San Francisco
County Transportation
Authority

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Memorandum

AGENDA ITEM 10

DATE: January 22, 2026

TO: Transportation Authority Board

FROM: Anna LaForte – Deputy Director for Policy and Programming

SUBJECT: 2/10/2026 Board Meeting: Adopt Fiscal Year 2026/27 Transportation Fund for Clean Air Local Expenditure Criteria

RECOMMENDATION ☐ Information ☒ Action

Adopt Fiscal Year (FY) 2026/27 Transportation Fund for Clean Air (TFCA) Local Expenditure Criteria

☐ Fund Allocation
☒ Fund Programming
☐ Policy/Legislation
☐ Plan/Study
☐ Capital Project Oversight/Delivery
☐ Budget/Finance
☐ Contract/Agreement
☐ Other: _____

SUMMARY

The TFCA program is funded by a $4 vehicle registration fee collected by the California Department of Motor Vehicles in the nine-county Bay Area. The Bay Area Air District (Air District) makes 40 percent of the TFCA program revenues available to each county on a return-to-source basis to implement strategies to improve air quality by reducing motor vehicle emissions. As the designated administering agency for San Francisco, the Transportation Authority is required annually to adopt Local Expenditure Criteria to guide how projects will be prioritized for San Francisco's share of TFCA funds. Our proposed FY 2026/27 Local Expenditure Criteria (Attachment 1) are the same as last year with two minor changes. The criteria establish a prioritization methodology based on factors such as emission reduction benefits, project readiness, benefits to Equity Priority Communities, and program diversity. We are no longer recommending prioritizing by project type (e.g., bikeways, electric vehicle charging stations) since doing so may conflict with the goal of creating a diverse program of projects. We also added leveraging of other funds as factor.

We have an estimated $667,000 in local TFCA funds for the call for projects. In late January, the Air District offered to pass

through $1,515,000 in Regional TFCA funds for bikeway and bike parking projects, that we would incorporate into the FY 2026/27 call for projects, subject to the same guidelines, local expenditure criteria, etc. as our local TFCA program. Of this amount, $468,750 would need to be spent on projects in the area of Southeast San Francisco identified as a high priority community through the state Community Air Protection Program established by Assembly Bill 617. After Board approval of the criteria, we will issue the FY 2026/27 call for projects for an estimated $2,181,834, including the aforementioned Regional TFCA funds.	

BACKGROUND

In 1991, the California Legislature authorized the Air District to impose a $4 vehicle registration surcharge to provide grant funding to projects that address on-road motor vehicle emissions, helping the Bay Area meet state and federal air quality standards and greenhouse gas emission reduction goals. The Air District defines the eligible project types that can receive TFCA funds which include bikeways, electric vehicle charging stations, zero-emission vehicles, and shuttle and ridesharing projects. The Air District awards 60% of the TFCA funds through the TFCA Regional Fund, a suite of competitive grant programs for which it holds calls for projects.

The Air District transfers the remaining 40% of the TFCA funds to designated administering agencies, such as the Transportation Authority, in each of the nine Bay Area counties to be awarded to TFCA-eligible projects. Each year the Air District adopts the 40 Percent Fund Expenditure Plan Guidance, which includes the list of eligible projects types and defines policies for the expenditures. The latest Guidance is an enclosure to this memo and reflects several welcomed policy changes, including:

- Added new project categories, rail-bus integration, regional transit information systems, and demonstration of congestion pricing;
- Removed policies for specific project types that formerly included eligibility requirements above and beyond Health and Safety Code requirements;
- Increased cost-effectiveness limits, including thresholds for select project categories, created separate limits for Priority Area projects, and revised annual adjustments for certain vehicle programs; and

- Increased flexibility for administering agencies to approve up to three one-year extensions (instead of two one-year extensions) for a project.

