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**SENATE COMMITTEE ON ENVIRONMENTAL QUALITY**  
**Senator Allen, Chair**  
**2021 - 2022 Regular**

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**Bill No:** AB 2807  
**Author:** Mia Bonta  
**Version:** 6/21/2022  
**Urgency:** No  
**Consultant:** Evan Goldberg  
**Hearing Date:** 6/29/2022  
**Fiscal:** Yes

**SUBJECT:** Transportation funding programs: eligibility: commercial harbor craft

**DIGEST:** Allows commercial harbor crafts to be eligible to receive funds from various state programs that provide moneys for zero- and near-zero-emissions transportation technologies.

**ANALYSIS:**

Existing law:

- 1) Establishes the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program (Clean Truck and Bus Program) to fund development, demonstration, precommercial pilot, and early commercial deployment of zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies. Five types of projects are listed as eligible for funding, but funding is not limited to only those projects listed in statute. (Health and Safety Code (HSC) § 39719.2)
- 2) Establishes the Clean Transportation Program (CTP) to provide funds through a competitive program to pay for the development and deployment of innovative technologies and alternative and renewable fuels. (HSC § 44272)
- 3) Establishes the Air Quality Improvement Program (AQIP) to fund projects that reduce criteria air pollutants, improve air quality, and conduct research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies. (HSC § 44274)
- 4) Establishes the Low Carbon Transit Operations Program (LCTOP) to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. (Public Resources Code §75230).

- 5) Under the California Code of Regulations, defines a commercial harbor craft (CHC) or harbor craft as “any private, commercial, government, or military marine vessel including, but not limited to, passenger ferries, excursion vessels, tugboats, ocean-going tugboats, towboats, push-boats, crew and supply vessels, work boats, pilot vessels, supply boats, fishing vessels, research vessels, U.S. Coast Guard vessels, hovercraft, emergency response harbor craft, and barge vessels that do not otherwise meet the definition of ocean-going vessels or recreational vessels.”

This bill allows CHC to be eligible to receive funding from:

- 1) The Clean Truck and Bus Program by specifically listing public transportation ferries as eligible to apply for funding instead of requiring them to rely on the statute’s “including, but not limited to” language to be viewed as a permitted applicant.
- 2) The Clean Transportation Program (CTP).
- 3) The Air Quality Improvement Program (AQIP) by specifically listing public transportation ferries as eligible to apply for funding instead of requiring them to rely on the statute’s “including, but not limited to” language to be viewed as a permitted applicant.

This bill also allows public transportation ferries to receive funding from the Low Carbon Transit Operations Program (LCTOP).

## **Background**

- 1) *ZEV climate goals.* Moving California’s transportation system from gasoline to ZEVs is a core piece of the state’s efforts to reduce greenhouse gas (GHG) emissions by 40% below 1990 levels by 2030. Governor Newsom’s Executive Order (EO) N-79-20 from September 2020 establishes the goal of making 100% of in-state sales of new passenger cars and trucks zero-emission by 2035. The EO further requires that – where feasible – 100% of medium- and heavy-duty vehicles in the State be zero-emission by 2045.
- 2) *Ferry vessel emissions.* According to the California Air Resources Board (ARB), ferry vessels are one of the largest emitting categories of commercial harbor craft in the state. While ferries only represent 2% of the harbor craft population, they emit 11% of the total commercial craft particulate matter emissions, and 15% of the total commercial harbor craft nitrogen oxides emissions. In 2018, the ARB estimated that ferries powered by diesel engines in

the Bay Area emitted more than 88,000 short tons of CO<sub>2</sub>, equivalent to 17,400 cars worth of yearly driving.

- 3) *ARB regulations.* The ARB adopted the Airborne Toxic Control Measure for Diesel Engines on Commercial Harbor Craft in 2008 to reduce emissions from heavy-duty watercraft. In March 2022, ARB amended its regulations to, by 2035, create an 89% reduction in particulate matter emissions and a 54% reduction in nitrogen oxides emissions. It hopes to achieve those targets by requiring zero-emission options where feasible and mandating cleaner combustion engines on all other vessels. Short run ferries, which include those traveling less than three nautical miles over a single run, must be fully zero-emission by the end of 2025. New excursion vessels, such as vessels offering whale watching or dinner cruises, are required to operate with at least 30% of their power from a zero-emission source.
- 4) *Zero- and near-zero-emissions ferry technologies and deployment.* Today, the alternatives to traditional diesel engines include battery electric and hydrogen fuel cell technologies. For ferries, these technologies are relatively new and come with a significant cost to power large vessels such as ferries. Pacific Environment estimates there are about 400 zero-emissions ships currently in operation around the world, with another 182 on order. California deployed the first hydrogen fuel cell-powered ferry in the Bay Area in 2021. The project received a \$3 million grant from ARB, administered by the Bay Area Air Quality Management District (BAAQMD), with funds coming from the California Climate Investments initiative.
- 5) *Clean transportation funding programs.* The California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program was created by SB 1204 (Lara, Chapter 524, Statutes of 2014) to guide ARB's heavy-duty investments funded with cap-and-trade auction proceeds. The program's goal is to accelerate the introduction of the next generation of cleaner heavy-duty vehicles and engines with a priority on projects that benefit disadvantaged communities. This program was modified by SB 1403 (Lara, Chapter 370, Statutes of 2018) to develop a three-year investment strategy for zero- and near zero-emission heavy-duty vehicles and equipment as part of the annual Low Carbon Transportation and Air Quality Improvement Program Funding Plan.

