



**METROPOLITAN
TRANSPORTATION
COMMISSION**

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April 2, 2014

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The Honorable Jim Beall
Chair, Senate Budget Subcommittee No. 2
State Capitol, Room 2068
Sacramento, CA 95814

RE: Cap & Trade Funding in FY 2014-15 State Budget

Dear Chair Beall:

The Metropolitan Transportation Commission, the metropolitan planning organization (MPO) for the nine-county San Francisco Bay Area, respectfully requests changes to the Governor's proposal for how to spend Cap-and-Trade (C&T) funds in the FY 2014-15 State Budget. While we are grateful the Administration proposes steering most of the funds towards GHG reductions in the transportation sector, we believe the proposed the Sustainable Communities Implementation Program (SCIP) warrants a higher level of funding. We also urge you to redesign the program so that the funds are administered regionally, building on the bottom-up approach of Senate Bill 375 (Steinberg, 2008).

At only \$100 million, the SCIP is proposed to receive the smallest share of the entire package even though SB 375 is a central part of the state's transportation sector GHG reduction strategy. Rather than seek redirection of funds proposed for other categories, MTC recommends your committee expand the entire program based on higher levels of funding that may be available in the May Revise or by seeking repayment of the remaining \$400 million C&T loan made to the General Fund in last year's budget to allow for a larger Sustainable Communities Investment Program.

As noted, in addition to seeking increased funding for the SCIP, MTC also seeks changes to its structure. Logically, a new grant program named the "Sustainable Communities Implementation Program" would provide funding to the entities responsible for developing Sustainable Communities Strategies in the first place, namely the state's 18 MPOs. Yet, rather than follow the "bottom-up" approach of SB 375, the budget proposal bypasses MPOs in favor of project selection by the Strategic Growth Council. We believe this is a mistake.

First, the Administration's "top-down" approach misses a unique opportunity to strengthen the relationship between MPOs and their local jurisdictions — a relationship that is critical to successful SCS implementation. Over the last six years, most metropolitan regions in California have developed an SCS, as required by SB 375. These plans were and remain quite controversial due to the fact that they seek to link transportation investment decisions with local land use policies for the first time.

C&T funds can play a critical role in not only expediting important projects that have GHG reduction benefits, but also in facilitating efficient development patterns envisioned in SCSs. Indeed, this type of “carrot” approach to land use changes is exactly what MTC had in mind when we adopted our Cap and Trade Funding Framework in December 2013, attached. A \$3.1 billion plan over 27-years, the framework directs the largest share of funds to the One Bay Area Grant program, a flexible grant program that rewards local jurisdictions that plan for and build new housing close to public transit and existing services, with extra reward for those who plan for and build *affordable* housing.

Secondly, under a statewide competitive program, there is no guarantee that all regions of the state will benefit from the funds even though all regions are required to meet aggressive greenhouse gas reduction targets set by the Air Resources Board under SB 375. We recommend funds be distributed based on each region’s share of the state’s population as advocated by the Transportation Coalition for Livable Communities and incorporated into AB 574 (Lowenthal, 2013). Not only is this the fairest method of distributing funds for a statewide mandate, it will also generate and sustain support for reducing greenhouse gas emissions from the transportation sector as communities enjoy the tangible benefits of new investments.

Finally, we would like to emphasize the importance of adopting a trailer bill, similar to the structure proposed in AB 574 (Lowenthal, 2013) to provide the long-term policy and funding structure for C&T funds. Particularly with respect to transportation and land use investments, predictable funding levels are a key to efficient project delivery and effective programming of projects. Similar to the Administration’s proposal that 33 percent of future C&T funds deposited in the Greenhouse Gas Reduction Fund be appropriated for High-Speed Rail, we urge you to consider dedicating an appropriate fixed percentage to the SCIP in FY 2015-16 and beyond.

We look forward to working with your committee to develop a cap and trade funding plan for FY 2014-15 that best meets the state’s current transportation needs. If you have any questions about MTC’s recommendations, please contact Rebecca Long of my staff at 510-817-5889 or one of our Sacramento representatives: Scott Wetch (916-446-3413), Duncan McFetridge (916-444-1380) or Justin Fanslau (808-348-7653).

Sincerely,



Steve Heminger
Executive Director

Attachment

CC: Members, Senate Budget Subcommittee No. 2
The Honorable Darrel Steinberg, Senate President Pro Tempore
The Honorable John Perez, Assembly Speaker
The Honorable Mark Leno, Chair, Senate Budget & Fiscal Review Committee
The Honorable Mark DeSaulnier, Chair, Senate Transportation & Housing Committee
The Honorable Bonnie Lowenthal, Chair, Assembly Transportation Committee

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The Honorable Toni Atkins, Assembly Majority Leader
The Honorable Bob Huff, Senate Republican Leader
The Honorable Connie Conway, Assembly Republican Leader

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FACT SHEET

MTC's Funding Framework for Cap and Trade Funds

February 6, 2014

Background

MTC and our transportation partners across California believe Cap and Trade funds derived from transportation fuels should be reinvested in low-carbon transportation projects, with the majority of the funds dedicated to help implement the state's landmark climate change legislation, Senate Bill 375 (Steinberg, 2008).

