



Air Resources Board



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Edmund G. Brown Jr.
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TO: Brian C. Annis, Undersecretary
California State Transportation Agency
915 Capitol Mall, Suite 350 B
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FROM: Doug Ito, Assistant Division Chief
Transportation and Toxics Division

DATE: August 16, 2016

SUBJECT: GREENHOUSE GAS REDUCTION FUND: CALIFORNIA STATE
TRANSPORTATION AGENCY EXPENDITURE RECORD FOR FISCAL
YEAR 2016-17 and 2017-18 TRANSIT AND INTERCITY RAIL CAPITAL
PROGRAM

Thank you for submitting the final expenditure record (attached) on behalf of the California State Transportation Agency (CalSTA) on August 16, 2016 to satisfy the requirements of Senate Bill 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012) for expenditures from the Greenhouse Gas Reduction Fund (Fund). We appreciate the iterative consultation process with CalSTA staff on the development of this record to support expenditures from the Fund for the Transit and Intercity Rail Capital Program.

This memorandum documents that Air Resources Board (ARB) staff concurred on August 16, 2016 (pending FY 2016-17 and 2017-18 funding availability) that the attached record is consistent with the statutory requirements of Government Code Section 16428.9 and with ARB's expectations, as documented in the *Funding Guidelines for Agencies that Administer California Climate Investments*.

The CalSTA Expenditure Record for Fiscal Year 2016-17 and 2017-18, along with this memorandum, will be published on the ARB Cap-and-Trade Auction Proceeds website at: www.arb.ca.gov/auctionproceeds.

If you have any questions concerning this memorandum, please contact me at (916) 327-5981 or via email at Doug.ito@arb.ca.gov.

Attachment

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

Greenhouse Gas Reduction Fund: Expenditure Record
Fiscal Years: 2016-17 and 2017-18

California State Transportation Agency
Transit and Intercity Rail Capital Program

The California State Transportation Agency (CalSTA) submitted Expenditure Records for the Transit and Intercity Rail Capital Program for fiscal year (FY) 2016-17 and 2017-18 Greenhouse Gas Reduction Fund (GGRF) funds. This Expenditure Record is based on the Governor's proposed 2016-17 Budget for TIRCP continuous appropriation and the statutory requirements in effect at the time of concurrence. CalSTA recognizes that concurrence with this Expenditure Record does not constitute permission to expend any GGRF funds that have not been appropriated by the legislature. If budget acts or other legislation are enacted that are different from what is reflected in this Expenditure Record, CalSTA will revise the record to reflect those changes and resubmit to the Air Resources Board (ARB) for concurrence.

CalSTA prepared this Expenditure Record in accordance with the following documents: ARB's Cap-and-Trade Auction Proceeds: Funding Guidelines for Agencies that Administer California Climate Investments¹ (2015 Funding Guidelines); the CalEPA disadvantaged community designations based on CalEnviroScreen Version 2.0; and ARB's Greenhouse Gas Quantification Methodology for FY 2016-17. If any these documents are updated during FY 2016-17 and 2017-18, CalSTA in consultation with ARB will review this Expenditure Record and revise if necessary.

Authorizing legislation: The Transit and Intercity Rail Capital Program (TIRCP) is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 in Senate Bill (SB) 862 (Chapter 36, Statutes of 2014) and modified by SB 9 (Chapter 710, Statutes of 2015).

(1) A description of each expenditure proposed to be made by the State agency pursuant to the appropriation.

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| <input type="checkbox"/> Agency that will administer funding | <ul style="list-style-type: none">▪ The Department of Transportation (Caltrans), on behalf of the CalSTA, will administer TIRCP consistent with the statutory requirements and program guidelines and abide by existing California Transportation Commission and Caltrans policies and procedures for Capital Projects.▪ Caltrans will coordinate with the ARB, the Strategic Growth Council, and CalSTA to assure compliance with TIRCP Guidelines² and statutory requirements. |
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¹ Cap-and-Trade Auction Proceeds: Funding Guidelines for Agencies that Administer California Climate Investments
<https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/arb-funding-guidelines-for-ca-climate-investments.pdf>

² Caltrans, "Greenhouse Gas Reduction Fund Transit and Intercity Rail Capital Program Guidelines
<http://www.dot.ca.gov/hq/MassTrans/tircp.html>

