

GREENHOUSE GAS REDUCTION FUND



Interim Guidelines for LOW CARBON TRANSIT OPERATIONS PROGRAM

DRAFT

AUGUST 2015

Greenhouse Gas Reduction Fund

Low Carbon Transit Operations Program

EXECUTIVE SUMMARY

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862 (SB 862). 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 (DAC). Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project required to reduce greenhouse gas emissions. For agencies whose service area includes DAC, at least 50 percent of the total moneys received shall be expended on projects that will benefit DAC. Senate Bill 852 (Statutes of 2014) appropriated \$25 million for LCTOP for 2014-15 and will continuously appropriate five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund (GGRF) for LCTOP beginning in 2015-16.

This document provides guidance to eligible recipients for the processes and timelines to request funds for transit projects that meet the criteria established in SB 862. These guidelines are consistent with the guidance provided by the Air Resources Board and have been reviewed and updated based on experience from the first fiscal year of the program.

Senate Bill 862 establishes the LCTOP as a formulaic program instead of a state-level competitive program. Per Section 39719 of the Health and Safety Code, funds will be distributed by formula based on prior use of State Transit Assistance funds and is divided in two equal parts. One half is available for regional entities and is based the ratio of population of the area under its jurisdiction to the total population of the state. The other half is based on total revenue of each jurisdiction during the prior fiscal year to the total revenue of all the operators of the state. By using this formula the program ensures all eligible transit providers receive a share of the program funds. The California Department of Transportation (Caltrans) is responsible for ensuring that the statutory requirements of the program are met in terms of project eligibility, greenhouse gas reductions, disadvantaged community benefits, and other requirements of law. Caltrans will require agencies to report on their compliance with the statutory requirements. As a formulaic program, local agency recipients are responsible to ensure projects selected provide maximum public benefits. As such, recipients are strongly encouraged to select those projects that maximize public benefits for transit ridership, greenhouse gas reductions, disadvantaged community benefits, and other co-benefits. Recipient agencies are encouraged to work closely with their Metropolitan Planning Organizations, Regional Transportation Planning Agencies, local governments, and affected communities, to achieve co-benefits including but not limited to encouragement of infill development, low-income housing, protection of DAC from displacement, active transportation benefit, and other environmental and health benefits. Caltrans may require reporting on

project co-benefits, not for eligibility analysis but to gauge the effectiveness of the overall program. This program will be administered by Caltrans in coordination with Air Resources Board (ARB) and the State Controller's Office (SCO).

HISTORY

Assembly Bill 32 (AB 32), the California Global Warming Solutions Act of 2006, took a long-term, comprehensive approach to addressing climate change and its effects on the environment and natural resources. AB 32 required California to reduce greenhouse gases to 1990 levels by 2020, and to maintain and continue reductions beyond 2020. The Air Resources Board (ARB) was directed to be the lead agency to implement the law. ARB has adopted a Scoping Plan and, together with other State and local agencies, has developed and implemented numerous regulations and programs to reduce emissions to meet these goals. The Cap-and-Trade program is a key element of the Scoping Plan. In the Cap-and-Trade program, ARB places a limit, or cap, on GHG emissions by issuing a limited number of tradable permits (called allowances) equal to the cap. A portion of these allowances can be purchased from the State at a quarterly auction, thereby generating auction proceeds. The State portion of these proceeds is deposited in the GGRF where it is available for appropriation by the Legislature to further the purposes of AB 32.

The Sustainable Communities and Climate Protection Act of 2008 (SB 375) supports the State's greenhouse gas reduction goals through coordinated transportation and land use planning to encourage more sustainable communities. Metropolitan Planning Organizations are directed to develop "sustainable communities' strategy" as an integral part of their Regional Transportation Plan.

Passed in 2012, Senate Bill 535 (SB 535) requires GGRF investments in, and for the benefit of, DAC. The identification of "disadvantaged communities" is assigned to the California Environmental Protection Agency (CalEPA), and the ARB is responsible for developing funding guidelines that include a component for maximizing benefits to DAC.

As one of the programs established in the Transit, Affordable Housing, and Sustainable Communities Program by SB 862 in 2014, the Low Carbon Transit Operations Program will draw funds from the Greenhouse Gas Reduction Fund to support transit agencies in their efforts to increase transit ridership and further the greenhouse gas reduction goals of AB 32 and the associated regional greenhouse gas reduction goals of SB 375.

