



Air Resources Board



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TO: Brian C. Annis, Undersecretary
California State Transportation Agency
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FROM: Cynthia Marvin, Chief
Transportation and Toxics Division

DATE: September 29, 2016

SUBJECT: GREENHOUSE GAS REDUCTION FUND: CALIFORNIA STATE
TRANSPORTATION AGENCY REVISED EXPENDITURE RECORD FOR
FISCAL YEAR 2015-16 – TRANSIT AND INTERCITY RAIL CAPITAL
PROGRAM

Thank you for submitting the revised expenditure record (attached) on behalf of the California State Transportation Agency (CalSTA) on September 26, 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). This revision reflects the actual FY 2015-16 proceeds generated from Cap-and-Trade auctions available to CalSTA for this program. 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 September 29, 2016 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 Revised Expenditure Record for the Transit and Intercity Rail Capital Program for Fiscal Year 2015-16, 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) 324-0062 or via email at Cynthia.Marvin@arb.ca.gov.

Attachment

cc: See next page.

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

Transit and Intercity Rail Capital Program (TIRCP)

Greenhouse Gas Reduction Fund: Expenditure Record **Fiscal Year: 2015-16**

California State Transportation Agency
Transit and Intercity Rail Capital Program

Revised to Reflect \$182.9 Million Appropriation

The California State Transportation Agency (CalSTA), prepared a preliminary expenditure record in September 2015 for the \$200 million in Transit and Intercity Rail Capital Program (TIRCP) funding based the Governor's proposed budget for Fiscal Year (FY) 2015-16. The actual amount of FY 2015-16 funds was contingent upon State proceeds generated from Cap-and-Trade auctions that occurred during FY 2015-16. This revised expenditure record reflects the actual TIRCP funds available for FY 2015-16 of \$182.9 million.

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). The program will fund capital improvements and operational investments that will reduce greenhouse gas (GHG) emissions and modernize California's intercity, commuter, and urban rail systems to achieve certain policy objectives, including the expansion and integration of rail services. Projects will include: rail capital projects, intercity and commuter rail projects, rail integration implementation, bus rapid transit and other bus transit investments that are transformative and demonstrate a reduction in GHG emissions once implemented. Projects will be selected based on recommendations by California Department of Transportation (Caltrans) technical review panels, evaluation and project selection by CalSTA, and allocation by the California Transportation Commission (CTC).

Element (1): Description of each expenditure proposed to be made by the State agency pursuant to the appropriation.

- Agency that will administer funding
 - Caltrans, on behalf of CalSTA, will administer the Transit and Intercity Rail Capital Program consistent with the statutory requirements and program guidelines and abide by existing CTC and Caltrans policies and procedures for Capital Projects.
 - Caltrans will coordinate with the Air Resources Board (ARB), the Strategic Growth Council, and CalSTA to assure compliance with TIRCP Guidelines¹ and statutory requirements.
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¹ Caltrans, "Greenhouse Gas Reduction Fund 2015 Transit and Intercity Rail Capital Program Guidelines <http://www.dot.ca.gov/hq/MassTrans/tircp.html>

Transit and Intercity Rail Capital Program (TIRCP)

- Amount of proposed expenditure and appropriation reference
 - Per Senate Bill 862 (Chapter 836, Statutes of 2014), ten percent of the annual proceeds in the GGRF are continuously appropriated to CalSTA for TIRCP, beginning in FY 2015-16.
 - The actual TIRCP funds available for FY 2015-16 are \$182.4 million.
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- Estimated amount of expenditures for State agency administrative costs
 - Of the \$182.9 million appropriation, approximately \$527,000 was used for State agency administrative costs. These administrative costs were split between two agencies, \$456,000 to the Department of Transportation for administrative support and \$71,000 for the Secretary of Transportation.
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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.
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- Continuation of existing Expenditure Record
 - This fiscal year's appropriation 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 Grants
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□ Type of projects that will be eligible for funding

Projects that demonstrate the achievement of a reduction in GHG emissions by reducing vehicles miles traveled (VMT) throughout California, including, but not limited to:

- Rail capital projects, including the acquisition of rail cars and locomotives that expand, enhance, and improve existing rail systems and connectivity to existing and future rail systems.
 - Intercity and commuter rail projects that increase service levels, improve reliability, or decrease travel times.
 - Rail integration implementation, including: integrated ticketing and scheduling systems and related capital investments (including integration with bus or ferry operators).
 - Bus rapid transit and other bus transit investments to increase ridership and reduce passenger vehicle miles traveled.
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Transit and Intercity Rail Capital Program (TIRCP)

