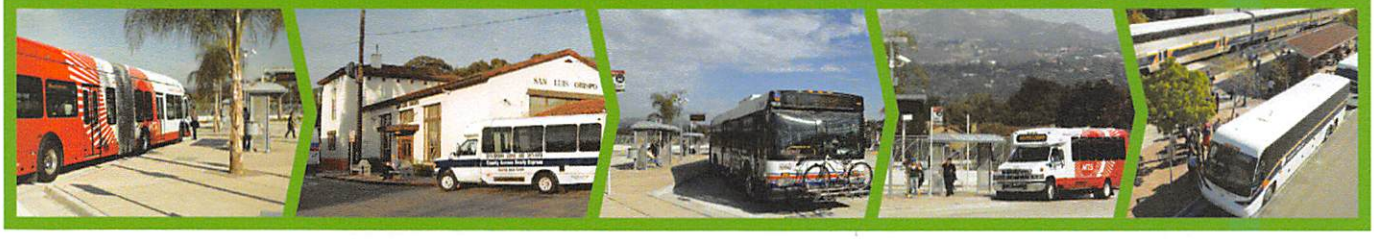
GREENHOUSE GAS REDUCTION FUND



Guidelines for LOW CARBON TRANSIT OPERATIONS PROGRAM

December 19, 2014

Caltrans

CalSTA
CALIFORNIA STATE TRANSPORTATION AGENCY

Low Carbon Transit Operations Program – Interim Guidelines

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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. 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 disadvantaged communities, at least 50 percent of the total moneys received shall be expended on projects that will benefit disadvantaged communities. Senate Bill 852 (Statutes of 2014) appropriates $25 million for LCTOP for 2014-15 and Senate Bill 862 continuously appropriates five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund (Fund) for LCTOP beginning in 2015-16.

This document provides guidance to eligible recipients for the processes and timelines to request funding for transit projects that meet the criteria established in SB 862. These are interim guidelines that will facilitate administration of the program in Fiscal Year 2014-15. These guidelines are consistent with the Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies produced by the Air Resources Board. If necessary, these guidelines will be amended in 2014-15 to conform to new or revised Greenhouse Gas Reduction Fund related guidance. Prior to the Fiscal Year 2015-16 allocations, these guidelines will be reviewed and updated as needed to reflect recommended changes based on experiences from the first year of the program and the funding adjustment from a Budget Act appropriation in 2014-15 to continuous appropriation in 2015-16 and beyond.

Senate Bill 862 establishes the LCTOP as a formulaic program instead of a state-level competitive program. 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 disadvantaged communities 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 Fund 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 a "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, disadvantaged communities. 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 disadvantaged communities.

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. SB 862 directs Caltrans, in coordination with ARB, to develop guidelines describing methodologies to meet the criteria for LCTOP. The Strategic Growth Council will review the LCTOP Interim Guidelines for consistency with state policy goals.

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 Interim Guidelines include a suggested list of eligible projects developed by ARB and Caltrans that are expected to meet statutory requirements in the first year, FY 2014-15. As greenhouse gas quantification methods are

refined, 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-benefits, and documentation of benefits. After Caltrans releases project submittal forms on its website, project leads may submit expenditure proposals to 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 Interim Guidelines describe the process that recipient transit agencies must follow to qualify and receive a 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 disadvantaged communities.

In Fiscal Year 2014-15, the Budget Act appropriated $25 million to the Low Carbon Transit Operations Program from the GGRF. Eligible transit agencies have been notified of their share of the available funds, and Caltrans has published the LCTOP Interim Guidelines on December 19, 2014. The recipient agencies must submit their expenditure proposals by February 2, 2015 to Caltrans in order to be eligible for the first cycle of funding. The proposals will then be reviewed by Caltrans and ARB to assure compliance with the requirements of SB 862 and the LCTOP Interim Guidelines. By April 1, 2015, Caltrans will submit a final list of approved expenditures to SCO, and the approved amount of funds will be available for release by April 15, 2015, not to exceed 75 percent of each eligible recipient's share of the full appropriation, with the remaining 25 percent available for release by June 30, 2015. Because this is the first year of a new program and time is limited, a second cycle of proposals will be accepted by April 15, 2015. The approved proposals will be submitted to SCO by June 10, 2015, with 100 percent of funds available for release by June 30, 2015. Funding will be released on the above dates only for those projects that will have expenditures within six months of the allocation date. Details of this procedure are included in the following guidelines.

Low Carbon Transit Operations Program – Draft Guidelines

Roles and Responsibilities – Partner Agencies

1. **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 guidelines for investing auction proceeds in California's most disadvantaged communities.
   - Coordinate with Caltrans to help develop 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.
   - Manage the Fund, in coordination with DOF, and work with SCO to distribute GGRF moneys to agencies.
2. **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.
   - Coordinate outreach to promote access and program participation in disadvantaged communities.
3. **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. By December 1, 2014, the SCO shall notify eligible project leads of the funding level each agency may receive from the $25 million appropriated by SB 852. 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 Department of Finance (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.
4. **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 – Administrative Agencies

5. **Caltrans**, in coordination with the ARB, develops the guidelines for the LCTOP, defining the criteria for project eligibility and reporting requirements. Caltrans will have guidelines that will explain the following process to apply for LCTOP funds:
   a. Project eligibility for capital, operational and maintenance projects, including the following:
      i. Greenhouse gas reductions
      ii. Benefits for disadvantaged communities
      iii. The useful life of a project
      iv. Project delivery milestones
      v. Total project cost and funding plan
   b. Allocation Request Process
      i. Required forms
      ii. Request review and approval
   c. Project Reporting requirements
      i. Semi-annual Reports
      ii. Final Reports
      iii. Expanded Transportation Development ACT (TDA) audit
   d. Program Reporting requirements
      i. Annual Legislative Report
      ii. Annual Expenditure Record
   e. Audits
      i. Audit of project expenditures and outcomes
      ii. Audit of recipients of LCTOP funds
      iii. Spot audits of projects

   Caltrans will be the administering agency for this program and will provide assistance and guidance to local agencies in receiving their allocation by:

   a. Providing process directions through written guidelines and support staff available for consultation
   b. Setting up the schedule for the allocation process
   c. Project evaluation, in collaboration with ARB, to determine approval of the allocation requests
   d. Sending a list of approved expenditures for each transit agency to SCO for release of funds
   e. Monitoring progress of projects through reporting requirements
   f. Coordinating with ARB and SCO to assure compliance with LCTOP criteria
   g. Reviewing project completion
   h. Conducting spot audits and on-site monitoring as needed
   i. Preparing annual program report for the Legislature

6. **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)**
    - A transportation planning agency, county transportation commission, or the San Diego Metropolitan Transit Development Board, that is eligible for State Transit Assistance funds, per PUC 99313, is eligible for allocations from the GGRF for this program. The allocation share is determined by formula based on the ratio of the population of the area under its jurisdiction to the total population of the state.
    - 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.
    - Entities eligible for allocations per PUC 99314 will be required to notify Caltrans of their intent to apply for their share of FY 2014-15 funds by March 2, 2015. A form will be provided that will be sent to Caltrans at the address provided in Item 14 (d). If notification of intent to apply for funds is not received by Caltrans by March 2, 2015, the funds will be considered unclaimed and the relevant regional entity (per PUC 99313) will be notified that the share of funds will be available to the regional entity, subject to all conditions applied to such entities and the funds.

7. **Project Lead and Contributing Sponsor**

    Project Lead

    - The project lead is an eligible recipient of LCTOP funds that is responsible for the implementation of the project. The project lead may receive funds from contributing sponsors that support the approved project. Contributing sponsors will release funds to the project lead by signing off on the Project Description and Allocation Request form.
    - The project lead is responsible for overseeing or performing all work 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.
    - All project documentation (i.e., Project Description and Allocation Request, 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. In addition, the contributing sponsor is responsible for ensuring the project is completed as described in the Project Description and Allocation Request form and in compliance with all items included in the Certifications and Assurances document.

- Per SB 862, all project leads must 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.

Contributing Sponsor

- The **contributing sponsor** is an entity that passes funds to the project lead to support a project. This 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 Disadvantaged Community (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.

Project Eligibility Criteria

Caltrans and ARB will evaluate the expenditure proposals to determine if they will provide greenhouse gas reductions and if applicable, 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 GGRF monies with the following guidance on how to incorporate these priorities in project criteria.

8. **Greenhouse Gas Reduction criteria** *(quantification methodology will be provided by ARB and will be included at that time) As an interim guide to comply with the greenhouse gas reduction requirement in FY 2014-15, ARB and Caltrans have provided a list of suggested projects determined to meet the statutory requirements of SB 862. The list is included in item 10.)*

9. **Disadvantaged Communities criteria (provided by ARB in the Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies, November 3, 2014 version):**

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. 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.

Eligible Project Lead shall consult the CalEPA website (http://www.calepa.ca.gov/EnvJustice/GHGInvest/default.htm) to determine which, if any, disadvantaged communities fall within their service areas, and report those in the format proscribed by Caltrans. Only the Cal EPA designation of disadvantaged communities shall be used for the purpose of the LCTOP. Eligible Project Leads with service areas that include disadvantaged communities shall consult the ARB's website (http://www.arb.ca.gov/auctionproceeds) for the most recent information on the criteria to evaluate projects which are (1) located within a disadvantaged community, and (2) not within a disadvantaged community, but still provide a benefit to a disadvantaged community. Where applicable, eligible Project Leads shall provide a map that identifies the applicable service area and the disadvantaged community(ies) that will benefit from the project. Project Leads must also describe the benefits of selected projects to disadvantaged communities in the format proscribed by Caltrans. Where a proposed project involves the demolition or rehabilitation of existing units occupied by lower-income households or businesses in disadvantaged communities, the project must include measures to avoid the displacement of low-income residents and businesses from those communities.

The ARB's criteria for disadvantaged communities, as released in their guidelines on November 3, 2014, are listed below. If these criteria are later updated, and these LCTOP guidelines have not been updated, the ARB updated criteria will take precedent over the criteria listed below.

The following criteria is provided to assist the recipients in determining if projects will provide direct, meaningful, and assured benefits to a disadvantaged community. Each criterion is independent; a project need only meet one criterion to qualify as eligible to be considered as located within or providing benefits to one or more disadvantaged communities.

Projects will achieve greenhouse gas (GHG) reductions by reducing passenger vehicle miles travelled through incentives, infrastructure, or operations improvements (e.g., providing better bus connections to intercity rail, encouraging people to shift from cars to mass transit). The applicable ARB criterion below is split into two parts: Low Carbon Transportation and Transit Projects.

Low Carbon Transportation Projects:

Projects will achieve GHG reductions through the use of zero and near zero-emission passenger vehicles, buses, trucks, and freight technology.

CRITERIA TO EVALUATE PROJECTS

Step 1 – Located Within: Evaluate the project to see if it meets at least one of the following criteria for being located in a disadvantaged community census tract and provides direct, meaningful, and assured benefits to a disadvantaged community.

Project must meet at least one of the following criteria focused on reducing air pollution for disadvantaged community residents:

a. Project provides incentives for vehicles or equipment to those with a physical address in a disadvantaged community; or

b. Project provides incentives for vehicles or equipment that will be domiciled in a disadvantaged community; or

c. Project provides incentives for vehicles or equipment that reduce air pollution on fixed routes that are primarily within a disadvantaged community (e.g., freight locomotives) or vehicles that serve transit stations or stops in a disadvantaged community (e.g., zero-emission buses); or

d. Project provides greater mobility and increased access to clean transportation for disadvantaged community residents by placing services in a disadvantaged community, including ride-sharing, car-sharing, or other advanced technology mobility options (e.g., neighborhood electric vehicles, vanpooling, shuttles, smartphone application-based ride-sharing services, bikesharing services).

Step 2 – Provides Benefits To: If the project does not meet the above criteria for "located within," evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a disadvantaged community.

Project must meet at least one of the following criteria focused on reducing air pollution for disadvantaged community residents:

a. Project provides incentives for vehicles or equipment to those with a physical address in a ZIP code that contains a disadvantaged community census tract; or

b. Project provides incentives for vehicles or equipment that operate primarily in "impacted corridors," [Note: ARB will publish a list of "impacted corridors" based on its assessment of which freight corridors have a substantial air quality impact on disadvantaged communities.]; or

c. Project provides incentives for vehicles or equipment that primarily serve freight hubs (e.g., ports, distribution centers, warehouses, airports) located in a ZIP code that contains a disadvantaged community census tract; or

d. Project provides greater mobility and increased access to clean transportation for disadvantaged community residents by placing services that are accessible by walking within ½ mile of a disadvantaged community, including ride-sharing, car-sharing, or other advanced technology mobility options (e.g., neighborhood electric vehicles, vanpooling, shuttles, bikesharing services).

Transit Projects:

Projects will achieve GHG reductions by reducing passenger vehicle miles travelled through incentives, infrastructure, or operational improvements (e.g., providing better bus connections to intercity rail, encouraging people to shift from cars to mass transit).

CRITERIA TO EVALUATE PROJECTS

Agencies can also use criteria in other applicable tables.

Step 1 – Located Within: Evaluate the project to see if it meets at least one of the following criteria for being located in a disadvantaged community census tract and provides direct, meaningful, and assured benefits to a disadvantaged community.

Project must meet at least one of the following criteria focused on increasing transit service along transit lines or corridors that have stations or stops in a disadvantaged community, or improving transit access for disadvantaged community residents, or reducing air pollution in a disadvantaged community:

a. Project provides improved transit or intercity rail service for stations or stops in a disadvantaged community (e.g., new transit lines, more frequent service, greater capacity on existing lines that are nearing capacity, improved reliability, bus rapid transit service for disadvantaged community residents); or
b. Project provides transit incentives to residents with a physical address in a disadvantaged community (e.g. . vouchers, reduced fares, transit passes); or
c. Project improves transit connectivity at stations or stops in a disadvantaged community (e.g. network/fare integration, better links between transit and active transportation); or
d. Project improves connectivity between travel modes for vehicles or equipment that service stations or stops in a disadvantaged community (e.g., bicycle racks on transit vehicles); or
e. Project creates or improves infrastructure or equipment that reduces air pollution at a station, stop or transit facility in a disadvantaged community (e.g., auxiliary power, charging stations); or
f. Project creates or improves infrastructure or equipment that reduces air pollution on regular routes that are primarily within a disadvantaged community (e.g., rail electrification, zero-emission bus); or
g. Project provides greater mobility and increased access to clean transportation for disadvantaged community residents by placing services in a disadvantaged community, including ride-sharing, car-sharing, or other advanced technology mobility options associated with transit (e.g., neighborhood electric vehicles, vanpooling, shuttles, smartphone application-based ride-sharing services, bikesharing services); or
h. Project improves transit stations or stops in a disadvantaged community to increase safety and comfort (e.g., lights, shelters, benches).

Step 2 – Provides Benefits To: If the project does not meet the above criteria for "located within," evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a disadvantaged community.
Project must meet at least one of the following criteria focused on increasing transit service along transit lines or corridors that are accessible to disadvantaged community residents, or improving transit access for disadvantaged community residents, or reducing air pollution in a disadvantaged community:

a. Project provides improved local bus transit service for riders using stations or stops that are accessible by walking within ½ mile of a DAC (e.g., more frequent service, greater capacity on existing lines that are nearing capacity, improved reliability, bus rapid transit service); or
b. Project improves local bus transit connectivity for riders using stations or stops that are accessible by walking within ½ mile of a disadvantaged community (e.g., better links to active transportation, bicycle racks on local bus); or
c. Project provides improved intercity rail (and related feeder bus service), commuter bus or rail transit service for riders using stations or stops in a ZIP code that contains a disadvantaged community census tract or is within ½ mile of a disadvantaged community (e.g., new lines, express bus service); or
d. Project provides improved intercity rail (and related feeder bus service), commuter bus or rail transit connectivity for riders using stations or stops in a ZIP code that contains a disadvantaged community census tract or within ½ mile of a disadvantaged community (e.g., network/fare integration, better links between local bus and intercity rail, bicycle racks on rail); or
e. Project will increase intercity rail (and related feeder bus service), commuter bus or rail transit ridership, with at least 25 percent of new riders from disadvantaged communities; or
f. Project provides greater mobility and increased access to clean transportation for disadvantaged community residents by placing services that are accessible by walking within ½ mile of a disadvantaged community, including ride-sharing, car-sharing, or other advanced technology mobility options associated with transit (e.g., neighborhood electric vehicles, vanpooling, shuttles, bikesharing services); or
g. Project improves transit stations or stops that are accessible by walking within ½ mile of a disadvantaged community, to increase safety and comfort (e.g., lights, shelters, benches); or
h. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25 percent of project work hours performed by residents of a disadvantaged community; or
i. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10 percent of project work hours performed by residents of a disadvantaged community participating in job training programs which lead to industry-recognized credentials or certifications.

10. Eligible Projects

For the first year of the LCTOP, ARB and Caltrans have agreed to use a defined list of transit projects that will provide a streamlined way for identifying eligible investments. The projects listed below are expected to meet the statutory requirements of SB 862 for meeting greenhouse gas reduction requirements. More detail on greenhouse reporting will be provided in subsequent instruction or guidance.

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 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, and
- The recipient transit agency demonstrates that expenditures reduce greenhouse gas emissions.

A. Expand Transit Service

1. Implement bus rapid transit (for new routes or expansion of existing routes)
2. Install new stops/stations for local bus, intercity rail, commuter bus or rail transit.
3. Provide alternative transit options that use zero-emission or hybrid vehicles to improve mobility (e.g., vanpooling, shuttles, bikesharing)
4. Increase service (extend transit routes, increase frequency of service, extend service hours)
5. Increase capacity on routes nearing capacity (e.g., add more buses or rail cars to existing routes)
6. Network/fare integration (e.g., universal fare card that can be used for multiple transit systems)

B. Low Carbon Transportation Projects that Support New/Expanded Transit Services

1. Purchase, operate and maintain zero-emission or hybrid vehicles and equipment (e.g., buses, railcars, auxiliary electrical power units)
2. Technology (e.g., zero-emission or hybrid buses, rail electrification, hybrid ferries)
3. Install infrastructure to support zero-emission or plug-in hybrid vehicles and equipment (e.g., electric charging, hydrogen fueling)
4. Install infrastructure to support renewable natural gas or other low carbon renewable alternative fuels
5. Install renewable energy at transit facilities (e.g., solar panels at transit facilities with electric charging infrastructure)

C. Active Transportation Projects that Support New/Expanded Transit Service

1. Install new transit stops/stations that connect to bike paths/pedestrian paths.
2. Upgrade transit stops/stations to support active transportation and encourage ridership (e.g., bikesharing facilities; bicycle racks/lockers; covered benches; energy efficient lighting)
3. Upgrade transit vehicles to support active transportation and encourage ridership (e.g., bicycle racks on buses; bicycle storage on rail cars)

D. Enhancement Projects

1. Convert/retrofit diesel vehicles and equipment to zero-emission
2. Free or reduced-fare transit passes/vouchers (this is a good opportunity to partner with educational institutions, low-income housing developers near transit, or other groups within your jurisdiction, to enhance access to transit)
3. Technology (e.g., zero-emission or hybrid buses, rail electrification, hybrid ferries)
4. Retrofit transit vehicles to meaningfully improve fuel efficiency (e.g., anti-idling systems; regenerative braking for trains)

Transit operations and maintenance investments made in one year may be included in subsequent years' project plans for the useful life of the project. For example, if a transit operator uses LCTOP funds to expand transit service in one year, future years' projects may include the continuation of that same service, through the funding of related operations or maintenance costs.

Transit capital investments that include the purchase of new zero-emission vehicles may be presumed to meet the service enhancement requirements of Public Resource Code 75230 (d).

For eligible recipients who operate ferry services, funds may be spent in support of new or expanded ferry services, consistent with the requirements of statute and these guidelines.

11. Useful Life

To be eligible, 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, (Chapter 4 (commencing with Section 16720) of part 3 of Division 4 of Title 2) 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. Documentation of useful life is required in the Project Description and Allocation Request form.

12. Transit Plan

Projects **must** be consistent with the project lead's most recent short-range transit plan, regional plan, or publicly-adopted plan (including a transportation improvement program) that programs funds for transit projects. If the project lead is in a Metropolitan Planning Organization area, the project should also be consistent with the Sustainable Communities Strategy, as required by

SB375. If the project is already included in an adopted plan, no Board Resolution is required for application. If the project is not included in an adopted plan, a certified Board Resolution authorizing the expenditure proposal also meets this requirement.

13. Project Full Funding Plan

The project lead must provide a Total Project Cost and Funding Plan included in the Project Description and Allocation Request form for the project that shows **all** fund sources (not just the LCTOP portion) needed to complete the project. **The executive authority of a project lead must sign the statement on the funding plan cover sheet 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.

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.

14. Documentation (forms) for Allocation requirements

The following documents (a. through d.) are required to be submitted in order to request an allocation of funds.

a. **List of Proposed Expenditures** - Per PRC 75230 (h) (1) the sponsor shall submit a list of proposed expense types for anticipated funding levels. If the project lead is submitting only one project, the Project Description and Allocation Request form may act as the list of expense types. If multiple projects are being submitted, a summary List of Proposed Expenditures needs to accompany the request.
b. **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 Project Description and 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.
c. **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.
d. **Project Description and 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 will be available on-line. The LCTOP Project Description and Allocation Request form is the basis for Caltrans' verification that the project is consistent with LCTOP project requirements. This document includes:
    - 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
- Detailed Description of the project's major benefits (compliance details 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)
- Total project cost and funding plan (must include all funding sources)

Any contributing sponsor(s) must also sign the Project Description and 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.

Project Description and Allocation Request form Submittal -- The signed original form (including relevant sections of the publicly-adopted plan or Board Resolution) and letter of verification from the regional entity 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 LCTOPmanager@dot.ca.gov, but a signed original must follow by mail. Agencies who fail to submit revisions made to the Project Description and 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.

e. **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 a different project until the CAP has been submitted and approved. 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 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.

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, 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 45 days to review and approve/not approve the document.

15. Documentation for Reporting Requirements

a. **Project Reporting Requirements (responsibility of Project Lead)**

- **Semi-Annual Progress Report** - Project leads are required to report semiannually 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.

- 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.

- 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 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.

- Reports are due 45 days after the end of the fiscal year (June 30) and 45 days after the end of calendar year (December 31).

- 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 15 (b)].

- **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. Within six months of completion, the project lead must submit a Final Project Report. The forms will be available on-line. The Final Project Report includes:
  a. 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.
  b. Final Project Itemized Expenditure Table.
  c. Verification of project completion as scoped. The project lead must provide evidence of project completion. In the majority of cases, evidence of project completion can be satisfied by submitting one or more of the following:
     - Photographs of the completed project
     - 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 the Vehicle Identification Number (VIN) of the vehicle(s) acquired.

  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.

  d. 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 eligible 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 disadvantaged community project.

Please ensure that expenditure interest and all other information in the final report is 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.

b. **Program Reporting Requirements (responsibility of Caltrans)**

i. **Annual Legislative Report:** Per Health and Safety Code Section 39721 administering agencies shall report to the Department of Finance and the Department of Finance shall submit an annual report to the Legislature on the status of projects and their outcomes.

ii. **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").

iii. **Other Reporting Requirements:** ARB is developing funding guidelines that will include reporting requirements for all State agencies that receive appropriations from the GGRF. Caltrans and project leads will need to submit reporting information in accordance with ARB's funding guidelines, including reporting on benefits to disadvantaged communities.

16. Audit Responsibility

a. **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 **six months after the close of the fiscal year (December 31).** 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.

b. **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.

17. Funding Process/Appropriation

Funding for this program in the amount of $25 million was appropriated in FY 2014-15 by Budget Act in SB 852. Due to tight time constraints, this first year will have two cycles to accommodate the earliest release possible and a later release to allow preparation time for those not ready for the first cycle. Funds must be encumbered by June 30, 2015, and the State Controller's Office must transfer funds by June 30, 2017.

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 auctions held during the fiscal year.

The State Controller's Office will list 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.

a. **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 eligible 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

   If the agency elects to reprioritize eligible projects and redirect approved LCTOP funds, a Corrective Action Plan (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.

When reassigning funds to a NEW eligible LCTOP project:

- If the reassigned funds have been accrued from a project in a disadvantaged community, the reassigned funds may only be applied to another disadvantaged community project.
- A CAP form is needed for the project that is transferring funds to the new project, and a new Project Description and Allocation Request form is needed for the project receiving the 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 has 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 a Reassigned Funds Approval Letter 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 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 16. b).
- 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.

b. **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 disadvantaged community, 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 Corrective Action Plan (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.

c. **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 eligible 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.

18. Program Process and Timeline

Budget Act Appropriation of $25 Million for 2014-15:

1. On December 1, 2014, the SCO released the estimate of funding available for each transit operator for 2014-15.

2. Caltrans released the LCTOP Interim Guidelines on December 19, 2014. Eligible recipients may begin submitting project information to Caltrans, in the format proscribed by Caltrans, to confirm eligibility of proposed expenditures. Expenditure proposals for the first cycle will be due by February 2, 2015, to Caltrans' Division of Rail and Mass Transportation.

3. In coordination with ARB, Caltrans shall confirm eligibility of the proposals submitted by the recipient agencies, develop a list of approved expenditures, and 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 and ARB shall finalize a list of approved projects, and submit the list to the SCO by April 1, 2015.

4. Upon Caltrans notification to the SCO of project eligibility, and upon a Caltrans finding, in consultation with DOF, that funds in the Greenhouse Gas Reduction Fund are sufficient to support a full allocation, the SCO will release the approved amount of funds to each eligible recipient by April 15, 2015, up to 75 percent of their full allocation. If auction proceeds prior to the Caltrans notification are not sufficient to fund the 75 percent allocation, Caltrans may direct the SCO to reduce the initial allocation. After the fourth auction of the fiscal year occurs, the SCO may release the remainder of funds by June 30, 2015.

5. Due to the compressed timeline for the first year of the program, a second cycle of expenditure proposals will be accepted until April 15, 2015. Caltrans and ARB will review the proposals and the approved proposals will be submitted to SCO by June 10, 2015, for fund release by June 30, 2015.

6. Due to the Budget Act appropriation, project leads must receive project approval to encumber funds by June 30, 2015, and the State Controller's Office must transfer funds by June 30, 2017.

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 60 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. In addition to the "baseline plan" that may not exceed the SCO estimate of funding available, eligible recipients may submit a "supplemental plan" that may include additional expenditures up to 20 percent of the SCO estimate of funding. Eligible recipients are encouraged to request allocations in a timely manner to realize public benefit, but may also retain the continuous appropriation allocation across multiple fiscal years to accumulate funding for a larger expenditure. Additionally, an eligible recipient may choose to resolve uncertainty on the level of auction proceeds by postponing submittal of an expenditure plan until all auctions for a fiscal year are complete, and then submitting a plan to expend those known funds in the following fiscal year.

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 approved expenditures to SCO by January 15, 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 February 15, of that fiscal year. The SCO shall not allocate to any recipient an amount greater than that entity's share of auction proceeds received to that date. The SCO will release any additional amount of approved funds from subsequent auction by June 30, of that fiscal year.

<u>Continuous Appropriation Fiscal Year 2015-16 and Ongoing Adjustments</u>:

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 a prior fiscal year.

TIMELINE FOR PROCESS – LCTOP FY 14-15 and 15-16 and continuous

2014-15

SCO releases notification of funding available to transit operators For FY 2014-15 (shares of the $25M)	Dec. 1, 2014
Caltrans releases LCTOP Interim Guidelines	Dec. 19, 2014
Agencies submit expenditures proposals for Cycle 1, due by:	Feb. 2, 2015
Agencies (PUC 99314) submit notification of intent to apply for funds	Mar. 2, 2015
Caltrans and ARB concurrently review proposals and submit approved projects to the SCO	April 1, 2015
SCO releases 75 percent of approved amount of Cycle 1 funds to recipients	April 15, 2015
Cycle 2 project expenditure proposals due	April 15, 2015
Cycle 2 expenditures reviewed concurrently by Caltrans and ARB and approved proposals submitted to SCO	June 10, 2015
SCO releases approved amount of funds to recipients, including Cycle 2 and remaining 25 percent of Cycle 1 project funds.	June 30, 2015

2015-16 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 60 days of DOF notice)
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	Jan. 15
SCO releases approved amount of funds to recipients *Up to the recipient's share of auction proceeds received to date*	Feb. 15
SCO releases remaining amount of approved funds to recipients *Up to remaining amount of share received from subsequent auctions*	June 30