STAFF REPORT

MEETING DATE:	**June 22, 2023**
SUBJECT:	**Approve New Carbon Reduction Program Policy**
AGENDA ITEM:	**15**
STAFF CONTACT:	**Mehdi Moeinaddini, Associate Transportation Planner**

SUMMARY:

The Carbon Reduction Program (CRP) allocates $6.4 billion nationally over five years to reduce on-road transportation carbon dioxide emissions. In total, over $215 million is being allocated to California for the first two years of the program. The funds are divided between the Local CRP (65%) and State CRP (35%). SRTA, as the metropolitan planning organization for the Shasta region, must select and program projects using a competitive and performance-driven process for the local CRP funds.

STAFF RECOMMENDATION:

It is recommended that the board of directors:

1. Approve the attached Carbon Reduction Program (CRP) Policy to select and prioritize projects; and
2. Authorize the executive director to make administrative edits to the policy as necessary to meet federal or state guidelines.

DISCUSSION:

The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law, has allocated $6.4 billion to states and metropolitan planning organizations toward a new Carbon Reduction Program (CRP). The goal of the CRP is to fund projects that decrease transportation emissions from on-road, highway sources. The funds are available for five years, with 65% allocated as “Local” CRP to regional agencies and 35% to state departments of transportation.

The CRP allocations to regional agencies are based on population. SRTA cannot suballocate funds but must use a competitive, performance-driven process to select projects that align with the program's goals, ensuring that proposed projects effectively reduce CO2 emissions, and meet program eligibility.

Eligible applicants for local CRP include cities, counties, transportation agencies, and non-profit organizations within the Shasta region. CRP funds can be used toward a variety of planning and construction projects including, sustainable pavement materials, projects that reduce impacts of freight movement, energy efficient street lighting and traffic control devices, rail and transit initiatives, on-road and off-road bicycle and pedestrian infrastructure, and purchasing zero-emission vehicles and related infrastructure.

ALTERNATIVES:

The board of directors may modify this policy consistent with federal and state guidelines or continue this item to request additional information.

OTHER AGENCY INVOLVEMENT:

The proposed policy was provided to the Technical Advisory Committee (TAC) for their input.
///The Technical Advisory Committee (TAC) concurs with the staff recommendation.///

FISCAL & POLICY COMMITTEE REVIEW:

The proposed policy was provided to the Fiscal and Policy Committee for their input.
/// The Fiscal & Policy Committee concurs with the staff recommendation. ///

FISCAL IMPACT:

SRTA's allocation for Fiscal Year (FY) 2022/23 is $325,250 and FY 2023/24 is 331,755. It's estimated allocations for the next three years will increase three percent annually. Staff anticipates issuing a call for projects from eligible applicants later this summer with board approval in October. Eligible applicants must provide an 11.47% match with non-federal funds.

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Jessica Carlson, Chief Fiscal Officer

Attachment: Carbon Reduction Program Policy

CHAPTER 3.28 –Carbon Reduction Program POLICY

3.28.010 – PROGRAM OVERVIEW

A. The Infrastructure Investment and Jobs Act (IIJA) (Bipartisan Infrastructure Law) provides $6.4 billion dollars to states and metropolitan planning organizations like SRTA for the Carbon Reduction Program (CRP). The purpose of the CRP is to reduce transportation carbon dioxide (CO_2) emissions, from on-road sources. CRP funds are available for five years (2022-2026) and provide opportunities to support local priorities that decrease CO_2 emissions in the transportation sector and support regions towards net zero emissions by 2050.

B. The allocations are split, with 65% as Local CRP and 35% as State CRP. Local CRP is allocated by population based on the 2020 US Census Urbanized Areas (UZA). Local CRP funds are allocated to metropolitan planning organizations or regional transportation planning agencies and must be made available for use within the entire boundary. For SRTA, this means the entire Shasta County region. The CRP funds cannot be further suballocated within the SRTA boundary. Instead, SRTA must use a competitive, performance-driven process to select and program projects for CRP funds.

3.28.020 – ELIGIBLE APPLICANTS

A. Eligible applicants include cities, counties, transportation agencies, metropolitan planning organizations, regional transportation planning agencies, and non-profit organizations within the Shasta region. For-profit organizations are not eligible. All other entities must partner with a city, county, or transportation agency to apply for and/or administer a federal aid transportation project.