IMPLEMENTATION

Working with the California State Transportation Agency (CalSTA), Caltrans participated in workshops to gather input from local agencies and the public to help develop the guidelines. Input from these workshops has been an integral part of the development of these guidelines. LCTOP Guidelines include a suggested list of eligible projects developed by ARB and Caltrans that are expected to meet statutory requirements until a greenhouse gas quantifications method is available. Once established, agencies will be able to report on the reductions achieved by their projects. The funding guidelines being developed by ARB will include information on quantification of greenhouse gas reductions, other co-

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benefits, and documentation of benefits. After the LCTOP Guidelines are updated, Caltrans will invite eligible transit agencies to submit expenditure proposals for Caltrans review. Caltrans, in consultation with ARB, will determine whether those proposals are eligible for funding before authorizing the SCO to release funds to the project leads.

The following LCTOP Guidelines describe the process that recipient transit agencies must follow to qualify and receive their share of the Fund. These funds are available to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving DAC.

In Fiscal Year 2014-15, the Budget Act appropriated \$25 million to the Low Carbon Transit Operations Program from the Fund. Agencies submitted their projects and worked with Caltrans and ARB to make sure their projects were eligible and met the requirements of the law. Caltrans submitted 95 eligible projects for funding to the SCO. The funds were distributed to agencies prior to June 30, 2015, with 68 projects benefiting DAC.

In subsequent years the State Controller will provide the list of recipient shares of funds based on an estimate of the upcoming sale of allowances that go to the GGRF. In Fiscal Year 2015-16 it is anticipated that the estimate will be \$100 million. It is assumed that the available funds will continue to increase over the next few years, providing substantial opportunities to expand transit services and reduce greenhouse gas emissions.

Application Process Summary

The Project Lead must complete the following steps to apply for LCTOP funds:

- 1) **Establish Agency’s eligibility to receive LCTOP funds**
 - a) Check SCO distribution list, Agency must be on list
- 2) **Select project and check that it meets the following eligibility requirements:**
 - a) Greenhouse gas emission reduction (see criteria in Attachment A, Eligible Projects)
 - b) Disadvantaged Community benefits, including map (see criteria in Attachment B, Disadvantaged Communities criteria)
 - c) Increased mode share – define how project will increase transit ridership.
 - d) Project fully funded, provide a full funding plan (total project cost and fund sources, including LCTOP funds).
- 3) **Complete the following required documents:**
 - a) **Authorized Agent form** – document identifying the staff who are authorized to sign documents to represent the agency. Use Caltrans form (available on line). Agent must be approved by Board and documentation submitted with form.
 - b) **Certifications and Assurances form** – self-certification that the agency will meet all requirements of the LCTOP guidelines, including reporting deadlines. Use Caltrans form (available on line), must be Board approved and documentation submitted to Caltrans.
(Note: a) and b) may be listed on the same Board Resolution)
 - c) **Allocation Request form** – this provides a full description of the project and how it meets the eligibility criteria (directions to complete this form are available as Attachment C, and also available on line). Use Caltrans form (available on line). Form includes a detailed project description, greenhouse gas reduction documentation, disadvantaged community benefit (if applicable), a project map, and a project schedule. Each project must have a separate Allocation Request form.
 - d) **Project Funding Plan** – itemizes all fund sources for full project costs (form available online).
 - e) **Board Resolution** – publicly adopted document indicating approval of project, including the amount of LCTOP funds requested, a description of the project, and the contributing sponsors.
- 4) **Allocation Request form Submittal** -- The signed original form (including the Board Resolution approving the project) must be mailed to:

LCTOP Program
California Department of Transportation
Division of Rail and Mass Transportation, MS #39
P.O. Box 942874
Sacramento, CA 94274-0001

A scan of the form may be e-mailed to lctopcomments@dot.ca.gov, but a signed original must follow by mail. Agencies who fail to submit revisions made to the Allocation Request form as requested by Caltrans staff and/or are delinquent in other required reports and submittals will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.

Roles and Responsibilities – Caltrans and Partner Agencies

1. Caltrans

- Administering agency for this program.
- In coordination with the ARB, updates the guidelines for the LCTOP, defining the criteria for project eligibility and reporting requirements.
- Establish and manage the schedule for the allocation process.
- Provide assistance and guidance to local agencies in preparing their requests for funds.
- Evaluate agencies' requests for funds, reviewing projects with ARB for their concurrence for approval of the project.
- Submit the list of approved projects to SCO for release of funds to project lead agencies.
- Monitor the progress of projects through reporting requirements and communication with project lead agency.
- Review project completion through documentation from project lead agency.
- Conduct spot audits and on-site monitoring as needed.
- Prepare annual program report for the Legislature.
- Prepare LCTOP program reports to submit to ARB for the following reports:
 - Project Profile, submitted once a year between Dec. 1 and Jan. 15
 - End of Year Report, submitted once a year between Dec. 1 and Jan. 15
 - Project Closeout, submitted once between Dec. 1 and Jan. 15, after the completion of the project
 - Phase 2 Reporting, periodical reports to update benefit status, volume and timing is yet to be determined.

