Agenda Item No. 4

METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Equity and Access Subcommittee DATE: July 2, 2014

FR: Pam Grove

RE: Cap and Trade Funding Program Disadvantaged Communities Definition

The July 11 Legislation Committee agenda includes an update on the FY 2014-15 state budget. The key changes in the transportation portion of the state budget revolve around the Cap and Trade program. Legislation enacted as part of the budget through a so-called trailer bill (Senate Bill 862) calls for varying percentages of the funds to be invested in a manner that benefits disadvantaged communities.

The California Environmental Protection Agency is tasked with determining how "disadvantaged communities" are defined. The proposed definition, which is based on a method known as the CalEnviroScreen, omits many of MTC's Communities of Concern and the Air District's Care Communities.

Senior Legislative Analyst Rebecca Long will attend your meeting on July 9 to explain the differences in the definition, update the subcommittee on potential changes MTC and the Air District have proposed, hear the subcommittee's thoughts and suggestions, and update you on next steps in the process.

I have attached the state budget materials that will be included in the Legislation Committee packet for your review.

Attachments

Attachment 1: Legislation Committee State Budget Update
Attachment 2: ARB FY 2014-15 Clean Vehicle Funding Plan
Attachment 3: Cap & Trade Funding Summary for Bay Area Transportation
Attachment 4: Cap & Trade Transportation Program Overview
Attachment 5: Disadvantaged Communities Definition Comparison Table
Attachment 6: Disadvantaged Communities Definition Comparison Map

Agenda Item 4a

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Memorandum

TO: Legislation Committee

DATE: July 3, 2014

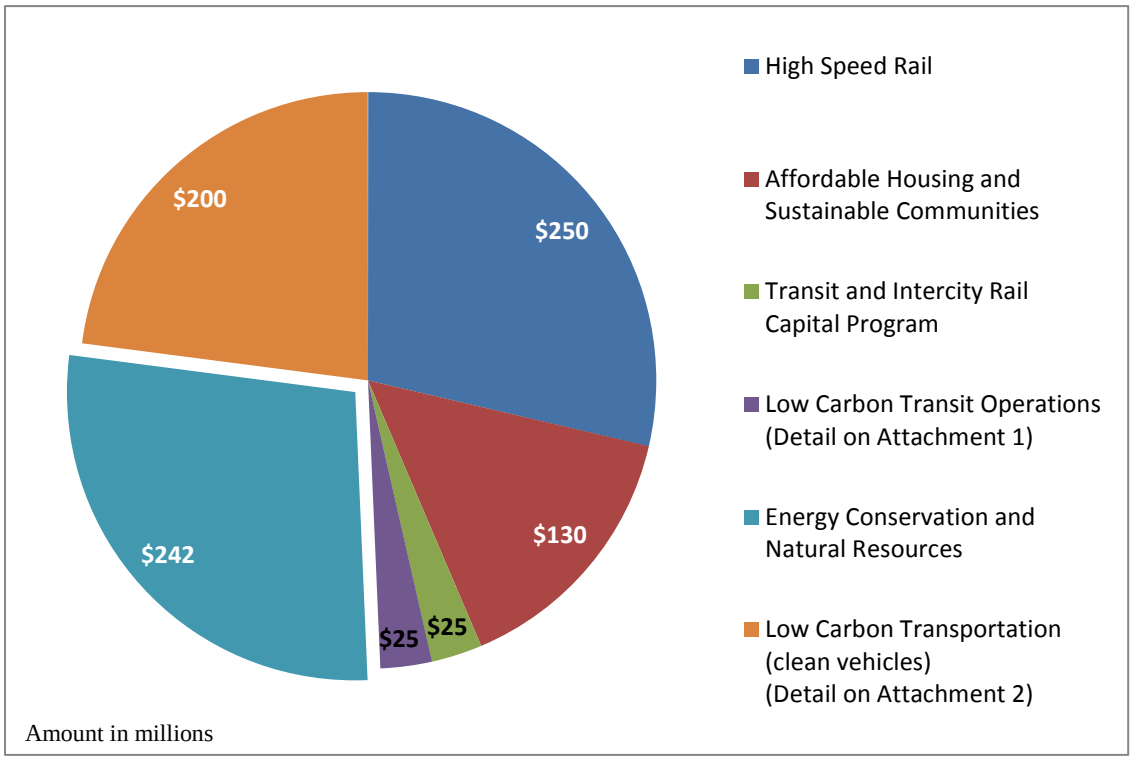
FR: Executive Director

W. I. 1131

RE: FY 2014-15 State Budget Summary

The State Budget was enacted on June 20, 2014. Most importantly, the FY 2014-15 State Budget agreement created a long-term increase in transportation funding resulting from the state's Cap and Trade program. In the FY 2014-15 budget year, Cap and Trade funding totals $872 million in the following categories and amounts:

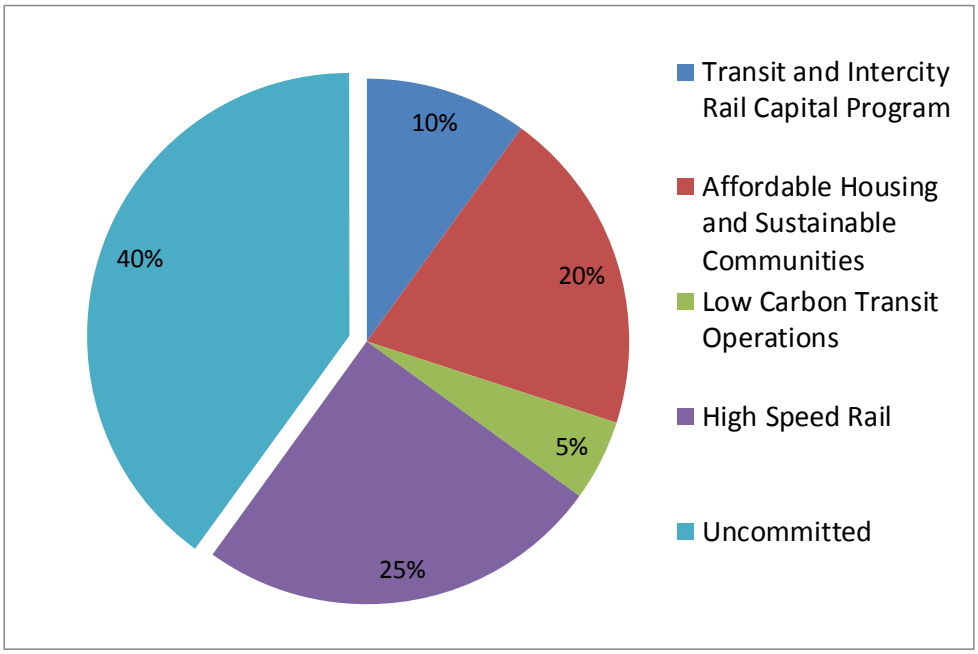
Figure 1: Cap and Trade Funding in FY 2014-15 State Budget



Long-Term Cap and Trade Funding

In addition to appropriating $872 million in total Cap and Trade funding in FY 2014-15, the Legislature also enacted Senate Bill 862 — a so-called "trailer bill" — that provides a long-term framework to Cap and Trade funding. Specifically, SB 862 appropriates to transportation and housing programs 60 percent of future Cap and Trade funds beginning in FY 2015-16, as shown on page 3. The programs largely mirror those funded in FY 2014-15, except the Low Carbon Transportation Program— which received $200 million in FY 2014-15 — has no commitment of future year funding. Attachment 3 provides a detailed summary of each program and which state agency is responsible for distributing the funds and adopting guidelines for the program.

Figure 2: Long-Term Cap and Trade Funding



Implementation Issues

While there are only three new permanent transportation-related programs for which Bay Area local jurisdictions and transit operators may apply, SB 862 mandates *five* new administrative processes that will influence how projects are selected and how the requirements to meet disadvantaged community targets are to be achieved, as shown below.