As in past years, any public agency may be a project sponsor for a TFCA-funded project. Private entities may sponsor vehicles projects such as alternative-fuel vehicles and infrastructure projects, or partner with public agencies for all other project types.

DISCUSSION

Our proposed FY 2026/27 Local Expenditure Criteria (Attachment 1) are consistent with Air District policies and are largely the same as last year with two minor changes to the prioritization factors described further below. Our approach for reviewing applications starts with eligibility screening to ensure that proposed projects meet the eligibility requirements established by the Air District's TFCA 40 Percent Fund Expenditure Plan Guidance. Consistent with the policies, a key factor in determining eligibility is a project's cost effectiveness ratio. The TFCA CE ratio is designed to measure the cost effectiveness of a project in reducing motor vehicle air pollutant emissions and to encourage projects that contribute funding from non-TFCA sources.

As in prior years, only projects that meet all of the Air District's TFCA eligibility requirements (including meeting the relevant cost effectiveness threshold) are prioritize for potential funding using the Transportation Authority's Local Expenditure Criteria. The prioritization criteria include consideration of the following factors:

- Cost effectiveness
- Project readiness (e.g., ability to meet TFCA timely use of funds guidelines)
- Program diversity
- Community Support
- Benefits to Equity Priority Communities
- Leveraging other fund sources (new)
- Investment from Non-Public Project Sponsors or Partners, if applicable
- Other factors (e.g., the project sponsor's recent delivery track-record for TFCA projects)

In past TFCA cycles, we included a factor that prioritized applications by project type (e.g. bikeways, zero-emission vehicles, shuttles and ridesharing). We are no longer recommending that criteria which sometimes conflicts with our goal of creating a diverse program of projects. Further, our experience with previous application cycles

shows that the projected TFCA revenues generally are sufficient to fund most, if not all, of the projects that satisfy TFCA eligibility requirements established by the Air District. Thus, while some counties have established a complex point system for rating potential TFCA projects across multiple local jurisdictions and project sponsors, our assessment is that over time San Francisco has been better served by not assigning a point system to evaluate applications. We also are recommending adding a criterion to prioritize projects that leverage non-TFCA funds or that can demonstrate no or very limited other funding options.

Funds Available. For the FY 2026/27 call for projects, we estimate that $667,000 in county TFCA funds will be available for projects and about $45,000 for program administration. In late January 2026, the Air District offered each TFCA Administering Agency supplementary funds from the Regional TFCA program to award to bikeway and bike parking projects in their county. The additional amount offered to San Francisco is $1,616,000, including $468,750 for projects in the area of Southeast San Francisco identified as a high priority community through the state Community Air Protection Program established by Assembly Bill 617, and up to $101,000 for program administration. These supplementary funds can only be used for eligible bikeway or bike parking projects and must otherwise follow the same policies, guidelines, cost effectiveness limits and timelines as the rest of our TFCA program. We are very excited about this new development and are following up with the Air District for further information, including whether this is a one-time offer or whether it may be continued in future years.

Next Steps. Following Board approval of the Local Expenditure Criteria, we will release the TFCA call for projects, anticipated by March 6, 2026. After reviewing and evaluating project applications, we expect to present a recommended TFCA FY 2026/27 program of projects to the Community Advisory Committee in May and to the Board in June for approval. Attachment 2 details the proposed schedule for the FY 2026/2027 TFCA call for projects.

FINANCIAL IMPACT

There are no impacts to the Transportation Authority's adopted FY 2025/26 budget associated with the recommended action. Approval of the Local Expenditure Criteria will allow the Transportation Authority to program an estimated $667,000 in local TFCA funds and $1,515,000 in Regional TFCA funds to eligible San Francisco projects and to receive an estimated $146,000 for administration of the TFCA program. These funds will be incorporated into the FY 2026/27 budget and

subsequent year budgets to reflect anticipated TFCA project cash reimbursement needs.

CAC POSITION

The CAC considered this item at its January 28, 2026, meeting and adopted a motion of support for the staff recommendation.

