

# Metropolitan Transportation Commission Programming and Allocations Committee

November 13, 2013

Item Number 3a.i.

## Draft Cap and Trade Funding Framework

**Subject:** Release of Draft Cap and Trade Funding Framework for Public Comment and Review

**Background:** Plan Bay Area included a \$3.1 billion reserve from future Cap and Trade funding. The specific set of expenditures for these funds was to be subject to further deliberation with partner agencies and public input. The investment strategy for the funding was to be consistent with the focused land use strategy outlined in Plan Bay Area. Further, the investment process for project and program selection was to ensure that at least 25% of the Cap and Trade funding benefit disadvantaged communities in the Bay Area.

Attachment A proposes principles and a set of investment categories for Cap and Trade Funding that aligns well with the objectives of Plan Bay Area, with the following focus areas:

Funding Category	Amount (\$ millions)
1. Core Capacity Challenge Grants (Transit Capital Program)	800
2. Transit Operating and Efficiency Program	450
3. One Bay Area Grants	1,050
4. Climate Initiatives	400
5. Goods Movement	450
TOTAL	\$3,150

As outlined in the proposed principles, each investment category should have a strong link to greenhouse gas emission reductions and benefit disadvantaged communities. As an example, the Core Capacity Challenge Grant program is focused on AC Transit, BART, and SFMTA – systems that carry over 80% of the region’s overall transit riders as well as more than three-quarters of the low-income and minority passengers. Each program as it is developed will require evaluation for its benefits to greenhouse gas emission reductions and disadvantaged communities.

Staff is seeking input on this draft funding framework, and will return in December to seek approval following public input and review by MTC’s Advisory Council.

While the Legislature has not yet finalized the funding structure and eligible uses, AB 574 (Lowenthal) seeks to reserve California cap and trade allowance revenue from transportation fuels for transportation-related expenditures, with some portion being subvented to Metropolitan Planning Organizations, including MTC. The eligible projects included in AB574 are broad in scope and generally align well with those identified in the Draft Cap and Trade Revenue Framework.

**Issues:** None.

**Recommendation:** This is an informational item.

**Attachments:** Draft Cap and Trade Revenue Framework  
6 Wins Letter on PBA Cap and Trade to MTC and ABAG

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## **Draft Bay Area Cap and Trade Funding Framework**

### **Cap and Trade Reserve Investment Principles**

1. Cap and Trade Funds must have a strong nexus to Greenhouse Gas (GHG) reduction
2. Distribution of the estimated \$3.1 billion in available funds will serve to strategically advance the implementation of Plan Bay Area and related regional policies
3. Investment Categories and related Policy Initiatives will be structured to provide co-benefits and opportunities to leverage investments across categories and from multiple sources (public and private).
4. All Investment Categories should include funding that benefits disadvantaged communities. The Committees are defined as MTC's Communities of Concern.

### **Cap and Trade Reserve Funding Categories**

#### **1. Core Capacity Challenge Grants (Transit Capital Program)**

Plan Bay Area identifies a remaining need of \$17 billion over nearly three decades to achieve an optimal state of repair for the region's public transit network. The plan's in-fill and transit-oriented growth strategy relies on a well-maintained transit system to meet greenhouse gas emissions reduction targets and other plan performance objectives.

#### **Proposal:**

- Invest \$800 million over the life of Plan Bay Area
- The proposed Core Capacity Challenge Grant Program:
  - a) accelerates fleet replacement and other state of good repair projects from Plan Bay Area, including "greening" the fleet and other strategic capital enhancements
  - b) focuses on BART, SFMTA, and AC Transit – transit operators that carry 80% of region's passengers, account for approximately 75% of the plan's estimated transit capital shortfall, and serve PDAs that are expected to accommodate the lion's share of the region's housing and employment growth
  - c) achieves roughly \$7 billion in total state of good repair investment by leveraging other regional discretionary funds and requiring a minimum 30% local match from the three operators
  - d) participating operators must meet the Transit Sustainability Project's performance objectives outlined in MTC Resolution No. 4060

#### **2. Transit Operating and Efficiency Program**

Plan Bay Area fully funds existing transit service levels at nearly \$115 billion over the three decade period, with an assumption that the largest transit operators achieve near-term performance improvements. However, the plan also identifies the importance of a more robust and expanded public transit network, anchored by expanded local service, as a key ingredient for success of Plan Bay Area's growth strategy. In particular, the plan falls short of the funding

necessary to meet the performance target of growth in the non-auto mode share to 26 percent of all trips.

Proposal:

- Invest \$450 million over the life of Plan Bay Area
- Operating investments and capital investment that create operating efficiencies must be consistent with the recommendations of the Transit Sustainability Project and focus on improving service and attracting riders in the most cost-effective manner
- Operating and capital investments also will be constrained by the availability of cap and trade funds on a predictable, ongoing basis

**3. One Bay Area Grants**

Plan Bay Area invests over \$14 billion in transportation improvements concentrated near high quality transit and higher density housing – through the One Bay Area grant program – focusing on complete streets, bicycle and pedestrian facilities, and streetscape improvements. The Plan identifies a remaining need of \$20 billion over the next three decades to achieve a PCI score of 75, the Plan’s adopted performance target for pavement; of this, roughly 45% is for non-pavement infrastructure, critical for complete streets that would serve alternative modes and transit-oriented development that is a key part of Plan Bay Area’s growth strategy. Further, the provision of housing for low and moderate income households in areas that provide access to jobs was identified in Plan Bay Area as critical to sustaining the region’s economic growth and attaining the Plan’s GHG and Housing Targets. To address this need, transit-oriented, workforce housing will also be an eligible use of the cap and trade OBAG funding.

Proposal:

- Invest \$1,050 million to augment the One Bay Area Grant Program
- Congestion Management Agencies will administer the funds as in the OBAG program
- Distribution formula and eligible uses of the funds will be consistent with the OBAG program with the addition of transit-oriented, workforce housing , consistent with the nexus requirements for cap and trade revenue
- Counties can opt to use OBAG funding for workforce housing to leverage additional funding from the private sector and foundations
- Priority Development Area Growth and Investment Strategies will serve as a guide to investment priorities

**4. Climate Initiatives**

The Climate Initiatives Program is a multi-agency program focused on investments in technology advancements and incentives for travel options that help the Bay Area meet the GHG emission reduction targets related to SB375.

Proposal:

- Invest \$400 million for the Climate Initiatives Program over the life of Plan Bay Area, including \$75 million to support the county Safe Routes to School programs
- Investments will be focused on those programs that prove most cost-effective at reducing emissions based on evaluations of the existing programs
- MTC will partner with the Air District, other regional and local partners, and the private sector to build upon successful existing programs and leverage other funds

**5. Goods Movement**

Goods movement investments fall into two categories: (1) projects focused on improving the efficiency of the movement of goods within and through the region, and (2) mitigation projects that reduce the associated environmental impacts on local communities. MTC is currently working with Caltrans and selected Congestion Management Agencies to update the regional goods movement program and to inform the California Freight Mobility Plan. These efforts are identifying goods movement projects as well as the need for mitigations for the localized impacts. These efforts can inform future program development and investment decisions related to goods movement projects.

Proposal:

- Invest \$450 million for goods movement projects over the life of Plan Bay Area
- Leverage existing air quality and transportation funds and seek additional funds to continue to implement BAAQMD and CARB programs aimed at retrofits and replacements of trucks and locomotives including:
  - a) private sector,
  - b) county funding (ACTC committed \$240 million to goods movement in measure B1),
  - c) regional (BAAQMD Carl Moyer funding), and
  - d) reauthorization of the federal surface transportation program.

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