The CTP was established by AB 118 (Núñez, Chapter 750, Statutes of 2007) and AB 8 (Perea, Chapter 401, Statutes of 2013) extended the program through January 1, 2024. The CTP aims to: 1) expedite development of conveniently located fueling and charging infrastructure for low- and zero-emission vehicles; 2) accelerate advancements and adoption of alternative fuel and advanced

technology vehicles, including low- and zero-emission medium- and heavy-duty vehicles; 3) expand in-state production of alternative low carbon renewable fuel; and 4) support manufacturing and workforce training to help meet the needs of the state's growing clean transportation and fuels market. The program is funded by money collected from vehicle and vessel registration, vehicle identification plates, and smog abatement fees, raising about \$95.2 million each year. The current investment plans for fiscal years 2022-2023 and 2023-2024 include \$298 million for medium- and heavy-duty ZEVs and infrastructure, \$30 million for hydrogen refueling infrastructure, \$125 million for ZEV manufacturing, and \$10 million for workforce development. The CTP recently invested \$4 million in hydrogen fuel cell demonstrations for rail and marine applications at ports.

The AQIP was established by AB 118 (Núñez, Chapter 750, Statutes of 2007) to provide mobile source incentives to reduce greenhouse gas, criteria pollutant, and toxic air contaminant emissions by deploying advanced technology and clean transportation in the light- and heavy-duty sectors. The Legislature appropriates funding to ARB for these incentives to reduce emissions and support advanced technology demonstrations and deployment. Since 2014-15, the majority of AQIP funds have been directed to the Truck Loan Assistance Program, which helps small business truckers secure financing for newer trucks to meet compliance deadlines for ARB's In-Use Truck and Bus Regulation. From fiscal year 2008-09 through fiscal year 2020-21, AQIP has allocated \$374 million. The allocation for fiscal year 2021-22 totals \$28.64 million.

The LCTOP was established under SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) as part of the Transit, Affordable Housing, and Sustainable Communities Program. The program is administered by the California Department of Transportation (Caltrans) in coordination with ARB and the State Controller's Office. The LCTOP provides operating and capital assistance to help transit agencies reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. LCTOP projects are intended to support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing GHGs. The program is funded by continuous appropriations at 5% of the annual auction proceeds from the Greenhouse Gas Reduction Fund since 2015-16.

## Comments

- 1) *Purpose of Bill.* According to the author, “The California Air Resources Board (CARB) amended the Commercial Harbor Craft Regulations in March 2022 to require commercial harbor craft operators to meet extensive emission reductions requirements and in certain cases mandate conversion or replacement with zero emission vehicles. These changes will have a significant positive impact on our environment, but with the tight timelines and expensive upgrades or replacement, commercial water craft in general and short run ferries in particular are struggling to comply. Ferry service is a critical part of the state’s public transit sector carrying over 4 million passengers annually. Over the last decade (pre-COVID) ferry ridership has doubled on San Francisco Bay Ferry, which provides service to several counties in the San Francisco Bay Area. Most state funding programs for green facilities and fleets focus on trucks, buses, and rail, and are ambiguous as to whether commercial harbor craft or ferries are included. Vessel conversions to zero emissions or replacement of diesel vessels with zero emission vessels will cost one agency alone over \$200 million. In addition, preliminary findings indicate that installation of shoreside charging infrastructure to support zero emission vessels will likely cost hundreds of millions of dollars. AB 2807 makes clear that commercial water craft are eligible for the various state funding programs that exist to help transition to zero emission vehicles. AB 2807 will ensure funding equity for all as the state transitions from diesel to zero emission technologies.”
- 2) *Making It Crystal Clear.* Arguably, CHCs are already eligible for funding under the Clean Truck and Bus Program, since the statute states “Projects eligible for funding pursuant to this section include, but are not limited to, the following” five categories. This bill makes it crystal clear that CHCs are eligible for funding.

