



APPENDIX H: HVIP PUBLIC TRANSIT BUS SET-ASIDE

Appendix H to the Fiscal Year 2022-23 Hybrid and Zero-Emission Truck
and Bus Voucher Incentive Project (HVIP) Implementation Manual

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The HVIP Public Transit Bus Set-Aside (Transit Set-Aside) is an allocation of funds through the Hybrid and Zero-Emission Truck and Bus Incentive Project (HVIP) which specifically funds transit bus purchases. The California Air Resources Board (CARB) approved both FY21-22 and FY22-23 Funding Plans which directed funds to the Transit Set-Aside. Zero-emission transit buses have served as a beachhead, helping spur the initial market for zero-emission vehicles and their components.

CARB adopted the Innovative Clean Transit Regulation (ICT) in December 2018. To continue the rapid transition to zero-emission bus fleets, the HVIP Transit Set-Aside holds funding for transit agencies purchasing buses in excess of regulatory targets. **Any transit agency subject to the ICT Regulation (title 13, California Code of Regulations, section 2020(b)) must be in compliance with all regulatory targets and reporting in order to redeem an HVIP voucher.**

The first year of the Transit Set-Aside was approved on November 19, 2021, in the FY21-22 Funding Plan, with the goal of funding the deployment of 1,000 zero-emission transit buses in California. \$65.5 million was released for new voucher requests on March 30, 2022, and the set-aside has remained open to new requests since its initial launch. An additional \$65 million was approved on November 17, 2022, during the FY22-23 Funding Plan.

If HVIP set-aside funds are not fully subscribed at the end of the funding year, funds will roll over and remain available for new voucher requests in the new year. Funds are anticipated to remain available to voucher requests year-round if the set-aside is not over subscribed. When the set-aside funds are fully requested, HVIP will continue to allow standard HVIP voucher requests for all public transit bus fleets subject to funding availability.

Eligibility

Purchaser Eligibility: The Transit Set-Aside is reserved for transit buses purchased by a **city or county government; a transportation district / transit district; or a public agency**. Public transit includes paratransit and microtransit services operated by or on behalf of a public transit agency. Tribal entities requesting transit bus vouchers are also eligible for the Public Transit Bus Set-Aside.

Buses with restricted services including but not limited to airport shuttles, university shuttles, and prisoner transport shuttles are not eligible for Transit Set-Aside vouchers.

Transit agencies are exceeding regulatory targets and eligible for HVIP funding if the total number of zero-emission transit buses operating in the state exceeds Innovative Clean Transit regulatory targets. As of the FY22-23 program year, the total number of zero-emission transit buses operating in California exceed the ICT target. However, transit agencies that are subject to the ICT Regulation but are NOT in compliance with all regulatory and reporting requirements are ineligible to redeem HVIP vouchers.

Eligible Vehicles: HVIP eligible [Medium Duty](#) and [Heavy Duty](#) rubber-tire buses designed to transport passengers by road with gross vehicle weight rating (GVWR) greater than 14,000 pounds are eligible for funding through the Transit Set-Aside. See Section B of the HVIP FY22-23 Implementation Manual for details.

Transit Set-Aside Voucher Amounts and Stacking

Public Transit Agency Voucher Modifier: The 15% voucher modifier continues to apply to bus vouchers for transit agencies.

Disadvantaged Communities Voucher Enhancement: The DAC incentive is 15% and is only available for vehicles domiciled in an eligible area that are purchased or leased by any public or private small fleet with 10 or fewer trucks or buses, and less than \$50 million in annual revenue for private fleets -- or for any purchase or lease by a California Native American tribal government. There is no revenue provision for public fleets. See Section C(6) of the HVIP FY22-23 Implementation Manual for details.

Fleet Size Voucher Adjustments: Fleets with 10 or fewer vehicles above 8,500 lbs. GVWR are subject to a 15% incentive increase on the base voucher amount. Public fleets and California Native American tribal government fleets with 11 or more vehicles above 8,500 lbs. are excluded from base voucher amount reductions. See Section C(2) of the HVIP FY22-23 Implementation Manual for details.

Stacking HVIP With Other Funding Sources: Public fleets – including transit agencies – may combine HVIP with other funds to cover up to the total cost of the vehicle. Local- and federal-funded incentives may be combined with HVIP vouchers,

so long as each incentive program is not paying for the same incremental costs and the total sum of incentives does not exceed the total cost of the vehicle.

Transit agencies purchasing buses (and small fleets) may stack State-funded incentives with HVIP. The other state funds must be applied to the vehicle purchase before HVIP funds are applied to the remaining cost, up to the maximum amount of the entire vehicle cost.

