

## Inflation Reduction Act Update

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### **Subject:**

Overview of transportation and climate provisions in the health care, climate, and tax reconciliation package.

### **Overview:**

On August 16<sup>th</sup> President Biden signed into law the “Inflation Reduction Act,” a sweeping health, climate and tax bill Democrats advanced on a party-line via budget reconciliation. The new law includes roughly \$430 billion to fight climate change, including spending aimed at improving energy efficiency and reducing transportation-related emissions. Key climate and transportation items of interest are summarized below and a more comprehensive U.S. Senate summary of the new law’s energy and climate provisions is included as Attachment A. A California-focused summary from the White House is included as Attachment B.

### **Sustainable Infrastructure Investments**

- \$3 billion for a new U.S. Department of Transportation (USDOT) Neighborhood Access and Equity Program to fund competitive grants for bicycle and pedestrian safety, multimodal access improvements and city greening. State and local governments, regions, and transit agencies may apply.
- \$3 billion for a new Environmental Protection Agency (EPA)-administered Environmental and Climate Justice Block Grant program to fund climate change mitigation and air quality improvement projects. Local governments may apply in partnership with a community-based organization.
- \$3 billion for new EPA-administered grants to reduce air pollution at ports. Grants may fund clean port planning and investments in zero-emission equipment and technology.
- \$1 billion for zero-emission transit buses and other heavy-duty vehicles. Funds would be administered by the EPA as grants and rebates to cover the costs of purchasing zero-emission vehicles, charging and fueling infrastructure capital and operations costs, workforce development, and planning and technical activities to support zero-emission vehicle deployment.

### **Clean Energy Technology Accelerators**

- \$27 billion for a new EPA-administered Greenhouse Gas Reduction Fund (GGRF) for nonprofit green banks, states and local governments to finance deployment of low- and zero-emission technologies. Roughly 30 percent of the funds are reserved for investments in low-income and disadvantaged communities. This GGRF could stand up a national Green Infrastructure Bank and and/or support state and local green infrastructure banks, such as the California Alternative Energy and Advanced Transportation Financing Authority.
- Tens of billions of dollars in tax incentives to support clean energy and zero-emission vehicle production paired with incentives to bolster domestic clean energy manufacturing.
- \$30 billion in targeted grant and loan programs for states and electric utilities to accelerate the transition to clean electricity.

### **Incentives for Households to Improve Energy Efficiency**

- The bill provides a range of incentives to improve residential energy efficiency. These include direct consumer incentives to buy energy efficient appliances, install rooftop-solar, and invest in home energy efficiency, with a significant portion of the funding going to lower-income households and disadvantaged communities. The bill also includes a \$1 billion grant program to make affordable housing more energy and water efficient.
- The bill provides a \$4,000 consumer tax credit for low- to middle-income individuals to buy used clean vehicles and up to \$7,500 tax credit to buy new clean vehicles.

### **Climate Resilience and Adaptation**

- The Inflation Reduction Act also includes roughly \$9 billion spread across various programs focused on preventing wildfires and forest preservation as well as over \$4.5 billion for drought preparedness and response.
- The USDOT Neighborhood Access and Equity Grant and Climate and EPA Environmental Justice Block Grant programs are new fund sources for local climate resilience activities, including combatting urban heat islands and climate resilience and adaptation investments.

**Recommendation:**

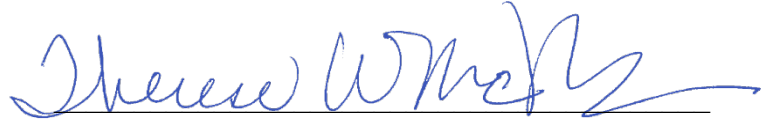
Information

**Issues:**

None identified

**Attachments:**

- Attachment A: U.S. Senate Fact Sheet on Climate Provisions in Inflation Reduction Act
- Attachment B: White House Fact Sheet on Inflation Reduction Act in California



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