2. Air Resources Board (ARB)

- Develop the methodology for quantification and reporting of greenhouse gas reductions and other co-benefits, as well as provide guidance to the State agencies administering the auction proceeds.
- Adopt Funding Guidelines for Agencies that Administer California Climate Investments after public comment, review and revisions.
- Adopt the Second Investment Plan for investing auction proceeds in California's most disadvantaged communities, after public discussion and review.
- Coordinate with Caltrans to revise the guidelines for LCTOP.
- Work with Caltrans to determine the eligibility of the projects submitted by the Project Leads.
- Collect information on program status for the annual report to the Legislature and to provide program transparency.
- Collect data from administering agencies for multiple annual reports (Project Profiles, End-of-Year Report, Project Closeout, Follow-up Reporting, etc.)
- Manage the GGRF, in coordination with Department of Finance (DOF), and work with SCO to distribute GGRF moneys to administering agencies.

3. Strategic Growth Council (SGC)

- Review and coordinate the activities of member agencies of the council for each program under the Affordable Housing and Sustainable Communities Program.
- Review the grant guidelines of each program.

4. State Controller's Office

- Prepare a list of eligible recipients and the formulaic share of funds each is to receive in the state fiscal year, per the formula defined in PUC Sections 99313 and 99314. In 2015-16 and each fiscal year thereafter, the SCO shall notify eligible recipients of the estimated dollar level each will receive. Starting in 2015-16, the estimate of funding available for the fiscal year shall be based on the estimate provided to the SCO by Caltrans in consultation with the DOF.
- Allocate LCTOP funds to eligible recipients based on the list of expenditures approved by Caltrans. Caltrans, in coordination with ARB, will review the projects submitted by local agencies for compliance with the criteria established in law, then Caltrans will authorize SCO to release the funds.

5. Department of Finance

- Upon enactment of the annual budget, DOF will consult with Caltrans to provide information on the amount of auction proceeds reflected in the budget for the fiscal year.

Roles and Responsibilities – Recipient Agencies

1. Eligible Recipients (eligible recipients are entities included in the list provided by the State Controller's Office and are qualified by Public Utilities Code (PUC) 99313 and 99314)

- An amount shall be allocated by the Controller to each transportation planning agency and county transportation commission, and the San Diego Metropolitan Transit Development Board. Computed share of funds is based on the ratio of the population of the area under its jurisdiction to the total population of the state (PUC 99313).
- A transit operator, including a transportation planning agency, a county transportation commission, or the San Diego Development Board, that is eligible for State Transit Assistance funds per PUC 99314, is eligible for allocations from the GGRF for this program. The allocation share is determined by formula based on the ratio of the revenue of the transit operator's jurisdiction to the total revenue of all operators in the state.
- After receipt of funds, transit agencies are responsible for ensuring that the funds are only applied to approved LCTOP expenditure proposals in accordance with the LCTOP Guidelines.

2. Project Lead and Contributing Sponsor

Project Lead

- The project lead is an eligible recipient of LCTOP funds that is responsible for the application for funds and the implementation of the project. (Step-by-step directions are provided on Page 4 of these Guidelines, *Application Process Summary*.)

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- The project lead may receive funds from contributing sponsors that support the approved project. Project lead must ensure that the appropriate signatures are included with the Allocation Request from the contributing sponsors.
- The project lead is responsible for oversight and/or performance of all work from receipt of funding through completion of the project.
- The project lead receives all LCTOP funds directly from the SCO and is accountable for all reporting. If the regional entity (qualified under PUC 99313) elects to be identified as the project lead, they will be held responsible for providing all information required in progress and final reports, as directed by statute.
- Project lead is responsible for establishing a separate bank account for LCTOP funds.
- All project documentation (i.e., Reports, Transportation Development Act Audits, Corrective Action Plans, Reassignment of GGRFs requests, Final Reports, and any additional information needed in case of an audit) is the responsibility of the project lead.

Contributing Sponsor

- The **contributing sponsor** is an entity that passes funds to the project lead to support a project. The contributing sponsor could be the regional entity (PUC 99313) passing their funds through to the local agencies within their jurisdiction or another transit agency (PUC 99314) within the same region that contributes funds to the project lead for a mutually beneficial project.
- If a contributing sponsor has a DAC within its jurisdiction, they may only contribute funds to another entity that contains a DAC within their jurisdiction and at least 50 percent of the transferred funds must benefit a DAC.
- If the regional entity (PUC 99313) has a DAC within one of its transit agencies, at least 50 percent of their funds transferred must benefit a DAC.
- The contributing sponsor is responsible for ensuring the project is completed as described in the Allocation Request form and is in compliance with all items included in the Certifications and Assurances document.
- Per SB 862, all recipient transit agencies must also comply with the funding guidelines being developed by ARB. These guidelines will include requirements for reporting, recordkeeping and other activities designed to provide accountability and transparency.