B. Since this is a reimbursement program, recipients must have the capacity to cover project costs at the outset of project or program implementation. Eligible expenses will be reimbursed once the applicant has submitted a reimbursement request and supporting documentation.

3.28.030 – PROJECT ELIGIBILITY

A. CRP funds cover many different types of activities that address carbon emission reductions. A full list of eligible activities is available in the FHWA program guidance: https://www.fhwa.dot.gov/environment/sustainability/energy/policy/crp_guidance.pdf.

B. The utilization of CRP funds necessitates their allocation to projects from the federally-eligible list, strategically supporting three crucial pillars: bicycle and pedestrian infrastructure, rail and transit initiatives, and the development of zero-emission vehicles and related infrastructure. Eligible applicants must indicate on their project nomination forms how the proposed project meets one or more of the above “pillar” categories.

C. It is required that an 11.47% percent local match, consisting of non-federal funds, be provided.

3.28.040 – FUNDING PRIORITIES

A. Priority – I
   - A public transportation project eligible under 23 U.S.C. 142; (this includes eligible capital projects for the construction of a bus rapid transit corridor or dedicated bus lanes as provided for in BIL Section 11130 (23 U.S.C. 142(a)(3)).
   - A transportation alternative (as defined under the Moving Ahead for Progress under the 21st Century Act [23 U.S.C. 101(a)(29), as in effect on July 5, 2012]), including, but not limited to, the construction, planning, and design of on-road and off-road trail facilities for pedestrians, bicyclists, and other nonmotorized forms of transportation.
   - Development of a carbon reduction strategy developed by a State per requirements in 23 U.S.C. 175(d).
   - A project or strategy designed to support congestion pricing, shifting transportation demand to nonpeak hours or other transportation modes, increasing vehicle occupancy rates, or otherwise reducing demand for roads, including electronic toll collection, and travel demand management strategies and programs.
   - Efforts to reduce the environmental and community impacts of freight movement.
   - Sustainable pavements and construction materials. Sustainable pavements technologies that reduce embodied carbon during the manufacture and/or construction of highway projects could be eligible for CRP if a lifecycle assessment (LCA) demonstrates substantial reductions in CO_2 compared to the implementing Agency's typical pavement-related practices.
   - Climate Uses of Highway Right-of-Way Projects including alternative uses of highway right-of-way (ROW) that reduce transportation emissions are also eligible. For example, renewable energy generation facilities, such as solar arrays and wind turbines, can reduce transportation emissions.
   - Mode Shift Projects that maximize the existing right-of-way for accommodation of non-motorized modes and transit options that increase safety, equity, accessibility, and connectivity may be eligible.
   - Projects that separate motor vehicles from pedestrians and bicyclists

B. Priority – II
   - A project described in 23 U.S.C. 149(b)(4) to establish or operate a traffic monitoring, management, and control facility or program, including advanced truck stop electrification systems.
   - A project described in 23 U.S.C. 503(c)(4)(E) for advanced transportation and congestion management technologies.
   - Deployment of infrastructure-based intelligent transportation systems capital improvements and the installation of vehicle-to-infrastructure communications equipment.
   - A project to replace street lighting and traffic control devices with energy-efficient alternatives.

- A project that supports deployment of alternative fuel vehicles, including acquisition, installation, or operation of publicly accessible electric vehicle charging infrastructure or hydrogen, vehicle fueling infrastructure, and purchase or lease of zero-emission construction equipment and vehicles, including the acquisition, construction, or leasing of required supporting facilities.
- A project described in 23 U.S.C. 149(b)(8) for a diesel engine retrofit.
- Certain types of projects to improve traffic flow that are eligible under the CMAQ program, and that do not involve construction of new capacity; [§ 11403; 23 U.S.C. 149(b)(5); and 175(c)(1)(L)].
- A project that reduces transportation emissions at port facilities, including through the advancement of port electrification.
- Climate Uses of Highway Right-of-Way Projects including alternative uses of highway right-of-way (ROW) that reduce transportation emissions are also eligible. For example, biologic carbon sequestration practices along highway ROW to capture and store CO2 may demonstrate potential for substantial long-term transportation emissions reductions. State DOTs Leveraging Alternative Uses of the Highway Right-of-Way Guidance provides information on these practices.
- Projects that match vehicle speeds to the built environment, increase visibility (e.g., lighting), and advance implementation of a Safe System approach and improve safety for vulnerable road users may also be eligible.
- Micromobility and electric bike projects, including charging infrastructure, may also be eligible.

