs. or lower;
- b. Vehicles may be purchased or leased;
- c. Eligible vehicle types include plug-in hybrid-electric, plug-in electric, fuel cell vehicles, and neighborhood electric vehicles (NEV) as defined in the California Vehicle Code. Vehicles must also be approved by the CARB;
- d. Vehicles that are solely powered by gasoline, diesel, or natural gas, and retrofit projects are not eligible;
- e. The total amount of TFCA funds awarded may not exceed 90% of the project's eligible cost; the sum of TFCA funds awarded with all other grants and applicable manufacturer and local/state/federal rebates and discounts may not exceed total project costs;
- f. Grantees may request authorization of up to 100% of the TFCA Funds awarded for each vehicle to be used to pay for costs directly related to the purchase and installation of alternative fueling infrastructure and/or equipment used to power the new vehicle; and
- g. Projects that seek to scrap and replace a vehicle may qualify for additional TFCA funding. Costs related to the scrapping and/or dismantling of the existing vehicle are not eligible for reimbursement with TFCA funds.

23. Reserved.

24. Alternative Fuel Heavy-Duty Trucks and Buses:

These projects are intended to accelerate the deployment of qualifying alternative fuel vehicles that operate within the Air District's jurisdiction by encouraging the replacement of older, compliant trucks and buses with the cleanest available technology. If replacing heavy-duty vehicles and buses with light-duty vehicles, light-duty vehicles must meet Policy #22. All of the following conditions must be met for a project to be eligible for TFCA Funds:

- a. Each vehicle must be new and have a GVWR greater than 8,500 lbs.;
- b. Vehicles may be purchased or leased;
- c. Eligible vehicle types include plug-in hybrid, plug-in electric, and fuel cell vehicles. Vehicles must also be approved by the CARB;
- d. Vehicles that are solely powered by gasoline, diesel, or natural gas and retrofit projects are not eligible;
- e. The total amount of TFCA funds awarded may not exceed 100% of the project's eligible cost for School Buses and 90% of the project's eligible cost for all other vehicle types; the sum of TFCA funds awarded combined with all other grants and applicable

Attachment 1
Proposed TFCA 40% Fund Policies Commencing FYE 2026 (clean version)

manufacturer and local/state/federal rebates and discounts may not exceed total project costs;

- f. Grantees may request authorization of up to 100% of the TFCA Funds awarded for each vehicle to be used to pay for costs directly related to the purchase and installation of alternative fueling infrastructure and/or equipment used to power the new vehicle; and
- g. Projects that seek to scrap and replace a vehicle may qualify for additional TFCA funding. Costs related to the scrapping and/or dismantling of the existing vehicle are not eligible for reimbursement with TFCA funds.

25. Reserved.

- 26. Alternative Fuel Infrastructure:** These projects are intended to accelerate the adoption of zero-emissions vehicles through the deployment of alternative fuel infrastructure, i.e., electric vehicle charging sites, hydrogen fueling stations.

Eligible refueling infrastructure projects include new dispensing and charging facilities, or additional equipment or upgrades and improvements that expand access to existing alternative fuel fueling/charging sites. This includes upgrading or modifying private fueling/charging sites or stations to allow public and/or shared fleet access. TFCA funds may be used to cover the cost of equipment and installation. TFCA funds may also be used to upgrade infrastructure projects previously funded with TFCA funds as long as the equipment was maintained and has exceeded the duration of its useful life after being placed into service.

Equipment and infrastructure must be designed, installed, and maintained as required by the existing recognized codes and standards and as approved by the local/state authority.

TFCA funds may not be used to pay for fuel, electricity, operation, and maintenance costs.

Trip Reduction Projects

- 27. Existing Ridesharing Services:** The project provides carpool, vanpool, or other rideshare services. Projects that provide a direct or indirect financial transit or rideshare subsidy are also eligible under this category. Projects that provide a direct or indirect financial transit or rideshare subsidy *exclusively* to employees of the grantee are not eligible.

28. Existing First- and Last-Mile Connections:

The project reduces single-occupancy vehicle trips by providing short-distance connections between mass transit and commercial hubs or employment centers. All the following conditions must be met for a project to be eligible for TFCA funds:

- a. The service must provide direct connections between stations (e.g., rail stations, ferry stations, Bus Rapid Transit (BRT) stations, or airports) and a distinct commercial or employment location.
- b. The service's schedule, which is not limited to commute hours, must be coordinated to have a timely connection with corresponding mass transit service.
- c. The service must be available for use by all members of the public.
- d. TFCA funds may be used to fund only shuttle services to locations that are under-served and lack other comparable service. For the purposes of this policy, "comparable service" means that there exists, either currently or within the last three years, a direct, timed,

Attachment 1
Proposed TFCA 40% Fund Policies Commencing FYE 2026 (clean version)

and publicly accessible service that brings passengers to within one-third (1/3) mile of the proposed commercial or employment location from a mass transit hub. A proposed service will not be deemed “comparable” to an existing service if the passengers’ proposed travel time will be at least 15 minutes shorter and at least 33% shorter than the existing service’s travel time to the proposed destination.

- e. Reserved.
- f. Grantees must be either: (1) a public transit agency or transit district that directly operates the service; or (2) a city, county, or any other public agency.
- g. If an applicant is not the only transit agency serving the area, the applicant(s) must submit a letter of concurrence from all transit districts or transit agencies that provide service in the area of the proposed route, certifying that the service does not conflict with existing service.
- h. Each route must meet the cost-effectiveness requirement in Policy #2.

29. Pilot Projects:

a. Pilot First- and Last-Mile Connections:

The project provides new first- and last-mile connections service that is at least 70% unique and operates where no other service was provided within the past three years. In addition to meeting the conditions listed in Policy #28 for First- and Last-Mile Connections, project applicants must also comply with the following application criteria and agree to comply with the project implementation requirements:

- i. Demonstrate the project will reduce single-occupancy vehicle trips and result in a reduction in emissions of criteria pollutants.
- ii. Provide data and/or other evidence demonstrating the public’s need for the service, such as a demand assessment survey and letters of support from potential users.
- iii. Provide a written plan showing how the service will be financed in the future and require minimal, if any, TFCA funds to maintain its operation after the pilot period.
- iv. If the local transit provider is not a partner, the applicant must demonstrate that they have attempted to have the service provided by the local transit agency. The transit provider must have been given the first right of refusal and determined that the proposed project does not conflict with existing service;
- v. Projects located in the Air District *Priority Areas* and/or a Planned or Potential PDA may receive a maximum of two years of TFCA 40% Funds under the Pilot designation. For these projects, the project applicants understand and must agree that such projects will be evaluated every year, and continued funding will be contingent upon the projects meeting the following requirements:
 - 1. During the first year and by the end of the second year of operation, projects must not exceed a cost-effectiveness of \$500,000/ton
 - 2. Projects entering a third year of operation and beyond are subject to all of the requirements, including cost-effectiveness limit, of Policy #28 (existing First- and Last-Mile Connections).

Attachment 1
Proposed TFCA 40% Fund Policies Commencing FYE 2026 (clean version)

- vi. Projects located outside of *Priority Areas* and PDAs may receive a maximum of two years of TFCA 40% Funds under this designation. For these projects, the project applicant understands and must agree that such projects will be evaluated every year, and continued funding will be contingent upon the projects meeting the following requirements:
 - 1. By the end of the first year of operation, projects shall meet a cost-effectiveness of \$500,000/ton, and
 - 2. By the end of the second year of operation, projects shall meet all of the requirements, including cost-effectiveness limit, of Policy #28 (existing First- and Last-Mile Connections).

b. Pilot Trip Reduction:

The project reduces single-occupancy commute vehicle trips by encouraging mode-shift to other forms of shared transportation. Pilot projects are defined as projects that serve an area where no similar service was available within the past three years, or that will result in significantly expanded service to an existing area. Funding is designed to provide the necessary initial capital to a public agency for the start-up of a pilot project so that by the end of the third year of the trip reduction project's operation, the project will be financially self-sustaining or require minimal public funds, such as grants, to maintain its operation.

- i. Applicants must demonstrate the project will reduce single-occupancy commute vehicle trips and result in a reduction in emissions of criteria pollutants;
- ii. The proposed service must be available for use by all members of the public;
- iii. Applicants must provide a written plan showing how the service will be financed in the future and require minimal, if any, TFCA funds to maintain its operation by the end of the third year;
- iv. If the local transit provider is not a partner, the applicant must demonstrate that they have attempted to have the service provided by the local transit agency. The transit provider must have been given the first right of refusal and determined that the proposed project does not conflict with existing service;
- v. Applicants must provide data and any other evidence demonstrating the public's need for the service, such as a demand assessment survey and letters of support from potential users;
- vi. Pilot trip reduction projects that propose to provide ridesharing service projects must comply with all applicable requirements in policy #27.

30. Bicycle Projects:

These projects expand public access to bicycle facilities. New bicycle facility projects or upgrades to an existing bicycle facility that are included in an adopted countywide bicycle plan, Congestion Management Program (CMP), countywide transportation plan (CTP), city plan, or the Metropolitan Transportation Commission's (MTC) Regional Bicycle Plan and/or Regional Active Transportation Plan are eligible to receive TFCA funds. Projects that are included in an adopted city general plan or area-specific plan must specify that the purpose of the bicycle facility is to reduce motor vehicle emissions or traffic congestion.

Attachment 1
Proposed TFCA 40% Fund Policies Commencing FYE 2026 (clean version)

a. Bicycle Parking:

The project expands the public's access to new or upgraded bicycle parking facilities (e.g., electronic bicycle lockers, bicycle racks), which must be publicly accessible and available for use by all members of the public. Eligible projects are limited to the purchase and installation of the following types of bike parking facilities that result in motor vehicle emission reductions:

- i. New bicycle racks, including bicycle racks on transit buses, trains, shuttle vehicles, and ferry vessels;
- ii. New electric bicycle lockers or upgrades to electronic bicycle lockers from bicycle racks; and
- iii. Capital costs to construct new bicycle storage facilities or upgrade to bicycle storage facilities from bicycle racks.

b. Bikeways:

The project constructs and/or installs bikeways for the purpose of reducing motor vehicle emissions or traffic congestion. Bikeways for exclusively recreational use are ineligible. Projects are limited to the following types of bikeways:

- i. Class I Bikeway (e.g., bike path, multi-use path), new or upgrade improvement from Class II or Class III bikeway;
- ii. New Class II Bikeway (e.g., bike lane, buffered bike lane) or upgrade improvement from either a Class III or a Class II (non-buffered) to a Class II buffered bike lane;
- iii. New Class III Bikeway (e.g., bike route, bicycle boulevards); and
- iv. Class IV Bikeway (e.g., separated bikeway, protected bikeway), new or upgrade improvement from Class II or Class III bikeway.

All bikeway projects must follow applicable local and state standards.

31. Bike Share:

Projects that make bicycles available to individuals for shared use for completing first- and last-mile trips in conjunction with regional transit and stand-alone short distance trips are eligible for TFCA funds, subject to all the following conditions:

- a. Projects must either increase the fleet size of existing service areas or expand existing service areas to include new Bay Area communities.
- b. Projects must have a completed a suitability study demonstrating the viability of bicycle sharing.
- c. Projects must have shared membership and/or be interoperable with the Bay Area Bike Share (BABS) project when they are placed into service, in order to streamline transit for end users by reducing the number of separate operators that would comprise bike trips. Projects that meet one or more of the following conditions are exempt from this requirement:
 - i. Projects that do not require membership or any fees for use;

Attachment 1
Proposed TFCA 40% Fund Policies Commencing FYE 2026 (clean version)

- ii. Projects that were provided funding under MTC's Bike Share Capital Program to start a new or expand an existing bike share program; or
- iii. Projects that attempted to coordinate with, but were refused by, the current BABS operator to have shared membership or be interoperable with BABS. Applicants must provide documentation showing proof of refusal.

TFCA funds may be awarded to pay for up to five years of operations, including the purchase of bicycles or tricycles (self-propelled or electric), plus mounted equipment required for the intended service and helmets.

32. *Reserved*

33. Infrastructure Improvements for Trip Reduction:

Projects that achieve motor vehicle emission reductions that expand the public's access to alternative transportation modes through the design and construction of physical improvements.

- a. The project must be identified in an approved area-specific plan, redevelopment plan, general plan, bicycle plan, pedestrian plan, traffic-calming plan, or other similar plan.
- b. The project must implement one or more transportation control measures (TCMs) in the most recently adopted Air District plan for State and national ambient air quality standards.
- c. The project must have a completed and approved environmental plan. If a project is exempt from preparing an environmental plan as determined by the public agency or lead agency, then that project has met this requirement. Examples of projects that are eligible under this policy include but are not limited to installation of new ferry terminal stations or berths, and construction for improving pedestrian access (e.g., sidewalks, overpasses).

- 34. Telecommuting:** Implementation of demonstration projects in telecommuting. No funds expended under this policy shall be used for the purchase of personal computing equipment for an individual's home use.

**PROPOSED UPDATES TO THE
 TFCA 40% FUND POLICIES COMMENCING FYE 2026**

The following Policies apply to the Bay Area Air Quality Management District’s (Air District) Transportation Fund for Clean Air (TFCA) 40% Fund, also referred to as the County Program Manager Fund, ~~for~~commencing fiscal year ending (FYE) 20256.

BASIC ELIGIBILITY

- Reduction of Emissions:** Only projects that result in the reduction of motor vehicle emissions within the Air District’s jurisdiction are eligible.

Projects must conform to the provisions of the California Health and Safety Code (HSC) sections 44220 et seq. and these Air District Board of Directors adopted TFCA 40% Fund Policies.