Development of Program Guidelines

Program/Policy	Responsible Agency	Public Comment
Identification of Disadvantaged Communities	California Environmental Protection Agency (CalEPA)	At least one public workshop
Funding Guidelines for Meeting Disadvantaged Communities Targets	California Air Resources Board (ARB), in consultation with CalEPA	Public input prior to final guidelines
Transit Capital and Intercity Rail Program	California State Transportation Agency	At least two public workshops on draft guidelines
Low Carbon Transit Operations Program	Caltrans, in coordination with ARB	Not specified
Affordable Housing and Sustainable Communities Program	Strategic Growth Council, in coordination with member agencies "and other state entities, as needed"	At least two workshops; one in northern and one in Southern California

Ensuring Cap and Trade Program Benefits Disadvantaged Communities

Details related to how these new programs will operate will be worked out through guidelines adopted by the agencies responsible for implementing each program, after public review and comment. A key issue will be how the guidelines address requirements related to the share of funds that must benefit "disadvantaged communities" (DCs). SB 535 (DeLeòn, 2012) requires that 25 percent of Cap and Trade funds be invested in a manner that benefits DCs, while 10 percent must be spent in those communities. SB 862 builds on this framework and provides program-specific targets for the share of funds that must benefit DCs, but does not require a specific share to be spent "within" DCs.

How "disadvantaged communities" are defined shall be determined by the California Environmental Protection Agency (CalEPA), pursuant to SB 535. CalEPA has developed a methodology known as the CalEnviroScreen (currently under revision as version "2.0"). This method takes into account various factors that are not included in MTC's Communities of Concern definition or the Bay Area Air Quality Management District's "CARE" communities, as shown in Attachment 4.

For the purpose of defining DCs for Cap and Trade funding, CalEPA intends to rank census tracts on the basis of those whose CalEnviroScreen score falls in the top 20% statewide (where a higher score indicates greater disadvantages). Only 46 Bay Area census tracts, home to 214,000 people, fall into this category — equivalent to less than 3 percent of the Bay Area's total population (7.1 million) and less than 3 percent of the total statewide population living in disadvantaged communities (7.4 million). The county distribution of these census tracts is shown below.

Bay Area Counties in Top 20% CalEnviroScreen 2.0 Census tracts

County	Census tracts	Population
Alameda	14	50,952
Contra Costa	12	61,450
San Francisco	1	3499
San Mateo	1	7,327
Santa Clara	17	81,995
Solano	1	8,423
Total	**46**	**213,646**

Source: CalEPA, http://oehha.ca.gov/ej/ces2.html

Attachment 5 illustrates the mismatch between the Bay Area's Communities of Concern, the Air District's Care communities and the CalEnviroScreen factors and criteria. As noted above, SB 862 added a new requirement that CalEPA hold at least one public workshop prior to the identification of DCs, so there will be at least one more opportunity to recommend a different approach. SB 862 also requires the Air Resources Board (ARB) to develop funding guidelines for how agencies administering Cap and Trade funding should "maximize benefits for disadvantaged communities" and to provide an opportunity for public input.

On a positive note, SB 862 does not distribute any Cap and Trade funds on the basis of a region's share of DCs (3 percent for the Bay Area) and makes clear that the proposed DC targets are required to be met on a programmatic basis statewide, not within each region. This flexibility will hopefully ensure that high-priority, cost-effective greenhouse gas reduction projects that serve Communities of Concern, CARE communities, and other Bay Area communities will still compete well statewide.

Strategic Growth Council Proposal Would Delegate Primary Administration to HCD

At a meeting on July 10, 2014 the Strategic Growth Council will discuss a staff recommendation to distribute the Affordable Housing and Sustainable Communities (AHSC) funds into two categories, with the majority (exact amount is unspecified) of funds to be administered by the Department of Housing and Community Development (HCD) for "compact, infill and transit-oriented development and associated infrastructure," while the remainder would be used for a proposed "Sustainable Communities Agricultural Land Protection Program," administered by the California Natural Resources Agency or the California Department of Conservation. The proposal states that HCD implemented a $300 million TOD-housing program funded by Proposition 1C (2006) as well as the Infill Infrastructure Grant Program and is therefore well positioned to work as "the administrative center for most elements of the AHSC Program."

Other Transportation Elements of FY 2014-15 State Budget

In addition to Cap and Trade, there were a number of other notable transportation items in this year's budget, including the following appropriations:

- $793 million for the final installment of transit capital funding from Proposition 1B's Public Transit Modernization and Service Enhancement Account, including approximately $236 million for Bay Area transit projects selected as part of the region's Proposition 1B funding plan.

