

AIR QUALITY & TRANSPORTATION

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FUTURE MOBILITY

Business Nexus

Transportation sector emissions are the largest source of air and climate pollution, and will continue to grow without focused investments in sustainable communities. California's Capital Region does not meet the health-based National Ambient Air Quality Standards (NAAQS), and exposure to hazardous air pollutants from diesel engines and gasoline cars results in an elevated risk several times above the state average in some parts of the region. Additional efforts to rethink mobility options, recognize the cross connection of land use and transportation, and promote deployment of lower-emitting vehicles, engines, and equipment, as well as non-motorized transportation options such as walking and biking, are necessary to advance towards NAAQS attainment and achieving our region's climate and transportation goals. In addition, transit needs have shifted in just the last few years in accordance with new paradigms for how people commute and access everyday services.

The transportation sector is at a tipping point for dramatic disruption and transformation. The rise of zero-emission electric vehicles (such as batteries and fuel cells), automation, connectivity, and alternative mobility options like transportation network companies (such as Uber and Lyft), shareables (such as cars, bikes, and scooters), and innovative transit (such as micro-transit and on-demand shuttles) will have far-reaching implications for the way we build communities and move people and goods.

New and growing federal investments in cleaner transportation and sustainable mobility are necessary to achieve our clean air and climate goals. Federal policy and funding must also recognize the interconnection between land use, transportation, and climate. These investments should be complementary to existing mobile source environmental requirements widely supported

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by industry and civil society. Federally funded incentive programs and grants can enable cost-effective and expedient pollution reductions from mobile sources like cars, trucks, buses, and equipment and create opportunities for business development. Each dollar invested in the reduction of diesel emissions generates between \$5 and \$21 in savings from public health benefits.

Requested Actions

Investments and Policies to Transform Transportation

- Invest **\$967 Million** into the Sacramento Area Zero Emission Vehicle (ZEV) Deployment Strategy, to concentrate investment in electrification of the region's transportation fleet. This plan is intended to demonstrate technologies and our region's interest in a zero-emission transportation future:
 - Transit Fleet Conversion and Refueling Infrastructure - **\$540M**
 - Goods Movement and Medium & Heavy-Duty Fleet Transition - **\$100M**
 - Charging & Transportation Options for Under Resourced Communities - **\$182M**
 - Workforce Development - **\$145M**
- Invest in the **California Mobility Center**, a public-private venture where zero-emission mobility projects will be researched, prototyped, piloted and manufactured. This effort brings together many institutional partners to streamline, vet, and commercialize zero-emission technologies.
- Ensure that U.S. EPA moves quickly to **grant California's preemption waiver applications for its heavy-duty truck standards**, including the Heavy-Duty Omnibus, Advanced Clean Trucks, Zero Emission Airport Shuttle Bus, and Zero Emission Powertrain Certification regulations.
- **Exempt** battery charging and storage facilities from the National Environmental Policy Act (NEPA), which would speed up adoption of these technologies.
- Explore increasing **vehicle weight limits** of ZEVs to 80,000 lbs. or more, given their higher weight compared to traditional vehicles.
- Provide funding support for the Sacramento Municipal Utility District (SMUD), a public electric utility serving the greater Sacramento area, and entities within the California Electric Transportation Coalition Regional Charging Network to **modernize their grid and infrastructure** to support the transition of medium- and heavy-duty fleets operating within California to electric and hydrogen vehicles, by building proactive capacity ahead of fleet adoption and strengthening grid reliability and resilience.
- In the pursuit of the **Justice40 initiative**, consider the evolving lessons of California's AB 617 Community Air Protection Program in centering environmental justice, wherein residents of

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affected communities have a greater role in decision-making over investments aimed at reducing pollution exposure and expanding mobility options.

Adequate Funding and Flexibility for Grant and Incentive Programs

- Collaborate with the Sacramento region's Cleaner Air Partnership and its affiliates to **design effective incentive programs** to facilitate the transition to medium and heavy-duty ZEV trucks and the inclusion of multi-modal mobility options.
- Increase funding for Clean Air Act Section 103 and Section 105 grants to **\$500 Million** annually, to invest in advancing climate and clean air activities championed by local jurisdictions.
- Maintain funding for the Diesel Emissions Reduction Act (DERA) at the **\$100 Million** level allowed for in existing law, and improve the program by adding flexibility in the following ways:
 - DERA applicants should have the ability to apply for specific new vehicle and equipment technology on a broad scale without specifying an exact make or model of the equipment.
 - Focusing DERA on alternative fuel, zero, and near-zero emission technologies could provide economic stimulus to non-traditional OEMs like BYD, Proterra, or Lion. These non-traditional OEMs are probably more sensitive to economic downturn.
 - DERA funding should not be restricted to goods movement. Public agencies and vocational fleets need economic stimulus with similar job creation numbers and should be fully eligible for DERA funding.
 - School districts have other vehicles in addition to buses like delivery vans and mobile nutrition trucks that are also used to support students. Allowing DERA to fund all vehicles operated by a school district like a school bus would help.
 - Funding infrastructure projects without vehicle or equipment would help rural areas stimulate their economies and provide vital networks for regional and interstate traffic. It also creates local beachheads to deploy alternative fuels in smaller cities.
- Continue to support funding for incentive-based programs to aid regional transportation-related emission reductions in the Sacramento region, such as **CMAQ, STBG, and RAISE funding**.
 - Add **flexibility beyond capital expenses** to the Congestion Mitigation and Air Quality Improvement (CMAQ) Program, such as expanding eligibility for bike share projects to include operations and educational outreach and training programs.
 - Tie the **effectiveness and eligibility of CMAQ investments** to modeled regional transportation plans to avoid project-by-project pollutant criteria pitfalls that innovative pilot projects that use CMAQ face.