Projects must achieve surplus emission reductions, i.e., reductions that are beyond what is required through regulations, ordinances, contracts, and other legally binding obligations at the time of the execution of a grant agreement between the administering agency and the grantee. Projects must also achieve surplus emission reductions at the time of an amendment to a grant agreement if the amendment modifies the project scope or extends the project completion deadline.

- TFCA Cost-Effectiveness:** Projects must not exceed the maximum cost-effectiveness (C-E) limit specified in Table 1. Cost-effectiveness (\$/weighted ton) is the ratio of TFCA funds awarded to the sum of surplus emissions reduced, during a project’s operational period, of reactive organic gases (ROG), nitrogen oxides (NOx), and weighted PM10 (particulate matter 10 microns in diameter and smaller). All TFCA-generated funds (e.g., reprogrammed TFCA funds) that are awarded or applied to a project must be included in the evaluation. For projects that involve more than one independent component (e.g., more than one vehicle purchased, more than one shuttle route), each component must achieve this cost-effectiveness requirement.

Administering agencies’ administrative costs are excluded from the calculation of a project’s TFCA cost-effectiveness.

Table 1: Maximum Cost-Effectiveness for TFCA 40% Fund Projects

| Policy No. | Project Category | Maximum C-E (\$/weighted ton) |
|-------------------|--|--------------------------------------|
| 3 | Case-by-Case Approval | 250,000 |
| 22 | Alternative Fuel Light- and Medium-Duty Vehicles | 500,000 <u>522,000</u> |
| 23 | Reserved | Reserved |
| 24 | Alternative Fuel Heavy-Duty Trucks and Buses | 500,000 <u>522,000</u> |
| 25 | Reserved | Reserved |
| 26 | Alternative Fuel Infrastructure | 500,000 |
| 27 | Ridesharing Projects – Existing | 150,000 |

Attachment 2
Proposed TFCA 40% Fund Policies Commencing FYE 2026
(redlined version of Board-approved TFCA 40% Fund Policies for FYE 2025)

| | | |
|-------|--|--|
| 28 | First- and Last-Mile Connections – Existing | 250,000 |
| 29.a. | First- and Last-Mile Connections – Pilot projects not in Priority Areas ¹ or Priority Development Areas ² (PDAs). <i>These projects will be evaluated every year.</i> | Year 1 - 500,000 Year 2 and beyond - see Policy #28 service is considered existing |
| | First- and Last-Mile Connections – <i>Pilot shuttle projects located in Highly Impacted Communities as defined in the Air District Priority Areas and/or a Planned or Potential PDA may receive TFCA Funds under the Pilot designation. These projects will be evaluated every year.</i> | Years 1 & 2 - 500,000 Year 3 and beyond - see Policy #28 service is considered existing |
| 29.b. | Pilot Trip Reduction | 500,000 |
| 30.a. | Bicycle Parking | 250,000 |
| 30.b. | Bikeways | 500,000 |
| 31 | Bike Share | 500,000 |
| 32 | Reserved | Reserved |
| 33 | Infrastructure Improvements for Trip Reduction | 500,000 |
| 34 | Telecommuting | 150,000 |

¹ Priority Areas include ~~Highly Impacted Communities or Episodic Areas as defined in the Air District's Community Air Risk Evaluation (CARE) Program~~; communities identified through the Assembly Bill (AB) 617 (2017) process; and Priority Populations as defined by SB 535 disadvantaged communities and AB 1550 low-income communities.

² Priority Development Areas are designated areas within existing communities and near public transit that are planned for new homes, jobs, and community amenities. These areas have been identified and approved by local cities or counties for future growth and have been identified in the region's long-range plan, developed by the Association of Bay Area Governments and the Metropolitan Transportation Commission.

3. **Eligible Projects and Case-by-Case Approval:** Eligible projects are those that conform to the provisions of the HSC section 44241, Air District Board-adopted policies, and Air District guidance. On a case-by-case basis, agencies that administer the 40% funds may receive approval by the Air District for projects that are authorized by the HSC section 44241 and achieve Board-adopted TFCA cost-effectiveness but do not fully meet other Board-adopted Policies.
4. **Consistent with Existing Plans and Programs:** All projects must comply with the Transportation Control and Mobile Source Control Measures included in the Air District's most recently approved strategies for achieving and maintaining State and national ozone standards ([2017 Clean Air Plan](#)), those plans and programs established pursuant to HSC sections 40233, 40717, and 40919; and, when specified, other adopted federal, State, regional, and local plans and programs.
5. **Eligible Recipients:** Grant recipients must be responsible for the implementation of the project, have the authority and capability to complete the project, and be an applicant in good standing with the Air District (Policies #8-10).

Attachment 2

Proposed TFCA 40% Fund Policies Commencing FYE 2026

(redlined version of Board-approved TFCA 40% Fund Policies for FYE 2025)

- a. **Public agencies** are eligible to apply for all project categories.
 - b. **Non-public entities** are eligible to apply for only new alternative-fuel (light, medium, and heavy-duty) vehicle and infrastructure projects, and advanced technology demonstrations that are permitted pursuant to HSC section 44241(b)(7).
6. **Readiness:** Projects must commence ~~by the end of calendar year 2025 or~~ within 2412 months from the date of execution of the funding agreement with the subgrantee. If the project is sponsored directly by the ~~agency~~ that administers the 40% funds, the project must commence within 2412 months from the date of the agency's project allocation. For purposes of this policy, "commence" means a tangible preparatory action taken in connection with the project's operation or implementation, for which the grantee can provide documentation of the commencement date and action performed. "Commence" includes, but is not limited to, the issuance of a purchase order to secure project vehicles and equipment, commencement of first- and last-mile connections and ridesharing service, or the delivery of the award letter for a construction contract.

Prior to contract execution with the subgrantee, projects must have completed all applicable environmental reviews and must have been either deemed exempt by the lead agency or issued the applicable negative declaration, environmental impact report, or statement.

7. **Maximum Two Years Operating Costs for Service-Based Projects:** Unless otherwise specified in policies #22 through #33, TFCA 40% Funds may be used to support up to two years of operating costs for service-based projects (e.g., ridesharing, first- and last-mile connections service). Grant applicants that seek TFCA funds for additional years must reapply for funding in the subsequent funding cycles.

APPLICANT IN GOOD STANDING

8. **Independent Air District Audit Findings and Determinations:** Grantees who have failed either the financial statement audit or the compliance audit for a prior TFCA-funded project awarded are excluded from receiving an award of any TFCA funds for three (3) years from the date of the Air District's final audit determination in accordance with HSC section 44242 or for a duration determined by the Air District Air Pollution Control Officer (APCO). Existing TFCA funds already awarded to the project sponsor will not be released until all audit recommendations and remedies have been satisfactorily implemented. A failed financial statement audit means a final audit report that includes an uncorrected audit finding that confirms an ineligible expenditure of TFCA funds. A failed compliance audit means an uncorrected audit finding that confirms a program or project was not implemented in accordance with the applicable Funding Agreement or grant agreement.

A failed financial statement or compliance audit of the administering agency or its grantee may subject the administering agency to a reduction of future revenue in an amount equal to the amount which was inappropriately expended pursuant to the provisions of HSC section 44242(c)(3).

9. **Authorization for Administering Agency to Proceed:** Only a fully executed Funding Agreement (i.e., signed by both the Air District and the administering agency) constitutes the Air District's award of TFCA 40% Funds. Agencies may incur costs (i.e., contractually obligate itself to allocate the 40% Funds) only after the Funding Agreement with the Air District has been executed.
10. **Maintain Appropriate Insurance:** Both the administering agency and each grantee must obtain and maintain general liability insurance, workers compensation insurance, and additional insurance as

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appropriate for specific projects, with required coverage amounts provided in Air District guidance and final amounts specified in the respective grant agreements.

INELIGIBLE PROJECTS

11. **Duplication:** Projects that have previously received any TFCA funds, e.g., TFCA Regional Funds or TFCA 40% Funds, and that do not propose to achieve additional emission reductions are not eligible.
12. **Planning Activities:** The costs of preparing or conducting feasibility studies are not eligible. Planning activities are not eligible unless they are directly related to the implementation of a specific project or program.
13. **Reserved.**
14. **Cost of Developing Proposals and Grant Applications:** The costs to prepare proposals and/or grant applications are not eligible.

USE OF TFCA FUNDS

15. **Combined Funds:** TFCA 40% Funds may not be combined with TFCA Regional Funds to fund a project. Projects that are funded by the TFCA 40% Fund are not eligible for additional funding from other funding sources that claim emissions reduction credits. However, TFCA 40% fund projects may be combined with funds that do not require emissions reductions for funding eligibility.
16. **Administrative Costs:** The administering agency may not expend more than 6.25 percent of its TFCA 40% Funds for its administrative costs. The agency's costs to prepare and execute its Funding Agreement with the Air District are eligible administrative costs. Interest earned on TFCA 40% Funds shall not be included in the calculation of the administrative costs. To be eligible for reimbursement, administrative costs must be clearly identified in the expenditure plan application and in the Funding Agreement, and must be reported to the Air District.
17. **Expend Funds within Two Years:** TFCA 40% Funds must be expended within two (2) years of receipt of the first transfer of funds from the Air District to the administering agency in the applicable fiscal year, unless it has made the determination based on an application for funding that the eligible project will take longer than two years to implement. Additionally, an administering agency may, if it finds that significant progress has been made on a project, approve no more than two one-year schedule extensions for a project. Any subsequent schedule extensions for projects can only be given on a case-by-case basis, if the Air District finds that significant progress has been made on a project.
18. **Unallocated Funds:** Pursuant to HSC 44241(f), any TFCA 40% Funds that are not allocated to a project within six months of the Air District Board of Directors approval of the administering agency's Expenditure Plan may be allocated to eligible projects by the Air District. The Air District shall make reasonable effort to award these funds to eligible projects in the Air District within the same county from which the funds originated.
19. Reserved.
20. Reserved.
21. Reserved.

Attachment 2
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ELIGIBLE PROJECT CATEGORIES

Clean Air Vehicle Projects

22. Alternative Fuel Light- and Medium-Duty Vehicles:

These projects are intended to accelerate the deployment of zero- and partial-zero emissions motorcycles, cars, and light-duty vehicles. All of the following conditions must be met for a project to be eligible for TFCA funds:

- a. Vehicles must have a gross vehicle weight rating (GVWR) of 8,500 lbs. or lower;
- b. Vehicles may be purchased or leased;
- c. Eligible vehicle types include plug-in hybrid-electric, plug-in electric, fuel cell vehicles, and neighborhood electric vehicles (NEV) as defined in the California Vehicle Code. Vehicles must also be approved by the CARB;
- d. Vehicles that are solely powered by gasoline, diesel, or natural gas, and retrofit projects are not eligible;
- e. The total amount of TFCA funds awarded may not exceed 90% of the project's eligible cost; the sum of TFCA funds awarded with all other grants and applicable manufacturer and local/state/federal rebates and discounts may not exceed total project costs;
- f. Grantees may request authorization of up to 100% of the TFCA Funds awarded for each vehicle to be used to pay for costs directly related to the purchase and installation of alternative fueling infrastructure and/or equipment used to power the new vehicle; and
- g. Projects that seek to scrap and replace a vehicle ~~in the same weight class as the proposed new vehicle~~ may qualify for additional TFCA funding. Costs related to the scrapping and/or dismantling of the existing vehicle are not eligible for reimbursement with TFCA funds.

23. Reserved.

24. Alternative Fuel Heavy-Duty Trucks and Buses:

These projects are intended to accelerate the deployment of qualifying alternative fuel vehicles that operate within the Air District's jurisdiction by encouraging the replacement of older, compliant trucks and buses with the cleanest available technology. If replacing heavy-duty vehicles and buses with light-duty vehicles, light-duty vehicles must meet Policy #22. All of the following conditions must be met for a project to be eligible for TFCA Funds:

- a. Each vehicle must be new and have a GVWR greater than 8,500 lbs.;
- b. Vehicles may be purchased or leased;
- c. Eligible vehicle types include plug-in hybrid, plug-in electric, and fuel cell vehicles. Vehicles must also be approved by the CARB;
- d. Vehicles that are solely powered by gasoline, diesel, or natural gas and retrofit projects are not eligible;
- e. The total amount of TFCA funds awarded may not exceed 100% of the project's eligible cost for School Buses and 90% of the project's eligible cost for all other vehicle types; the sum of TFCA funds awarded combined with all other grants and applicable

Attachment 2

Proposed TFCA 40% Fund Policies Commencing FYE 2026

(redlined version of Board-approved TFCA 40% Fund Policies for FYE 2025)

manufacturer and local/state/federal rebates and discounts may not exceed total project costs;

- f. Grantees may request authorization of up to 100% of the TFCA Funds awarded for each vehicle to be used to pay for costs directly related to the purchase and installation of alternative fueling infrastructure and/or equipment used to power the new vehicle; and
- g. Projects that seek to scrap and replace a vehicle ~~in the same weight class as the proposed new vehicle~~ may qualify for additional TFCA funding. Costs related to the scrapping and/or dismantling of the existing vehicle are not eligible for reimbursement with TFCA funds.

25. Reserved.

26. **Alternative Fuel Infrastructure:** These projects are intended to accelerate the adoption of zero-emissions vehicles through the deployment of alternative fuel infrastructure, i.e., electric vehicle charging sites, hydrogen fueling stations.

Eligible refueling infrastructure projects include new dispensing and charging facilities, or additional equipment or upgrades and improvements that expand access to existing alternative fuel fueling/charging sites. This includes upgrading or modifying private fueling/charging sites or stations to allow public and/or shared fleet access. TFCA funds may be used to cover the cost of equipment and installation. TFCA funds may also be used to upgrade infrastructure projects previously funded with TFCA funds as long as the equipment was maintained and has exceeded the duration of its useful life after being placed into service.