Flexibilities

Acknowledging the unique nature of public transit agencies' operations, their role in the state's air protection and climate goals and helping spur the initial market for zero-emission vehicles and their components, CARB presents additional flexibilities for the Transit Bus Set-Aside to ensure that public transit agencies are supported in the most efficient way possible as regulatory requirements begin to take effect.

Letter of Intent for Voucher Requests

As of 4/3/2023, a Letter of Intent (LOI) is permitted for transit agencies in lieu of a purchase order (PO) at the point of voucher request submission. The date of signature on the LOI may be no earlier than 1/1/2023. A purchase order (or other binding agreement) will be required within 6 months (182 calendar days) of submission, otherwise the voucher requests will be cancelled.

The voucher request submitted with a Letter of Intent in place of a PO must include the following items:

- Evidence of OEM's awareness of the LOI such as a copy of an email, OEM participating as the approved dealer and submitting the voucher request, etc.
- Date
- Addressed to OEM Point of Contact (POC)
- Transit Agency Letterhead
- Number of vehicles
- Vehicle make/model
- Contingencies (what is the PO/contract dependent upon? Award announcement from other funding sources will be a common contingency)
- Estimated date/quarter of contract (PO) signing
- Estimated date/quarter and year of vehicle delivery
- Transit POC signature

- Transit POC contact info

A sample LOI for the HVIP voucher request can be found on the [HVIP Purchasers Page](#).

A PO is required within 6 months (182 calendar days) of voucher request submission. Extensions beyond 6 months may be considered on a case-by-case basis.

Purchase Order Date

Purchase orders submitted for this funding year must be dated March 30, **2022**, or later.

Extended Redemption Timeline

As of the FY22-23 funding year, transit vouchers are granted a 36-month redemption timeline (previously 18 months). The Expiration Dates of existing transit vouchers in the Voucher Processing Center were retroactively updated from 18 months to 36 months from the time of voucher request submission in early Q2 2023. Transit vouchers older than 36 months were not updated by this retroactive update.

Voucher extension requests are not required for vouchers expected to be redeemed within 36 months of submission.

Redemption Flexibility for Transit Dealers

To enable a faster redemption process for HVIP approved dealers, a Delivery Document may be submitted in lieu of a Bill of Lading and in advance of final payment. This flexibility is available only for the Transit Set-Aside. The requirement of other documentation is at CARB's sole discretion.

The Delivery Document must be signed and dated by the purchaser and must include the date when the bus was delivered to the purchaser. The document must also include:

- Purchaser name and location
- Model name
- VIN
- Mileage

With the Delivery Document provided and all other redemption requirements met, the voucher can be redeemed without the final payment / final acceptance made by the purchaser. In this case, however, the dealer must subsequently provide a copy of the signed final invoice within 30 days of when the bus is formally / contractually accepted by the purchaser, showing that the final payment amount includes the voucher amount.

All other elements of the HVIP Redemption Checklist / Redemption Form must be followed as specified in the most current version at the time of redemption.

State + Federal Cooperation for Match Funds

Through a process of attending events and meetings with transit stakeholders, agencies and manufacturers, HVIP administrators were able to identify key programmatic challenges related to the low subscription of the FY21-22 Transit Set-Aside. One of the notable challenges was the incompatibility of HVIP with FTA competitive grants. The transit flexibilities described within Appendix H partially and/or directly support the pairing of HVIP funds with FTA grant funds.

The purchase order (or other binding sales agreement) needed to secure a voucher request has been a fundamental requirement of HVIP for all voucher types. Due to this requirement, HVIP has historically been disqualified as a match funding option in the FTA's Low and No Emission Vehicle Program (Low-No) competitive grant applications. Low-No funds cannot be used to reimburse applicants for otherwise eligible expenses incurred prior to execution of a grant agreement unless FTA has issued pre-award authority for selected projects. Costs are considered incurred when a third-party contract is executed¹. This year's additional flexibility to submit an HVIP voucher request with a **letter of intent** instead of a **purchase order** allows agencies to secure HVIP funding concurrently with FTA's Notice of Funding Opportunity.

In addition, the FTA requires a portion of the project costs to be matched or shared with the funds awarded through Low-No. The maximum Federal share for projects that involve leasing or acquiring transit buses for purposes of complying with or maintaining compliance with the Clean Air Act or the Americans with Disabilities is 85% of the net project cost. The Federal share of the cost of other projects shall not

¹ <https://www.transit.dot.gov/funding/grants/low-no-and-buses-and-bus-facilities-faqs>

exceed 80%². This year's flexibilities intend to strengthen applications submitted to the FTA's Low-No in 2024 by leveraging the match potential of an HVIP voucher.