SUPPLEMENTAL MATERIALS

- Attachment 1 – Draft FY 2026/27 TFCA Local Expenditure Criteria
- Attachment 2 – Draft Schedule for FY 2026/27 TFCA Call for Projects
- Attachment 3 – San Francisco 2021 Equity Priority Communities Map (Pending update prior to release of TFCA call for projects to align with Plan Bay Area 2050+ EPC areas)
- Attachment 4 – Resolution
- Enclosure – Air District 40 Percent Fund Expenditure Plan Guidance for Fiscal Year Ending 2027

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Attachment 1

Fiscal Year 2026/27 Transportation Fund for Clean Air Program

Draft Fiscal Year 2026/27 TFCA Local Expenditure Criteria

The following are the Fiscal Year 2026/27 Local Expenditure Criteria for San Francisco's TFCA 40 Percent Fund program.

ELIGIBILITY SCREENING

In order for projects to be considered for funding, they must meet the eligibility requirements established by the Air District's TFCA 40 Percent Fund Expenditure Plan Guidance Commencing Fiscal Year Ending 2027. Consistent with the policies, a key factor in determining eligibility is a project's cost effectiveness (CE) ratio. The TFCA CE ratio is designed to measure the cost effectiveness of a project in reducing motor vehicle air pollutant emissions and to encourage projects that contribute funding from non-TFCA sources. TFCA funds budgeted for the project are divided by the project's estimated emissions reduction. The estimated reduction is the weighted sum of reactive organic gases (ROG), oxides of nitrogen (NOx), and particulate matter (PM) emissions that will be reduced over the effective life of the project, as defined by the Air District's guidelines.

TFCA CE is calculated by inputting information provided by the applicant into the Air District's CE worksheets. Transportation Authority staff will be available to assist project sponsors with these calculations and will work with Air District staff and the project sponsors as needed to verify reasonableness of input variables. The worksheets also calculate reductions in carbon dioxide (CO2) emissions, which are not included in the Air District's official CE calculations, but which the Transportation Authority considers in its project prioritization process.

Consistent with the Air District's guidelines, in order to be eligible for Fiscal Year 2026/27 TFCA funds, a project must meet the CE ratio for emissions (i.e., ROG, NOx, and PM) reductions as specified in the guidelines for each project type. Projects that do not meet the appropriate CE threshold cannot be considered for funding.

PROJECT PRIORITIZATION

Candidate projects that meet the cost effectiveness thresholds will be prioritized for funding based on the two-step process described below:

Step 1 – TFCA funds are programmed to eligible projects, as prioritized using the Transportation Authority Board-adopted Local Priorities (see below).

Step 2 – If there are TFCA funds left unprogrammed after Step 1, the Transportation Authority will work with project sponsors to develop additional TFCA candidate projects. This may include refinement of projects that were submitted for Step 1, but were not deemed eligible, as well as new projects. This approach is in response to an Air District policy that does not allow administering agencies to rollover any unprogrammed funds to the next year's funding cycle. If Fiscal Year 2026/27 funds are not programmed within 6 months of the Air District's approval of San Francisco's funding allocation, expected in May 2026, funds can be redirected (potentially to non-San Francisco projects) at the Air District's discretion. New candidate projects must meet all TFCA eligibility requirements and will be prioritized based on the Transportation Authority Board's adopted Local Priorities.

LOCAL PRIORITIES

The Transportation Authority's Local Priorities for prioritizing TFCA funds include the following factors:

1. Cost Effectiveness of Emissions Reduced – Priority will be given to projects that achieve high CE (i.e., a low cost per ton of emissions reduced) compared to other applicant projects. The Air District's CE worksheet predicts the amount of reductions each project will achieve in ROG, NOx, PM, and CO2 emissions. However, the Air District's calculation only includes the reductions in ROG, NOx, and PM per TFCA dollar spent on the project. The Transportation Authority will also give priority to projects that achieve high CE for CO2 emission reductions based on data available from the Air District's CE worksheets. The reduction of transportation-related CO2 emissions is consistent with the City and County of San Francisco's 2021 Climate Action Plan.