Equipment and infrastructure must be designed, installed, and maintained as required by the existing recognized codes and standards and as approved by the local/state authority.

TFCA funds may not be used to pay for fuel, electricity, operation, and maintenance costs.

Trip Reduction Projects

27. **Existing Ridesharing Services:** The project provides carpool, vanpool, or other rideshare services. Projects that provide a direct or indirect financial transit or rideshare subsidy are also eligible under this category. Projects that provide a direct or indirect financial transit or rideshare subsidy *exclusively* to employees of the grantee are not eligible.

28. Existing First- and Last-Mile Connections:

The project reduces single-occupancy vehicle trips by providing short-distance connections between mass transit and commercial hubs or employment centers. All the following conditions must be met for a project to be eligible for TFCA funds:

- a. The service must provide direct connections between stations (e.g., rail stations, ferry stations, Bus Rapid Transit (BRT) stations, or airports) and a distinct commercial or employment location.
- b. The service's schedule, which is not limited to commute hours, must be coordinated to have a timely connection with corresponding mass transit service.
- c. The service must be available for use by all members of the public.

Attachment 2

Proposed TFCA 40% Fund Policies Commencing FYE 2026

(redlined version of Board-approved TFCA 40% Fund Policies for FYE 2025)

- d. TFCA funds may be used to fund only shuttle services to locations that are under-served and lack other comparable service. For the purposes of this policy, “comparable service” means that there exists, either currently or within the last three years, a direct, timed, and publicly accessible service that brings passengers to within one-third (1/3) mile of the proposed commercial or employment location from a mass transit hub. A proposed service will not be deemed “comparable” to an existing service if the passengers’ proposed travel time will be at least 15 minutes shorter and at least 33% shorter than the existing service’s travel time to the proposed destination.
- e. Reserved.
- f. Grantees must be either: (1) a public transit agency or transit district that directly operates the service; or (2) a city, county, or any other public agency.
- g. If an applicant is not the only transit agency serving the area, the applicant(s) must submit a letter of concurrence from all transit districts or transit agencies that provide service in the area of the proposed route, certifying that the service does not conflict with existing service.
- h. Each route must meet the cost-effectiveness requirement in Policy #2.

29. Pilot Projects:

a. Pilot First- and Last-Mile Connections:

The project provides new first- and last-mile connections service that is at least 70% unique and operates where no other service was provided within the past three years. In addition to meeting the conditions listed in Policy #28 for First- and Last-Mile Connections, project applicants must also comply with the following application criteria and agree to comply with the project implementation requirements:

- i. Demonstrate the project will reduce single-occupancy vehicle trips and result in a reduction in emissions of criteria pollutants.
- ii. Provide data and/or other evidence demonstrating the public’s need for the service, such as a demand assessment survey and letters of support from potential users.
- iii. Provide a written plan showing how the service will be financed in the future and require minimal, if any, TFCA funds to maintain its operation after the pilot period.
- iv. If the local transit provider is not a partner, the applicant must demonstrate that they have attempted to have the service provided by the local transit agency. The transit provider must have been given the first right of refusal and determined that the proposed project does not conflict with existing service;
- v. Projects located in the Air District *Priority Areas* and/or a Planned or Potential PDA may receive a maximum of two years of TFCA 40% Funds under the Pilot designation. For these projects, the project applicants understand and must agree that such projects will be evaluated every year, and continued funding will be contingent upon the projects meeting the following requirements:

Attachment 2

Proposed TFCA 40% Fund Policies Commencing FYE 2026

(redlined version of Board-approved TFCA 40% Fund Policies for FYE 2025)

1. During the first year and by the end of the second year of operation, projects must not exceed a cost-effectiveness of \$500,000/ton
 2. Projects entering a third year of operation and beyond are subject to all of the requirements, including cost-effectiveness limit, of Policy #28 (existing First- and Last-Mile Connections).
- vi. Projects located outside of *Priority Areas* and PDAs may receive a maximum of two years of TFCA 40% Funds under this designation. For these projects, the project applicant understands and must agree that such projects will be evaluated every year, and continued funding will be contingent upon the projects meeting the following requirements:
1. By the end of the first year of operation, projects shall meet a cost-effectiveness of \$500,000/ton, and
 2. By the end of the second year of operation, projects shall meet all of the requirements, including cost-effectiveness limit, of Policy #28 (existing First- and Last-Mile Connections).

b. Pilot Trip Reduction:

The project reduces single-occupancy commute vehicle trips by encouraging mode-shift to other forms of shared transportation. Pilot projects are defined as projects that serve an area where no similar service was available within the past three years, or that will result in significantly expanded service to an existing area. Funding is designed to provide the necessary initial capital to a public agency for the start-up of a pilot project so that by the end of the third year of the trip reduction project's operation, the project will be financially self-sustaining or require minimal public funds, such as grants, to maintain its operation.

- i. Applicants must demonstrate the project will reduce single-occupancy commute vehicle trips and result in a reduction in emissions of criteria pollutants;
- ii. The proposed service must be available for use by all members of the public;
- iii. Applicants must provide a written plan showing how the service will be financed in the future and require minimal, if any, TFCA funds to maintain its operation by the end of the third year;
- iv. If the local transit provider is not a partner, the applicant must demonstrate that they have attempted to have the service provided by the local transit agency. The transit provider must have been given the first right of refusal and determined that the proposed project does not conflict with existing service;
- v. Applicants must provide data and any other evidence demonstrating the public's need for the service, such as a demand assessment survey and letters of support from potential users;
- vi. Pilot trip reduction projects that propose to provide ridesharing service projects must comply with all applicable requirements in policy #27.

30. Bicycle Projects:

These projects expand public access to bicycle facilities. New bicycle facility projects or upgrades to an existing bicycle facility that are included in an adopted countywide bicycle plan, Congestion

Attachment 2
Proposed TFCA 40% Fund Policies Commencing FYE 2026
(redlined version of Board-approved TFCA 40% Fund Policies for FYE 2025)

Management Program (CMP), countywide transportation plan (CTP), city plan, or the Metropolitan Transportation Commission's (MTC) Regional Bicycle Plan and/or Regional Active Transportation Plan are eligible to receive TFCA funds. Projects that are included in an adopted city general plan or area-specific plan must specify that the purpose of the bicycle facility is to reduce motor vehicle emissions or traffic congestion.

a. Bicycle Parking:

The project expands the public's access to ~~new or upgraded~~~~new~~ bicycle parking facilities (e.g., electronic bicycle lockers, bicycle racks), which must be publicly accessible and available for use by all members of the public. Eligible projects are limited to the purchase and installation of the following types of bike parking facilities that result in motor vehicle emission reductions:

- i. ~~New B~~bicycle racks, including bicycle racks on transit buses, trains, shuttle vehicles, and ferry vessels;
- ii. ~~New electric bicycle lockers or upgrades to e~~Electronic bicycle lockers ~~from bicycle racks~~; and
- iii. Capital costs ~~for attended to construct new~~ bicycle storage facilities ~~or upgrade to bicycle storage facilities from bicycle racks~~.

b. Bikeways:

The project constructs and/or installs bikeways for the purpose of reducing motor vehicle emissions or traffic congestion. Bikeways for exclusively recreational use are ineligible. Projects are limited to the following types of bikeways:

- i. Class I Bikeway (e.g., bike path, multi-use path), new or upgrade improvement from Class II or Class III bikeway;
- ii. New Class II Bikeway (e.g., bike lane, buffered bike lane) or upgrade improvement from either a Class III or a Class II (non-buffered) to a Class II buffered bike lane;
- iii. New Class III Bikeway (e.g., bike route, bicycle boulevards); and
- iv. Class IV Bikeway (e.g., separated bikeway, protected bikeway), new or upgrade improvement from Class II or Class III bikeway.

All bikeway projects must follow applicable local and state standards.

31. Bike Share:

Projects that make bicycles available to individuals for shared use for completing first- and last-mile trips in conjunction with regional transit and stand-alone short distance trips are eligible for TFCA funds, subject to all the following conditions:

- a. Projects must either increase the fleet size of existing service areas or expand existing service areas to include new Bay Area communities.
- b. Projects must have a completed a suitability study demonstrating the viability of bicycle sharing.

Attachment 2

Proposed TFCA 40% Fund Policies Commencing FYE 2026

(redlined version of Board-approved TFCA 40% Fund Policies for FYE 2025)

- c. Projects must have shared membership and/or be interoperable with the Bay Area Bike Share (BABS) project when they are placed into service, in order to streamline transit for end users by reducing the number of separate operators that would comprise bike trips. Projects that meet one or more of the following conditions are exempt from this requirement:
 - i. Projects that do not require membership or any fees for use;
 - ii. Projects that were provided funding under MTC's Bike Share Capital Program to start a new or expand an existing bike share program; or
 - iii. Projects that attempted to coordinate with, but were refused by, the current BABS operator to have shared membership or be interoperable with BABS. Applicants must provide documentation showing proof of refusal.

TFCA funds may be awarded to pay for up to five years of operations, including the purchase of bicycles or tricycles (self-propelled or electric), plus mounted equipment required for the intended service and helmets.

32. *Reserved*

33. Infrastructure Improvements for Trip Reduction:

Projects that achieve motor vehicle emission reductions that expand the public's access to alternative transportation modes through the design and construction of physical improvements.

- a. The project must be identified in an approved area-specific plan, redevelopment plan, general plan, bicycle plan, pedestrian plan, traffic-calming plan, or other similar plan.
- b. The project must implement one or more transportation control measures (TCMs) in the most recently adopted Air District plan for State and national ambient air quality standards.
- c. The project must have a completed and approved environmental plan. If a project is exempt from preparing an environmental plan as determined by the public agency or lead agency, then that project has met this requirement. Examples of projects that are eligible under this policy include but are not limited to installation of new ferry terminal stations or berths, and construction for improving pedestrian access (e.g., sidewalks, overpasses).

- 34. Telecommuting:** Implementation of demonstration projects in telecommuting. No funds expended under this policy shall be used for the purchase of personal computing equipment for an individual's home use.

| Committer and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|--|---|---|
| <p>Jacki Taylor, Alameda County Transportation Commission</p> | <p>Policy 2. TFCA Cost Effectiveness <i>Resubmitting this comment from last year with a request to reconsider:</i></p> <ul style="list-style-type: none"> a) Continued support for expansion of the current Air District-defined Priority Areas to include MTC-defined Equity Priority Communities (EPCs) that fall outside any of the currently qualifying Priority Areas. b) To expand TFCA-funded investments within the Air District-defined Priority Areas, suggest setting a higher TFCA cost-effectiveness (C-E) threshold for projects located within the defined Priority Areas, thereby directly increasing the amount of TFCA 40% funds that may be awarded to benefit these communities. For example, currently Pilot First- and Last-Mile Connections is the only project category that receives an increase in the TFCA C-E threshold, from \$250K to \$500K TFCA/ton of reduced emissions, for a period of 2 years, if located in a Priority Area. Suggest that all TFCA-eligible project types located in Priority Areas receive a similar C-E increase. Last year, it was indicated that this proposal could be discussed at a future working group meeting. Let me know when it would be convenient to include this item for a future meeting. c) Also, suggest increasing the maximum C-E amount for some of the project categories regardless of location, such as bicycle facilities and capital infrastructure improvements, considering the continually increasing cost of implementing these types of projects. | <ul style="list-style-type: none"> a) Staff reviewed MTC's Equity Priority Communities and identified that there is significant overlap with the Air District's Priority Areas, which include disadvantage and low-income communities. As a result, no changes were made. b) The authorizing TFCA legislation requires that cost-effectiveness criteria maximize emissions reductions. Increasing the C-E limit has the opposite effect, increasing the amount of money expended per ton of emissions reduced. Increasing C-E at this time, does not align with the legislative criteria of maximizing emissions reductions. c) Noted. |
| | <p>Policy 3. Eligible Projects and Case-by Case Approval Policy 32. Reserved (formerly Arterial Management)</p> <p>Regarding Arterial Management (signal coordination) projects, even though Arterial Management is an eligible TFCA project type in the authorizing legislation, currently case-by-case approval is required to fund these projects, seemingly due to a concern that this type of project does not reduce emissions. According to FHWA's Traffic Signal Timing Manual (first edition): "The benefits of up-to-date signal timing include shorter commute times, improved air quality, reduction in</p> | <p>Air District staff met with commenter about the lack of long-term emission benefits regarding these project types and will not be making changes. Projects can continually be brought to the Air District's Board for approval on a case-by-case basis.</p> |

| Committer and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|----------------------------|---|--|
| | <p>certain types and severity of crashes, and reduced driver frustration.” Additionally, well-coordinated corridors do not encourage speeding. Rather, they improve the safety and experience for all modes, including transit, bicycle and pedestrian users. In this regard, signal coordination projects can be a cost-effective tool to reduce congestion and emissions while increasing safety.</p> <p>While the Air District maintains that arterial management projects may continue to receive approval on a case-by-case basis, overall it would increase the interest in TFCA funding for this project type if the Air District would reinstate it as an eligible project in the policies without the extra layer of requiring case-by-case approval (until FY 2023, arterial management projects were eligible under Policy 32).</p> | |
| | <p>Policy 6. Readiness</p> <p>a) Regarding the proposed change to the deadline for a project to commence, suggest rather than having two separate deadlines as proposed, I believe it would be clearer to just include one of the two proposed options: “within 12 months from the date of execution of the funding agreement with the subgrantee”, as it would accommodate projects that need to have the funding agreement timed to follow completion of the environmental phase.</p> <p>The below revised language is proposed for consideration: Readiness: Projects must commence by the end of the same calendar year that the respective expenditure plan was approved by the Air District Board of Directors or within 12 months from the date of execution of the funding agreement with the subgrantee.</p> <p>b) Regarding the requirement added a few years ago to the Readiness Policy, “Prior to contract execution with the subgrantee, projects must have completed all applicable environmental reviews and must have been either deemed exempt by the lead agency or issued the applicable negative declaration, environmental impact report, or statement”, staff finds that delaying agreements complicates the monitoring of awarded TFCA grants and suggests revising the policy to allow administering agencies to enter into funding agreements with subgrantees regardless of the status of the environmental phase.</p> | <p>a) Thank you for noting this discrepancy. An update has been made to the Policies.</p> <p>b) Projects must meet the current readiness criteria before contract execution to ensure project success. No changes were made.</p> |

| Committer and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|----------------------------|--|--|
| | <p>Policy 27. Existing Ridesharing Services</p> <p>Suggest including more information in Policy 27 about the types of projects that fit under the ride sharing category. Considering that this category is intended to cover activities and project types beyond just ridesharing, such as Transportation Demand Management programs and other educational programs and incentive campaigns to promote transit, biking, and/or walking.</p> | <p>This category mirrors the authorizing legislation which specifies ride sharing as an eligible project type. Incentive programs to promote transit, biking and/or walking that do not result in ride sharing are not eligible.</p> |
| | <p>Policy 30. Bicycle Projects</p> <p><i>Resubmitting this comment from last year with a request to reconsider:</i></p> <p>For proposed upgrades to existing bicycle facilities, request adding language to Policy 30 to allow upgrades to existing facilities to be evaluated as new facilities, under certain circumstances, such as:</p> <ul style="list-style-type: none"> • Upgrades to facilities that are no longer up to current design/safety standards, especially for bicycle facilities that have not previously been funded with TFCA or other funding sources that claimed vehicle emission reduction benefits, and • Upgrades to facilities that were originally funded with TFCA that have exceeded their minimum required useful life <p>This approach is consistent with the evaluation of alternative fuel infrastructure projects for TFCA, where equipment upgrades can be funded at the same level as new projects, once the useful life/performance period established for the original TFCA project has been completed.</p> <p>Although currently eligible in Policy 30, upgrades to existing facilities are severely restricted in the accompanying TFCA CPM Guidance document to receiving just 10% of the funding that would be available for a new bicycle facility. Removing this 10% restriction for upgrades, especially for bicycle facilities that have not previously claimed any emission reduction benefits or that have completed a previously established TFCA useful life period, would help jurisdictions implement Vision Zero and All Ages and Abilities policies by upgrading substandard facilities using current best practices.</p> | <p>Upgrades are eligible, however projects must achieve surplus emission reductions, meaning that emission reductions are above what is required by law, regulation, or contract.</p> |

| Committer and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|--|--|---|
| | <p>In the past, requested increases to the amount of TFCA funding that can be awarded to upgrade bicycle facilities have been declined due to a lack of evidence that upgrades increase facility usage. On the contrary, it's generally accepted that high-quality bikeways, including upgrades, that are appropriate for the stress level of the roadway, are an important component of preventing injuries and fatalities and encouraging sustainable mode shift. Revising how bicycle facility upgrades are evaluated for TFCA would help implement much needed improvements to bicycle facilities, including those located in Air District-defined Priority Areas.</p> <p>The Air District's response to my comment last year indicated that "The 10% number is derived from staff analysis of upgrade impacts... Staff will provide additional clarification in the Guidance that is issued to administering agencies later this year." I did not see clarification about the prior staff analysis included in the FYE25 Guidance, so it would be helpful if it, along with any other guidance that might help applicants prepare alternative trip reduction estimates, can be included in the FYE26 Guidance. Preparing project-specific analysis to estimate the impacts of upgrade projects can serve as a disincentive for applicants. My above suggestion to allow upgrades to be evaluated for TFCA as new bicycle facilities (using a small % of the roadway ADT) would eliminate this hurdle.</p> | <p>The Guidance allows for administering agencies to propose different methodologies for any category but requires them to provide supporting documentation as to why these alternative approaches are being used. They may also use alternative assumptions based on data collected.</p> |
| <p>Sean Carpentier, C/CAG of San Mateo County</p> | <p>Policy 22. Alternative Fuel Light- and Medium-Duty Vehicles, Policy 24. Alternative Fuel Heavy-Duty Trucks and Buses, and Policy 26. Alternative Fuel Infrastructure</p> <p>C/CAG's recent call for projects demonstrated that our local jurisdictions were challenged to get their proposed projects to meet the current C-E thresholds. The member agencies either had to withdraw their application or increase their local match to over 40%. C/CAG recommends the Bay Area Air Quality Management District to increase the Maximum Cost-Effectiveness (C-E) for TFCA 40% Fund Projects specifically for Policy 22, 24, and 26 to account for the high costs of alternative vehicles and the supporting infrastructure and the difficulty that jurisdictions, in particular small and resource challenged equity communities, have in providing a match that in some cases exceeded 40%.</p> | <p>The C-E limits for Policies #22 and 24 were increased to match state C-E limits for similar categories. No changes were made to policy #26, <i>Alternative Fuel Infrastructure</i>, at this time.</p> |

| Commenter and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|---|---|--|
| <p>Santa Clara County</p> <p>Ozzy Arce, City of Palo Alto</p> <p>Harry Freitas, County of Santa Clara</p> | <p>Policy 17. Expend Funds within Two Years (comment by W. Hough)</p> <p>I recommend an improvement to Policy #17. Currently this policy says in part, TFCA 40% Funds must be expended within two (2) years of receipt of the first transfer of funds from the Air District to the administering agency in the applicable fiscal year...</p> <p>A review of the “date of first check” column on the Funding Status Report indicates that this payment takes place at varying times during the November-December timeframe. This inconsistency causes difficulty for the County Program Managers to start the 2-year “Expend Funds within Two Years” clock, which can lead to hasty revisions to the Funding Status Report.</p> <p>To fix this, change Policy 17 to a date certain and forget about this “date of first check” nonsense.</p> | <p>Based on the legislation, funds must be expended within two years of receiving the funds. Due to the nature of how checks are issued, Air District staff cannot do a “date certain” as recommended.</p> |
| <p>Heather Hoshii, City of San Jose</p> <p>William Hough, Santa Clara Valley Transportation Authority</p> | <p>Policy 30.a. Bicycle Parking (comment by O. Arce)</p> <p>Bicyclists, including children heading to school, need abundant, efficient, safe, and secure places to store their bicycles. Bicycle support facilities, such as short-term bicycle parking, help support bicycle commuting in Palo Alto and contribute to the long-term viability of bicycling as a healthy, active, and sustainable mode for commuting, including school commutes. However, many of the existing bike racks at schools are inadequate, aging, and past their useful life, resulting in damaged bicycles, crowded facilities, and may deter children from riding their bicycle to school. Considering how bicycle parking and end-of-trip facilities can be a determining factor in whether someone decides to make a bicycle trip, the City of Palo Alto respectfully submits the following comment regarding the Bay Area Air Quality Management District's (BAAQMD) Transportation Fund for Clean Air (TFCA) program, specifically Basic Eligibility Policy #30, Bicycle Projects, specifically Bicycle Parking: Allow funds to be used to pay for the costs related to maintenance, repairs, upgrades, rehabilitation, or operations of <u>existing but substandard</u> bicycle parking facilities.</p> | <p>Staff reviewed and added language to allow for bicycle parking upgrades in order to increase usage of bikeways and to promote vehicle trip reduction; however, operation and maintenance costs are ineligible as they do not produce surplus emissions reductions through vehicle trip reduction.</p> |
| | <p>Policy 32. Reserved (formerly Arterial Management) (comment by W. Hough)</p> <p>Effective with its FYE2024 guidance, the BAAQMD removed the Arterial Management project category from Policy #32.</p> | <p>Air District staff met with commenter to discuss this project category and will not be making changes.</p> |

| Committer and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|----------------------------|---|--|
| | <p>Despite this change, VTA notes that California Health & Safety Code Section 44241(b-4) remains in effect, therefore, Arterial Management should be restored to Policy 32. We consulted with the signal and traffic operations staff from cities and county staff in Santa Clara County about this change and are attaching comment letters from San Jose and S. C. County. The following observations about arterial timing projects must be considered when evaluating these projects:</p> <ul style="list-style-type: none"> • The economy and land development are the primary influences on air quality, traffic patterns, and number of trips. Signal timing reacts to these changes in traffic patterns to keep the roads operating efficiently and reducing emissions by decreasing stop-start driving. • Signal timing does not increase the capacity of a roadway or intersection; rather, signal timing helps a road operate at its design capacity by reducing stops and delays. When the demand along a roadway outstrips the design capacity, signal timing cannot eliminate the congestion or smooth the flow of traffic. • Signal timing does not create a growth in automobile trips; although, it may lead to some redistribution of automobile trips locally. Smooth-flowing arterials can minimize diversion of traffic to local and neighborhood streets. Therefore, the air quality benefits of a signal timing project for a major arterial may be greater than just the emission reductions along the arterial itself - any local roads that are relieved of traffic also experience reduced stops and delay which results in reduced air pollutant emissions. • Conversely, a lack of signal timing will not reduce the number of automobile trips. When a roadway or intersection becomes highly congested, drivers tend to seek other routes, such as cutting through neighborhoods. These local and neighborhood roads have less capacity and can become congested more quickly, leading to worsening air quality with the increased stops and delays. <p>We disagree with the premise that smoothing the flow of traffic is growth inducing. Arterial management projects are some of the most cost-effective projects funded with TFCA funds, especially in Santa Clara County which historically has had an automobile-dependent suburban development pattern. While VTA, the cities, and county continue to work on changing land use patterns to make alternate modes of travel an option for more people, it will take time for these land use patterns to significantly affect the countywide dependency on the automobile for basic</p> | <p>The legislation was originally passed in 1991, and as a result, some categories that are eligible under the legislation no longer fulfill the intent of long-term emissions reductions nor meet the cost-effectiveness criteria. For example, the TFCA no longer funds highway congestion pricing nor diesel truck repowers, though both categories are permissible under the legislation.</p> <p>Because arterial management projects have short-term vehicle emission reduction benefits, this project category was removed. Removal of this category makes room for projects that have lengthier emission reduction benefits. However, Arterial management projects can still be brought to the Air District's Board for approval on a case-by-case basis.</p> |

| Committer and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|----------------------------|---|--------------------------------|
| | <p>travel needs such as commuting to work, schools, shopping, and services. It is also a long-term process for most motor vehicle owners to transition to alternative-fueled, cleaner vehicles. Until then, excessive delays and stops of gasoline-powered motor vehicles will continue to be a major source of pollutants in Santa Clara County. Through arterial management signal timing projects, the air pollutant emissions created by the great majority of travelers in Santa Clara County are reduced. It is these far-ranging impacts that make signal timing projects one of the best investments for TFCA funds.</p> <p>Finally, removing an HSC-eligible project category just reinforces the reality that the TFCA program is increasingly difficult to manage. Specifically, compared to a decade ago, it is much more difficult to find projects that are cost-effective, have full funding plans and can be delivered in the time allowed. Given how expensive projects have become, "incentive" funds, like TFCA, have lost their luster because they are so constrained. Applicants don't seem to be interested in receiving \$100K - \$200K in restricted funds for a project that costs \$5M or more and discouraging eligible project types is the wrong approach. We strongly encourage BAAQMD to restore Arterial Management Policy 32.</p> | |
| | <p>Policy 32. Reserved (formerly Arterial Management) (comment by H. Hoshii)</p> <p>Effective with its FYE2024 guidance, the BAAQMD removed the Arterial Management project category, formerly covered under Policy #23. The City of San José would like to reverse this change in the FYE2025 guidance.</p> <p>Arterial Management has played a key role in San José pathway to carbon neutrality. Over two-thirds of the 970+ signals in San José are coordinated, which need to be retimed every 3 to 5 years to effectively accommodate volume and traffic pattern changes due to various factors such as economic growth, land use changes, and roadway network configurations. Policy #23 allowed for essential funding for past signal timing projects that enabled San José to achieve a significant reduction of vehicle and transit travel time and stop delays along the retimed corridors, thereby greatly reducing carbon emissions.</p> <p>Over the past decade, San José has adopted aggressive mode-shift goals, aligning with Complete Street design guidelines, Transit First policies, and Vision Zero policies. Significant work is</p> | <p>See response above.</p> |

| Committer and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|----------------------------|---|--------------------------------|
| | <p>underway to meet these goals, such as installing protected bike lanes, transit-only lanes, corner bulb-outs, additional pedestrian crossings, and lane reconfigurations. As a result, the roadways are seeing impactful geometric changes and capacity reductions, which require signal retiming to maximize the operations of the modified roadway for the safety and efficiency of pedestrians, bikes, transit, and vehicles. Signal retiming work is a big component that encourages the adoption and expansion of the projects that advance these mode-shift goals, and ultimately, reduce harmful carbon emissions. Thus, we are in urgent need to have Arterial Management grant funds to support this work.</p> | |
| | <p>Policy 32. Reserved (formerly Arterial Management) (comment by H. Freitas)</p> <p>With its FYE2024 guidance, the Bay Area Air Quality Management District (BAAQMD) made a significant decision to remove the Aerial Management project category formerly covered under Policy #32. Recognizing the success and importance of this category, the County of Santa Clara Roads and Airports Department (Roads), in consultation with the Valley Transportation Authority (VTA), agreed to advocate for its reinstatement for several reasons. Signal timing optimizes traffic flow, mitigating stops and delays, and effectively manages increased traffic due to economic growth and land use changes. This allows roads to operate efficiently without needing to expand capacity and prevents traffic from diverting to local streets. Without signal timing, intersections can become highly congested, leading to longer emergency response times, delays for transit vehicles, and increased "cut-through" traffic in neighboring areas.</p> <p>Santa Clara County has eight expressway corridors that function as freeway-like regional connectors between residential, commercial, and employment centers. TFCA's 40% funding has enabled regular retiming of signals on these expressways, reducing traffic congestion, delays, and idling. Periodic retiming is necessary to adapt to changing traffic patterns and increased demand from nearby redevelopment and infrastructure projects. In 2010, the County's analysis of a five-year signal retiming project demonstrated significant cost-effectiveness in travel time savings, fuel consumption reductions, and emission decreases. However, the recent removal of arterial management projects from BAAQMD's eligible funding list has hindered the County's ability to maintain these corridors and effectively reduce vehicle emissions.</p> | <p>See response above.</p> |

Attachment 3

Comments Received from the Administering Agencies on the Draft Proposed Updates to TFCA 40% Fund Policies and Air District Staff's Responses

| Committer and Organization | Comments received from the administering agencies between June 21, 2024 – August 23, 2024 | Air District Staff's Responses |
|-----------------------------------|--|---------------------------------------|
| | <p>Arterial management projects are among the most cost-effective uses of TFCA funds, especially in car-dependent Santa Clara County. Until land use patterns change and cleaner vehicles are widespread, delays and stops of gasoline-powered vehicles will remain a major pollution source. Signal timing projects can significantly reduce emissions, making them a top investment for TFCA funds.</p> <p>We strongly encourage BAAQMD to restore Arterial Management Policy #32.</p> | |



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 4

Proposed Updates to the Transportation Fund for Clean Air (TFCA) 40% Fund Policies

**Policy, Grants, and Technology Committee Meeting
October 16, 2024**

**Linda Hui
Supervising Staff Specialist
lhui@baaqmd.gov**

Action Item

Action item for the Committee to consider recommending to the Board of Directors:

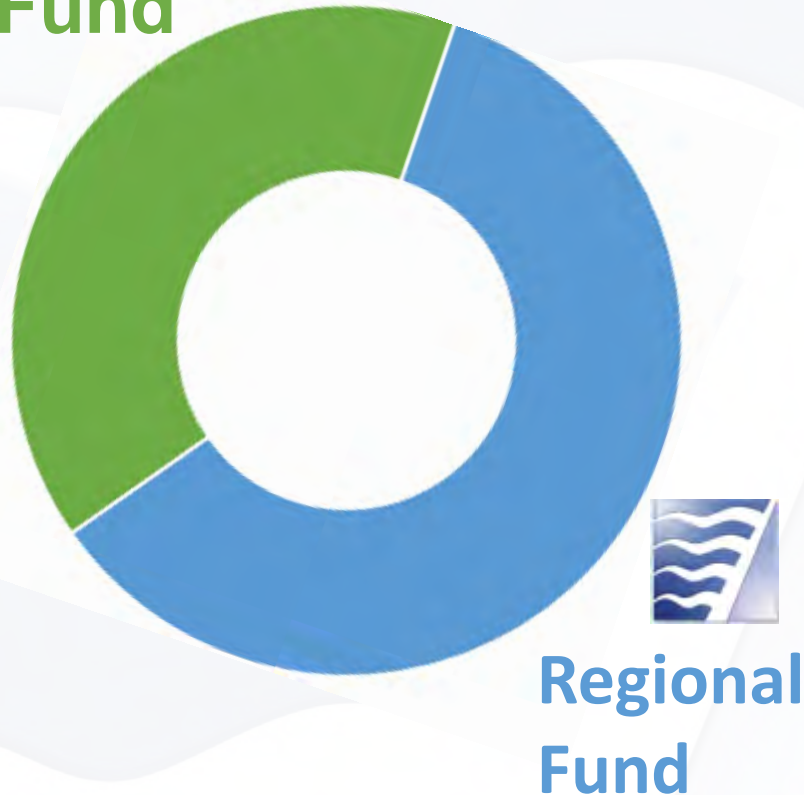
Approve proposed updates to the Transportation Fund for Clean Air (TFCA) 40% Fund Policies Commencing Fiscal Year Ending 2026 as shown in Attachment 1.

Outline

- Background
- Proposed updates to TFCA 40% Fund Policies
 - Process and timeline
 - Proposed updates
 - Next steps
- Recommendation

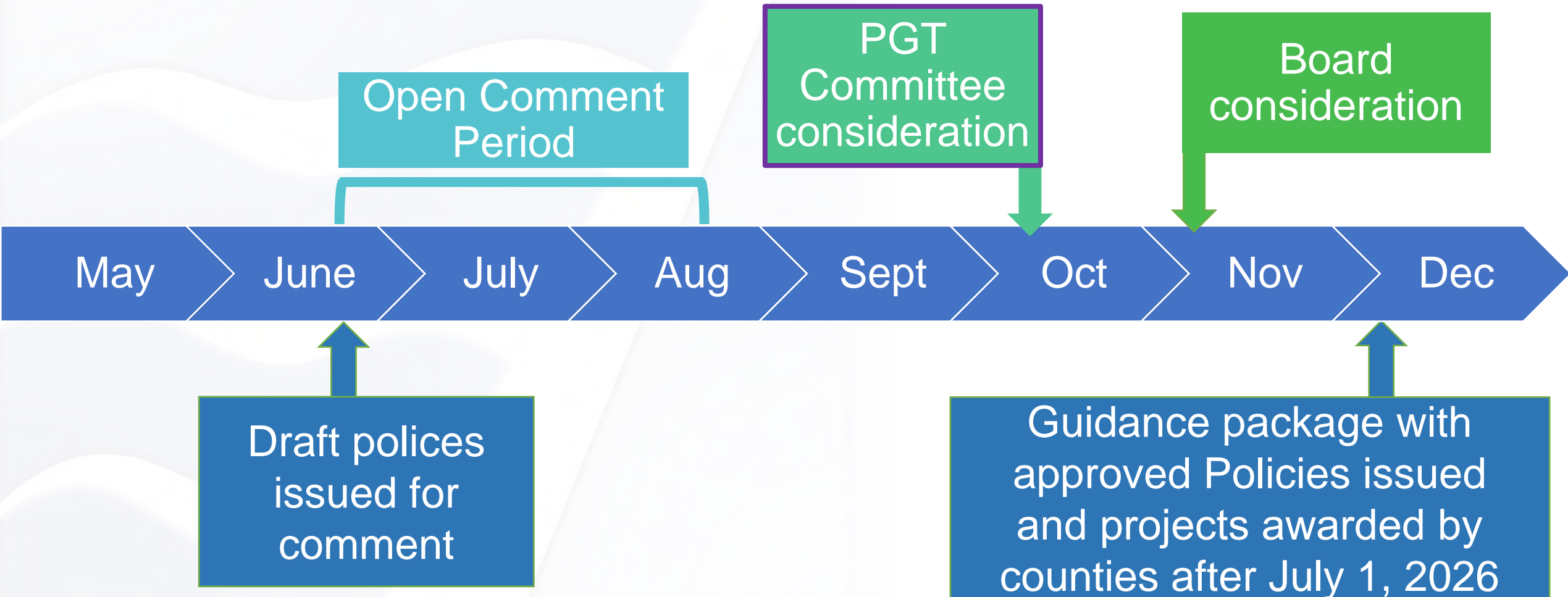
Background

TFCA 40%
Fund



- TFCA authorized in 1991 by State Legislature to help air districts reduce on-road mobile source emissions
- \$4 motor vehicle registration surcharge fee with 40% of funds distributed to the nine Bay Area congestion management agencies
- Staff brings recommended updates to TFCA 40% Fund policies to Air District Board of Directors for consideration

Timeline for Policy Updates



Summary of Proposed Updates

- Increase the maximum cost-effectiveness for alternative fuel vehicles to \$522,000/ton (policy #2)
- Remove the Air District's Community Air Risk Evaluation (CARE) areas from the definition of Priority Areas
- Revert the amount of time in which a grantee is required to commence a project from 24 to 12 months (policy #6)
- Update language so that zero-emission replacement vehicles do not need to stay in the same weight class as the original vehicles due to additional weight of batteries (policies #22 and #24)
- Allow for upgrades from bike racks to e-lockers or to bicycle storage facilities (policy #30.a.)

Community Process

- In 2023, there were meetings between the Air District's Community Advisory Committee (CAC) and several of the administering agencies
- Each agency shared their approaches on community-input and direction for project identification and selection
- Each agency has its own local process for community-direction, outreach and communication including, in many cases, their own local advisory committees
- Administering agencies will start sharing their community process in their reporting to the Air District

Next Steps for Future Cycles

Continue coordinating with administering agencies on program refinements:

- Add new reporting requirements for greater transparency on process for awarding funds, community-input process on identifying and selecting projects, and other opportunities for community participation and direction
- Work with administering agencies to see if additional adjustments to Cost Effectiveness (CE) are warranted given recent inflation

Recommendation

Action item for the Committee to consider recommending to the Board of Directors:

Approve proposed updates to the Transportation Fund for Clean Air (TFCA) 40% Fund Policies Commencing Fiscal Year Ending 2026 as shown in Attachment 1.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Vicki Veenker and Members
of the Policy, Grants, and Technology Committee

From: Philip M. Fine
Executive Officer/APCO

Date: October 16, 2024

Re: State Legislative Update (Special Session)

RECOMMENDED ACTION

No action is requested at this time.

BACKGROUND

The Legislature adjourned for their final recess of the 2023-2024 Legislative Session on August 31, 2024. However, that same day, the Governor called for a Special Session “to address the pernicious problem of gasoline price spikes at the pump — and save Californians hundreds of millions of dollars annually,” per the Governor’s press release. This Special Session is the Second Extraordinary Session of the 2023-2024 Legislative Session.

On September 3, 2024, Governor Newsom and Assembly Speaker Robert Rivas announced special session legislation, in the form of *ABX2-1 (Hart and Aguiar-Curry) – Energy: transportation fuels: inventories: turnaround and maintenance*. Eight additional bills were introduced by other Assemblymembers since September 3, 2024.

The Assembly Petroleum and Gasoline Supply Committee was created for the 2023-24 special session to address gas price spikes. This Assembly Petroleum and Gasoline Supply Committee heard three of the nine bills introduced by various Assemblymembers at their hearing on September 26, 2024.

- ABX2-1 (Hart and Aguiar-Curry) – Energy: transportation fuels: inventories: turnaround and maintenance.
- ABX2-3 (Gallagher) – Transportation fuels: gasoline specifications.
- ABX2-9 (Petrie-Norris) – Transportation fuels: specifications: production enhancement strategies.

The Assembly Petroleum and Gasoline Supply Committee voted on the three bills and passed two of the bills favorably, ABX2-1 and ABX2-9, and referred them to the Assembly Floor for a vote. ABX2-1 and ABX2-9 passed the Assembly Floor favorably and were ordered to the Senate.

On October 1, 2024, Senate President pro Tempore Mike McGuire announced that the Senate will convene on October 7, 2024. As of this writing, two committee hearings and a Senate Floor session are anticipated to hear and vote on ABX2-1 and ABX2-9.

The Senate Special Committee on Fuel Supply and Price Spikes was created for the 2023-24 special session to address gas price spikes.

Senate Special Session Schedule:

| | |
|------------------|--|
| October 7, 2024 | Senate Special Committee on Fuel Supply and Price Spikes |
| October 8, 2024 | Senate Appropriations Committee |
| October 11, 2024 | Senate Floor Session* |

*If substantive amendments have been made to a bill in the Senate and that bill passes the Senate Floor favorably, the bill will need to go back to the Assembly Floor for concurrence of those amendments before the bill can be sent on to the Governor.

DISCUSSION

The Committee will discuss the Special Session, called by the Governor on August 31, 2024, to address California’s gasoline supply and price spikes.

Specifically, the Committee will receive an update on ABX2-1 (Hart and Aguiar-Curry) and ABX2-9 (Petrie-Norris).

ABX2-1 (Hart and Aguiar-Curry) - Energy: transportation fuels: inventories: turnaround and maintenance.

CapitolTrack Summary: Current law, beginning on June 26, 2023, establishes the Independent Consumer Fuels Advisory Committee within the State Energy Resources Conservation and Development Commission (Energy Commission) to advise the Energy Commission and the Division of Petroleum Market Oversight, as provided. Current law prescribes the composition of the 8-member committee, including 6 specified members appointed by the Governor, one member appointed by the Speaker of the Assembly, and one member appointed by the Senate Rules Committee. Current law prohibits a member of the committee from having been employed by, contracted with, or received direct compensation from, a company that produces, refines, distributes, trades in, markets, or sells any petroleum product in the preceding 12 months, except as provided. Current law specifies that the schedule of meetings of the committee is to be prescribed by the Energy Commission. This bill would specify that the above prohibition does not exclude a representative of a labor organization whose membership consists of, in whole or in part, individuals employed by a company that produces, refines, distributes, trades in, markets, or sells any petroleum product. (Based on 10/01/2024 text)

ABX2-9 (Petrie-Norris) – Transportation fuels: specifications: production enhancement strategies.