- $227 million in a General Fund loan repayment to the State Highway Account (SHA) for pavement rehabilitation and traffic mobility projects in the State Highway Operations and Protection Program (SHOPP).
- $242 million for cities and counties for local street and road funding above the baseline gasoline tax subvention funding. This includes $100 million from a General Fund loan repayment and $142 million in gas tax that should have been distributed to cities and counties for local streets and roads but was inadvertently deposited in the State Highway Account by the State Controller.
- $100 million from the General Fund for affordable housing, including $50 million for the Multifamily Housing Program and $50 million for the Multifamily Housing Program's supportive housing projects.

Minor Reduction in Caltrans Staffing for Capital Outlay Support

The budget also reduces Caltrans staffing costs for engineering, design and construction oversight activities by $22 million (195 positions) to reflect a reduction in funding available for new projects now that Proposition 1B and federal stimulus funding has been exhausted. It is worth noting that the Legislative Analyst's Office issued a report in May 2014 which stated that the Governor's budget provided Caltrans with 3,500 more capital outlay support staff than needed given available funding for new capital outlay projects, at a cost of $500 million per year. They recommended a reduction of 1,750 personnel years in the FY 2014-15 State Budget as an initial step to bringing staffing in line with project resources.

Next Steps

Staff is in the process of evaluating MTC's adopted Cap and Trade Funding Framework, MTC Resolution No. 4130, against SB 862's programs and project eligibility categories. We will return to the Commission in the fall with recommended next steps for implementation. Implementation will be informed by the guideline development processes of the various lead agencies.

Steve Heminger

SH: RL
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Clean Vehicle Funding Administered by Air Resources Board
FY 2014-15 Funding Plan

The Air Resources Board adopted the following investment plan on June 26, 2014 for the Low Carbon Transportation Program.

Dollars in millions	**Air Quality Improvement Program**	**Low Carbon Transportation Program**	
Project Types	**$4 Smog Abatement Fee**	**Cap & Trade Funding**	**Percentage of Funds to Benefit Disadvantaged Communities**
Light Duty Vehicle Projects			
Clean Vehicle Rebate Project (CVRP)	$5	$111	10%
Pilot Projects in Disadvantaged Communities		$9	100%
Heavy Duty Vehicle and Equipment Projects			
Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP)	$5	$5-10	100%
Zero Emission Truck and Bus Pilots	$10	$20-$25	100%
Advanced Technology Freight Demonstrations	$0	$50	100%
Truck Loan Assistance Program	$10		
Total	$20	$200	50% = $100

Clean Vehicle Rebate Project Incentives for FY 2014-15:

$1,500 for plug-in hybrid electric vehicles

$2,500 for battery electric vehicles

$5,000 for fuel cell vehicles.

Source: http://www.arb.ca.gov/board/ma/2014/ma062614.pdf

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Attachment 1

Cap and Trade Funding for S.F. Bay Area Transportation in FY 2014-15

	Fiscal Year 2014-15
State-Administered Competitive Programs	
Sustainable Communities (Includes transportation & affordable housing, split 50/50)	**$ 130,000,000**
Transit Statewide Competitive Program	**$ 25,000,000**
Low Carbon Transportation (*Clean Vehicles*)[1]	**$ 200,000,000**

	Fiscal Year 2014-15
Transit Formula Program[2] *(Statewide Amount)*	**$ 25,000,000**
San Francisco Bay Area Total	**$ 9,306,250**
Revenue-Based Funds[3]	**$ 6,893,750**
Population-Based Funds	**$ 2,412,500**
SFMTA	$ 2,335,980
BART	$ 1,867,003
Santa Clara VTA	$ 834,322
AC Transit	$ 652,051
Caltrain	$ 347,828
Golden Gate Transit	$ 311,795
SamTrans	$ 290,238
ACE	$ 28,765
CCCTA	$ 40,277
City of Dixon	$ 323
ECCTA	$ 17,177
City of Fairfield	$ 8,064
City of Healdsburg	$ 51
LAVTA	$ 19,252
NCPTA	$ 3,144
City of Petaluma	$ 1,706
City of Rio Vista	$ 401
City of Santa Rosa	$ 8,719
Solano County Transit	$ 20,530
Sonoma County Transit	$ 10,062
City of Union City	$ 3,027
VTA - Corresponding to ACE	$ 16,281
WCCTA	$ 22,377
WETA	$ 70,657

