



Air Resources Board



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Edmund G. Brown Jr.
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TO: Bruce Roberts, Chief
Division of Rail and Mass Transportation
California Department of Transportation
1120 N Street
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FROM: Cynthia Marvin, Chief
Transportation and Toxics Division

DATE: September 29, 2016

SUBJECT: GREENHOUSE GAS REDUCTION FUND: CALIFORNIA DEPARTMENT
OF TRANSPORTATION REVISED EXPENDITURE RECORD FOR
FISCAL YEAR 2015-16 – LOW CARBON TRANSIT OPERATIONS
PROGRAM

Thank you for submitting the revised expenditure record (attached) on behalf of the California Department of Transportation (Caltrans) on September 28, 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 Caltrans for this Program. We appreciate the iterative consultation process with Caltrans staff on the development of this record to support expenditures from the Fund for the Low Carbon Transit Operations 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 Caltrans Revised Expenditure Record for the Low Carbon Transit Operations Program, 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

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

California Department of Transportation
Low Carbon Transit Operations Program

Revised to Reflect \$91.4 Million Appropriation

The Department of Transportation (Caltrans) prepared a preliminary expenditure record in December 2015 for the \$100 million in Low Carbon Transit Operations Program (LCTOP) funding based on the Governor’s proposed budget for Fiscal Year 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 FY 2015-16 funds available to Caltrans for LCTOP of \$91.4 million.

LCTOP is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill (SB) 862 (Chapter 36, Statutes of 2014). The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving Disadvantaged Communities. The program will support new or expanded bus or rail services, or expanded intermodal transit facilities, and may include equipment acquisition, fueling, and maintenance and other costs to operate those services or facilities. Projects will be selected based on review and approval by Caltrans, in consultation with the Air Resources Board (ARB).

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">▪ Caltrans will be the administering agency for this program and will provide assistance and guidance to local agencies in receiving their allocation and documenting project benefits.▪ Caltrans will coordinate with the ARB and State Controller’s Office (SCO) to assure compliance with LCTOP Guidelines¹ and statutory requirements. |
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¹ Caltrans, “Greenhouse Gas Reduction Fund, Guidelines for Low Carbon Transit Operations Program,” December, 2015, (<http://www.dot.ca.gov/hq/MassTrans/lctop.html>)

Low Carbon Transit Operations Program (LCTOP)

- ❑ Amount of proposed expenditure and appropriation reference
 - Per Senate Bill 862 (Chapter 36, Statutes of 2014), five percent of the annual proceeds in the GGRF are continuously appropriated to Caltrans for LCTOP, beginning in fiscal year (FY) 2015-16.
 - The actual LCTOP funds available for FY 2015-16 are \$91.4 million.

 - ❑ Estimated amount of expenditures for State agency administrative costs
 - Of the \$91.4 million appropriation, administrative costs for the Department of Transportation, on behalf of the State Transit Assistance Program, were \$228,000.

 - ❑ If applicable, identify laws or regulations that govern how GGRF funds will be used
 - Part 3 Division 44 (commencing with Section 75230) of the Public Resources Code creates the LCTOP and defines the statutory requirements of the Program. Senate Bill 231 (Chapter 286, Statutes of 2015) amended Section 75230 to clarify that LCTOP expenditures can support water-borne transit.

 - ❑ 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.

 - ❑ Project category
 - Sustainable Communities and Clean Transportation
 - Low Carbon Transit Operations Program

 - ❑ Type of projects that will be eligible for funding
 - Projects must meet the requirements in Public Resources Code Section 75230 which established the Low Carbon Transit Operations Program. Projects will include transit operating or capital assistance that meets all of the following criteria:
 - Reduces greenhouse gas (GHG) emissions; and
 - Supports new or expanded bus or rail services, new or expanded water-borne transit, or expanded intermodal transit facilities, and may include equipment acquisition, fueling, and maintenance, and other costs to operate those services or facilities; and
 - Directly enhances or expands transit service to increase mode share.
 - The LCTOP Guidelines contain a detailed list of eligible projects for the FY 2015-16 funding cycle. Transit agencies must select projects from this list and implement those projects in accordance with the statutory requirements in Public Resources Code Section
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Low Carbon Transit Operations Program (LCTOP)