Project Eligibility Criteria (see Attachments A and B for details)

Per Public Resource Code 75230 (d) (1-3) funds shall be expended to provide transit operating or capital assistance that meets all of the following three criteria:

- Expenditures supporting 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.

- The recipient transit agency demonstrates that each expenditure directly enhances or expands transit service to increase mode share.
- The recipient transit agency demonstrates that each expenditure reduces greenhouse gas emissions.

Caltrans and ARB will evaluate the expenditure proposals to determine if they will provide greenhouse gas reductions, mode share increase, and if applicable, if it will benefit disadvantaged communities and if it is located within a disadvantaged community.

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. ARB has provided all agencies administering Fund monies with the guidance on how to incorporate these priorities in project criteria.

Greenhouse Gas Reduction criteria (See Appendix, Attachment A: Greenhouse Gas Reduction Requirement)

Quantification methodology will be provided by ARB and will be included as soon as possible. As an interim guide to comply with the greenhouse gas reduction requirement, ARB and Caltrans have provided a list of eligible projects determined to meet the statutory requirements of SB 862. See Appendix, Attachment A: Greenhouse Gas Reduction Requirement. Projects must fit into one of the categories in Attachment A. The category listed on the attachment must be included on the Allocation Request.

Disadvantaged Communities criteria (See Appendix, Attachment B: Disadvantaged Communities Requirement for details)

For transit agencies whose service areas include disadvantaged communities (DAC) as identified in Section 39711 of the Health and Safety Code, at least 50 percent of the total funds received shall be expended on projects or services that benefit the DAC. The California Environmental Protection Agency (CalEPA) has identified disadvantaged communities based on geographic, socioeconomic, public health, and environmental hazard criteria. Maps identifying the Disadvantaged Communities are available at:

<http://www.calepa.ca.gov/EnvJustice/GHGInvest/default.htm>. This process utilized CalEnviroScreen, a tool that assesses all census tracts in the State to identify areas disproportionately affected by multiple types of pollution and areas with vulnerable populations. Attachment B in the Appendix provides additional directions and guidance. A project must be included in one of the categories listed on Attachment B in order to meet the requirement of benefitting disadvantaged communities.

Certified Board Resolution for Project

Projects **must** be reviewed and publicly approved by the administrative board that directs the local agency. The resolution must include the amount of LCTOP funds requested, a description of the project, and the names of the Contributing Sponsors, if there are any. A sample Project Board Resolution is on our website for your use. This Project Board Resolution must be submitted with

the Allocation Request. The Project Board Resolution is in addition to the Board Resolution that approves the Authorized Agent and the Certifications and Assurances.

Development Plan (Component of project that has multiple sources and purposes)

If this transit project is part of a development project that is inclusive of multiple types of projects and funding (i.e., transit, development, housing, mixed land use, etc.), the LCTOP project must be able to be clearly identified for the purposes of reporting and tracking. Please supply a copy of the total development plan, of which the transit project is identified as an integral component.

Project Full Funding Plan

The project lead must provide a Total Project Cost and Funding Plan for the project that shows **all** fund sources (not just the LCTOP portion) needed to complete the project. **The Authorized Agent must sign the statement on the funding plan to assume all fiscal responsibilities.** If future year LCTOP funding is to be dedicated to the project, include those funds on the Total Project Cost and Funding Plan sheet as well. The form is available online.

Documentation (forms) for Allocation requests (see page 4 for a Summary of the Application Process)

The following documents are required to be submitted in order to request an allocation of funds:

- **Authorized Agent form** – The executive authority of an eligible recipient of LCTOP funds must submit to Caltrans a signed and dated Authorized Agent form that is Board Approved, identifying the agent who has the authority to act for the executive authority to submit the Allocation Request form and all reporting documents. If there is a change in the authorized agent, the eligible recipient must submit a new form. This form is required even when the authorized agent is the executive authority himself. This form must be Board approved. The form is available online.
- **Certifications and Assurances form** – Before submitting an Allocation Request, the eligible recipient must submit a self-certification that he/she will meet all requirements of the LCTOP guidelines, including reporting deadlines. Only allocation requests from agencies with a signed Certifications and Assurances document on file will be accepted. This form must be Board approved. The form is available online.
- **Board Resolution approving the Authorized Agent and the Certifications and Assurances forms.** You may combine the two items on one Board Resolution. A sample is available on the program website.
- **Board Resolution approving the Project,** including description and amount of LCTOP funds requested. A sample is available on the program website.
- **Allocation Request form** – Project leads must submit to Caltrans a description of the proposed transit expenditure or expenditures it intends to fund with the LCTOP allocation. A guide for this form is available as Attachment C in the Appendix. The LCTOP Allocation Request form is the basis for Caltrans' verification that the project is consistent with LCTOP project requirements. This document includes:

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- Identification of project sponsors (project lead and contributing sponsors)
- Signature page signed by project sponsors (must have an Authorized Agent form on file)
- A detailed summary of the project
- Useful life of the project (if it is a capital project)
- Detailed Description of the project's major benefits (details of how the project complies with requirements of improved mobility, increased mode share, greenhouse gas reduction, and benefits to disadvantaged communities, if applicable)
- Project Schedule for all relevant phases (allocations will only be made to fund phases or projects scheduled to start within six months of receipt of funds)

Any contributing sponsor(s) must also sign the Allocation Request form indicating the dollar amounts to be contributed, or provide a signed letter detailing this information. If there are multiple contributing sponsors, each sponsor must sign the Allocation Request indicating their respective portion of funds being contributed or submit a signed letter with the required information as described above.

Allocation Request form Submittal -- The signed original form (including the Board Resolution approving the project) must be mailed to:

LCTOP Program
California Department of Transportation
Division of Rail and Mass Transportation, MS #39
P.O. Box 942874
Sacramento, CA 94274-0001

A scan of the form may be e-mailed to lctopcomments@dot.ca.gov, but a signed original must follow by mail. Agencies who fail to submit revisions made to the Allocation Request form as requested by Caltrans staff and/or are delinquent in other required reports and submittals will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.

- **Corrective Action Plan (CAP)** – To change an approved allocated project, including any changes to the originally approved scope, schedule, or cost, the project lead must first obtain approval from Caltrans by submitting a CAP form. This must be done before the funds can be applied to any use other than the current project's approved scope of work. Funds may not be used on an alternate project until the CAP has been submitted and approved. If the funds are being applied to an alternate project, it must have an approved LCTOP Allocation Request on file. The CAP must indicate the current approved scope, funded amounts, and schedule in the "Original" column on the left. The revised scope, funding amounts, and schedule are to be listed in the "Revised" column on the right. If the scope of work changes the type or level of benefits, the changes must also be reflected in the benefit description.

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If a project has already undergone changes with previously approved CAPs, the current approved information should be entered in the “Original” column, rather than the information from the original allocation request. If the project schedule is being revised to reflect any delays or obstacles, an adequate justification must be given and the amended LCTOP project completion date must fall within the original Budget Act time limits.

All CAPs must have the Justification for Change box filled in. If a justification is not deemed adequate by Caltrans staff, the agency will be asked to provide a revised justification before the CAP is approved. The project change may not move forward until Caltrans has approved the CAP.

If it is found that an agency has begun spending funds on a task or project outside the approved scope of work prior to submitting a CAP or prior to Caltrans approval of the CAP, the agency will be placed on the list of high risk project leads. The State is entitled to recover any and all funds that are spent on any ineligible costs.

Upon receipt of the CAP, Caltrans has 30 days to review and approve/not approve the document. Agency may not proceed without Caltrans’ approval of the CAP.

Reporting Requirements – Project Reports (Project reports are the responsibility of the Project Lead)

Semi-Annual Progress Report

- Project leads 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. Project leads must notify Caltrans when allocated LCTOP funds have been encumbered and must provide completed and signed progress reports every six months until the approved project is completed, and the project final report has been filed.
- Reports will be on information accrued through the first quarter (March 30) and the third quarter (September 30). Reports will be due to Caltrans 45 days after the close of the first and third quarters. Due date for the first quarter report will be May 15 (data accrued through March 31), and the due date for the third quarter will be November 15 (data accrued through September 30). These dates are necessary for Caltrans’ to meet program report requirements due to ARB by January 15 annually.
- The report consists of two sections, the “Semi-Annual Report” and the “Semi-Annual Itemized Expenditure Table.” This report must contain accurate and up-to-date information on the progress of each project. Reports will only be accepted by Caltrans staff when determined to be complete and accurate. Attach the March 31/September 30 bank statement to the Expenditure Table.

