



Clean Transportation Policy Update

November 15, 2023 – January 16, 2024

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CLIMATE AND TRANSPORTATION HIGHLIGHTS FROM GOVERNOR'S PROPOSED 2024-25 STATE BUDGET

On January 10, Governor Newsom released his proposed \$291.5 billion FY 2024-25 state budget. There is a projected shortfall of \$37.86 billion. To close the budget gap, the budget incorporates some reductions, delays, and fund shifting measures.

With respect to climate investments, the budget maintains \$48.3 billion of the \$54 billion in investments from the 2021 and 2022 budgets over seven years. To address the budget shortfall, the budget proposes \$2.9 billion in General Fund reductions, \$1.9 billion in delays to future years, and \$1.8 billion in shifts to other funds (primarily the Greenhouse Gas Reduction Fund - GGRF). For zero-emission vehicles (ZEVs), the budget maintains the \$10 billion commitment from the 2021 and 2022 budgets, but now over seven years (extended from the previous timeline of five years). More specifically, the budget calls for:

- \$38.1 million of General Fund reductions, including:
 - \$23.5 million for drayage trucks and infrastructure projects
 - \$7.3 million for ZEV manufacturing grants
 - \$7.3 million for emerging opportunities
- \$475.3 million in fund shifts to the GGRF in the current year, including:
 - \$218.5 million for ZEV fueling infrastructure grants
 - \$157 million for drayage trucks and infrastructure
 - \$28.5 million for transit buses and infrastructure
 - \$71.3 million for clean trucks, buses, and off-road equipment

- \$600 million in budget delays of GGRF expenditures from 2024-25 to 2027-28, across the following programs:
 - \$45 million for Clean Cars 4 All and other equity projects
 - \$120 million for ZEV fueling infrastructure grants
 - \$80 million for equitable at-home charging
 - \$98 million for drayage trucks and infrastructure
 - \$137 million for clean trucks, buses, and off-road equipment
 - \$100 million for community-based plans projects and support, including Sustainable Communities Strategies
 - \$20 million for charter boats compliance

For transportation programs, the budget reduces General Fund spending by \$1.1 billion, partially offset by \$791 million in GGRF, for a net reduction of \$200 million. These adjustments will maintain a total of \$15.9 billion of the \$16.1 billion in recent one-time transportation investments, including:

- \$7.7 billion for high-priority transit and rail infrastructure projects
- \$1.1 billion for the Zero-Emission Transit Capital Program
- \$1.4 billion for Active Transportation Program projects, the Highways to Boulevards Pilot, and climate adaptation projects
- \$1.2 billion for projects that improve goods movement on rail and roadways at port terminals, including railyard expansions, new bridges, and zero-emission modernization projects
- \$350 million for grade separation projects
- \$4.2 billion for the High-Speed Rail Authority to continue building the 119-mile Central Valley Segment

However, the Governor is proposing \$296 million in General Fund reductions, \$791 million in fund shifts, and \$3.2 billion in delays across various transportation programs, which are not supposed to have a programmatic impact. This includes:

- Active Transportation Program (ATP)
 - A \$200 million reduction, with \$850 million of the \$1 billion originally included as part of the recent one-time transportation investments. To ensure there is no impact to previously awarded projects, \$200 million of ATP funding that was expected to be available in future cycles will instead be used to backfill the projects awarded in Cycle 6 of the ATP.
 - A \$400 million delay from 2021-2022 to align the budget with current expenditure schedules.
- Competitive Transit and Intercity Rail Capital Program
 - A delay of \$2.1 billion from 2021-22 to as late as 2027-28 to align the budget with expenditure schedules.
 - A shift of \$530 million from the General Fund to the GGRF.

- Formula Transit and Intercity Rail Capital Program
 - A delay of \$1 billion from 2024-25 to 2025-26, leaving \$1 billion for this program in 2024-25.
 - A shift of \$261.4 million of the remaining \$1 billion in 2024-25 from the General Fund to the GGRF.
- Port and Infrastructure Program
 - A delay of \$100 million from the General Fund from 2021-22 to align the budget with expenditure schedules.
- Highways to Boulevards
 - A delay of \$150 million from the General Fund from 2021-22 to align the budget with expenditure schedules.

The Legislature will hold budget hearings over the next few months, and the Governor will issue a revised budget in May.

