

Date of Hearing: June 29, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION
Jim Frazier, Chair
SB 9 (Beall) – As Amended June 23, 2015

SENATE VOTE: 37-1

SUBJECT: Greenhouse Gas Reduction Fund: Transit and Intercity Rail Capital Program.

SUMMARY: Modifies the Transit and Intercity Rail Capital Program (TIRCP) to focus on capital rail and transit system improvements that will be transformative. Specifically, **this bill:**

- 1) Clarifies that the TIRCP should emphasize transit capital improvements that will be "transformative."
- 2) Eliminates operations funding as an eligible use of TIRCP funds.
- 3) Clarifies that bus system improvements are eligible for TIRCP funding, and specifically provides that ferry system improvements are also eligible.
- 4) Directs the California State Transportation Agency (CalSTA) to evaluate project applications consistent with revised criteria as set forth in the bill.
- 5) Adds the following to the list of co-benefits CalSTA must consider in evaluating project applications:
 - a) Reduction in auto trips through growth in transit ridership;
 - b) Enhanced connectivity, integration, and coordination with regional and local transit systems; and
 - c) Direct connections to the high-speed rail system.
- 6) Adds other project evaluation criteria (in addition to the expanded list of co-benefits) to include the extent to which the project provides the following:
 - a) Reduced greenhouse gas (GHG) emissions;
 - b) Supplemental, non-state funding; and
 - c) Increased transit ridership.
- 7) Authorizes CalSTA to make multi-year funding commitments and requires project applications to identify the source and timing of all funds needed to complete the project and fund ongoing operating and maintenance costs.
- 8) Directs CalSTA to adopt a five-year program of projects according to prescribed procedures.

9) Establishes a process whereby an agency that is applying for funds for a multi-year project can obtain a letter of no prejudice from CalSTA to allow the agency to advance its own funds and be eligible for future reimbursement from the program.

10) Make other, technical modifications to the TIRCP

EXISTING LAW:

- 1) Under the California Global Warming Solutions Act of 2006, directs the Air Resources Board (ARB) to adopt GHG emissions reduction measures, including market-based mechanisms (e.g., the cap-and-trade program), to reduce GHG emissions to 1990 levels by 2020.
- 2) Establishes the Greenhouse Gas Reduction Fund (GGRF) and directs auction revenue from the cap-and-trade program to be deposited into the fund and expended according to a three-year investment plan developed by the Department of Finance.
- 3) Establishes the TIRCP to fund capital improvements and operational investments that reduce GHG emissions and modernize California's intercity, commuter, and urban rail systems and bus systems to achieve specific policy objectives.
- 4) Continuously appropriates, beginning in 2015-16, 10% of annual cap-and-trade auction revenues for the TIRCP.
- 5) Directs project applicants for TIRCP grants to submit grant applications to CalSTA for evaluation in accordance with procedures and program guidelines adopted by the agency, and requires CalSTA to submit a list of projects to the California Transportation Commission (CTC) for funding.

FISCAL EFFECT: Unknown

COMMENTS: According to the author, SB 9 seeks to ensure that cap-and-trade funding is invested responsibly in projects that maximize reductions in GHG emissions by focusing the program on large, transformative projects. The author believes that large-scale transit expansion projects will result in the "biggest bang for the buck" when it comes to reducing GHG emissions and he believes the multi-year program provided for in SB 9 will facilitate these projects.

The TIRCP was created via legislation enacted last year, [SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014]. SB 862, a budget trailer bill, continuously appropriated portions of the cap-and-trade auction revenue proceeds for designated programs or purposes, including 10% for the TIRCP. The TIRCP is intended to achieve the following specific policy objectives:

- 1) Reduced greenhouse gas emissions;
- 2) Expanded and improved rail service to increase ridership;
- 3) Integrated rail service of the state's various rail operators, including integration with the high-speed rail system; and

4) Improved rail safety.

Specific projects that are eligible for funding in the TIRCP include:

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

SB 862 required CalSTA to develop guidelines for the TIRCP before soliciting applications for funding, and these guidelines were published in February of this year. SB 862 directed CalSTA to evaluate project applications for funding from the TIRCP based on the following factors:

- 1) Co-benefits that support implementation of sustainable communities strategies, such as:
 - a) Reducing auto vehicle miles traveled;
 - b) Promoting housing development near rails stations;
 - c) Expanding existing rail and public transit stations;
 - d) Implementing clean vehicle technology;
 - e) Promoting active transportation; and,
 - f) Improving public health.
- 2) Collaboration between rail operators and state and local agencies.
- 3) Geographic equity.
- 4) Consistency with adopted sustainable communities strategies.