- All projects are expected to begin work within six months of receiving an allocation. Should a project experience any delays, the cause of such delay must be reported in the table in Section 7 Amendment, under “Justification for Change.” Any justification deemed inadequate by Caltrans staff will be questioned and the agency will be asked to provide further information.
- Projects that have not begun within one year of the receipt of funds must include a clear description of the circumstances delaying the project that leaves no question that the circumstances were unforeseen, extraordinary, and beyond the control of the agency. The description must include information indicating what steps the agency plans to take to keep the project on track. Agencies with a project that is repeatedly delayed will be encouraged to reassign the funds allocated to that project to either an ongoing eligible LCTOP project or a pending allocation request that can utilize the funds immediately and meets LCTOP eligibility requirements. The agency may then request the funds for the delayed project once the project is ready to proceed within six months.
- All reports must reflect accurate and complete project information. Any incomplete or inaccurate reports will not be accepted and will be considered delinquent until submitted with corrections and/or additional information as requested by Caltrans staff. Agencies found to have submitted inaccurate information will be placed on the list of high risk project leads and could be subjected to a Spot Audit (see Section on Spot Audits, page 14).

Final Project Report

Once a project has been completed, the Project Lead must notify Caltrans, Division of Rail and Mass Transportation by e-mail or letter. The project lead must submit a Final Project Report within six months of completion. The forms will be available on-line. The Final Project Report includes:

- **Final Project Report form.** This report must include the comparison of actual project performance of the final project to the projected performance when the allocation was requested. It will also include summarized information regarding benefits to disadvantaged communities, estimated greenhouse gas reduction for the entire project, and a summary of co-benefits for the project.
- **Final Project Itemized Expenditure Table.** Attach the latest bank statement from the LCTOP dedicated bank account to this Table.
- **Verification** of project completion as scoped. The project lead must provide evidence of project completion, including photographs of the completed project. Evidence of project completion can be satisfied by submitting the required photographs and one or more of the following:
 - A copy of the final invoicing
 - A copy of the punch list from the facility’s final walk-through, or
 - If the project is a vehicle, supply a copy of the Title.

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The above list is only a few samples of what can be used to show evidence of completion of a project. Please feel free to contact the LCTOP office to discuss what other means may exist for your circumstances.

- **Savings** -- If the project has been completed with a savings, the report should indicate the amount of savings and how those funds will be applied towards an approved LCTOP project. Any project cost savings not reassigned to a current project should be applied to the next allocation request submitted, and used prior to, or along with, the allocation of additional funds. LCTOP staff will inquire about the status of any outstanding cost savings every six months until said savings are exhausted. If the savings have been accrued from a project in a disadvantaged community, the savings may only be applied to another DAC.

Please ensure that expended interest and all other information in the final report are properly reported. Incomplete or incorrect reports will not be accepted and will be considered delinquent until corrections are provided. Agencies with delinquent reports will not receive further LCTOP allocations until the correct reports have been received by Caltrans.

Reporting Requirements – Program Reports (Program reports are the responsibility of Caltrans)

- **Project Profile:** This report is submitted once, after project funds are awarded. It is due to ARB between December 1 and January 15. The following project information is required:
 - ID Number (file number assigned by Caltrans)
 - Project Type (i.e., expand transit service; enhancement projects, etc)
 - Location
 - Total amount of GGRF Dollars allocated
 - Total Project Cost
 - Anticipated Start and Completion dates
 - Estimated GHG reductions
 - Estimated Co-benefits
 - Total GGRF dollars allocated to benefit disadvantaged communities
 - Description of DAC benefits
 - Identify the specific criteria in ARB Guidance, Appendix A that the project meets
- **End of Year Report:** submitted once a year, due to ARB by January 15 and reflects both project-level status and program data as of December. This information will be used to support the Annual Report to the Legislature due March 1. ARB will provide a reporting template each year to collect and compile information from administering agencies.
- **Project Closeout Report:** submitted once, after the project completion date. IT is due to ARB by January 15 and will include:
 - ID Number (file number assigned by Caltrans)
 - Summary of project accomplishments, including benefits to DAC
 - Total GGRF dollars allocated to benefit DAC
 - Estimated GHG reduction for the entire project
 - Summary of co-benefits for the entire project

- **Phase 2 Report:** This would be a follow-up report submitted periodically after project completion. The purpose would be to demonstrate that GHG emission reductions have been achieved. The requirements and methods of data collection are still in development.
- **Annual Expenditure Record:** Government Code, GGRF, Section 16428.9, requires State agencies that have been appropriated monies from the GGRF to prepare an expenditure record. An expenditure record is prepared for a program, not for individual projects. It provides elements that describe the proposed use of the monies and must be submitted prior to expenditure of those monies for projects. The State ARB shall develop guidance on reporting and quantification methods for all state agencies that receive appropriations from the fund to ensure the requirements of this section are met. Caltrans submits the Expenditure Record to ARB prior to expending any funds (in accordance with ARB’s “Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies: Expenditure Record and Fiscal Procedures”).