The proposed budget is available at

<https://ebudget.ca.gov/>

REGULATORY ACTIVITIES

ADVANCED CLEAN FLEETS REGULATION ENFORCEMENT DELAYED

On December 28, the California Air Resources Board (CARB) announced that it would not take enforcement action on the drayage or high priority fleets provisions of the Advanced Clean Fleets (ACF) regulation until either the U.S. EPA grants California’s request for a preemption waiver applicable to those provisions or determines a waiver is not necessary. This enforcement discretion does not apply to the State and Local Fleet requirements, which began on January 1, as CARB is not required to request a waiver for these fleets. CARB adopted the ACF in April 2023 and the regulation became effective on October 1, 2023.

The Enforcement Notice is available at

https://ww2.arb.ca.gov/sites/default/files/2023-12/231228acfnote_ADA.pdf

CTC APPROVES CLEAN FREIGHT COORIDOR EFFICIENCY ASSESSMENT

At its December meeting, the California Transportation Commission (CTC) approved the SB 671 Clean Freight Corridor Efficiency Assessment which identifies freight corridors, zero-emission infrastructure needs, and barriers and solutions associated with the transition to zero-emission freight. This document provides high-level policy direction for the development of zero-emission freight infrastructure to support the requirements established by the Advanced Clean Trucks and ACF regulations.

The Assessment is available at

<https://catc.ca.gov/-/media/ctc-media/documents/programs/sb671/sb671-final-clean-freight-corridor-efficiency-assessment-dor.pdf>

GUIDANCE DOCUMENTS ON HEAVY-DUTY ENGINE AND OMNIBUS REGULATION

On January 3, CARB released new guidance documents for manufacturers, dealers, upfitters, and buyers to clarify when a heavy-duty engine must be California-certified and subject to the California Averaging, Banking and Trading program requirements. The documents listed below provide additional information to assist stakeholders in planning efforts to comply with the Heavy-Duty Engine and Vehicle Omnibus regulation:

- Clarifications for California Truck Dealers Regarding Sales Outside California
- CARB Responses Regarding Request for Enforcement Discretion for Advanced Clean Fleets and Omnibus Regulations

As part of the Clean Truck Partnership Agreement with the Truck and Engine Manufacturers Association, in August 2023, CARB proposed amendments to the Omnibus regulation to provide additional flexibilities in the 2024-2026 model year timeframe. CARB's Executive Officer approved these amendments on December 28. These documents are intended to help with compliance efforts.

Additional information is available at

<https://ww2.arb.ca.gov/our-work/programs/heavy-duty-low-nox>

TRANSIT TRANSFORMATION TASK FORCE INAUGURAL MEETING

On December 19, the California State Transportation Agency (CalSTA) convened the first meeting of the Transit Transformation Task Force, established by SB 125 (2023). Made up of representatives from the agency, academic institutions, nongovernmental organizations, and other stakeholders, the task force must develop policy recommendations to help grow transit ridership and improve the transit experience for all riders. Some of the issues the task force will address include: new options for revenue sources to fund operations and capital projects; analyzing workforce recruitment, retention, and development challenges; and measuring the efficiency of transit funding to ensure state funding is spent efficiently and is used to increase transit service, and not just replace existing funding sources. In consultation with the task force, CalSTA must submit a report of findings and policy recommendations to the Legislature before October 31, 2025. The task force is scheduled to meet every two months beginning in February.

For more information, please visit

<https://calsta.ca.gov/subject-areas/sb125-transit-program>

WORKSHOP ON HYDROGEN IN MEDIUM- AND HEAVY-DUTY FLEETS

On November 28, CARB held a workshop focused on the role of hydrogen in California's medium- and heavy-duty on-road vehicles. The meeting featured a panel where representatives from government, national labs, and manufacturers discussed the market for hydrogen fueling infrastructure, the state of the technology, and the market for fuel cell

electric trucks and hydrogen combustion engines in medium- and heavy-duty vehicles. This workshop is part of the Clean Truck Partnership Agreement between CARB and the Truck and Engine Manufacturers Association.

Additional information is available at

<https://ww2.arb.ca.gov/clean-truck-partnership>

ANNUAL REPORT ON HYDROGEN STATIONS IN CA

On December 22, the California Energy Commission (CEC) and CARB issued their joint agency staff report, “2023 Annual Assessment of the Hydrogen Refueling Network in California.” In 2023, four new hydrogen refueling stations opened, bringing the total number of open retail stations to 66. Last year’s assessment anticipated 175 stations; however, in June, Shell, a grant recipient, requested to cancel its \$41 million grant agreement which would have developed 50 new stations. The current 66 stations can serve nearly 58,000 fuel cell electric vehicles, meeting the needs of the approximately 15,000 light-duty fuel cell vehicles on the road. The state expects to have 130 stations open by 2027, with at least seven stations capable of fueling medium- or heavy-duty vehicles. Once fully operational, these stations will have the capacity to serve about 188,000 vehicles, which is sufficient to meet the number of projected fuel cell vehicles in 2029.