CapitolTrack Summary: Current law authorizes the State Air Resources Board to adopt and implement motor vehicle fuel specifications for the control of air contaminants and sources of air pollution. Current law prohibits the state board from adopting any regulation that establishes a specification for motor vehicle fuel unless that regulation, and a multimedia evaluation conducted by affected agencies and coordinated by the state board, are reviewed by the California Environmental Policy Council. This bill would authorize the state board to adopt a schedule of fees, not to exceed a total amount collected of \$5,000,000 over 3 years, to cover all or a portion of the state board’s reasonable costs associated with the development, implementation, and enforcement of a specification for a blend of gasoline that contains more than 10% and up to 15% ethanol by volume for use as a transportation fuel, as provided. The bill would require that the revenues from those fees be deposited into the Cost of Implementation Account and be available, upon appropriation by the Legislature, for purposes of carrying out these provisions. (Based on 10/01/2024 text)

Staff will provide the Policy, Grants, and Technology Committee with a verbal update of any changes to the information provided in this item.

For additional information on bills, including bill text, analysis, votes, etc., visit the [California Legislative Information website](#).

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Alan Abbs
Reviewed by: Viet Tran

ATTACHMENTS:

1. State Legislative Update (Special Session) Presentation



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 5

State Legislative Update (Special Session)

**Policy, Grants, and Technology Committee Meeting
October 16, 2024**

Alan Abbs

Legislative Officer

aabbs@baaqmd.gov



Action Requested

None; the Committee will discuss this item, but no action is requested at this time.

Presentation Summary

Updates will be provided for the following:

- Special Session Summary of Events
- ABX2-1 (Hart and Aguiar-Curry) – Energy: transportation fuels: inventories: turnaround and maintenance
- ABX2-9 (Petrie-Norris) – Transportation fuels: specifications: production enhancement strategies

Abbreviations: Special Session Assembly Bill (ABX)

Special Session Summary (to date)

- On August 31, 2024, the Governor called for a Special Session to address California's gasoline supply and price spikes
- The Assembly convened for the Special Session that same day
- A total of nine Assembly bills were introduced in the month of September for this Special Session
- Two bills passed the Assembly favorably and were ordered to the Senate:
 - ABX2-1 (Hart and Aguiar-Curry)
 - ABX2-9 (Petrie-Norris)

Special Session Summary (to date) (cont.)

- On October 7, 2024, the Senate convened for the Special Session, to hear and vote on ABX2-1 and ABX2-9
- Senate Special Session Schedule:
 - October 7, 2024 – Senate Special Committee on Fuel Supply and Price Spikes
 - October 8, 2024 – Senate Appropriations Committee
 - October 11, 2024 – Senate Floor Session*

* If substantive amendments have been made to a bill in the Senate and that bill passes the Senate Floor favorably, the bill will need to go back to the Assembly Floor for concurrence of those amendments before the bill can be sent on to the Governor.

Special Session Bill Updates

- ABX2-1 (Hart and Aguiar-Curry) – Energy: transportation fuels: inventories: turnaround and maintenance
- ABX2-9 (Petrie-Norris) – Transportation fuels: specifications: production enhancement strategies

For additional information on any bills, including bill text, analysis, votes, etc., visit the [California Legislative Information website](#).

Questions / Discussion

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Vicki Veenker and Members
of the Policy, Grants, and Technology Committee

From: Philip M. Fine
Executive Officer/APCO

Date: October 16, 2024

Re: Hydrogen Policy Considerations

RECOMMENDED ACTION

No action is requested at this time.

BACKGROUND

California has mandated 100% carbon-free retail electricity by 2045 and is moving towards electrifying many end-uses. However, the state's 2022 Scoping Plan specified that only up to about 90% of energy demand could be electrified by 2045. The remaining demand would need to be met with low-carbon fuels, including hydrogen. The Scoping Plan projected that hydrogen production would need to increase by 1,700 times the amount of current supply to meet important end-uses such as:

- Transportation fuel: aviation, ocean-going vessels, freight/passenger rail, on-road vehicles and off-road equipment
- High-temperature industrial processes
- Electricity generation and storage: dual role as a low-carbon fuel for existing combustion turbines or fuel cells, and as long-term energy storage for seasonal peaks

DISCUSSION

In this presentation, staff will provide an introduction to hydrogen as an energy solution. The presentation will cover the different methods to produce hydrogen, their air quality and climate impacts, and the current hydrogen production landscape. Staff will also discuss potential benefits, challenges to address, and environmental justice considerations related to end-uses for clean hydrogen. The presentation will also discuss policies and programs affecting the supply and demand for clean hydrogen in California.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Idania Zamora
Reviewed by: Wendy Goodfriend

ATTACHMENTS:

1. Hydrogen Policy Considerations Presentation



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 6

Hydrogen Policy Considerations

**Policy, Grants, and Technology Committee Meeting
October 16, 2024**

**Idania Zamora, Ph.D.
Assistant Manager, Planning and Climate Protection**
izamora@baaqmd.gov



Outline

- Introduction
- Benefits and Challenges
- California Policy
- Summary



Source: 2023 The Climate Center. Hydrogen Policy Brief.

Hydrogen as an Energy Solution

What is Hydrogen (H₂)?

- Colorless, odorless, non-toxic, and highly combustible gas
- Can serve as a good storage medium for energy
- Can be used directly as fuel in an internal combustion engine or in a fuel cell that produces electricity
- Could be helpful for hard-to-electrify industries

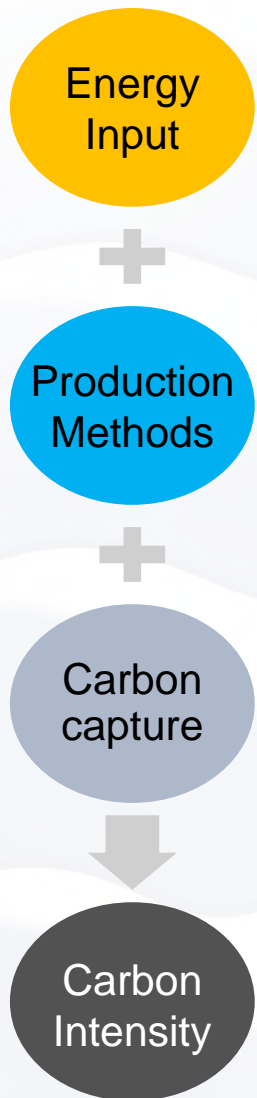


Source: Gemini-generated photo; 2024-09-25.

Hydrogen need

State's 2022 Scoping Plan indicates that ~10% of California's energy demand cannot be electrified by 2045 and will need to be met by low-carbon fuels, including hydrogen

Hydrogen Process and Air Emissions



Hydrogen colors convey how it was created

Unique combinations of these three aspects of the hydrogen production process are assigned a **color**

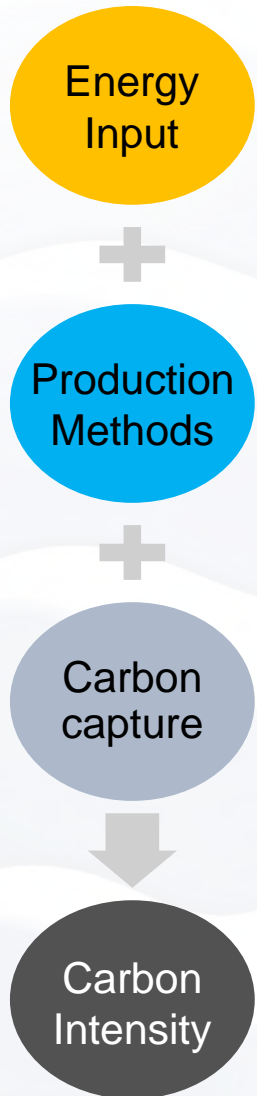


Carbon intensity (CI) is a more precise way to measure climate impact

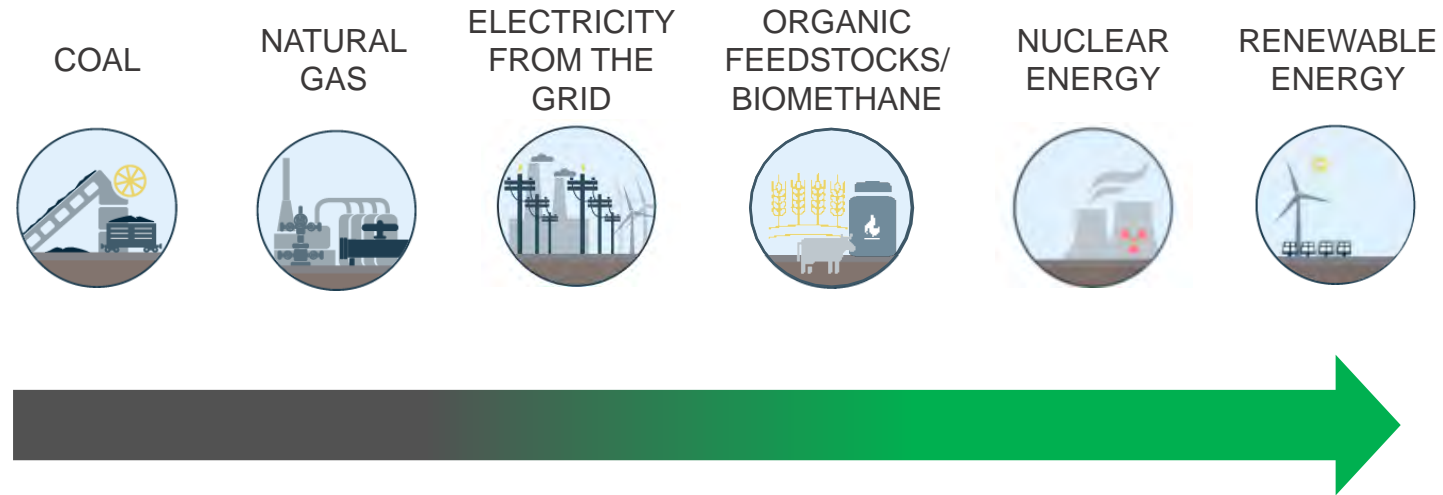
Amount of greenhouse gas emissions emitted (in kg of carbon dioxide equivalent, or kg CO₂eq) per amount of hydrogen (in kg of H₂) on a well-to-wheels basis

CI Units: kg CO₂ eq/ kg H₂

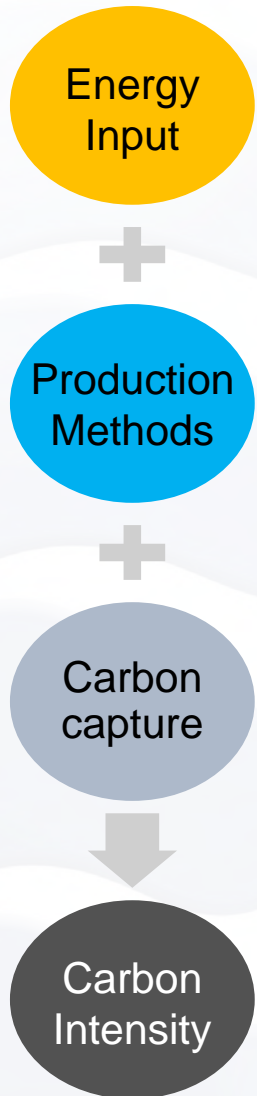
Hydrogen Production



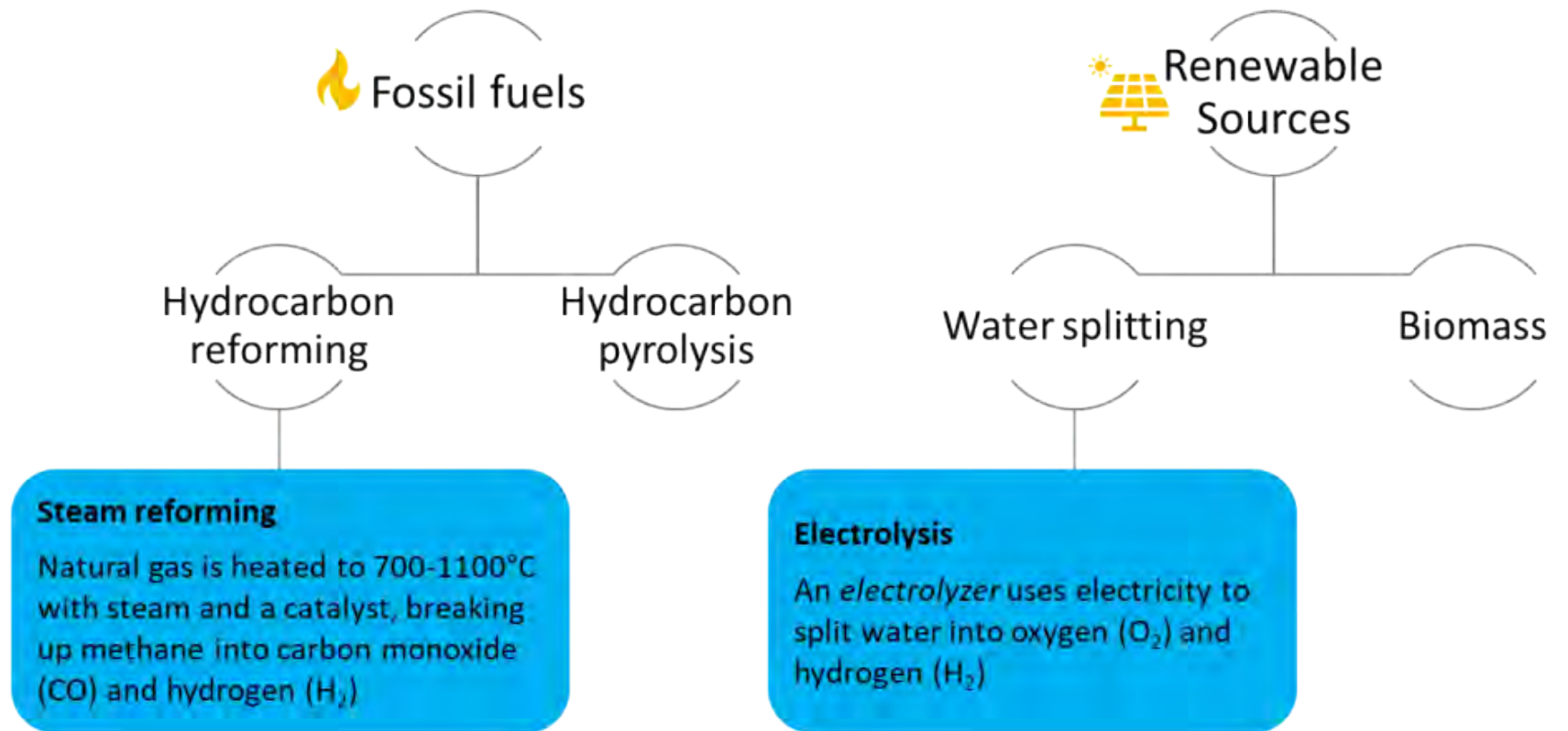
Emissions result from obtaining the **energy source/feedstock** for the production process (e.g., natural gas extraction).