- Amount of proposed expenditure and appropriation reference
 - Per Senate Bill 862 (Chapter 836, Statutes of 2014), ten percent of the annual proceeds in GGRF are continuously appropriated to CalSTA for TIRCP, beginning in FY 2015-16. The exact amount of available funds will not be determined until after all auctions during FY2016-17 and 2017-18 have occurred.
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- Estimated amount of expenditures for State agency administrative costs
 - Approximately \$1,090,000 is estimated to be used for State agency administrative costs for the FY2016-17 and 2017-18 period.
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- If applicable, identify laws or regulations that govern how GGRF funds will be used
 - Part 2 of Division 44 (commencing with Section 75220) of the Public Resources Code creates the TIRCP and defines the statutory requirements of the Program. This Part was established by SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) and further modified by SB 9 (Beall, Chapter 710, Statutes of 2015)
 - AB 1532 (Pérez, Chapter 807, Statutes of 2012), SB 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), and SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32.
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- Continuation of existing Expenditure Record
 - FY 2016-17 and 2017-18 appropriations will support a continuing program that will fund the same types of projects that have already been funded under an existing Expenditure Record.
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- Project category
 - Sustainable Communities and Clean Transportation
 - Transit and Intercity Rail Capital Program
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- Type of projects that will be eligible for funding
 - Projects that demonstrate the achievement of a reduction in greenhouse gases (GHG) emissions by increasing transit ridership and reducing vehicles miles traveled (VMT) throughout California, including, but not limited to:
 - Rail capital projects, including the acquisition of railcars and locomotives that expand, enhance, or improve existing rail systems and connectivity to existing and future transit systems, including the high-speed rail system.
 - Intercity, commuter, and urban rail projects that increase service levels, improve reliability, or decrease travel times, including infrastructure access payments to host railroads in lieu of capital investments.
 - Rail, bus, and ferry integration implementation, including: integrated ticketing and scheduling systems, shared use corridors, related planning efforts, and other service integration initiatives.
 - Bus rapid transit and other bus and ferry transit investments to increase ridership and reduce greenhouse gas emissions.
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- Intended recipients
 - Public agencies, including joint powers agencies, that operate or have planning responsibility for existing or planned regularly scheduled intercity or commuter passenger rail service, urban rail transit service, or bus or ferry transit service.
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- Process for selecting projects for funding
 - Projects will be selected through a competitive solicitation process. Applicants will proceed through a three-part review process:
 1. Screening for completeness and eligibility:
 - Each application will first be screened for eligibility and completeness as defined in the Call for Projects.
 2. Evaluation of eligible applications by technical panels applying the primary and secondary evaluation criteria.
 - Eligible and complete applications will be evaluated by technical panels consisting of subject-matter experts against the evaluation criteria outlined in TIRCP Guidelines.
 3. Project selection by the CalSTA Secretary applying additional selection criteria:
 - All eligible and complete applications will be advanced to the CalSTA Secretary for funding consideration. The CalSTA Secretary will consider the input of the technical review panels, assess GHG reduction potential, and also take into consideration crosscutting and comparative selection criteria that consider overall program objectives, including geographic equity and program goals for benefits to disadvantaged communities. CalSTA will recommend project funding to projects that are well-aligned with both the evaluation criteria and program objectives.
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(2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

- How the expenditure is reflected in the three-year Investment Plan and the Scoping Plan
 - AB 1532 requires that GGRF monies be appropriated in a manner that is consistent with the three-year Investment Plan (Health and Safety Code Section 39718). The Second Investment Plan, which covers years 2016-17 through 2018-19 recommends that sustainable communities and clean transportation receive a large allocation of auction proceeds investments because the transportation sector is the largest contributor of both GHGs and criteria pollutants. In addition, the Plan specifically cites TIRCP as an existing program with a continuous appropriation. TIRCP will support local agencies and transit providers in their efforts to increase transit ridership and to meet the statewide GHG reduction goals. Therefore, the expenditures covered by this record are consistent with the Second Investment Plan and align with the priorities expressed in the Plan.
 - The “First Update to the Climate Change Scoping Plan,” released in May 2014, lists funding of specific areas to support AB 32. TIRCP expenditures will be consistent with the funding recommendations in the Scoping Plan Update and address the call to “modernize our rail and passenger transportation systems to move people in ways that both reduce GHGs and increase mobility options and safety”.
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(3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

- Describe how expenditures will achieve GHG reductions or net GHG benefits
 - TIRCP projects will achieve GHG reductions by using cleaner transit vehicles with lower emissions and/or increasing transit ridership and reducing auto VMT.
 - Expected time frame when reductions will be achieved and how expenditure will maintain GHG reductions or net GHG benefits
 - Projects using TIRCP funds will provide GHG reductions once they are operational with continued benefits achieved over the useful life of the project. While timeframes vary, projects are expected to begin reducing GHG emissions between one and ten years after allocation by CTC.
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(4) A description of how the State agency considered the applicability and feasibility of other nongreenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