Notes

1) Pursuant to funding plan to be adopted on June 26, 2014 by Air Resources Board. Proposed plan can be found at this URL:

http://www.arb.ca.gov/msprog/aqip/fundplan/fy1415_funding_plan_aqip_ggrf_final.pdf

2) Pursuant to SB 862, Statutes of 2014, 5 percent of annual Cap and Trade Revenue will be disbursed by the State Transit Assistance formula pursuant to Public Utilities Code 99313 and 99314

3) Operator shares for FY 2014-15 are based on State Transit Assistance shares from State Controller's 2013-14 3rd Quarter payment, which were used in the 2015 Fund Estimate. Individual operator shares vary annually based on each operator's share of statewide qualifying revenue, including fares as well as local funds. Future revenue scenarios are based on a December 2013 ICF International Study, "Modeling the Economic Impacts of AB 32 Auction Proceeds Investment Opportunities "

Cap & Trade Transportation Program Overview Pursuant to SB 862 (Chapter 36, Statutes of 2014)

Program	**Who Administers/ Who Selects Projects?**	**Project Eligibility**	**Disadvantaged Community Target**
Affordable Housing and Sustainable Communities Program **20% of Cap & Trade Revenue** ***(at least half dedicated to affordable housing)***	Strategic Growth Council (in coordination with MPOs and other regional agencies)	• Affordable housing that supports infill and compact development • Transit capital and programs "supporting transit ridership" • Active transportation projects (infrastructure & non-infrastructure) • TOD projects • Capital projects that implement complete streets • Projects that reduce GHG emissions by reducing auto trips and VMT • Acquisition of easements or other approaches to protect agricultural lands under threat of development • Planning to support SCS implementation, including local plans • Must be in draft or adopted SCS. • Subject to guidelines to be released in draft 30 days prior to at least two public workshops.	≥ 50% of funds should benefit DCs

Transit and Intercity Rail [and Bus] Capital Program **10% of Cap & Trade Revenue**	California State Transportation Agency reviews and scores projects & develops program guidelines. California Transportation Commission allocates funds.	• Rail capital • Bus rapid transit and other bus investments to increase ridership and reduce GHGs • Service improvements that improve reliability and decrease travel times • Integrated ticketing and scheduling systems, shared-use corridors, related planning efforts and service integration initiatives • Must be consistent with SCS • Subject to guidelines to be released in draft 30 days prior to at least two public workshops.	≥ 25% of funds should benefit DCs
Low Carbon Transit Operations Program **5% of Cap & Trade Revenue**	Operator (or regional transportation planning agency for population-based funds) must submit project to Caltrans for approval and verification that it qualifies as a GHG reducing project. Controller allocates funds.	Transit capital and operating expenses that enhance transit service and reduce GHG emissions Support new or expanded bus or rail services, or expanded intermodal facilities and equipment, fueling and maintenance for those facilities.	≥ 50% of funds should benefit DCs
High Speed Rail **25% of Cap & Trade Revenue**	High Speed Rail Authority	• Acquisition and construction • Environmental review and design • Other capital costs • Repayment of loans made to the authority	NA

