Agenda Item 4a

METROPOLITAN TRANSPORTATION COMMISSION

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Memorandum

TO: Legislation Committee

DATE: May 3, 2013

FR: Executive Director

W. I. 1131

RE: Cap-and-Trade: AB 574 (Lowenthal) & Brown Administration's Draft Expenditure Plan

Background

Cap-and-trade implementation in Sacramento has the potential to make 2013 a signature year in the transportation sector. This memo provides a summary of AB 574 (Lowenthal) and the draft Cap-and-Trade Expenditure Plan prepared by the Department of Finance in coordination with the California Air Resources Board (CARB). CARB formally adopted this plan on April 25th, 2013 at a widely attended hearing where MTC spoke in support as a member of the Transportation Coalition for Livable Communities – a statewide group that includes major private and public transportation interests. The full 76 page CARB Investment plan can be found at: **http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/DraftCapandTradeInvestmentPlan.pdf**

Overview of AB 574

As part of MTC's 2013 Legislative Program, adopted by the Commission in December 2012, MTC joined with the Transportation Coalition for Livable Communities in an effort to focus potential Cap and Trade revenues that are generated from fuels to benefit the transportation sector and the implementation of Plan Bay Area.

AB 574 (Lowenthal) is the legislative vehicle to implement Cap and Trade in the transportation sector and it passed out of the Assembly Transportation Committee on April 22 and out of Assembly Natural Resources Committee on April 29.

While AB 574 is still a work in progress, it establishes the Sustainable Communities Infrastructure Program (SCIP) funded by allowance revenue from the state's carbon cap-and-trade program to finance transportation projects that reduce greenhouse gas emissions. Structured of two main parts: a state component, to be focused on interregional types of projects of statewide significance, such as high-speed rail and interregional rail modernization, and a regional portion, which would distribute funds to metropolitan planning organizations on the basis of population, where they would be administered as a competitive grant program for local governments, transit agencies and other eligible entities, to be determined. Eligible uses of funds in AB 574 include:

- Transportation network and demand management, including, but not limited to, trip-reduction programs, congestion pricing, and roadway modifications, such as roundabouts.
- Public transportation, including operations, maintenance, and capital costs.
- Road and bridge maintenance; operations and retrofits for complete streets, bike, and pedestrian safety enhancements; safe routes to schools; and urban greening.
- Clean transportation fueling infrastructure and support.

- Multimodal network connectivity to reduce travel distances and improve access to parks, schools, jobs, housing, and markets for rural and urban communities, including neighborhood scale planning.
- Development and adoption of local plans and land use policies that help to implement regional plans.
- Community infrastructure, including public works and municipal improvements necessary to support transit-oriented development, affordable housing, infill in existing urbanized areas, and small walkable communities in rural neighborhoods.
- Multi-use facilities and accommodations for bicyclists, pedestrians, and neighborhood electric vehicles.
- Interregional rail modernization and related community infrastructure.

Overview of Expenditure Plan and CARB
The Draft Cap-and-Trade Auction Proceeds Expenditure Plan for FY 2013-14 through 2015-16 was prepared in response to AB 1532 (Perez, 2012), which required the Department of Finance (DOF), in cooperation with the CARB, to develop a three-year expenditure plan. The CARB plan focuses on three key sectors:

1) Sustainable communities and clean transportation,
2) Natural resources & waste diversion, and
3) Energy Efficiency & Clean Energy.

Of these three project categories, transportation receives the largest (albeit unspecified) share. However, the plan itself doesn't specify or control the level of funding provided to any specific category — nor require that a category deemed eligible receive any funding at all. As stated in the plan itself, "Ultimately, the Governor and the Legislature will decide which programs will be funded and the level of funding, consistent with the final investment plan."

See attachment 1 for the Sustainable Communities & Clean Transportation program summary.

MTC staff will continue to advocate for the structure contained in AB 574, while also working closely with the Administration to develop a structure that supports statewide transportation needs. We intend to return to this committee for action in the coming months when the outline of the final legislative package begin to emerge.

Steve Heminger

Attachment
J:\COMMITTE\Legislation\Meeting Packets\Legis2013\05_Legis_May2013\4a_AB574.doc

Sustainable Communities and Clean Transportation

Sustainable Communities Strategies (SCS) Implementation* (Subset to benefit disadvantaged communities – 25%)	
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Description:	Provide funding to: 1. *Livable Communities* (SB 375): Funding to increase transit mode share through focused transit expansion and ridership programs, transit-oriented development, and complete streets investments. Investments will achieve mode shift through focus on achieving SB 375 land-use strategies and similar outcomes in rural areas of the State not covered by SB 375 plans. Funding allocated to regions for sub-allocation according to State guidelines and performance criteria. 2. *Rail Modernization*: Funding for infrastructure investments in high-speed rail, conventional passenger rail, and local mass transit that maximize system integration and increase rail and transit trips. 3. *Infrastructure* (SB 391): Funding for infrastructure for smooth/GHG pavements, complete streets, ramp meters/traffic management. 4. *Active Transportation*: Competitive programs at the State and regional level to increase bike and pedestrian trips, including supporting infrastructure.
State Agencies:	Strategic Growth Council (SGC) Business, Transportation and Housing (BTH): California Department of Transportation (Caltrans), California Department of Housing & Community Development (HCD), High-Speed Rail Authority (HSRA) California Transportation Commission (CTC)
Existing Programs (Agencies):	Intercity Rail Program (CTC/Caltrans) High-Speed Rail Program (HSRA) State Transportation Improvement Program (CTC) Bicycle Transportation Account and Safe Routes to School (Caltrans) Transit Oriented Development Housing Program (HCD) Sustainable Communities Planning Grant & Incentive Program (SGC)
Recipients:	Public Transit: Local governments, Transit operators Transit-oriented development: Private and non-profit developers; Local governments and transit agencies Rail Modernization: Public operators, Rail owners (public and private) Infrastructure (SB 391): Caltrans Active Transportation: Local governments

* These projects should be funded in regions and communities that have done the coordinated planning to develop a Sustainable Communities Strategy – if the region is required to do so by SB 375, the Strategy must also be approved by ARB as meeting the assigned GHG reduction targets.