To read the report, please visit

<https://www.energy.ca.gov/publications/2023/joint-agency-staff-report-assembly-bill-8-2023-annual-assessment-hydrogen>

FUNDING ACTIVITIES

CA CLIMATE INVESTMENTS ACTIVITIES

Following are the current activities with respect to each CCI-funded program related to transportation:

Low Carbon Transportation Program (CARB)

There are currently no meetings or workshops scheduled to discuss low carbon transportation investments or the Air Quality Improvement Program.

To follow the meeting schedule, please visit

<https://ww2.arb.ca.gov/our-work/programs/low-carbon-transportation-investments-and-air-quality-improvement-program/low-0>

Low Carbon Transit Operations Program (Caltrans)

In December, Caltrans published the program guidelines for the 2023-24 LCTOP. The program schedule for 2024 is as follows:

- January – Caltrans releases the LCTOP updated allocation request package
- Late January-early February – allocation request workshops will be held
- February – State Controller’s Office releases apportionment announcement; LCTOP Call for Projects Opens

- April – Allocation requests are due to Caltrans
- June – Caltrans and CARB approve the list of projects and submit it to the State Controller’s Office
- July – State Controller’s Office releases the approved amounts to recipients

For more information, please visit

<https://dot.ca.gov/programs/rail-and-mass-transportation/low-carbon-transit-operations-program-lctop>

ZERO-EMISSION TRANSIT CAPITAL PROGRAM

SB 125 (2023) created the Zero-Emission Transit Capital Program, which will provide \$1.1 billion over the next four years for zero-emission transit equipment and transit operations. Initial allocation package submittals were due on December 31, 2023. CalSTA will allocate the requested funding by April 30.

Additional information is available at

<https://calsta.ca.gov/subject-areas/sb125-transit-program>

ZERO-EMISSION FREIGHT FUNDING AVAILABLE

The statewide Zero-Emission Freight and Marine Program is currently accepting applications for approximately \$10 million in grant funding for the following project categories:

- Scrapping and replacing heavy-duty forklifts
- Scrapping and replacing airport ground support equipment
- Scrapping and replacing port cargo handling equipment
- Repowering ferries, tugboats, and towboats
- Installing shorepower systems for ocean-going vessels

Applications are processed on a first-come, first-served basis until the application deadline or funding is exhausted. The application deadline is February 28.

Program details are available at

<https://www.californiavwtrust.org/zero-freight-marine/>

PROCESS TO UPDATE MOYER PROGRAM GUIDELINES KICKS OFF

On December 19, CARB hosted the first public workshop to introduce the process to update the Carl Moyer Program Guidelines, as well as the FARMER (Funding Agricultural Replacement Measures for Emissions Reductions) Program guidelines. Staff provided an overview of the Moyer program and potential updates including, program administration,

source category chapters, emission factors and calculation updates, and Volume II updates. Additional workshops will be held in early 2024, and the Board will consider the guidelines at its June meeting.

For more information, please visit

<https://ww2.arb.ca.gov/our-work/programs/carl-moyer-memorial-air-quality-standards-attainment-program/carl-moyer-0>

NEW WEBSITE TRACKS CA INFRASTRUCTURE INVESTMENTS

In January, the Governor's office launched Build.ca.gov to showcase investments in California's infrastructure including clean transportation and clean energy projects. The website will track how the \$180 billion in state and federal infrastructure investments expected over the next 10 years will benefit local communities, in particular disadvantaged communities, and document projects planned or already underway.

The website is available at

<https://build.ca.gov/>

CALIFORNIA LEGISLATIVE ACTIVITIES

The Legislature reconvened on January 3.

Assembly Speaker Rivas appointed several new Assembly Committee Chairs for 2023-24 legislation session. Relevant Chair appointments include:

- **Appropriations** – Buffy Wickes (D-14) (replaces Chris Holden, D-41)
- **Budget** – Jesse Gabriel (D-46) (replaces Phil Ting, D-19)
- **Transportation** – Lori Wilson (D-11) (replaces Laura Friedman, D-44)
- **Utilities and Energy** – Cottie Petrie-Norris (D-73) (replaces Eduardo Garcia, D-56)

UPCOMING HEARINGS IN THE SENATE AND ASSEMBLY

Assembly – None scheduled to date on relevant bills or topics.