3.28.050 – SRTA AND PARTNER ROLES

A. FHWA and Caltrans guidelines identify the roles and responsibilities of state, regional, and local agencies. The following is a summary of those roles:
    a. The **FHWA** is responsible for final review and approval.
    b. **Caltrans HQ Division of Local Assistance** is responsible for performing eligibility review of projects selected by SRTA.
    c. **District 2** is responsible for reviewing projects, inputting the project information into the Funding Allocation and Delivery System (FADS), and submitting the project details to the Headquarters Implementation division of Caltrans.
    d. **SRTA** is responsible for developing a program for managing CRP funds, conducting a call for projects, selecting projects for funding, programming projects for funding, and tracking progress on project funding. SRTA may also serve as an eligible applicant.
    e. **Eligible applicants** identify eligible projects and compete for CRP funds, provide SRTA and Caltrans necessary information for the programming of funds on selected projects, implement and complete projects, and submit annual (or more frequent) reporting for their projects.

3.28.060 – CALL FOR PROJECTS AND PROJECT SELECTION

A. SRTA announces a call for projects via SRTA's website and provides guidance and technical support to applicants. SRTA also forwards the call for projects to the potential applicants via email.

B. All projects undergo thorough evaluation to ensure alignment with project eligibility criteria and funding priorities, thereby ensuring consistency and strategic allocation of resources.

C. Following the application deadline, applications will be selected through a competitive process as follow:
   - SRTA staff reviews applications for clarity, completeness, and eligibility.
   - SRTA staff scores each application using the criteria outlined in the call for projects.
   - Applications, along with their scores, are reviewed and ranked by the SRTA's CRP Workgroup.
   - The CRP Workgroup forwards its recommended projects to SRTA.
   - SRTA approves and forwards the recommended projects to the Board of Directors.
   - Awarded projects eligibility needs to be verified by CalTrans DLA HQ CRP Coordinator.
   - After obtaining eligibility approval, local agencies need to submit RFA to the District.
   - District reviews, inputs into FADS, and submits to HQ Implementation.
   - HQ Implementation verifies HQ DLA CRP project eligibility approval before processing RFA.
   - FHWA performs final review and approval.
   - SRTA approves and forwards a TIP amendment to the California Transportation Commission (CTC) for approval and incorporation into the STIP.

D. Annual Timeline

Call for projects	July
Project Nominations Due	August
Application eligibility review, scores, and rankings	September
Recommending projects to the Board of Directors	October
FHWA and Caltrans Eligibility review	Up to two weeks after board recommendation (estimated)
TIP amendments	The next available CTC meeting after eligibility review confirmation

3.28.070 – Project Funding, Programming, and Obligation

A. The Obligation Deadline (E76) for the year 2022 is September 30, 2025, while for 2023 it is September 30, 2026. The deadlines for the years 2024 to 2026 will be determined based on updates from Caltrans at this website: https://dot.ca.gov/programs/local-assistance/fed-and-state-programs/carbon-reduction-program . It is important to note that the deadline to obligate (E76) is three Federal Fiscal Years after the FFY the funds were apportioned.

B. The Expenditure Deadline for the years 2022 and 2023 is September 30, 2030, and September 30, 2031, respectively. The Expenditure Deadline for the years 2024 to 2026 will be determined based on updates from Caltrans at this website: https://dot.ca.gov/programs/local-assistance/fed-and-state-programs/carbon-reduction-program .

C. To effectively manage project funds SRTA will:
   - Conduct quarterly monitoring project process to identify potential issues or delays that could impede timely completion and implement a system of early warning indicators that signal when a project may deviate from the planned course.
   - When a project is at risk of delay or cancellation (e.g., 50% of anticipated progress not met), promptly notify the local agency responsible for implementation, providing detailed information about the situation, potential consequences, and timeline for action. Request the agency to assess the reasons behind the project's inability to proceed and submit an action plan with steps to overcome obstacles or propose alternative projects. If suitable, the SRTA staff reports the status of the project to the Fiscal Policy committee and if needed, prepares a recommendation for the board.
   - Seek the board's approval for reprogramming funds towards the new project(s) if needed.
   - Once approved, initiate the necessary steps to obligate the funds for the selected project(s) and coordinate with relevant stakeholders for smooth execution.
   - Continuously monitor the progress of the new project(s) to ensure timely implementation, promptly addressing any issues or delays and taking corrective actions as necessary.