Hydrogen Production



Emissions also result from the **process used to produce hydrogen**. These processes can be grouped based on the energy input.



Hydrogen Production: Fossil fuel pathway

Energy Input



Production Methods

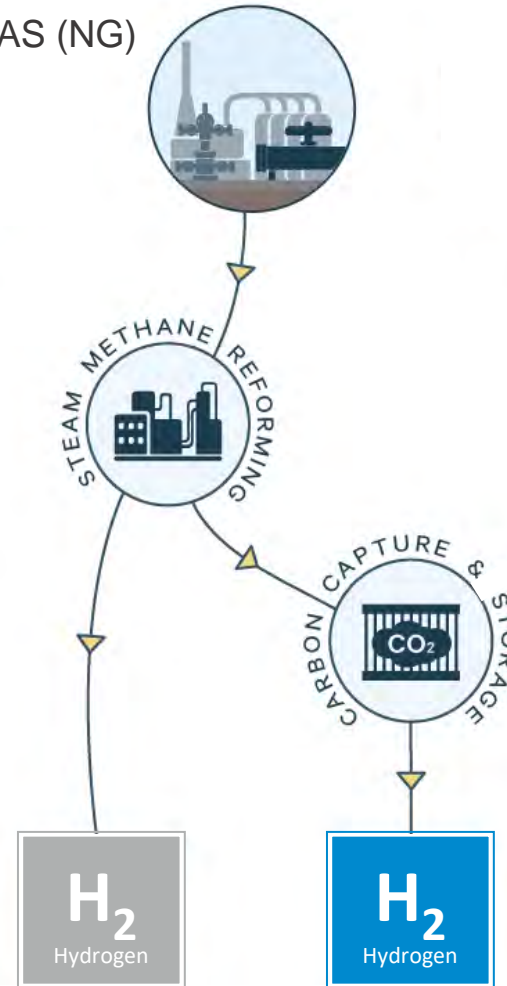


Carbon capture



Carbon Intensity

NATURAL GAS (NG)



Emissions from NG extraction and transport:
Air toxics and greenhouse gases (CO₂, methane)

Emissions from steam methane reforming:
Criteria air pollutants: carbon monoxide (CO), nitrous oxides (NO_x), sulfur dioxide (SO₂), volatile organic compounds (VOC), and particulate matter (PM_{2.5})
Greenhouse gases: CO₂, methane

Emissions avoided with carbon capture:
Carbon dioxide (CO₂) removed only

CI Range: 8 – 12 kg CO₂ eq per kg H₂

Hydrogen Production: Biogas pathway

Energy Input



Production Methods

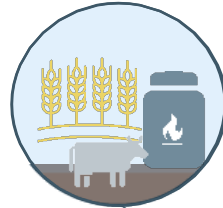


Carbon capture



Carbon Intensity

ORGANIC
FEEDSTOCKS /
BIOMETHANE



STEAM METHANE REFORMING



H₂
Hydrogen

Emissions from sourcing the biomethane:

Depends on biomethane source (e.g., anaerobic digesters) but generally considered lower greenhouse gas emissions than natural gas

Emissions from steam methane reforming:

Criteria air pollutants: carbon monoxide (CO), nitrous oxides (NO_x), sulfur dioxide (SO₂), volatile organic compounds (VOC), and particulate matter (PM_{2.5})

Greenhouse gases: CO₂, methane

CI Range: depends on feedstock

Hydrogen Production: Renewable pathway

Energy Input



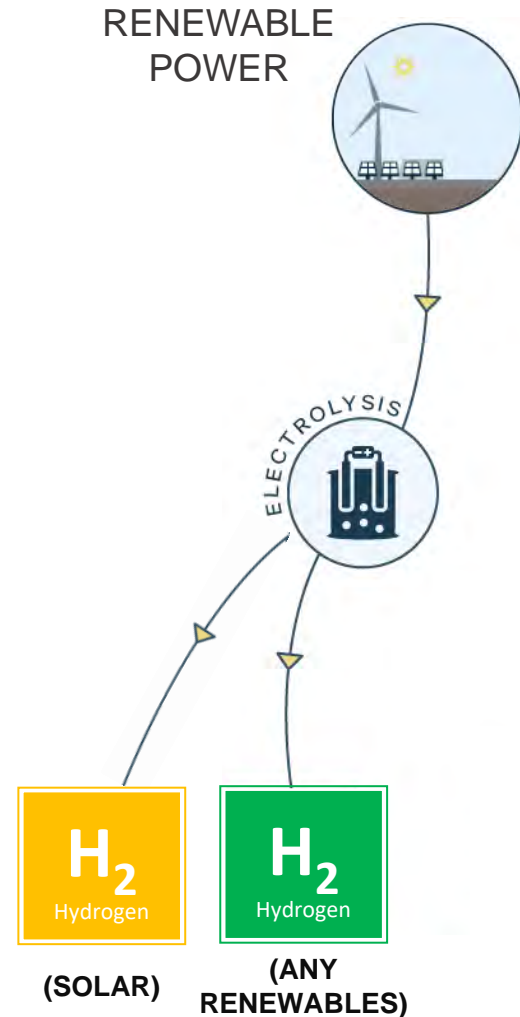
Production Methods



Carbon capture



Carbon Intensity

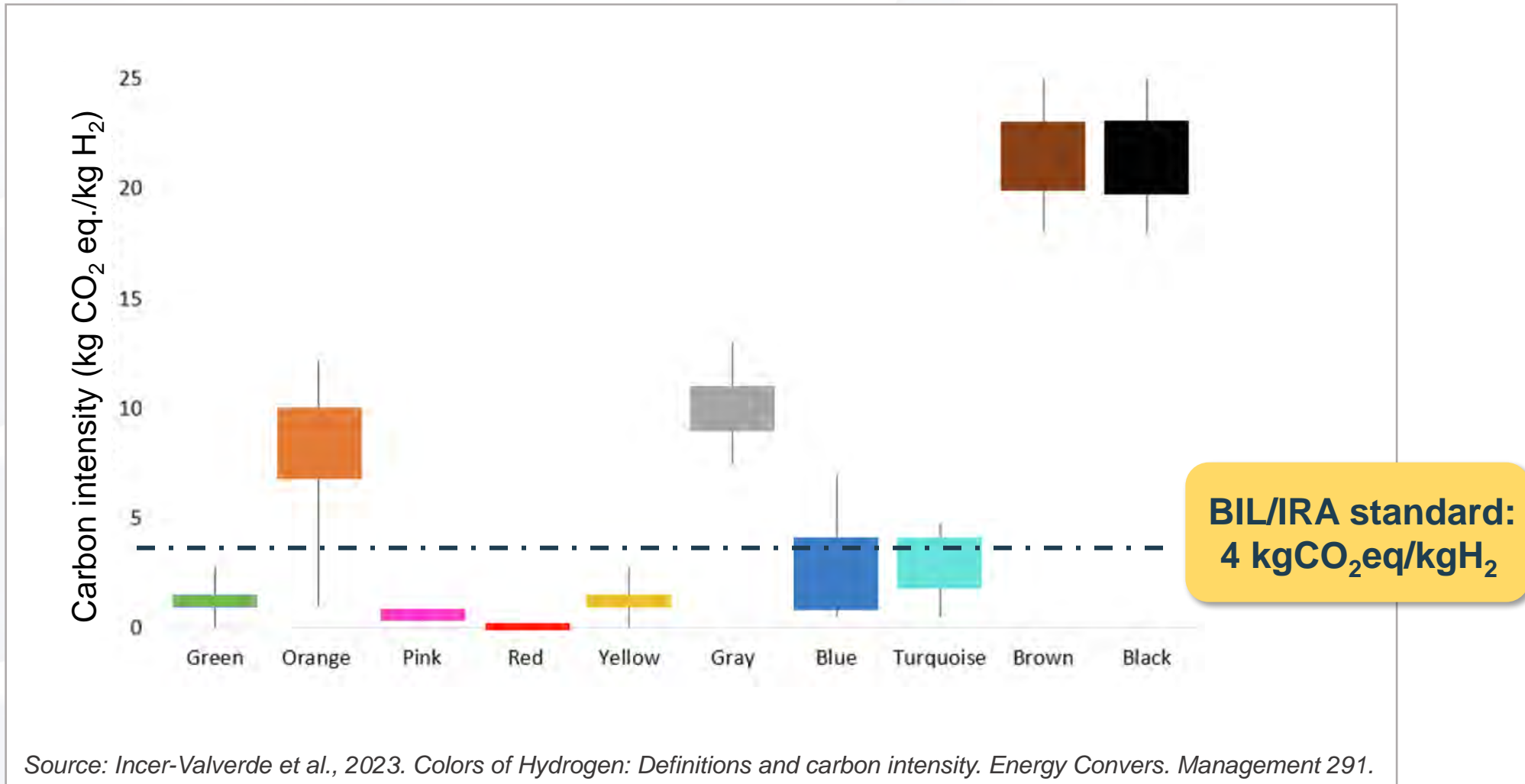


Emissions from renewable power:
No emissions of air pollutants

Emissions from electrolysis:
No emissions of air pollutants

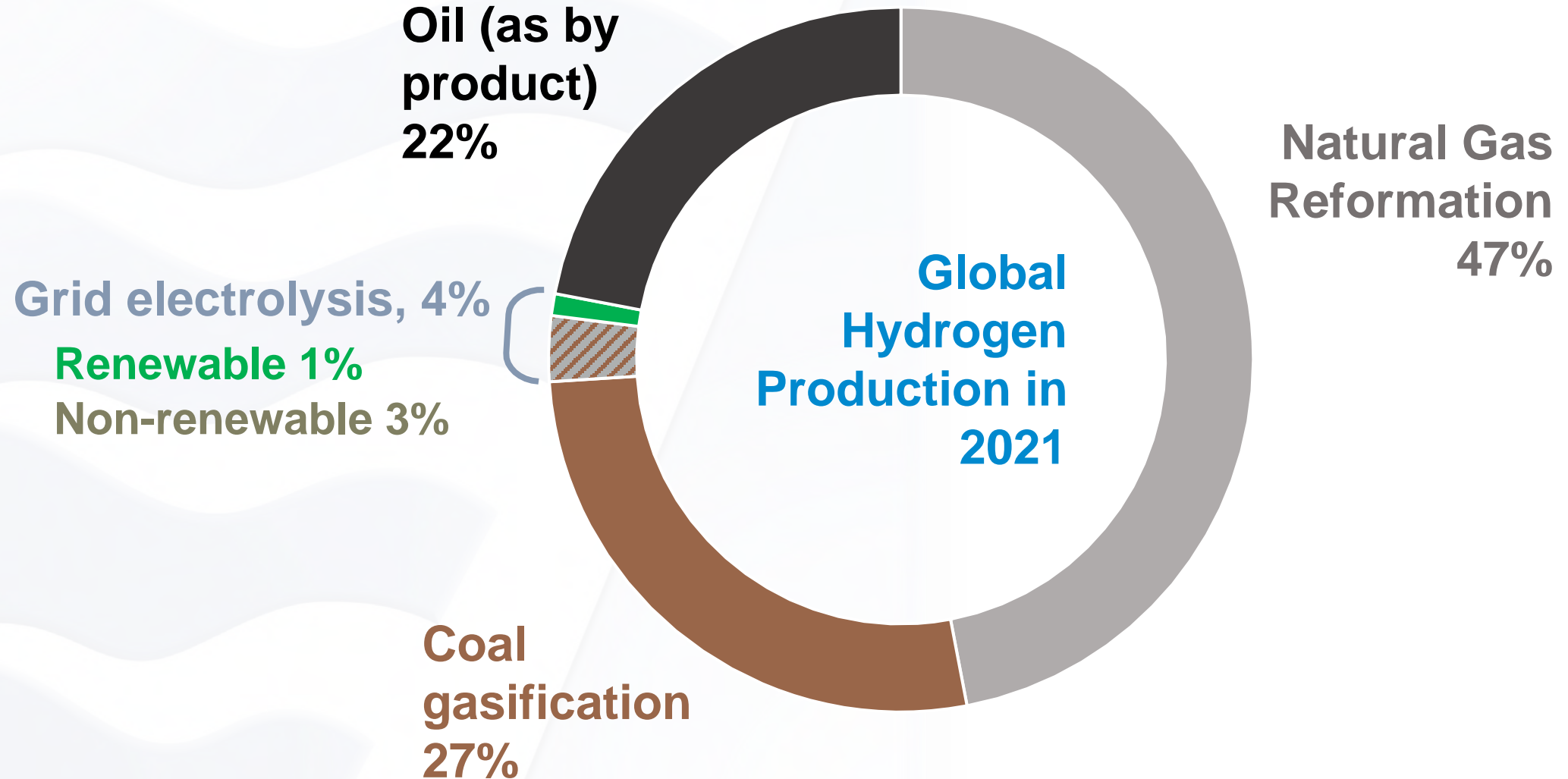
CI Range: 0 – 4 kg CO₂ eq per kg H₂

Hydrogen Production



Bipartisan Infrastructure Law (BIL); Inflation Reduction Act (IRA)

Global Hydrogen Production



Source: International Renewable Energy Agency.