For the CTP and AQIP programs, it does not appear that CHCs could receive funding under the statute’s existing language, so this bill makes it explicit that they can receive funding from those programs.

- 3) *Funding Is Still A Zero-Sum Game.* The competition for funding is a zero-sum game, meaning CHCs will now be competing against other transit agencies that are looking to buy ZEV busses, as well as diesel engine replacement programs for trucks and other off-road equipment. Money that goes to CHCs is money that won’t be going to pay for bus and truck replacements.

## **DOUBLE REFERRAL:**

This measure was approved by the Senate Transportation Committee on a 14-0 vote on June 14, 2022.

**Related/Prior Legislation**

AB 2056 (Grayson) defines the cost of obtaining new pilot boats to include the cost of repowering existing pilot boats or acquisition of new pilot boats to meet emission regulations on harbor craft set by ARB. AB 2056 is pending in the Senate Appropriations Committee.

AB 2538 (O'Donnell) adds the following commercial harbor craft projects to the type of projects that may be funded by the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program: zero- and near-zero-emission commercial harbor craft technology development, demonstration, precommercial pilot projects and early commercial deployments, including pilot projects of multiple vessels at one site or region. AB 2538 was held in the Senate Transportation Committee.

AB 2690 (Boerner Horvath) would have required CARB to identify all sources of state funding available to provide commercial rebates and other financial incentives to an owner or operator of a small passenger vessel to replace or upgrade the vessel to comply with ARB's 2022 amendments to the Commercial Harbor Craft Regulation. AB 2690 was held in the Assembly Transportation Committee.

SB 372 (Levy, Chapter 639, Statutes of 2021) established the Medium- and Heavy-Duty Zero-Emission Vehicle Fleet Purchasing Assistance Program to assist vehicle fleet operators in transitioning to zero-emissions vehicles.

SB 1204 (Lara, Chapter 524, Statutes of 2014) established the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program to guide the ARB's heavy-duty investments funded with Cap-and-Trade auction proceeds.

SB 862 (Senate Budget and Fiscal Review Committee, Chapter 36, Statutes of 2014) established the LCTOP to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility.

AB 8 (Perea, Chapter 401, Statutes of 2013) extended the CTP through January 1, 2024.

AB 118 (Núñez, Chapter 750, Statutes of 2007) established AQIP and CTP to provide mobile source incentives to reduce greenhouse gas, criteria pollutant, and toxic air contaminant emissions.

**SOURCE:** Golden Gate Bridge Highway and Transportation District, San Francisco Bay Area Water Emergency Transportation Authority

**SUPPORT:**

Bay Area Council  
Bay Planning Coalition  
California Electric Transportation Coalition  
Coalition for Renewable Natural Gas  
Golden Gate Bridge Highway and Transportation District  
Inland Boatman's Union  
International Organization of Masters, Mates, and Pilots  
Pacific Environment  
San Diego Unified Port District  
San Francisco Bay Area Water Emergency Transportation Authority

**OPPOSITION:**

None received

**ARGUMENTS IN SUPPORT:**

The Golden Gate Bridge Highway & Transportation District writes in support: “Ferry service is a critical part of the state’s public transit sector carrying over 2.4 million passengers annually. Ferry ridership has increased dramatically as Californians look for transportation alternatives to gridlocked freeways. Pre-COVID, the District’s ferries carried over 200,000 passengers monthly, providing service to/from several points in Marin County to San Francisco.

“The California Air Resources Board (CARB) has adopted regulations requiring public transit providers to transition their fleets to zero-emission technology and the state has made funding available to offset the cost. Unfortunately, these funding programs, which tend to focus on bus and rail, often inadvertently exclude ferry vessels.

“Compliance with these regulations, will require ferry operators to either extensively retrofit vessels with new engines and diesel filters, convert existing

vessels from diesel to zero emissions, or fully replace their diesel vessels with zero emission vessels.

“The District is pleased to co-sponsor and support AB 2807 along with the San Francisco Bay Area Water Emergency Transportation Authority (WETA) to make clear that public transit ferries are eligible for the various state funding programs that exist to help transit providers transition to zero emission vehicles. As CARB finalizes the Commercial Harbor Craft regulations that, in part, mandate ferry vessels transition from diesel engines to zero emission engines, it will be critical that public transit ferries are eligible for state programs providing incentives for converting transit fleets to zero emission technology.”

**ARGUMENTS IN OPPOSITION:**

None on file.

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