Audit Requirements

- **Project Audit (Transportation Development Act)**
Annual audit of public transportation operators required under the Transportation Development Act (TDA), per PUC 99245, **must include verification of receipt and appropriate expenditure of funds.** Project leads receiving LCTOP funds in a fiscal year for which a TDA audit is conducted must submit a copy of the audit to Caltrans by December 31, **six months after the close of the fiscal year (closes June 30).** Caltrans will make the audits available to the Legislature and the SCO. Project leads may request a 90-day extension from the December 31 deadline to March 31. They must notify Caltrans in writing via e-mail or a formal letter.

Project leads who fail to submit an expanded TDA audit documenting all LCTOP funding allocated to date will not receive future LCTOP allocations until the required document(s) have been submitted to Caltrans.

- **Spot Audit/On-site Monitoring – conducted by Caltrans**
Spot audits and/or on-site monitoring can take place at any time at the discretion of Caltrans without prior warning given to the agency. Either a spot audit or monitoring may be conducted on a specific issue or function. Any evidence or information that supports the need for a compliance audit action or monitoring will be pursued by Caltrans. High risk project leads are likely to become the subject of an audit or on-site monitoring.
Agencies or projects will be placed on the high risk list for the following:
 - Delinquent with reporting and/or providing documentation as stipulated in the LCTOP guidelines
 - Agencies with frequent errors or have not conformed to the requirements of previous awards
 - Agencies engaged in multiple reassignments of funds
 - Projects with zero percent progress one year after allocation
 - Special situations

Caltrans will select agencies each year and perform an extensive review of all LCTOP related information from that agency. If selected, an agency may be asked to provide additional documents pertinent to the LCTOP program and projects that have been funded. If inconsistencies are found, agencies will be provided an opportunity to correct those errors. If discrepancies are not corrected, the agency will not be eligible to receive future funding.

Funding Process

Funding for this program in the amount of \$25 million was appropriated in FY 2014-15 by Budget Act in SB 852. Funding for this program shall be provided in Fiscal Year 2015-16 and beyond by a continuous appropriation of five percent of the proceeds from cap and trade auctions held during the fiscal year.

The State Controller's Office will prepare a list of eligible recipients and the amount of funds each will receive, per PUC Sections 99313 and 99314, based on a formula from previously allocated State Transit Assistance (STA) funds to local agencies. The allocation is split evenly between funds received based on population and funds received based on revenue generated. This program is not competitive as all agencies with a history of STA fund use are eligible for an established percentage share of funds. They will receive their share of funds once they have submitted a request for their allocation and Caltrans, in coordination with ARB, has determined the project meets all requirements of the program.

If the agency is not prepared to request the funds in the current fiscal year, they may hold those funds over into the following fiscal year, accruing enough funds for a more substantial project. All funds must be applied to a project within two years, and completed within the subsequent two years.

BANK ACCOUNT – Dedicated to LCTOP only

Once the agency has received their funds, the project lead must open a dedicated bank account that will hold only LCTOP funds. When the agency submits their financial reports, they are required to submit a copy of their most recent bank statement.

- **Reassigned Funds:** Project leads may find that they have surplus funds at the completion of an approved LCTOP project, or they may determine that the funded LCTOP project is no longer the highest priority as an eligible fund use. As a result, the project lead may apply to reassign funds to a different approved LCTOP project. If the project is complete and there are surplus funds, an agency should include the proposed use for the surplus funds as part of the required Final Report. If the use of surplus funds has not yet been determined, Caltrans staff shall treat the project as on-going – not completed – until the agency identifies an eligible LCTOP project to receive the surplus funds.

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If the agency elects to reprioritize eligible projects and redirect approved LCTOP funds, a CAP for the original project must be submitted. The CAP must indicate the current approved amount in the “Original” column and the lower revised project cost in the “Revised” column. The CAP must list the amount of surplus funds (and any interest if applicable) that will be transferred and the project that will receive the reassigned funds in the “Justification for Change” box. The alternate project must be approved by Caltrans, with concurrence from ARB.

When reassigning funds to a NEW eligible LCTOP project:

- If the reassigned funds have been accrued from a project in a DAC, the reassigned funds may only be applied to another DAC project.
- A CAP form is needed for the project that is transferring funds to the new project, and a new Allocation Request form must be submitted for the project receiving the funds and it must be approved by Caltrans, with concurrence from ARB before using the reassigned funds.
- The Allocation Request for the reassigned funds should be treated the same as an Allocation Request submitted for new funding, and all required documents must be submitted in the same manner.
- The new project must expend the funds within the time limits of the applicable Budget Act.
- The new Allocation Request must have all the authorized signatures of the same agencies as the original project, so that all contributing sponsors are aware of the new use of their contributed funds.
- The project lead may not expend the surplus funds on the new project before receiving an approval from Caltrans authorizing the sponsor to do so.