California Hydrogen Production



At present, virtually all of US and California's hydrogen production comes from **natural gas reformation**.

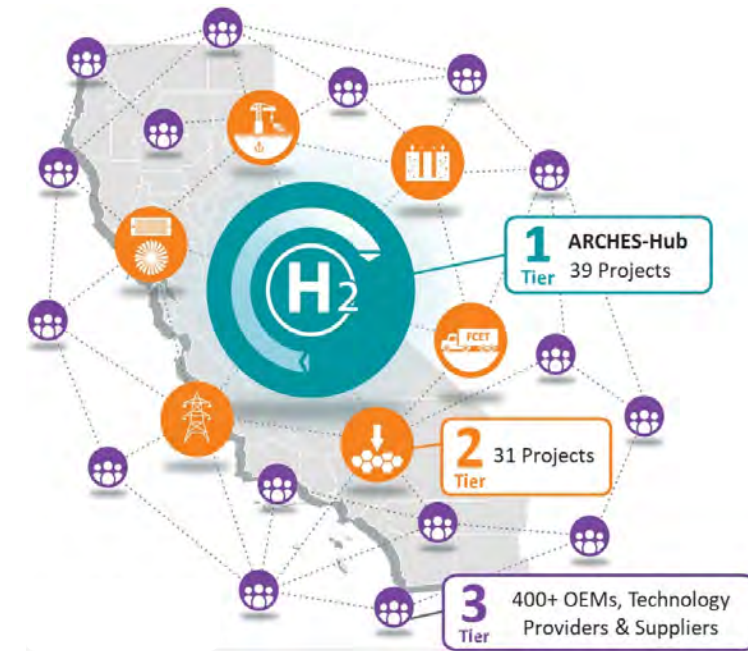
However, California Energy Commission (CEC) has a Renewable Hydrogen Roadmap that includes policy and funding to **green** the State's H₂ production.

\$242 Million+

CEC INVESTMENT FOR RESEARCH AND DEPLOYMENT PROJECTS (SINCE 2008)

\$12.9 Billion

PUBLIC AND PRIVATE INVESTMENT ON ARCHES HYDROGEN HUB (2024)



Source: Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES)

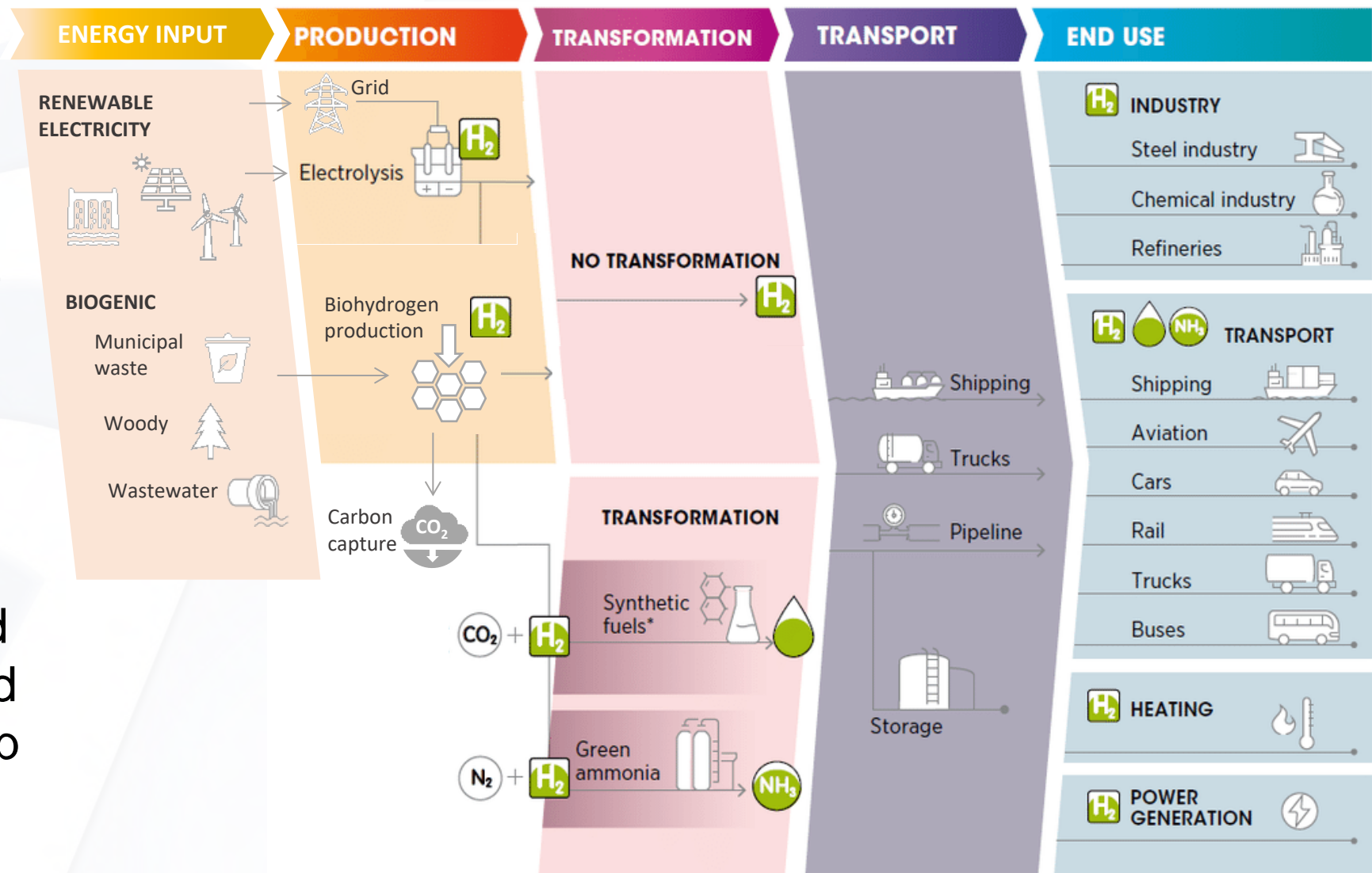
Clean Hydrogen End-uses

Direct end-uses

- Hard-to-electrify industries
- Decarbonize transport and ports
- Power generation and heating

Indirect uses

- H₂ can be transformed into synthetic fuels and green ammonia to help decarbonize aviation



Source: IRENA; Modified by Air District

Hydrogen end-uses

Key considerations for assessing best uses

- **Efficiency:** Only 30% of initial renewable energy input for *electrolytic* hydrogen makes it to the end-use
- **Cost:** Clean hydrogen costs 3 – 6 times as much as fossil fuel-based hydrogen; need technology to decrease cost
- **Local Air Quality Benefits:** Fuel cell vehicles eliminate local air pollutant emissions when replacing diesel/gasoline combustion

Other practical considerations

- Time to stand-up charging infrastructure/access to charging
- Fueling time vs. e-charging (e.g., buses)

H₂ Renewable electrolysis

2022 levelized costs
\$5 – 7 per kg

Source: 2024 Department of Energy
Hydrogen Program Record

H₂ Natural gas reforming

2022 levelized costs
\$1 – 1.5 per kg

Source: 2023 US National Clean
Hydrogen Strategy and Roadmap

Potential Benefits



Source: SWITCH Maritime.

Community health benefits

- Reduce diesel particulate matter from heavy-duty vehicles and marine vessels

Carbon Neutrality

- Decarbonize hard-to-electrify industries

Job creation

- Create high-road jobs in green economy
- Help transition fossil fuel workers

Potential Challenges to Address

Safety

- Flammability/Explosivity
- Prone to leaks due to molecule size
- Burns at high-temperature



Efficiency

- Diverts renewable energy from other end-uses (replacement issue)
- Energy losses at each transportation and conversion steps



Climate

- Indirect greenhouse gas (12 times more powerful than CO₂)
- Substantial water use for electrolysis (9-25 kg fresh water per kg H₂)



End-uses

- Many considerations to determine best end-uses for H₂
- Spatial and temporal proximity to end-use



Economics

- Clean H₂ costs 3-6X as much as fossil fuel-based H₂
- Expensive new infrastructure (e.g., pipes)



Environmental Justice (EJ) Considerations

Concerns expressed by California Air Resources Board's (CARB) Environmental Justice Advisory Committee (EJAC) and other EJ groups*

- Safety (explosions)
- Local impacts of air pollution from hydrogen production
- Prolonging fossil fuel use through investment (steam methane reforming, gasification)

Communities support **green** hydrogen and want

- Local benefits from hydrogen projects, including jobs
- Robust community engagement from project inception



**Carbon 180 and other EJ groups at California H₂ Leadership Summit 2023 and 2024*

California Policies and Programs Relevant to Hydrogen

Low Carbon Fuel Standard (LCFS)

Renewable Portfolio Standard (RPS)

California's Cap-and-Trade Program

Zero-Emissions Vehicle (ZEV) Requirements

Zero-Emissions Vehicles and Infrastructure Incentives

Senate Bill 1075: Comprehensive Report on Hydrogen



California Policies and Programs

Low Carbon Fuel Standard (LCFS)

How does this program work?

Incentivizes use of cleaner, low-carbon transportation fuels by comparing carbon intensity of each fuel against a declining benchmark

How does it affect hydrogen production?

- Identifies and assigns carbon intensity to six H₂ production pathways
- Incentivizes fueling stations with 30% renewable or low-carbon H₂ (fuel distributor credit)

California Policies and Programs

Renewable Portfolio Standard (RPS)

How does this program work?

Requires electricity providers in California to procure a percentage of their electricity from renewable energy sources

How does it affect hydrogen production?

- Fuel cells using renewable hydrogen are considered RPS-eligible energy resources
- Could drive H₂ production to become cleaner



Source: California Energy Commission.

California Policies and Programs

California's Cap-and-Trade Program

How does it work?

Market-based system that limits the yearly amount of greenhouse gas (GHG) emissions from regulated entities. It establishes a price signal to drive long-term investment in cleaner fuels and more efficient energy use.

How does it affect hydrogen production?

- Covers entities that produce hydrogen such as hydrogen plants
- Could drive hydrogen production to become cleaner

California Policies and Programs

Zero-Emissions Vehicle (ZEV) Requirements

How do they work?

California Air Resources Board (CARB) regulations that set increasing sales targets for ZEVs from 2024 to 2035, in the following categories:

- Light-duty passenger car, pickup trucks and Sports Utility Vehicle (SUV) (Advanced Clean Cars II)
- Truck classes 2b-8 (Advanced Clean Trucks)
- Drayage trucks (Advanced Clean Fleets)
- Offroad mobile sources (e.g., forklifts)

How do these affect hydrogen demand?

- Increase demand since ZEVs include hydrogen fuel cell electric vehicles

California Policies and Programs

Zero-Emissions Vehicles and Infrastructure Incentives

What are these incentives?

Funding programs aimed at zero-emissions vehicles and equipment, as well as associated charging and alternative fueling infrastructure, including:

- Clean Vehicle Rebate Project (CVRP)
- Clean Truck & Bus Voucher Incentive Project (HVIP) and Carl Moyer Program
- Funding Agricultural Replacement Measures for Emission Reductions (FARMER)
- Energy Infrastructure Incentives for Zero-Emission Commercial Vehicles Project (EnergIIZE)

How do these affect hydrogen demand?

- Increase demand through funding for H₂ vehicles and fueling infrastructure

California Policies and Programs

Senate Bill 1075: Comprehensive Report on Hydrogen

What does the bill mandate?

Requires CARB to post a comprehensive report on H₂ deployment, development, and use across all sectors.

How does it affect hydrogen?

- Report must include policy recommendations, strategies, and analyses related to using H₂ to help achieve state goals and overcome market barriers
- CARB must also include findings on role of H₂ in decarbonizing the electric and transportation sectors in its 2023 and 2025 Energy Policy Reports



Summary

- **Impacts:** The climate and air quality impacts of hydrogen depend on its production method, energy input, carbon capture, and transportation emissions
- **Supply:** Virtually all hydrogen produced globally comes from fossil fuels. While clean hydrogen is increasingly being incentivized, it currently represents about 1% of all production and costs 3 – 6 times as much as natural gas reforming H₂
- **Potential Benefits:** Clean hydrogen can help California achieve its 2045 carbon neutrality goals, bring community health benefits, and support a green economy with high-road jobs
- **End-uses:** As a high-density energy carrier, clean hydrogen can be used to decarbonize a variety of end-uses including hard-to-electrify industries, ports, transportation, and power generation, as well as seasonal energy storage

Summary

- **Challenges:** There are many potential challenges that need to be addressed to use clean hydrogen including safety, efficiency losses, climate implications, ensuring best end-uses are prioritized, and cost
- **Environmental Justice:** Communities have expressed concerns about hydrogen's safety, local air pollution impacts, and impact on fossil fuel infrastructure; they want to be engaged since project inception
- **Policy Landscape:** California's policies are currently incentivizing increased *supply* of clean hydrogen (LCFS, Cap-and-Trade) and expanding *demand* for clean hydrogen (ZEV requirements, ZEV and other incentives)



Next Steps

- Discuss information presented and answer questions
- Deliberate the need for a Board-approved Air District Hydrogen Policy to guide staff
- Consider additional committee presentations on hydrogen including presentations from outside experts