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- Ensure **adequate funding to U.S. EPA and its various regions** to support State Implementation Plan (SIP) and exceptional event demonstration reviews, as well as work on regulatory efforts to reduce emissions from mobile sources solely under federal legislation.
- Strategically leverage the **Farm Bill** as well as **spending reauthorizations** of the Federal Aviation Administration (FAA) and U.S. DOT's Pipeline and Hazardous Materials Safety Administration (PHMSA) for innovative transportation policy in line with this paper.
- Incentivize creative programs that support **Next Generation Transit** models and operational shifts.

Catalyze the Future of Transit and Rail

- Support **"Valley Rail"** in the Northern California Megaregion: Expansion of climate-friendly commuter rail and intercity passenger connections to the Sacramento Region, San Joaquin Valley, and San Francisco Bay Area. SJRRC is requesting \$25 million in RAISE funding for the construction of the North Lathrop Transfer Station and Lathrop Wye Project – these projects will allow additional passenger connections between Sacramento, Ceres/Merced, and the Silicon Valley, and will help improve ACE travel times and on-time performance. We also encourage support for: the \$5 million RAISE grant application by the Butte County Association of Governments to support planning work on extending Valley Rail north from Sacramento to Chico; the planning and project development required to expand service on the San Joaquin intercity rail corridors in the Corridor Identification and Development program; and SJJPA's \$500 million application into the Federal-State Partnership for Intercity Passenger Rail to support BNSF corridor infrastructure from Merced to Stockton.
- Sacramento to Roseville Third Track (SR3T) Project: Award **\$42.51 Million** as part of a pending Federal Railroad Administration (FRA) Consolidated Rail Infrastructure and Safety Improvements (CRISI) application for this important project to add trips along the highly utilized Capitol Corridor. Pre-pandemic ridership models suggest daily VMT reductions at or around 7,000 VMT.
- Permanently reinstate the **Alternative Fuel Tax Credit** beyond 2024, extending the credit to include electricity and liquefied hydrogen as an eligible alternative transportation fuel, and allowing agencies to draw credits for multiple fuel types. This change would ensure incentives for zero-emission buses are equivalent or comparable to those for compressed and liquefied natural gas.
- Provide a **manufacturers tax credit** for zero-emission buses that requires credits to be passed through to transit agencies as cost savings to reduce the upfront cost of zero-emission buses and augment direct federal investment.

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- Continue support of the **Low or No Emission Vehicle Program**, which provides funding for the purchase or lease of zero-emission and low-emission transit buses as well as acquisition, construction, and leasing of required supporting facilities.
- Provide **zero-emission bus grants** to vehicle types that support high-capacity and demand response service, as well as community transportation programs, like articulated buses and cutaways.
- Provide **preferential project scoring** to transit agencies that are required, by state law or regulation, local ordinance, or board direction, to transition to fully zero-emission fleets or that have completed full fleet transition plans in all programs that provide zero-emission bus grants.

Reduce Barriers to Climate-Friendly Housing and Infill

- Create a pilot program to allow metropolitan planning organizations (MPOs) to fund **infill and low-VMT projects**, which will help bring denser affordable housing for rent and purchase to communities.
- Incentivize building electrification of new construction to offset the added costs of electric materials and components, estimated to be approximately **\$5,000** for an average home (not including appliances themselves).
- Invest in the Sacramento region's comprehensive infrastructure investment strategy which supports the Sacramento region's "**Green Means Go**" program that identifies important upgrades – like water, sewer and utilities – in existing communities that are essential to make infill development proposals from both the private sector and non-profit housing providers financially feasible.
- The above infrastructure proposal also calls for **modifications to federal tax credits** that could significantly increase the production of affordable housing developments that are close to transit.

Brief Background

Mobile sources of emissions contribute nearly 90% of the NOx pollution that is a precursor to ozone formation. They also contribute to the PM and carbon burden. For the Sacramento region, addressing mobile source pollution through the targeted use of grants and incentive funding is a top priority. Incentives and grants are quicker and more cost effective than mandated cleaner fleet

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vehicle purchase rules, more emission controls to already heavily regulated stationary sources (such as power plants, gas stations, and heavy industry) and other requirements.

Because only the federal government (EPA) and California (Air Resources Board) can set regulatory requirements for mobile sources (emission limits for vehicles, engines, and fuel specifications), local agencies contribute primarily by implementing incentive programs such as those for fleet modernization and cleaner mobile sources. These programs generate valuable emission reductions that are additional to, and can occur earlier than, those resulting from new emission standards.

Local agencies want to invest in the cleanest options and these investments are complimentary to, and work with, rules and regulations. Emission standards like the GHG car and truck rules, CAFÉ, and others are effective policy signals that spur market competition, technological innovation, and new business opportunities; hence, they are widely supported in California and many other states. Both investments and emission standards produce sustainable outcomes in the emerging disruptions of autonomous, connected, electric, shared vehicles and other broader mobility options.