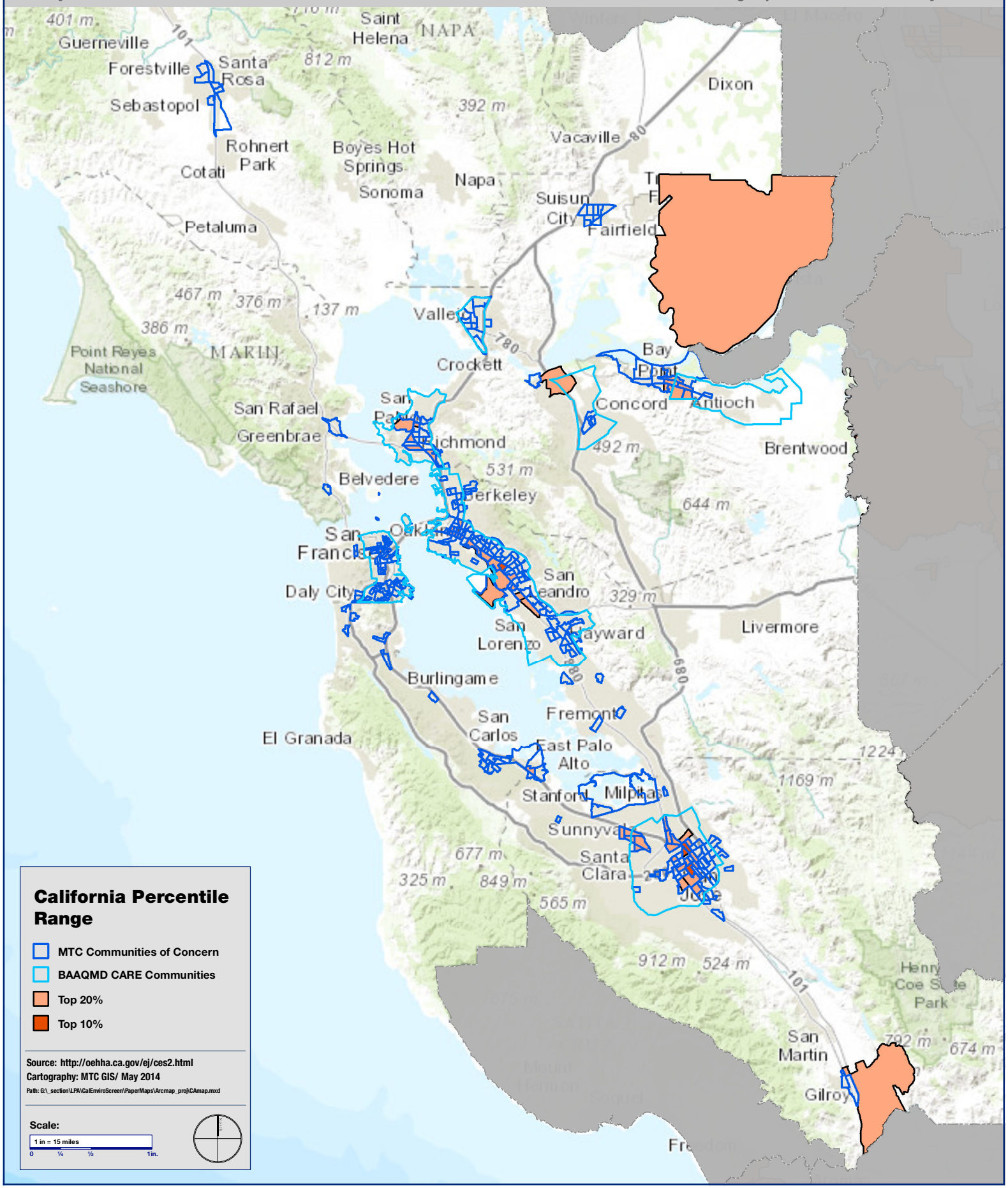
Comparison of CalEnviroScreen 2.0 with S.F. Bay Area Regional Approaches to Identifying "Disadvantaged Communities"

Cal EnviroScreen 2.0	MTC Communities of Concern			BAAQMD CARE Communities
Pollution Burden	**Disadvantage Factor**	**% Regional Population**	**Concentration Threshold**	**Air Quality**
Ozone concentrations	Minority population	54%	70%	PM 2.5 concentrations
PM 2.5 concentrations	Low Income (< 200% of federal poverty level) population	23%	30%	Ozone
Diesel PM emissions	Limited English Proficiency Population	9%	20%	Toxic Air Contaminants
Drinking water quality	Zero-Vehicle Households	9%	10%	**Health Records**
Pesticide use	Seniors aged 75 and over	6%	10%	Death rates
Toxic releases from facilities	Population with a disability	18%	25%	ER visits
Traffic density	Single-parent families	14%	20%	Hospital admissions
Cleanup sites	Rent-burdened households	10%	15%	
Groundwater threats				
Hazardous waste				
Impaired water bodies				
Solid waste sites and facilities				
Population Characteristics				
Children & elderly				
Asthma emergency dept. visits				
Low birth weight births				
Educational attainment				
Linguistic isolation				
Poverty				
Unemployment				

Note: MTC's Communities of Concern are defined as census tracts having concentrations ≥4 of the factors listed above, or having concentrations of both low-income and minority populations.

Comparison of CalEnviroScreen 2.0 with MTC "Communities of Concern" and Air District "CARE Communities"

Metropolitan Transportation Commission
Planning , Financing and Coordinating
Transportation for the nine-county
San Francisco Bay Area

Analytical Services

Geographic Information Systems