Senate – None scheduled to date on relevant bills or topics.

LEGISLATION

CLEAN VEHICLES AND INCENTIVES

AB 1550 (Bennett)

Summary

This bill would define “green hydrogen” as hydrogen derived from water using electrolysis, and would require that beginning on January 1, 2045, all hydrogen produced and used for the fueling of vehicles or the generation of electricity be green hydrogen.

Complete Bill Information

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB1550

SB 233 (Skinner)

Summary

This bill would require the CEC, in consultation with CARB, the Public Utilities Commission and a stakeholder workgroup, to submit a report to the Legislature on the bidirectional capability of EVs and charging infrastructure by January 1, 2026, and conditionally authorizes CARB to require any weight class of battery electric vehicles to be bidirectionally capable if it determines that there is a sufficiently compelling use case to the vehicle operator and electric grid.

Complete Bill Information

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB233

TRANSPORTATION PLANNING, OPERATIONS, AND FUNDING

AB 6 (Friedman)

Summary

This bill would require CARB to provide regional GHG emission reduction targets for the automobile and light truck sector for 2035 and 2045, and makes additional changes to strengthen CARB’s oversight of Metropolitan Planning Organization’s Sustainable Communities Strategies.

Complete Bill Information

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB6

AB 69 (Waldron)

Summary

This bill would authorize Greenhouse Gas Reduction Fund money to be allocated for an investment in a traffic signal synchronization component that is part of a roadway improvement project requiring multiple signals, including, but not limited to, multimodal redevelopment projects, rail trail projects, urban renewal projects, or a project near transit facilities, if the component is designed and implemented to achieve cost-effective reductions

in GHG emissions and includes specific emissions reduction targets and metrics to evaluate the project's effect.

Complete Bill Information

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB69

SB 32 (Jones)

Summary

This bill would suspend the Low Carbon Fuel Standard regulations for one year. It also would suspend the imposition of the tax on motor vehicle fuels for one year. All the savings realized based on the suspension of these regulations would be passed on to the end consumer.

Complete Bill Information

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB32

CLIMATE CHANGE

SB 12 (Stern)

Summary

Existing law requires that statewide GHG emissions are reduced to at least 40 percent below the 1990 levels by December 31, 2030. This bill would instead require CARB to ensure that statewide GHG emissions are reduced to at least 55 percent below the 1990 level by December 31, 2030.

Complete Bill Information

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB12

CLIMATE BOND

AB 1567 (Garcia)

Summary

The bill would enact the \$15.9 billion Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, Clean Energy, and Workforce Development Bond Act of 2024, which would enable the bond measure to be put on the November ballot. It is possible that some funding for clean transportation would be included in the bond measure.

Complete Bill Information

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240AB1567

SB 867 (Allen)

Summary

This bill would enact the \$15.5 billion Drought, Flood, and Water Resilience, Wildfire and Forest Resilience, Coastal Resilience, Extreme Heat Mitigation, Biodiversity and Nature-

Based Climate Solutions, Climate Smart Agriculture, Park Creation and Outdoor Access, and Clean Energy Bond of 2024, which would enable the bond measure to be put on the November ballot. It is possible that some funding for clean transportation would be included in the bond measure.

Complete Bill Information

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB867

Key Federal Activities

FEDERAL RESEARCH ACTIVITIES

REPORT UPDATES ZERO-EMISSION TRUCK DEPLOYMENTS IN U.S.

In January, CALSTART released the fourth edition of its “Zeroing in on Zero-Emission Trucks” report which documents the continued increase in medium- and heavy-duty truck deployments across the country. Several of the report’s key findings include:

- As of June 2023, more than 17,500 zero-emission trucks have been deployed across all 50 states.
- Electric cargo vans, which have limited market barriers for mass adoption and have received significant investments from large last-mile delivery companies, represent more than 80 percent of these zero-emission truck deployments.
- Regulations and incentives continue to be significant drivers of zero-emission truck adoption.
- Trends driving the growth of the zero-emission truck market include: increased model availability; expansion of regulations to additional geographies; historic levels of funding available; unprecedented investments in charging infrastructure; increased support for small fleets; deployments moving from pilots to scale; more robust battery supply chains; hydrogen fuel cell developments; an increased push from shippers; and moving beyond tailpipe emissions to address the full lifecycle of the vehicle.
- Key opportunities to accelerate zero-emission truck deployments include: building more charging; accelerating utility processes; accelerating adoption of regulations; catalyzing a market for smaller fleets; and developing high-powered charging technology.

The report is available at

<https://calstart.org/zio-zets-jan-2024-update/>