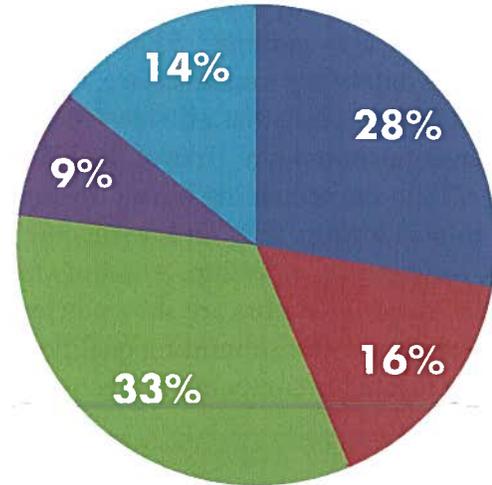
MTC's Cap and Trade Funding Framework

To ensure the Bay Area has a clear plan for how we will invest such funds, MTC recently adopted a Cap and Trade Funding Framework (hereafter "framework") for \$3.1 billion in Cap and Trade funds that could come to the region over the next 26 years. The framework assigns the funds to five broad program categories as shown at right. A comprehensive and competitive project selection process will be developed over the next twelve months. In short, the Bay Area will be able to hit the ground running once the legislature appropriates the Cap and Trade funds.

Program Rewards Counties That Build More Housing

The **One Bay Area Grant (OBAG) Program** is the largest category in the framework, receiving \$1 billion. This competitive program is administered by congestion management agencies at the county level and focuses on building complete streets, bicycle and pedestrian improvements and streetscape improvements. OBAG funds are distributed by a formula that rewards counties that plan for and produce affordable housing — a key incentive designed to ensure the region implements the infill development strategy incorporated into Plan Bay Area.

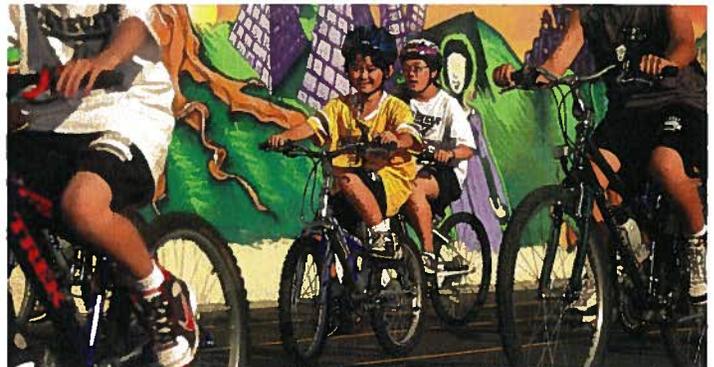
Total Program: \$3.1 billion



- Transit Core Capacity Challenge Grants Program
- Transit Operating and Efficiency Program
- One Bay Area Grants
- Climate Initiatives
- Goods Movement

Eligible OBAG projects include:

- Local Streets and Roads Preservation
- Bicycle and Pedestrian Improvements
- Transportation for Livable Communities
- Safe Routes to School
- Priority Conservation Areas
- Planning



Transit Core Capacity Grant Program

The framework invests another \$875 million in a new Transit Core Capacity Grant Program designed to address the region's highest priority transit capital needs, focusing on vehicle replacement and expansion and facilities improvements at the region's three largest operators: AC Transit, BART and SFMTA. The Cap and Trade funds are leveraged by an additional \$6.6 billion in local, regional and federal funds, for a \$7.5 billion total program.

Transit Operating & Efficiency Program

The framework also commits \$500 million through 2040 towards improving transit service. Funds are to be distributed by a formula that provides 40% to core capacity transit operators (AC Transit, BART, and SFMTA) and 60% to the remaining transit operators, based 50% on total ridership, 25% on low-income ridership and 25% on minority ridership. Amounts forecast for the region's larger operators are shown below, and are subject to each operator submitting qualifying projects for funding through a competitive selection process:

Operator	Amount (\$ in millions)
AC Transit	\$35
BART	\$54
Caltrain	\$35
Golden Gate	\$22
SFMTA	\$111
Samtrans	\$44
Santa Clara Valley Transportation Authority	\$140
SUBTOTAL	\$441
Small Operators	\$59
TOTAL	\$500

Plan Focuses on Disadvantaged Communities

Consistent with SB 535 (DeLeon, 2012), which directs that at least 25 percent of the state's Cap and Trade funds benefit disadvantaged communities, the framework requires that at least 25 percent of the region's share of Cap and Trade funds benefit disadvantaged communities, with each category of funding benefiting such communities by at least that amount.



Climate Innovation & Goods Movement

\$450 million is reserved for goods movement projects that either improve the efficiency of the movement of goods within and through the region or mitigate the associated environmental impacts. The framework also invests \$275 million in a Climate Initiatives Program, including \$75 million to support Safe Routes to Schools programs. Other eligible categories include technology advancements and strategies to reduce demand for driving. All projects in these two categories will be competitively selected.



TRANSPORTATION COALITION for
LIVABLE COMMUNITIES

A Broad Coalition Supports a Regional Approach

A broad coalition of transportation organizations known as the Transportation Coalition for Livable Communities, agrees that the majority of Cap and Trade funds should be distributed by population to metropolitan planning organizations for competitive grant programs that support the highest priority GHG reduction strategies at the *local* level.¹ Given that greenhouse gas emissions correlate very closely with population, this approach will best ensure that state-level GHG reduction programs are met *and* that *all* metropolitan areas benefit from transportation improvements that will help reduce their carbon footprint.

For more information, contact **Randy Rentschler**,
Director of Legislation & Public Affairs at
rrentschle@mtc.ca.gov, 510-817-5780 or
Rebecca Long, Senior Legislative Analyst at
rlong@mtc.ca.gov 510-817-5889.

¹ The TCLC steering committee is comprised of the California Alliance for Jobs, the Natural Resources Defense Council, the California Association of Councils of Government, the California Transit Association, the California State Association of Counties and the League of California Cities. MTC and many other transportation agencies are also members of the coalition.