- Expected co-benefits, particularly environmental, economic, public health and safety
 - Co-benefits from these projects include:
 - Improved mobility and access for transit riders through improved and expanded service;
 - Improved air quality by implementing clean vehicle technology that reduce emissions of nitrogen oxides, reactive organic gases, and particulate matter;
 - Increased safety through improved transit infrastructure;
 - Reduced auto congestion for non-transit users;
 - Economic benefits for individuals through better connectivity of homes and jobs, especially for disadvantaged communities;
 - Better economic development opportunities for communities through improved transportation infrastructure to attract and retain businesses.
 - Improved reliability through network performance and modernized technology, contributing to travel time savings and improved access to employment opportunity;
 - Increased health benefits from non-motorized transportation, such as walking and biking, as part of transit connections and increased ridership; and
 - Increased environmental and economic sustainability through multi-modal network integration as well as modernized equipment, infrastructure, and clean technology.
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- How the project will support other AB 32 objectives
 - Projects will complement the State’s efforts to improve air quality and direct public investment toward disadvantaged communities in California.
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- Percentage of total funding that will be expended for projects that are “located within” and “provide benefits to” disadvantaged communities, per the criteria in Volume 2 of ARB’s Funding Guidelines
 - For TIRCP, SB 862 establishes a programmatic goal to provide at least 25 percent of available funding to projects that “provide benefits to” disadvantaged communities, consistent with the objectives of SB 535. TIRCP additionally has a programmatic goal to provide at least 10 percent of available funding to projects “located within” disadvantaged communities, also consistent with SB 535.
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| <ul style="list-style-type: none">□ Describe the disadvantaged community benefits and explain strategies the agency will use to maximize benefits | <ul style="list-style-type: none">▪ Investments in transformative capital improvements that modernize intercity rail, bus (including feeder buses to intercity rail services), ferry, and rail transit systems in disadvantaged communities (as identified by CalEPA) will improve access to jobs, schools, and businesses.▪ To help maximize benefits, CalSTA considers whether projects will address an important need in a disadvantaged community during the evaluation and selection process. |
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(5) A description of how the State agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.

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| <ul style="list-style-type: none">□ How the agency will track and report progress to make sure projects are implemented per GGFR requirements | <ul style="list-style-type: none">▪ The agency will require funding recipients to maintain records and submit quarterly status reports. In addition, the agency will conduct periodic reviews of selected projects. If a funding recipient does not perform in accordance with program requirements, the recipient will be subject to the remedies for non-performance, as identified in the agency's guidelines.▪ Implementing agencies must submit project reports to ensure that the project achieves the GHG reduction and other goals of the program. Reports include quarterly reporting during project construction, a final close-out report upon project completion, and additional recordkeeping and reporting through the life of the project. All reporting must be consistent with the metrics, quantification methodologies, and reporting requirements developed by ARB. The final delivery report must include performance outcomes of GHG reduction, and other outcomes, for the completed project as compared to the project at the time of programming. |
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| <ul style="list-style-type: none">□ Approach that will be used to document net GHG reductions before and after project completion. Include citations for references that support methodology | <ul style="list-style-type: none">▪ CalSTA will coordinate with ARB to develop quantification methodologies to estimate expected net GHG reductions for project selection as well as methodologies to quantify achieved GHG reductions once projects are operational. Caltrans staff will review calculations prepared by project proponents to ensure consistency with ARB's Quantification Methods.<ul style="list-style-type: none">○ http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm▪ Caltrans will submit project reports to ensure that the project achieves the GHG reduction and other goals of the program. Reports include semiannual reporting during project construction, a final close-out report upon project completion, and additional recordkeeping and reporting through the life of the project. Reporting will be consistent with the metrics and quantification methodologies developed by ARB. The final delivery report will include performance outcomes of GHG |
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reductions, and other outcomes, for the completed project as compared to the project at the time programming.

- Type of information that will be collected to document project results, as described in ARB guidelines
 - The agency will collect data on project location, baseline and estimated ridership, fuel usage, expected useful life, and other data in accordance with ARB's Funding Guidelines.
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- How the agency will report on program status
 - Annual Legislative Report: Per Health and Safety Code Section 39721, administering agencies shall report to the Department of Finance and the Department of Finance shall submit an annual report to the Legislature on the status of projects and their outcomes. Caltrans will compile project information and submit summarized TIRCP information to ARB for this annual report.
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