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| <input type="checkbox"/> Intended recipients | <ul style="list-style-type: none">▪ Transit agencies that are eligible for State Transit Assistance, per Public Utilities Code (PUC) Sections 99313 and 99314². |
| <input type="checkbox"/> Process for selecting projects for funding | <ul style="list-style-type: none">▪ Funds are allocated to transit agencies based on the formula specified in PUC Sections 99313 and 99314. The funds made available pursuant to PUC Section 99313 are based on the ratio of the population of the area under its jurisdiction to the total population of the state. Funds made available per PUC Section 99314 are based on the amount received by each transportation planning agency, county transportation commission or other defined entity, and based on the ratio of the revenues of each of the member agencies and of all the operators during the prior fiscal year within the area of jurisdiction of the allocating agency, commission, or board as the case may be. For transit agencies that receive funding allocation, Caltrans invites eligible agencies identified by the State Controller’s Office to submit project for review.▪ In consultation with ARB, Caltrans determines whether proposed projects and expenditures reduce GHG emissions, provide benefits to disadvantaged communities, result in mode shifts, and are eligible for funding.▪ After evaluating and selecting projects according to program guidelines, Caltrans notifies the SCO of approved expenditures for each transit agency.▪ SCO will release funds to the project sponsors for the approved projects and expenditures, with all funds released by June 1, 2016. |
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² . Per PUC 99313 and 99314 (a) “amounts shall be allocated by the Controller to each transportation planning agency and County transportation commission, and the San Diego Metropolitan Transit Development Board”.

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 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 LCTOP (e.g., funding to increase transit mode share through focused transit expansion and ridership programs, transit-oriented development, active transportation, etc.). The LCTOP will support transit agencies 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. LCTOP expenditures will be consistent with the following recommendations in the Scoping Plan Update:
 - Expansion of established local, regional and state funding programs supporting transit, infrastructure, active transportation (walking/biking), land-use changes, and other projects that place a priority on reducing vehicle miles traveled (VMT) and GHG emissions and are identified in the Sustainable Community Strategies or Regional Transportation Plans;
 - Infrastructure investments that are integrated with sustainable community plans, maximize transit trips, and cut VMT.
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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.

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| <p><input type="checkbox"/> Describe how expenditures will achieve GHG reductions or net GHG benefits</p> | <ul style="list-style-type: none">▪ LCTOP projects will achieve GHG reductions by increasing ridership and reducing passenger VMT through expenditures that support new or expanded service or expanded transit facilities (e.g., providing better bus connections to intercity rail, encouraging people to shift from cars to mass transit, using zero-emission or hybrid buses on new routes). |
| <p><input type="checkbox"/> Expected time frame when reductions will be achieved and how expenditure will maintain GHG reductions or net GHG benefits</p> | <ul style="list-style-type: none">▪ GHG reductions from LCTOP expenditures will be maintained for the length of the transit service being funded by the LCTOP or through the useful life of the vehicle/equipment. GHG reductions will begin on the project start date and when projects are in operation. Capital projects must have a useful life not less than that typically required for capital assets (rolling stock, infrastructure, rail infrastructure, equipment) pursuant to the State General Obligation Bond Law (Government Code Section 16720, et seq.) specifically subdivision (a) of Section 16727. Buses and rail rolling stock, including paratransit vehicles, are considered to be equipment with a useful life of two years or more. |
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4. A description of how the state agency considered the applicability and feasibility of other non-greenhouse 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, and climate resiliency
 - Co-benefits from these projects include:
 - Improved mobility for transit riders through improved and expanded service;
 - Improved public health and reduced vehicle emissions through active transportation (e.g., increased bicycling and walking paths with better connections to transit stations, better bike storage at transit stations and on transit vehicles);
 - Improved air quality resulting from cleaner transit vehicles 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 through improved transportation infrastructure to attract and retain businesses;
 - Reduced transportation costs.
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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 the most 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
 - For transit agencies whose service areas include disadvantaged communities as identified in Section 39711 of the Health and Safety Code, at least 50 percent of the total moneys received shall be expended on projects or services that benefit disadvantaged communities.
 - All transit agencies with proposed LCTOP expenditures will need to overlay maps of their service areas with the disadvantaged community census tracts and determine whether the agency is required to expend 50 percent to benefit disadvantaged communities.
 - In Volume 2 Investments to Benefit Disadvantaged Communities Table 2-1: Estimated Minimums to
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Low Carbon Transit Operations Program (LCTOP)