2. Project Readiness – Priority will be given to projects that are ready to proceed and have a realistic implementation schedule, budget, and funding package. Projects that cannot realistically commence in calendar year 2027 or earlier (e.g., to order or accept delivery of vehicles or equipment, begin delivery of service, award a construction contract, start the first TFCA-funded phase of the project) and be completed within a two-year period will have lower priority. Project sponsors may be advised to resubmit these projects for a future TFCA programming cycle.

3. Community Support – Priority will be given to projects with demonstrated community support (e.g., recommended in a community-based transportation plan, outreach conducted

to identify locations and/or interested neighborhoods, or a letter of recommendation provided by the district Supervisor or a community-based organization).

4. Benefits Equity Priority Communities – Priority will be given to projects that directly benefit Equity Priority Communities, whether the project is directly located in an Equity Priority Community (see map in Attachment 3) or can demonstrate benefits to disadvantaged populations.

5. Fund Leveraging – Priority shall be given to projects that can demonstrate leveraging of TFCA funds, or that can justify why they are ineligible, have very limited eligibility, or compete poorly to receive Prop L or other discretionary funds.

6. Investment from Non-Public Project Sponsors or Partners – Non-public entities may apply for and directly receive TFCA grants for alternative-fuel vehicle and infrastructure projects and may partner with public agency applicants for any other project type. For projects where a non-public entity is the applicant or partner, priority will be given to projects that include an investment from the non-public entity that is commensurate with the TFCA funds requested.

7. Project Delivery Track Record – Projects that are ranked high in accordance with the above local expenditure criteria may be lowered in priority or restricted from receiving TFCA funds if either of the following conditions applies or has applied during the previous two fiscal years:

- **Monitoring and Reporting** – Project sponsor has failed to fulfill monitoring and reporting requirements for any previously funded TFCA project.

- **Implementation of Prior Project(s)** – Project sponsor has a signed Funding Agreement for a TFCA project that has not shown sufficient progress; the project sponsor has not implemented the project by the project completion date without formally receiving a time extension from the Transportation Authority; or the project sponsor has violated the terms of the funding agreement.

8. Program Diversity – Promotion of innovative TFCA projects in San Francisco has resulted in increased visibility for the program and offered a good testing ground for new approaches to reducing motor vehicle emissions. The Transportation Authority will continue to develop an annual program that contains a diversity of project types and approaches and serves multiple constituencies.

Attachment 2
San Francisco County Transportation Authority
Fiscal Year 2026/27 Transportation Fund for Clean Air

Draft Schedule for Fiscal Year 2026/27 TFCA Call for Projects*

Wednesday, January 28, 2026	Community Advisory Committee Meeting – ACTION Local Expenditure Criteria
Tuesday, February 10, 2026	Transportation Authority Board Meeting – PRELIMINARY ACTION Local Expenditure Criteria
Tuesday, February 24, 2026	Transportation Authority Board Meeting – FINAL ACTION Local Expenditure Criteria
By Friday, March 6, 2026	Transportation Authority Issues TFCA Call for Projects
Friday, April 17, 2026	TFCA Applications Due to the Transportation Authority
Wednesday, May 27, 2025	Community Advisory Committee Meeting – ACTION TFCA staff recommendations
Tuesday, June 9, 2026	Transportation Authority Board Meeting - PRELIMINARY ACTION TFCA staff recommendations
Tuesday, June 23, 2026	Transportation Authority Board Meeting – FINAL ACTION TFCA staff recommendations
Sept 2026 (estimated)	Funds expected to be available to project sponsors

* Meeting dates are subject to change. Please check the Transportation Authority's website for the most up-to-date schedule (www.sfcta.org/events).