FTA, CARB and HVIP administrative staff coalesced the guidelines described below to allow the combining of HVIP funds with the 2024 Low-No Grant.

1. The HVIP approved dealer and purchaser construct a LOI to purchase the HVIP eligible vehicle(s) containing the required information (see the Sample Letter of Intent for Voucher Request Submission section of Appendix H). The voucher request gets submitted with the signed and dated LOI. The dealer is to notify the Voucher Processing Team (voucherprocessing@tetrattech.com) that the voucher request is for the Transit Set-Aside and that a PO will be issued if the transit agency is awarded FTA funds.
2. The voucher request will progress like a Standard HVIP request to the Funds Reserved status.
3. The automatically generated email sent to the dealer and purchaser at Funds Reserved status is confirmation that funds will be held for the purchase of the transit bus(es) on the condition that 1) a PO is submitted within 6 months (182 calendar days) of voucher request submission and 2) all parties involved in the voucher request adhere to HVIP requirements.
4. The purchaser creates their application for the FTA competitive grant. HVIP may be cited as a source of match funding in accordance with FTA's Low-No cost sharing and matching guidelines². The Funds Reserved email from HVIP is used as the official documentation from HVIP to confirm a source of local match funds for the federal grant application. Questions regarding the validity or purpose of the Funds Reserved email should be directed to hhamilton@calstart.org.
5. A Purchase Order is required within 6 months (182 days) from the submission of the voucher request. Extensions beyond 6 months may be considered on a case-by-case basis if the federal grant program has not issued a Notice of Award or if the transit agency has been awarded funds and needs additional time to receive Board approval for the contract.
 - a. Dealers are to inform the Voucher Processing Team of the intent to cancel the voucher request in cases where the purchaser is not awarded federal funds.

² <https://www.govinfo.gov/content/pkg/FR-2023-01-27/pdf/2023-01654.pdf>

6. Following the upload of the purchase order, the voucher goes through the same process as a Standard HVIP voucher.
7. The voucher must be redeemed within 36 months from date which the voucher request reaches Funds Reserved status.

Sample Letter of Intent for Voucher Request Submission

[Transit Agency Letterhead]

[Date]

[Manufacturer Point of Contact]

[Title]

[Name of Manufacturing Company/Dealership]

[Address]

Dear [Manufacturer Point of Contact],

The [Transit Agency] plans to utilize the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) in conjunction with [Funding Source A] and [Funding Source B, if applicable] to purchase *three (3)* [Bus Make/Model] from [Manufacturing Company/Dealership].

Contingent on award of funds from [Funding Source A], this Letter of Intent establishes commitment of [Transit Agency] to purchase *three (3)* [Bus Make/Model] with supporting funds from HVIP vouchers. This is a non-binding agreement to finalize a contract with [Manufacturing Company/Dealership] by [Qx 202x] and take delivery of the buses by [Qx 202x] if the aforementioned [Funding Source A] funds are awarded.

[Transit Agency Point of Contact Signature]

[Transit Agency Point of Contact Print Name]

[Transit Agency Point of Contact Title]

[Transit Agency Point of Contact Phone Number]

[Transit Agency Point of Contact Email Address]

If the bus order is not dependent on award announcements from other funding sources, please state any order contingencies.

Sample Letter of the Delivery Document for Early Redemption

[Manufacturer/Dealership Letterhead]

Bus Delivery and Acceptance to [Transit Property Name] of [Bus Model]

PROPERTY	
Domicile Street Address	
Domicile City, State ZIP	
VIN	
VOUCHER ID	
DELIVERY DATE	
ACCEPTANCE DATE	
MILEAGE AT ACCEPTANCE	
CUSTOMER SIGNATURE*	
CUSTOMER NAME (PRINT)	
JOB TITLE	
The delivery and domicile addresses are different (please circle):	YES NO
DELIVERY ADDRESS (IF DIFFERENT)	
Delivery Street Address	
Delivery City, State ZIP	

*By signing, the customer (HVIP Purchaser) enables a faster redemption process for HVIP-approved dealers. The signer is NOT required to have legal signing authority to complete this document. With the Delivery Document provided and all other redemption requirements met, the voucher can be redeemed without DMV Registration and the final payment / final acceptance made by the purchaser. In this case, however, the dealer must subsequently provide a copy of the DMV Registration and signed final invoice within 30 days of when the bus is formally / contractually accepted by the purchaser, showing that the final payment amount includes the voucher amount.

All other elements of the HVIP Redemption Checklist / Redemption Form must be followed as specified in the most current version at the time of redemption.

HVIP vouchers associated with contracts in which there is retainage are ineligible for early redemption.

NOTES: