



**Item #14-9-10
Information**

Government Relations & Public Affairs Committee

August 29, 2014

Cap and Trade Update

Issue: Update on Cap and Trade.

Recommendation: None; this is for information only.

Discussion: Staff will briefly summarize for the Committee the substance of the Cap and Trade legislation passed earlier this summer and provide an update on the many activities that are underway to implement the first round of funding next spring. Attached please find electronic copy of document prepared by CALCOG summarizing the statute. We provided hard copies of this document at all Committee meetings earlier this month but did not have time to discuss it.

Approved by:

Mike McKeever
Chief Executive Officer

MM:ts
Attachment

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CAP & TRADE POLICY BRIEF

TRANSIT, HOUSING, & SUSTAINABLE COMMUNITIES PROGRAM

California Association of Councils of Governments

June 23, 2014

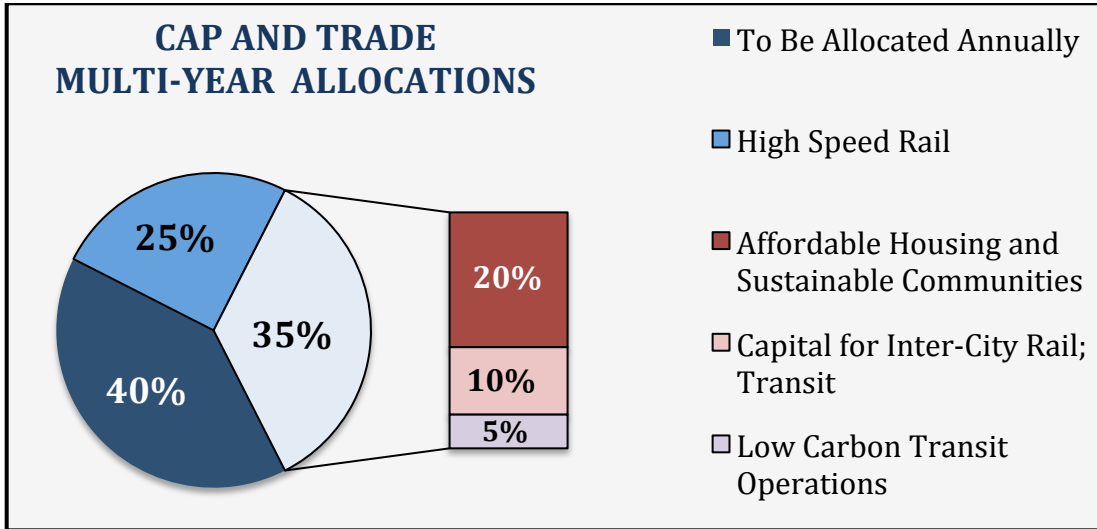
I. INTRODUCTION

Last week, the Legislature adopted—and the Governor signed—a budget for FY 2014-15 that includes the first investment plan for Cap and Trade auction revenues. This brief outlines the main points of interest for regional transportation planning agencies, summarizes the scope of key programs, and provides selected language from SB 852 (allocations) and SB 862 (cap and trade program trailer bill).

II. CAP AND TRADE PROGRAM HIGHLIGHTS

1. **The Big News: Ongoing Appropriation.** Only two categories (totaling 60% of future revenues) get multi-year allocations: Transit, Housing, and Sustainable Communities (35%) and High-Speed Rail (25%). Other program areas will be subject to the annual budget process. *See chart, next page.*
2. **But FY 14-15 is Different.** Funding is different the first year largely because of a \$200 million allocation to clean transportation. Thus, \$130 million is allocated to affordable housing and sustainable communities; and \$50 million for transit split evenly between the Transit Capital and Transit Operations. An additional \$242 million for non-transportation related programs for energy, water, waste diversion, and weatherization.
3. **Reporting and Quantification.** The Air Resource Board will develop guidance on GHG reporting and quantification methods for all state agencies that receive appropriations to ensure that the requirements of AB 32 are met.
4. **Strategic Growth Council Change.** The Senate and Assembly each get to appoint a public member to the Strategic Growth Council—making the council 3 public members and seven senior members of the Administration.
5. **20% for Affordable Housing & Sustainable Communities.** This funding is subject to a specific set of rules and guidelines:
 - i. Half for Housing. Half (10%) must be used for affordable housing. SGC will be the lead agency, though SGC likely will “leverage” HCD’s expertise.
 - ii. “Other Half” Eligibility. Threshold eligibilities include projects typically included in a regional transportation plan (see table on page 3). But it also includes agriculture mitigation and undefined “other programs.”
 - iii. Distribution Undetermined. The distribution method is to be determined; no provision is made for regional parity, though non-MPO areas are included.

FY 14-15 Appropriations	\$ in Millions
High Speed Rail	\$250
Clean Vehicle Program	\$200
Housing/Sustainable Comm.	\$130
Transit	\$50
Other Programs	\$242
TOTAL	\$872



- iv. *50% for Disadvantaged Communities.* The percentage for disadvantaged communities is doubled from the SB 535 standard of 25% to 50%.
 - v. *State Guidelines.* The council is directed to “leverage the programmatic and administrative expertise of relevant state departments” in developing the guidelines. Comments from local and regional governments are to be “considered” in the same manner as other stakeholders in public hearings.
 - vi. *“Coordinated” Project Selection.* After guidelines are developed, the Council is required to “coordinate” with regional agencies to recommend projects.
6. **Transit and Intercity Rail Capital Program.** This program is for commuter and inter-regional rail and bus rapid transit projects. The Transportation Agency will develop guidelines, review applications, and make recommendations to the CTC. Funding must comply with the SB 535-standard 25% for disadvantaged communities; and achieve “geographic equity” and SCS consistency.
- *Special Note:* Clean up language on this element is in the works to explicitly authorize bus transit as an eligible use under the program.
7. **Low Carbon Transit.** Funding goes out under the State Transit Assistance formula for new and expanded service (including equipment); and 50% of the funding must be expended for disadvantaged communities. Caltrans must approve all expenditures to determine they meet the guidelines.
8. **High-Speed Rail.** High speed rail gets \$250 million in the first year; 25% going forward; and gets an additional \$400 million from prior year auction sales.
9. **Disadvantaged Communities & CalEnviroscreen.** The CalEnviroscreen tool (that identifies disadvantaged communities) came under scrutiny throughout the budget process. New language provides that the Air Resources Board, working with CalEPA, shall develop guidelines for the use of the CalEnviroscreen tool, including how “benefits” should be “maximized.”



III. SUSTAINABLE COMMUNITIES SCOPE & ELIGIBILITY

<p>PROGRAM:</p> <p>Administered By:</p> <p>Target:</p> <p>Project Eligibility:</p>	<p>AFFORDABLE HOUSING & SUSTAINABLE COMMUNITIES</p> <p>Strategic Growth Council</p> <p>50% must benefit disadvantaged communities; 50% for Affordable Housing</p> <ul style="list-style-type: none"> • Affordable housing that supports infill and compact development • Transit capital and programs “supporting transit ridership” • Active transportation projects (infrastructure & non-infrastructure) • TOD projects • Capital projects that implement complete streets • Projects that reduce GHG emissions by reducing auto trips and VMT • Acquisition of easements or other approaches to protect agricultural lands under threat of development • Planning to support SCS implementation, including local plans • Must be in draft or adopted SCS • Subject to SGC guidelines
<p>PROGRAM:</p> <p>Administered By:</p> <p>Target:</p> <p>Project Eligibility:</p>	<p>TRANSIT & INTER-CITY RAIL (AND BUS) CAPITAL PROGRAM</p> <p>Transportation Agency develops guidelines, scores applications. and makes recommendations, CTC allocates funds</p> <p>25% must benefit disadvantaged communities; achieve geographic equity</p> <ul style="list-style-type: none"> • Rail capital • Bus rapid transit and other bus investments to increase ridership and reduce GHGs • Service improvements to improve reliability & decrease travel times • Integrated ticketing and scheduling systems, shared-use corridors, related planning efforts and service integration initiatives • Must be consistent with SCS • Subject to SGC guidelines
<p>PROGRAM:</p> <p>Administered By:</p> <p>Target:</p> <p>Project Eligibility:</p>	<p>LOW CARBON TRANSIT OPERATIONS PROGRAM</p> <p>Operator (or RTPA for population-based funds) must submit project to Caltrans for approval and verification that it qualifies as a GHG reducing project. Controller allocates funds</p> <p>50% must benefit disadvantaged communities</p> <ul style="list-style-type: none"> • Transit capital and operating expenses that enhance transit service and reduce GHG emissions • Support new or expanded bus or rail services, or expanded intermodal facilities and equipment, fueling and maintenance for those facilities.

**III. FY 14-15 Budget Allocations (SB 852)**

FY 14-15 Cap and Trade Allocations Related to Transportation	
with Budget Line Item and SB 852 Page Number	
Affordable Housing and Sustainable Communities	
- For Local Assistance (0650-101-3228, page 34)	129,201,000
- For Support of OPR (0650-001-3228, page 40)	799,000
Subtotal	130,000,000
Transit and Rail Capital and Transit Operations	
- Transit Operations (2640-101-3228, page 116)	25,000,000
- Rail and Transit Capital (2660-101-3228, Page 132)	24,791,000
- Support, Dept. of Transp. (2660-001-3228, page 124)	208,000
- Capital Outlay (2660-301-3228, page 143)	1,000
Subtotal	50,000,000
High Speed Rail	
- Capital Outlay (2665-306-3228, page 164)	191,414,000
- Capital Outlay (2665-301-3228, page 163)	58,586,000
Subtotal	250,000,000
Clean Transportation (3900-101-3228, Page 275)	197,266,000
ARB Support - All Programs (3900-001-3228, page 274)	11,520,000
TOTAL	638,786,000

Notes:

- *AB 852 Language.* Key provision related to these programs are included at the end of this document. A copy of SB 852 is posted on our website.
- *Final Determination and the Last 25%.* The last 25% of any fund cannot be allocated until the Department of Finance makes a final determination based on auction proceeds after the last auction of the year. See Section 15.13 of SB 852 (page 683).
- *Affordable Housing & Sustainable Communities.* These funds “may be available for transfer to the Department of Transportation, the Department of Housing and Community Development, the Department of Conservation, and the Natural Resources Agency for support costs and local assistance. . .”
- *California Transit Association.* A note of appreciation for the California Transit Association for identifying the key line items in SB 852.

V. SEVEN ADMINISTRATIVE PROCESSES

1. Reporting and quantification methods for GHG reductions	
Scope:	Define how projects further regulatory purposes of AB 32 contribute to reducing GHGs, and applicability of other non-greenhouse gas reduction objectives of AB 32
Agency:	Air Resources Board
Process:	Undefined (ARB hearing likely)
Statute:	Government Code § 16428.9(b)
2. Identification of Disadvantaged Communities	
Scope:	<i>(Already in Statute)</i> Geographic, socioeconomic, health, environmental hazard, pollution, and concentration of low income, high unemployment, high rent, or other factors.
Agency:	California Environmental Protection Agency
Process:	At least one public hearing
Statute:	Health and Safety Code § 38711
3. Funding Guidelines Relating to Disadvantaged Communities for Administering Agencies	
Scope:	Agencies shall “maximize benefits for disadvantaged communities.”
Agency:	Air Resources Board, in consultation with CALEPA
Process:	ARB shall provide an “opportunity for public input” prior to final guidelines.
Statute:	Public Resources Code § 39715
4. Coordinate Activities of SGC Member Agencies that related to Program	
Scope:	Coordinate programs SGC members in way that is consistent with requirements for disadvantaged communities, GHG reporting, and transit priority projects.
Agency:	Strategic Growth Council, in consultation with Air Resources Board
Process:	No public process is defined
Statute:	Public Resources Code § 75200.1
5. Affordable Housing & Sustainable Community Guidelines and Selection Criteria	
Scope:	Develop guidelines that are consistent with extensive eligibility and policy objectives included in the statute (See Pub. Resources §§ 75210 to 75214).
Agency:	SGC with member agencies and departments; ARB, other state entities as needed
Process:	At least two workshops (one north, one south); draft guidelines published 30 days in advance; consider comments from local and regional governments, stakeholders; conduct outreach to disadvantaged communities.
Statute:	Public Resources Code § 75215
6. Guidelines for Transit and Inter-City Rail Capital Program	
Scope:	Extensive criteria provided by statute
Agency:	California State Transportation Agency
Process:	At least two public workshops with draft posted at least 30 days prior.
Statute:	Public Resources Code § 75222
7. Guidelines for Low Carbon Transit Operations Program	
Scope:	Develop guidelines that describe methodologies that recipient transit agencies shall use to demonstrate that proposed expenditures will meet the established criteria
Agency:	CalTrans (working with ARB)
Process:	Undefined
Statute:	Public Resources Code Section 75230(f)

VI. ILLUSTRATIVE REVENUE ESTIMATE

The “ballpark” projections below are only “illustrative.” We cannot predict future auction revenues. But planners and economists make such projections all the time—see (for example) any forecast in a regional transportation plan. The table estimates revenues from FY 14-15 through FY 19-20 (but the two auctions in the first half of FY 20-21 are not included). Its based on the following assumptions:

- Total Allowances. ARB has published the number of state allowances that will be sold each year through 2020. But this assumption may be “optimistic” if the state elects to give more allowances away in lieu of sale if (for example) there is significant public concern about the economic effects (*e.g.*, price of gas increases).
- 75% Sell Rate for Allowances. Not all allowances sell at every auction. The table below includes a very “back-of-the-envelope” guess that 75% of the allowances will actually sell. Some would call this assumption “conservative.”
- Price. Under current policy, the minimum price for allowances increases by 5% plus an inflation factor each year. This table starts with the minimum price in the first half of FY 14-15 and adds 5% (with no inflation factor) each year. The LAO noted in its *Cap and Trade Report* for the FY 14-15 Budget that “several economists” have estimated that the average price would be between \$15 and \$20 per ton. Thus, this could also be a conservative assumption.

The total revenue under these assumptions (counting the omitted two auctions) is approximately \$8.8 billion, well shy of the \$12 to \$45 billion range cited by the LAO. Accordingly, the table below may be a conservative estimate—which is why they are presented here for illustrative purposes only.

FISCAL YEAR	14/15	15/16	16/17	18/19	17/18	19/20
Allowances Offered (in millions)	125	195	182	128	155	68
75% Sell Rate (in millions)	93.75	146.25	136.5	96	116.25	51
Minimum Price	\$11.34	\$11.91	\$12.50	\$13.78	\$13.13	\$14.47
TOTAL AUCTION REVENUES	\$1,063,125,000	\$1,741,398,750	\$1,706,570,775	\$1,323,248,724	\$1,526,068,097	\$738,124,679
<i>20% - Afford Housing & Sustainable Communities</i>	<i>\$212,625,000</i>	<i>\$348,279,750</i>	<i>\$341,314,155</i>	<i>\$264,649,745</i>	<i>\$305,213,619</i>	<i>\$147,624,936</i>
<i>10% - Transit Capital</i>	<i>\$106,312,500</i>	<i>\$174,139,875</i>	<i>\$170,657,078</i>	<i>\$132,324,872</i>	<i>\$152,606,810</i>	<i>\$73,812,468</i>
<i>5%- Transit Operations</i>	<i>\$53,156,250</i>	<i>\$87,069,938</i>	<i>\$85,328,539</i>	<i>\$66,162,436</i>	<i>\$76,303,405</i>	<i>\$36,906,234</i>
“SUSTAINABLE” TOTAL	\$372,093,750	\$609,489,563	\$597,299,771	\$463,137,053	\$534,123,834	\$258,343,638

VII. SELECTED LANGUAGE from SB 862

SECTION 1. (a) The Legislature **finds and declares** all of the following:

.... (omitted text)

(6) As required by existing law, the use of the moneys appropriated from the GGRF for the Cap-and-Trade Expenditure Plan furthers the regulatory purposes of AB 32 by facilitating the achievement of reductions in greenhouse gases in the state. The Cap-and-Trade Expenditure Plan includes the following programmatic investment areas:

(A) Transit, Affordable Housing, and Sustainable Communities.

(B) High-Speed Rail.

(C) Low Carbon Transportation.

(D) Energy Efficiency and Renewable Energy.

(E) Natural Resources and Waste Diversion.

(7) Programs included in the Cap-and-Trade Expenditure Plan include the following:

(A) Expenditures for low-carbon transportation that include, but are not limited to, cleaning up cars, trucks, buses, and freight movement to meet federally mandated clean air requirements and long-term greenhouse gas emissions reduction goals, funding for heavy-duty freight, electric vehicle programs and rebates, and off-road vehicles.

.... (omitted text)

(D) The Affordable Housing and Sustainable Communities Program, which authorizes the Strategic Growth Council to fund land-use, housing, transportation, and land preservation projects to support infill and compact development that reduces greenhouse gas emissions. These projects, which were described in the AB 32 Scoping Plan, facilitate the reduction of the emissions of greenhouse gases by improving mobility options and increasing infill development, which decrease vehicle miles traveled and associated greenhouse gas and other emissions, and by reducing land conversion, which would result in emissions of greenhouse gases.

(E) The Transit and Intercity Rail Capital Program, which authorizes the California Transportation Commission to provide grants, based on determinations of the Transportation Agency, to fund capital improvements and operational investments that will modernize California's transit systems and intercity, commuter, and urban rail systems to reduce emissions of greenhouse gases by reducing vehicle miles traveled throughout California.

(F) The Low Carbon Transit Operations Program, which authorizes the Controller to provide funding allocations based on project evaluation from the Department of Transportation and the State Air Resources Board, to fund operation investments to increase transit ridership and reduce emissions of greenhouse gases by reducing vehicle miles traveled throughout California.

(G) The High Speed Rail Program, which authorizes the High Speed Rail Authority to utilize funds to begin the initial operating segment and the Phase I Blended System, and further environmental and design work on the statewide high speed rail system. The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Chapter 20 (commencing with Section 2940) of Division 3 of the Streets and Highways Code), approved by the voters in 2008, specifies that the high-speed train system, once it is completed and becomes operational, will contribute significantly toward the goal of reducing emissions of greenhouse gases and other air pollutants and will help reduce California's dependence on foreign energy sources. As recognized in the AB 32 Scoping Plan, implementation of a high speed rail system will

facilitate the reduction of emissions of greenhouse gases and other air pollutants by providing the foundation for a large-scale transformation of California’s transportation infrastructure, displacing millions of vehicle miles traveled on the road, reducing demand for air travel, and increasing train ridership to ensure that the state’s greenhouse gas emission reductions are maintained and continued.

..... (omitted text)

SEC. 3. Section 16428.9 of the Government Code is **amended** to read:

16428.9. (a) Prior to expending any moneys appropriated to it by the Legislature from the fund, a state agency shall prepare a record consisting of all of the following:

- (1) A description of each expenditure proposed to be made by the state agency pursuant to the appropriation.
- (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.
- (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.
- (4) A description of how the state agency considered the applicability and feasibility of other nongreenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.
- (5) A description of how the state agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.

(b) The State Air Resources Board 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. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 does not apply to the procedures developed pursuant to this subdivision.
(omitted text)

SEC. 5. Section 39711 of the Health and Safety Code is **amended** to read:

39711. (a) The California Environmental Protection Agency shall identify disadvantaged communities for investment opportunities related to this chapter. These communities shall be identified based on geographic, socioeconomic, public health, and environmental hazard criteria, and may include, but are not limited to, either of the following:

- (1) Areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation.
- (2) Areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations, or low levels of educational attainment.

(b) The California Environmental Protection Agency shall hold at least one public workshop prior to the identification of disadvantaged communities pursuant to this section.

(c) Chapter 3.5 (commencing with Section 11340) of the Part 1 of Division 3 of Title 2 of the Government Code does not apply to the identification of disadvantaged communities pursuant to this section.

SEC. 6. Section 39715 of the Health and Safety Code is **amended** to read:

39715. (a) *The state board, in consultation with the California Environmental Protection Agency shall develop funding guidelines for administering agencies that receive appropriations from the fund to ensure the requirements of this chapter are met. The guidelines shall include a component for how administering agencies should maximize benefits for disadvantaged communities, as described in Section 39711.*

(b) *The state board shall provide an opportunity for public input prior to finalizing the guidelines.*

(c) *Chapter 3.5 (commencing with Section 11340) of the Part 1 of Division 3 of Title 2 of the Government Code does not apply to the guidelines developed pursuant to this section.*

SEC. 7. Section 39719 is **added** to the Health and Safety Code, to read:

39719. (a) *The Legislature shall appropriate the annual proceeds of the fund for the purpose of reducing greenhouse gas emissions in this state in accordance with the requirements of Section 39712.*

(b) *To carry out a portion of the requirements of subdivision (a), annual proceeds are continuously appropriated for the following:*

(1) *Beginning in the 2015–16 fiscal year, and notwithstanding Section 13340 of the Government Code, 35 percent of annual proceeds are continuously appropriated, without regard to fiscal years, for transit, affordable housing, and sustainable communities programs as following:*

(A) *Ten percent of the annual proceeds of the fund is hereby continuously appropriated to the Transportation Agency for the Transit and Intercity Rail Capital Program created by Part 2 (commencing with Section 75220) of Division 44 of the Public Resources Code.*

(B) *Five percent of the annual proceeds of the fund is hereby continuously appropriated to the Low Carbon Transit Operations Program created by Part 3 (commencing with Section 75230) of Division 44 of the Public Resources Code. Funds shall be allocated by the Controller, according to requirements of the program, and pursuant to the distribution formula in subdivision (b) or (c) of Section 99312 of, and Sections 99313 and 99314 of, the Public Utilities Code.*

(C) *Twenty percent of the annual proceeds of the fund is hereby continuously appropriated to the Strategic Growth Council for the Affordable Housing and Sustainable Communities Program created by Part 1 (commencing with Section 75200) of Division 44 of the Public Resources Code. Of the amount appropriated in this subparagraph, no less than 10 percent of the annual proceeds shall be expended for affordable housing, consistent with the provisions of that program.*

(2) *Beginning in the 2015–16 fiscal year, notwithstanding Section 13340 of the Government Code, 25 percent of the annual proceeds of the fund is hereby continuously appropriated to the High-Speed Rail Authority for the following components of the initial operating segment and Phase I Blended System as described in the 2012 business plan adopted pursuant to Section 185033 of the Public Utilities Code:*

(A) *Acquisition and construction costs of the project.*

(B) *Environmental review and design costs of the project.*

(C) *Other capital costs of the project.*

(D) *Repayment of any loans made to the authority to fund the project.*

(c) *In determining the amount of annual proceeds of the fund for purposes of the calculation in subdivision (b), the funds subject to Section 39719.1 shall not be included.*



SEC. 20. Section 75121 of the Public Resources Code is **amended** to read:

75121. (a) The Strategic Growth Council is hereby established in state government and it shall consist of the Director of State Planning and Research, the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, the Secretary of Transportation, the Secretary of California Health and Human Services, the Secretary of Business, Consumer Services, and Housing, the Secretary of Food and Agriculture, *one member of the public appointed by the Speaker of the Assembly, one member of the public appointed by the Senate Committee on Rules*, and one member of the public to be appointed by the Governor. The public members shall have a background in land use planning, local government, resource protection and management, or community development or revitalization *and shall serve at the pleasure of the appointing authority*.

(b) Staff for the council shall be reflective of the council's membership.

SEC. 21. Division 44 (commencing with Section 75200) is **added** to the Public Resources Code, to read: **Transit, Affordable Housing, and Sustainable Communities Program**

PART 1. Affordable Housing and Sustainable Communities

CHAPTER 1. General Provisions

75200. *For the purposes of this part, the following terms have the following meanings:*

(a) *"Council" means the Strategic Growth Council established pursuant to Section 75121.*

(b) *"Disadvantaged communities" means communities identified as disadvantaged communities pursuant to Section 39711 of the Health and Safety Code.*

(c) *"Program" means the Affordable Housing and Sustainable Communities Program established pursuant to Section 75210.*

75200.1. *Consistent with Section 75125, the council, in consultation with the State Air Resources Board, shall review and coordinate the activities of member agencies of the council for the programs included in this part. The council shall review these programs, including grant guidelines of each program, consistent with Chapter 4.1 (commencing with Section 39710) of Part 2 of Division 26 of the Health and Safety Code, including the recommendations of the investment plan, Article 9.7 (commencing with Section 16428.8) of Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, and Chapter 4.2 (commencing with Section 21155) of Division 13 of this code.*

CHAPTER 2. Affordable Housing and Sustainable Communities Program

75210. *The council shall develop and administer the Affordable Housing and Sustainable Communities Program to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development, and that support related and coordinated public policy objectives, including the following:*

(a) *Reducing air pollution.*

(b) *Improving conditions in disadvantaged communities.*

(c) *Supporting or improving public health and other cobenefits as defined in Section 39712 of the Health and Safety Code.*

(d) *Improving connectivity and accessibility to jobs, housing, and services.*

(e) *Increasing options for mobility, including the implementation of the Active Transportation Program established pursuant to Section 2380 of the Streets and Highways Code.*

(f) *Increasing transit ridership.*

(g) Preserving and developing affordable housing for lower income households, as defined in Section 50079.5 of the Health and Safety Code.

(h) Protecting agricultural lands to support infill development.

75211. *To be eligible for funding pursuant to the program, a project shall do all of the following:*

(a) Demonstrate that it will achieve a reduction in greenhouse gas emissions.

(b) Support implementation of an adopted or draft sustainable communities strategy or, if a sustainable communities strategy is not required for a region by law, a regional plan that includes policies and programs to reduce greenhouse gas emissions.

(c) Demonstrate consistency with the state planning priorities established pursuant to Section 65041.1 of the Government Code.

75212. *Projects eligible for funding pursuant to the program include any of the following:*

(a) Intermodal, affordable housing projects that support infill and compact development.

(b) Transit capital projects and programs supporting transit ridership.

(c) Active transportation capital projects that qualify under the Active Transportation Program, including pedestrian and bicycle facilities and supportive infrastructure, including connectivity to transit stations.

(d) Noninfrastructure-related active transportation projects that qualify under the Active Transportation Program, including activities that encourage active transportation goals conducted in conjunction with infrastructure improvement projects.

(e) Transit-oriented development projects, including affordable housing and infrastructure at or near transit stations or connecting those developments to transit stations.

(f) Capital projects that implement local complete streets programs.

(g) Other projects or programs designed to reduce greenhouse gas emissions and other criteria air pollutants by reducing automobile trips and vehicle miles traveled within a community.

(h) Acquisition of easements or other approaches or tools that protect agricultural lands that are under pressure of being converted to nonagricultural uses, particularly those adjacent to areas most at risk of urban or suburban sprawl or those of special environmental significance.

(i) Planning to support implementation of a sustainable communities strategy, including implementation of local plans supporting greenhouse gas emissions reduction efforts and promoting infill and compact development.

75213. *A project eligible for funding pursuant to the program shall be encouraged to promote the objectives of Section 75210, and economic growth, reduce public fiscal costs, support civic partnerships and stakeholder engagement, and integrate and leverage existing housing, transportation, and land use programs and resources.*

75214. *In implementing the program, the council shall support the goals established pursuant to Chapter 830 of the Statutes of 2012 by ensuring a programmatic goal of expending 50 percent of program expenditure for projects benefiting disadvantaged communities. To the extent feasible, the council shall coordinate outreach to promote access and program participation in disadvantaged communities.*

75215. *(a) Prior to awarding funds under the program, the council, in coordination with the member agencies and departments of the council, the State Air Resources Board, and other state entities, as needed, shall develop guidelines and selection criteria for the implementation*

of the program.

(b) Prior to adoption of the guidelines and the selection criteria, the council shall conduct at least two public workshops to receive and consider public comments. One workshop shall be held at a location in northern California and one workshop shall be held at a location in southern California.

(c) The council shall publish the draft guidelines and selection criteria on its Internet Web site at least 30 days prior to the public meetings.

(d) In adopting the guidelines and selection criteria, the council shall consider the comments from local governments, regional agencies, and other stakeholders. The council shall conduct outreach to disadvantaged communities to encourage comments on the draft guidelines from those communities.

(e) Program guidelines may be revised by the council to reflect changes in program focus or need. Outreach to stakeholders shall be conducted, pursuant to subdivisions (a), (b), and (c) before the council adopts changes to guidelines.

(f) Upon the adoption of the guidelines and selection criteria, the council shall, pursuant to Section 9795 of the Government Code, submit copies of the guidelines to the fiscal and appropriate policy committees of the Legislature.

(g) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the development and adoption of the guidelines and selection criteria pursuant to this section.

75216. *(a) The council shall leverage the programmatic and administrative expertise of relevant state departments and agencies in implementing the program.*

(b) The council shall coordinate with the metropolitan planning organizations and other regional agencies to identify and recommend projects within their respective jurisdictions that best reflect the goals and objectives of this division.

75217. *The executive director of the council shall report the progress on the implementation of the program in its annual report required pursuant to subdivision (e) of Section 75125.*

PART 2. Transit and Intercity Rail Capital Program

75220. *(a) The Transit and Intercity Rail Capital Program is hereby created to fund capital improvements and operational investments that will reduce greenhouse gas emissions, modernize California's intercity, commuter, and urban rail systems to achieve all of the following policy objectives:*

(1) Reduce greenhouse gas emissions.

(2) Expand and improve rail service to increase ridership.

(3) Integrate the rail service of the state's various rail operators, including integration with the high-speed rail system.

(4) Improve rail safety.

(b) The Transportation Agency shall evaluate applications for funding under the program consistent with the criteria set forth in this chapter and prepare a list of projects recommended for funding. The list may be revised at any time.

(c) The California Transportation Commission shall award grants to applicants pursuant to the list prepared by the Transportation Agency.

75221. *(a) Projects eligible for funding under the program include, but are not limited to, all of the following:*

(1) Rail capital projects, including acquisition of rail cars and locomotives, that expand,

enhance, and improve existing rail systems and connectivity to existing and future rail systems, including the high-speed rail system.

(2) Intercity and commuter rail projects that increase service levels, improve reliability, and decrease travel times.

(3) Rail integration implementation, including integrated ticketing and scheduling systems, shared-use corridors, related planning efforts, and other service integration initiatives.

(4) Bus rapid transit and other bus transit investments to increase ridership and reduce greenhouse gas emissions.

(b) In order to be eligible for funding under the program, a project shall demonstrate that it will achieve a reduction in greenhouse gas emissions.

(c) The program shall have a programmatic goal of providing at least 25 percent of available funding to projects benefiting disadvantaged communities, consistent with the objectives of Chapter 830 of the Statutes of 2012.

(d) In evaluating grant applications for funding, the Transportation Agency shall consider both of the following:

(1) The cobenefits of projects that support implementation of sustainable communities strategies through one or more of the following:

(A) Reducing auto vehicles miles traveled through growth in rail ridership.

(B) Promoting housing development in the vicinity of rail stations.

(C) Expanding existing rail and public transit systems.

(D) Implementing clean vehicle technology.

(E) Promoting active transportation.

(F) Improving public health.

(2) The project priorities developed through the collaboration of two or more rail operators and any memoranda of understanding between state agencies and local or regional rail operators.

(3) Geographic equity.

(4) Consistency with the adopted sustainable communities strategies and the recommendations of regional agencies.

(e) Eligible applicants under the program shall be public agencies, including joint powers agencies, that operate existing or planned regularly scheduled intercity or commuter passenger rail service or urban rail transit service. An eligible applicant may partner with transit operators that do not operate rail service on projects to integrate ticketing and scheduling with bus or ferry service.

(f) A recipient of funds under the program may combine funding from the program with other funding, including, but not limited to, the State Transportation Improvement Program, the Low Carbon Transit Operations Program, the State Air Resources Board clean vehicle program, and state transportation bond funds.

75222. *(a) Applications for grants under the program shall be submitted to the Transportation Agency for evaluation in accordance with procedures and program guidelines adopted by the agency.*

(b) The Transportation Agency shall conduct at least two public workshops on draft program guidelines containing selection criteria prior to adoption and shall post the draft guidelines on the agency's Internet Web site at least 30 days prior to the first public workshop. Concurrent with the posting, the agency shall transmit the draft guidelines to the fiscal committees and to the appropriate policy committees of the Legislature.

(c) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the development and adoption of procedures and program guidelines for the program pursuant to this section.

PART 3. Low Carbon Transit Operations Program

75230. (a) The Low Carbon Transit Operations Program is hereby 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.

(b) Funding for the program is continuously appropriated pursuant to Section 39719 of the Health and Safety Code from the Greenhouse Gas Reduction Fund established pursuant to Section 16428.8 of the Government Code.

(c) Funding shall be allocated by the Controller consistent with the requirements of this part and with Section 39719 of the Health and Safety Code, upon a determination by the Department of Transportation that the expenditures proposed by a transit agency meet the requirements of this part and guidelines developed pursuant to subdivision (f), and the amount of funding requested that is currently available.

(d) Moneys for the program shall be expended to provide transit operating or capital assistance that meets all of the following criteria:

(1) 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.

(2) The recipient transit agency demonstrates that each expenditure directly enhances or expands transit service to increase mode share.

(3) The recipient transit agency demonstrates that each expenditure reduces greenhouse gas emissions.

(e) For transit agencies whose service areas include disadvantaged communities as identified pursuant to Section 39711 of the Health and Safety Code, at least 50 percent of the total moneys received pursuant to this chapter shall be expended on projects or services that meet requirements of subdivision (d) and benefit the disadvantaged communities, consistent with the guidance developed by the State Air Resources Board pursuant to Section 39715 of the Health and Safety Code.

(f) The Department of Transportation, in coordination with the State Air Resources Board, shall develop guidelines that describe the methodologies that recipient transit agencies shall use to demonstrate that proposed expenditures will meet the criteria in subdivisions (d) and (e) and establish the reporting requirements for documenting ongoing compliance with those criteria.

(g) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the development of guidelines for the program pursuant to this section.

(h) A transit agency shall submit the following information to the Department of Transportation before seeking a disbursement of funds pursuant to this part:

(1) A list of proposed expense types for anticipated funding levels.

(2) The documentation required by the guidelines in developed pursuant to subdivision (f) to demonstrate compliance with subdivisions (d) and (e).

(i) Before authorizing the disbursement of funds, the department, in coordination with the State Air Resources Board, shall determine the eligibility, in whole or in part, of the proposed list of expense types, based on the documentation provided by the recipient transit agency to ensure ongoing compliance with the guidelines developed pursuant to subdivision (f).



(j) The department shall notify the Controller of approved expenditures for each transit agency, and the amount of the allocation for each transit agency determined to be available at that time of approval.

(k) The recipient transit agency shall provide annual reports to the Department of Transportation, in the format and manner prescribed by the department, consistent with the internal administrative procedures for use of fund proceeds developed by the State Air Resources Board.

(l) The Department of Transportation and recipient transit agencies shall comply with the guidelines developed by the State Air Resources Board pursuant to Section 39715 of the Health and Safety Code to ensure that the requirements of Section 39714 of the Health and Safety Code are met to maximize the benefits to disadvantaged communities as described in Section 39711 of the Health and Safety Code.

VIII. SB 852 (FY 14-15 Budget Allocations)

A. For Affordable Housing and Sustainable Communities

0650-101-3228—For local assistance, Office of Planning and Research, Program 31-Strategic Growth Council ()\$129,201,000

- 1. The funds appropriated in this item may be available for transfer to the Department of Transportation, the Department of Housing and Community Development, the Department of Conservation, and the Natural Resources Agency for support costs and local assistance associated with administering the affordable housing and sustainable communities program.
- 2. Notwithstanding any other provision of law, the funds appropriated in this item shall be available for expenditure and encumbrance until June 30, 2017, for support and local assistance.

B. State Transit Assistance (Low Carbon Transit Operations)

2640-101-3228—For local assistance, State Transit Assistance, for allocation by the Controller pursuant to subdivisions (b) and (c) of Section 99312, Section 99313, and Section 99314 of the Public Utilities Code ().....\$25,000,000

- 1. Notwithstanding Sections 99313 and 99314 of the Public Utilities Code, not more than \$14,355 of the amount appropriated in this item shall reimburse the Controller for expenditures for administration of State Transit Assistance funds.
- 2. Funds appropriated in this item shall not be allocated prior to the enactment of implementing legislation and fulfillment of any specified requirement of that legislation. This implementing legislation shall establish requirements that funds be used to support additional transit services that result in additional greenhouse gas emission reductions to further the regulatory purposes of the California Global Warming Solutions Act of 2006, in accordance with Chapter 4.1 (commencing with Section 39710) of Part 2 of Division 26 of the Health and Safety Code, including the recommendations of the investment plan, and Article 9.7 (commencing with Section 16428.8) of Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code.



C. Transit and Intercity Rail Capital Program

Page 117 -118. 2660-101-3228—For local assistance, Department of Transportation, payable from the Greenhouse Gas Reduction Fund 24,791,000

1. Funds appropriated in this item shall be available for transit and intercity rail capital programs for allocation by the California Transportation Commission until June 30, 2016, and available for encumbrance and liquidation until June 30, 2020.
2. Notwithstanding any other provision of law, funds appropriated in this item may be transferred to Item 2660-301-3228. These transfers shall require the prior approval of the Department of Finance.

D. General Provision Relating to Timing of Allocations

(Page 683) SEC. 15.13. (a) Any appropriation from the Greenhouse Gas Reduction Fund, except for (1) appropriations in Items 2665-301-3228 and 2665-306-3228 and (2) appropriations for state operations expenditures necessary for program administration, including statewide coordination and reporting activities by the State Air Resources Board for cap and trade expenditures, shall be subject to the restrictions specified in subdivision (b).

(b) No department shall encumber or commit more than 75 percent of any appropriation prior to the fourth cap and trade auction in the 2014–15 fiscal year. Upon determination of the final amount of auction proceeds after the fourth cap and trade auction, the Department of Finance shall make a final determination for the expenditure of the remaining auction proceeds. The Department of Finance shall notify the Joint Legislative Budget Committee no later than 30 days after the final determination.