ARB's Funding Guidelines ³	Benefit Disadvantaged Communities, the proposed benefit to disadvantaged communities for FY 2015-16 estimated to be 32% (\$29 million). The proposed benefit to projects located within a disadvantaged community for FY 2015-16 is estimated to be 10% (\$9 million).
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□ Describe the disadvantaged community benefits and explain strategies the agency will use to maximize benefits.	▪ LCTOP expenditures will support improved access to transit services within disadvantaged communities and along the corridors that provide transit services for residents of disadvantaged communities. This improved service will provide greater access to jobs, schools and businesses for disadvantaged community residents. LCTOP projects must be reviewed and publicly approved by the administrative board that directs the local agency through a board resolution. These board hearings are publicized and open for public input and consideration. The resolution must include the amount of LCTOP funds requested, identify any disadvantaged community requirements, a description of the project, and the names of the Contributing Sponsors, if there are any.
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³ Air Resources Board. "Funding Guidelines for Agencies that Administer California Climate Investments", September 2015, available at: <http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/fundingguidelines.htm>.

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.

- How the agency will track and report progress to make sure projects are implemented per GGRF requirements
 - Caltrans will require funding recipients to maintain records and submit semi-annual status reports. 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.
 - Caltrans will coordinate with ARB to estimate net GHG reductions and co-benefits, using approved ARB quantification methodologies. Caltrans staff will review calculations prepared by project proponents to ensure consistency with approved methods.
 - Estimated GHG reductions will be based on information reported, in accordance with guidelines, by local agencies to Caltrans.
 - Caltrans will request transit agencies to submit a follow-up report due every two years for four years after the completion of the project.

 - Type of information that will be collected to document project results, as described in ARB guidelines
 - Semi-Annual Progress Report: Project sponsors are required to report semi-annually to Caltrans on the activities and progress of each approved and allocated project to ensure those activities funded from auction proceeds are timely, within approved scope and cost, are reducing GHG emissions, and are achieving the intended purpose for which they are to be utilized. Reports will be on information accrued through the first quarter and the third quarter.
 - Final Project Report: Includes the comparison of actual project performance of the final project to the projected performance when the allocation was requested, along with a final project itemized expenditure table and verification of project completion as scoped.

 - How the agency will report on
 - Annual Legislative Report: Per Health and Safety Code Sections 39720 and 39721 administering agencies shall
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Low Carbon Transit Operations Program (LCTOP)

program status

report to the Department of Finance and the Department of Finance shall submit an annual report to the Legislature on the status of project and their outcomes. Caltrans will compile project information and submit summarized LCTOP information to ARB for this annual report.

- Annual Expenditure Record: Beginning in FY 2015-16, LCTOP 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 on expenditures, project location, project status, and benefits in reports prepared according to ARB Guidelines. At a minimum, the reports will include all of the information required by Volume 3 of ARB's Funding Guidelines (e.g., expenditure amounts, current estimates of GHG emission reductions, and quantification of other applicable co-benefits, etc).
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