Attachment 3

San Francisco Equity Priority Communities 2021

January 2026: Pending update prior to release of TFCA call for projects to align with Plan Bay Area 2050+ EPC areas

MTC 2021 Equity Priority Communities^

SFCTA 2021 supplemental Equity Priority Communities boundaries*

Parks and Open Space

***Supplemental boundaries based on analysis conducted at block group-level, any block group meeting MTC's Equity Priority Communities definition and contiguous with MTC identified census tracts are included.**
^Equity Priority Communities were formerly called Communities of Concern

San Francisco County Transportation Authority

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ATTACHMENT 4

San Francisco
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BD021026 RESOLUTION NO. 26-38

RESOLUTION ADOPTING THE FISCAL YEAR 2026/27 TRANSPORTATION FUND FOR CLEAN AIR LOCAL EXPENDITURE CRITERIA

WHEREAS, The Transportation Fund for Clean Air (TFCA) Program is funded by a $4 vehicle registration fee collected by the California Department of Motor Vehicles in the nine-county Bay Area and forty percent of the revenues collected are available to each county on a return-to-source basis to implement strategies to improve air quality by reducing motor vehicle emissions; and

WHEREAS, The Transportation Authority is the designated Administering Agency for the San Francisco TFCA program; and

WHEREAS, The passage of Assembly Bill 434 required that the designated Administering Agency annually adopt criteria establishing a set of priorities for expenditure of funds for certain types of projects; and

WHEREAS, Drawing on the agency's past experience as the Administering Agency for TFCA, Transportation Authority staff recommend adopting the attached draft Fiscal Year 2026/27 TFCA Local Expenditure Criteria, which are consistent with the Air District's TFCA guidance; and

WHEREAS, The recommended prioritization criteria include consideration of the following factors: cost effectiveness, project readiness, program diversity, community support, benefits to Equity Priority Communities, leveraging other fund sources, investment from non-public project sponsors or partners (i.e., commensurate investment, if applicable), and other factors (e.g., the project sponsor's recent delivery track-record for TFCA projects); and

WHEREAS, At its January 28, 2026 meeting, the Community Advisory Committee considered the staff recommendation and unanimously adopted a motion of support for its adoption; and

WHEREAS, In late January 2026, the Air District offered each TFCA Administering Agency supplementary funds from the Regional TFCA program to

award to bikeway and bike parking projects in their county to be administered as part of the Fiscal Year 2026/27 TFCA program; and

WHEREAS, The additional amount of Regional TFCA funds offered to San Francisco is $1,616,000, including $468,750 for projects in the area of Southeast San Francisco identified as a high priority community through the state Community Air Protection Program established by Assembly Bill 617, and up to $101,000 for program administration; and

WHEREAS, The estimated amount of county TFCA funds available to San Francisco for the Fiscal Year 2026/27 call for projects is $667,000; now, therefore, be it

RESOLVED, That the Transportation Authority hereby adopts the attached Fiscal Year 2026/27 TFCA Local Expenditure Criteria; and be it further

RESOLVED, That the Fiscal Year 2026/27 TFCA Local Expenditure Criteria also will apply to any Regional TFCA funds passed through from the Air District to the Transportation Authority for the Fiscal Year 2026/27 TFCA program; and be it further

RESOLVED, That the Executive Director is hereby authorized to communicate this information to all relevant agencies and interested parties, including releasing a call for projects to solicit applications for available TFCA funds.

Attachments:

1. Draft FY 2026/27 Local Expenditure Criteria
2. Draft Schedule for FY 2026/27 TFCA Call for Projects
3. San Francisco 2021 Equity Priority Communities Map (*Pending update prior to release of TFCA call for projects to align with Plan Bay Area 2050+ EPC areas)

Enclosure:

1. Air District 40 Percent Fund Expenditure Plan Guidance for Fiscal Year Ending 2027