Sustainable Communities and Clean Transportation

Sustainable Communities Strategies (SCS) Implementation* (Subset to benefit disadvantaged communities – 25%)	
Page 2 of 2 for this program area	
How Funding Could be Used:	To support this coordinated investment package, agencies and departments will consider criteria being developed by SGC for sustainable infrastructure investments in making subsequent discretionary allocations after the criteria are finalized. *Livable Communities*: CTC, SGC, Caltrans, and HCD would coordinate to provide program oversight and develop program criteria. The program criteria will include qualification requirements, eligible projects, funding distribution formula, etc. Once the program is developed, the CTC would act as administering agency programming and allocating funds with program oversight by Caltrans and HCD as implementing agencies, and program evaluation including local land use analysis through the SGC. HCD would act as the implementing agency for low-income TOD housing projects. Regions would have to demonstrate adherence to SB 375 plan or funding would be redistributed to others. *Rail Modernization*: In consultation with BTH, CTC and HSRA would act as administering agencies. They would coordinate to provide program oversight and develop program criteria, and each would act as an administering agency and approve related programs as applicable. *Infrastructure*: CTC would act as the administering agency and would coordinate with Caltrans to provide program oversight and develop program criteria, determine funding distributions, and allocate funds to projects. Caltrans would act as implementing agency. *Active Transportation*: CTC would act as the administering agency and would provide program oversight. Caltrans would act as implementing agency for the program. Half of the funding could be distributed through a population-based formula to regions and half through statewide competitive programs.
Disadvantaged Communities Approach:	The current transit-oriented development housing program already requires that a minimum percentage of units be restricted for low-income households and HCD could modify their criteria to incorporate a scoring preference for projects located in disadvantaged communities. For other programs, at a minimum, 10% of the funds could be set aside for projects located in disadvantaged communities.

* These projects should be funded in regions and communities that have done the coordinated planning to develop a Sustainable Communities Strategy – if the region is required to do so by SB 375, the Strategy must also be approved by ARB as meeting the assigned GHG reduction targets.

Sustainable Communities and Clean Transportation (continued)

Develop Plans for Sustainable Communities Strategies* (Subset to benefit disadvantaged communities – 50%)	
Description of Potential Investment:	Provide competitive grants to help local agencies (e.g., cities, counties, MPOs) develop and implement local Sustainable Communities Strategies plans.
State Agencies:	Strategic Growth Council (SGC) and California Department of Conservation (DOC)
Existing Programs (Agencies):	Sustainable Communities Planning Grant and Incentive Program (or SCPGI), (SGC/DOC)
Recipients:	Local/regional agencies (e.g., cities, counties)
How Funding Could be Used:	SGC would provide oversight and develop program criteria to distribute competitive grants through the existing SCPGI program, while DOC would continue acting as the implementing agency. Grants could either be issued from the State directly to local and/or regional governments or through State-managed block grants to regional entities. Regional collaboration between multiple MPOs (for example, the San Joaquin Valley) could receive additional consideration.
Disadvantaged Communities Approach:	The current SCPGI program requires a dedicated set aside for projects that serve economically disadvantaged communities, which has resulted in 29% of grants being awarded to those communities. SGC could modify their criteria to ensure that set aside funds meet the SB 535 requirements for disadvantaged communities. Based on prior experience, SGC expects to exceed the minimum SB 535 percentages for projects located in disadvantaged communities. At a minimum, 10% of the funds could be set aside for projects located in disadvantaged communities.

* These projects should be funded in regions and communities that have done the coordinated planning to develop a Sustainable Communities Strategy – if the region is required to do so by SB 375, the Strategy must also be approved by ARB as meeting the assigned GHG reduction targets.

Sustainable Communities and Clean Transportation (continued)

Low-Carbon Freight Transport and Zero-Emission Passenger Transportation (Subset to benefit disadvantaged communities – 50%)	
Description of Potential Investment:	Provide funding to: 1. *Freight*: Provide competitive grants to assist with the development, demonstration, and/or deployment of zero-emission and near-zero-emission heavy-duty vehicles and equipment for low-carbon freight transport (e.g., trucks, locomotives, ships-at-berth, harbor craft, cargo handling equipment, transport refrigeration units) 2. *Passenger vehicles*: Provide first-come, first-served rebates or vouchers to assist with the purchase of zero-emission and near-zero-emission passenger cars and transit buses 3. *Charging/fueling infrastructure*: Provide competitive grants to fund infrastructure to support low-carbon freight transport and zero-emission passenger transportation
State Agencies:	Air Resources Board (ARB) California Energy Commission (CEC)
Existing Programs (Agencies):	AB 118 Air Quality Improvement Program (ARB) AB 118 Alternative and Renewable Fuel and Vehicle Technology Program (CEC);
Recipients:	Individuals; public fleet owners (e.g., State, counties, cities, school districts); Non-profit organizations; Private fleets or entities (e.g., distribution center operators, fuel vendors); Ports; Railroads
How Funding Could be Used:	ARB or CEC could provide oversight and develop criteria to distribute incentives through the AB 118 program or a program modeled after AB 118. ARB, CEC, or a project administrator could process the rebates, vouchers, and grants. Recipients and contractors could implement projects
Disadvantaged Communities Approach:	At a minimum, 10% of the funds could be set aside for projects located in disadvantaged communities.