If reassigning funds to an EXISTING LCTOP project:

- The project lead submits a CAP for the project that will no longer be using LCTOP funds. The funds should be listed in both the Original and Revised columns and the Justification section should list the project that will receive the reassigned funds.
 - An additional CAP is to be submitted for the existing approved LCOP project receiving the reassigned funds. This CAP should list the original fund amounts and the revised amounts based on the transfer of funds following the steps listed above.
 - If Caltrans staff determines an agency has a pattern/history of reassigning the same funds multiple times, the agency may be placed on the list of high risk project leads and could be subject to a Spot Audit (see section on Spot Audits, page 14).
 - Agencies who fail to submit revisions made to the CAP as requested by Caltrans staff and/or are delinquent in other required reports and submittals will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.
- **Interest Earned:** Interest on LCTOP funds must be used in the same manner as the principal. Interest earned must only be used for approved LCTOP projects, in the following ways:

- If the interest has been accrued from a project in a DAC, the interest may only be applied to another disadvantaged community project.
 - If project costs exceed the amount on the approved allocation request, any interest earned may be applied to the project, if a project lead first submits a CAP and Caltrans approves that CAP before any interest earned is applied to the project.
 - Interest remaining after project closeout must be applied to another approved LCTOP project. Any unused interest not applied to a current project should be applied to the next allocation request submitted, and used prior to, or along with, the allocation of additional funds.
 - The LCTOP staff will inquire about the status of unused interest every 6 months until said interest earned is exhausted.
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- **Savings:** If the project has been completed with a savings, the report should indicate the amount of savings and how those funds will be applied towards an approved LCTOP project(s).
 - If the savings have been accrued from a project in a disadvantaged community, the savings may only be applied to another disadvantaged community project.
 - Any project cost savings not reassigned to a current project, should be applied to the next allocation request submitted, and used prior to, or along with, the allocation of additional funds.
 - The LCTOP staff will inquire about the status of any outstanding cost savings every six months until said savings are exhausted.

Program Process and Timeline

Continuous Appropriation Effective 2015-16:

1. By July 10 of each fiscal year, or within 10 days of budget enactment, whichever is later, Caltrans will consult with DOF and notify SCO of the estimated amount available to the Program in the fiscal year.
2. By September 1 of that fiscal year, or within 30 days of Caltrans notification, whichever is later, the SCO releases the estimate of funding available for each transit operator for the fiscal year.
3. Upon release of the funding level by SCO, eligible recipients may begin submitting project information to Caltrans, in the format proscribed by Caltrans, to confirm eligibility of proposed expenditures in the fiscal year. All project proposals must be received by November 1, of that fiscal year in order to receive funds in the fiscal year. Eligible recipients are encouraged to request allocations in a timely manner to realize public benefit, but may also retain the continuous appropriation allocation across two fiscal years to accumulate funding for a larger expenditure.

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4. In coordination with ARB, Caltrans shall confirm eligibility of the proposals submitted by the recipient agencies, and will then develop a list of approved expenditures, and will notify the eligible recipients of any deficiencies that must be addressed for approval. The list will include project descriptions and any certifications required by the program guidelines, such as timely expenditures of funds. Caltrans will submit the final approved list of expenditures to SCO by February 1, 2016.
5. Upon Caltrans notification to the SCO of project eligibility, the SCO will release the approved amount of funds available to each recipient from prior auctions by March 1st of that fiscal year.

Continuous Appropriation Fiscal Year 2015-16 and Ongoing Adjustments:

In addition to the funds available for the new fiscal year, the SCO shall provide adjustments for any unallocated funds available to an eligible recipient from the prior fiscal year.

TIMELINE – LCTOP FY 15-16 and continuous

Caltrans/DOF notifies SCO of estimated amount available to the Program	July 10 (or within 10 days of budget enactment)
SCO notifies transit operators of available funds for fiscal year	Sept. 1 (or within 30 days of DOF notice, whichever is later)
Transit agencies submit expenditure proposals to Caltrans, due by:	Nov. 1, 2015 (or 60 days after fund notification is released)
Caltrans, in collaboration with ARB, reviews and approves a list of eligible projects and submits list to SCO	February 1
SCO releases approved amount of funds to recipients	March 1
Semi-Annual Report due to Caltrans (on data through March 31)	May 15
Semi-Annual Report due to Caltrans (on data through September 30)	November 15