Intended recipients

- Public agencies, including joint powers agencies, that operate existing or planned regularly scheduled intercity rail service (and associated feeder bus service), commuter rail, commuter bus service, or bus or rail transit service.
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Process for selecting projects for funding

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 2015 Transit and Intercity Rail Capital Program Guidelines.
 3. Project selection by the CalSTA Secretary applying additional selection criteria:
 - All eligible and complete applications, regardless of the ratings they receive from the technical panels, 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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Element (2): 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 2013 “Cap-and-Trade Auction Proceeds Investment Plan” recommends that sustainable communities and clean transportation receive the largest allocation of auction proceeds investments because the transportation sector is the largest contributor of both GHGs and criteria pollutants. In addition, Appendix B of the Investment Plan specifically describes and recommends the types of projects that will be funded by expenditures under the TIRCP (e.g., , funding to increase transit mode share through rail modernization, infrastructure improvements, ridership programs, etc.). The 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 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 greenhouse gases and increase mobility options and safety”.
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Element (3): 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 contribute towards transit improvements and GHG reduction benefits from lower transit vehicle emissions and/or reduced auto emissions through growth in transit ridership that reduces car VMT. TIRCP projects that shift people from cars to mass transit through incentives will provide GHG reductions immediately upon implementation.
 - Expected time frame when reductions will be achieved and how expenditure will maintain GHG reductions or net GHG benefits
 - Capital projects using TIRCP funds will provide GHG reductions upon project completion with continued benefits achieved over the useful life of the project. Projects will generally be implemented within 2 to 4 years of award. Useful life varies, but as examples, new buses should have a minimum useful life of 12 years, railcars 25 years, and rail track and related infrastructure 50 years.
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Element (4): 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 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; and
 - Better economic development opportunities for communities through improved transportation infrastructure to attract and retain businesses.
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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 the 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. In the first programming cycle, with awards announced June 30, 2015, both of these minimum targets were exceeded: 13 of the 14 projects “provide benefits to” disadvantaged communities, and 10 of 14 projects are also “located within” disadvantaged communities.
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- Describe the disadvantaged community benefits and explain strategies the agency will use to maximize benefits
 - Agencies applying for TIRCP grants that invest in disadvantaged communities are expected to ensure the benefits are “direct, meaningful, and assured”. Achieving these goals can be through projects that provide low carbon transportation solutions or transit projects that reduce passenger vehicle miles travelled through incentives, infrastructure, or operational improvements (e.g., providing better bus connections to intercity rail, encouraging people to shift from cars to mass transit) in disadvantaged communities. Examples of projects could include zero-emission transit vehicles operating in disadvantaged communities to improve air quality, and expanded transit service to stations and stops in disadvantaged communities to improve access to jobs.
 - The competitive solicitation process considers benefits to disadvantaged communities as a selection criteria, consistent with ARB’s guidelines.
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Element (5): 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.

- How the agency will track and report progress to make sure projects are implemented per GGRF requirements
 - 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.

 - Approach that will be used to document net GHG reductions before and after project completion. Include citations for references that support methodology
 - TIRCP grant applications must follow the required ARB GHG emission reduction quantification methodology in order to estimate proposed project GHG emission reductions consistent with the ARB approved quantification methodology. <http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm>
 - Implementing agencies must 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. All reporting must be consistent with the metrics and quantification methodologies developed by the Air Resources Board. The final delivery report must include performance outcomes of greenhouse gas reduction, and other outcomes, for the completed project as compared to the project at the time programming.
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Transit and Intercity Rail Capital Program (TIRCP)

- Type of information that will be collected to document project results, as described in ARB guidelines
 - Semi-Annual Progress Report: Implementing Agencies are required to report to Caltrans on the progress of projects to ensure that it achieves the goals of the program, is executed in a timely fashion, and is within the scope and budget. The semi-annual report will also contain information needed to document GHG emission reductions, co-benefits, expenditures that benefit disadvantaged communities, and other items described in ARB's Guidelines.
 - Final Project Report: Within one year of the project becoming operable, as defined in the guidelines, the report will include at a minimum:
 - The scope of the completed project as compared to the programmed project
 - Performance outcomes derived from the project
 - Before and after documentation
 - The final costs
 - Project duration
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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.
 - Annual Expenditure Record: Beginning in FY 2015-16, TIRCP has a continuing appropriation of GGRF monies. Caltrans will submit an annual expenditure record that corresponds to each fiscal year's funding.
 - Caltrans will provide regular updates to CalSTA on expenditures, project issues, project status, and benefits in reports prepared according to ARB Guidelines.
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