CalSTA is expected to release the first year's program of projects within the next couple of weeks.

The sponsor of SB 9, the Santa Clara Valley Transportation Authority (VTA), fears that the existing TIRCP is currently not structured, either statutorily or in the guidelines recently issued by CalSTA, in a way that would allow the program to accommodate large transit expansion projects. Consequently, VTA and others support SB 9 because it makes several changes to this new program by:

- 1) Focusing the program on transformative capital improvements;
- 2) Eliminating funding for operational investments;
- 3) Expanding the program to include ferry systems and clarifying that bus systems are included as well;
- 4) Modifying project evaluation criteria to emphasize projects that reduce GHG emissions, connect to the high-speed rail system, and have supplemental funding from non-state sources; and,
- 5) Providing for a five-year programming horizon and allowing for multi-year project allocations.

By enabling CalSTA to program funding over multiple fiscal years, SB 9 allows the TIRCP to accommodate large transit expansion projects that could receive a more substantive amount of cap-and-trade auction revenues over a period of time rather than all at once. Longer funding commitments will allow public agencies to use TIRCP dollars to leverage federal funding and to secure financing, both of which are typically done for large transit expansion projects.

Opponents of the measure primarily objected to earlier provisions of SB 9 that would have set aside the majority of TIRCP funds for projects costing over \$100 million. With recent amendments, it is anticipated that many of the opponents will withdraw their opposition and may even support SB 9. However, a number of organizations remain opposed to provisions of SB 9 that give priority consideration for funding to projects that receive significant non-state funding. These organizations believe this evaluation criterion will dramatically curb the ability for many communities, particularly disadvantaged and other low-income communities to compete for TIRCP funds.

Committee comments: SB 9 establishes a five-year programming process similar to the process used by the CTC to create and adopt the State Transportation Improvement Program (STIP). Similar to the STIP process, SB 9 directs CalSTA develop an estimate of the funds reasonably expected to be available to the program and to adopt a program of projects accordingly.

Creating a five-year program for TIRCP projects will facilitate development of larger projects, which can take years to design and construct. Having a long-range funding commitment provides a measure of predictability for the project sponsor and makes it easier and cheaper to obtain project financing and to fully fund a project.

There are some down sides to this approach, however; for instance:

- 1) The Administration traditionally has been loath to provide any cap-and-trade auction estimates so as not to inappropriately affect the market. SB 9 would require such an estimate, however. Without an estimate, programming out-year project commitments may be futile.
- 2) A focus on larger projects inherently means fewer dollars would be available for smaller projects that could benefit a greater number of transit operators.

- 3) The existing cap-and-trade program, which funds the TIRCP, extends only to 2020. Unless pending legislation such as SB 32 (Pavley) is enacted to prolong the program, there will only be funding for the first four years of a five-year program.

All things considered, however, SB 9 strikes a solid middle ground. It facilitates larger projects than the current program encourages and yet it does not preclude smaller projects.

Technical amendment: CalSTA does not adopt programs or plans. "Adopt" connotes an action by, for example, a governing board which CalSTA does not have. References to "adopt" should be changed to "approve."

Double referral: This bill will be referred to the Assembly Natural Resources Committee should it pass out of this committee.

Related legislation: SB 32 (Pavley), would ensure that the policy tools currently being utilized to achieve the existing 2020 GHG target remain available for the achievement of targets beyond 2020 – including, but not limited to, energy efficiency requirements for buildings and appliances, tailpipe emissions standards for mobile sources, power sector renewable portfolio and emissions performance standards, sustainable land use policies, fuel-related emissions standards, and market based mechanisms – to maximize the effectiveness of our climate policies overall. SB 32 is currently in the Assembly Natural Resources Committee.

Previous legislation: SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, implemented, as part of the 2014-15 budget, the cap-and-trade expenditure plan and created specific state programs such as the Transit and Intercity Rail Capital Program.

REGISTERED SUPPORT / OPPOSITION:

Support

Alameda-Contra Costa Transit District
California Transit Association
International Longshore & Warehouse Union
Northern California Carpenters Regional Council
San Francisco Bay Area Water Emergency Transportation Authority
Santa Clara County Board of Supervisors
Santa Clara Valley Transportation Authority
Silicon Valley Leadership Group

Opposition (many of these opponents are likely to withdraw their opposition now that the bill no longer includes provisions that would have set aside the majority of TIRCP fund for projects costing over \$100 million.)

Antelope Valley Transit Authority
Asian Pacific Environmental Network
California Bicycle Coalition
California Walks
Catholic Charities Diocese of Stockton
Coalition for Clean Air
Coalition for Sustainable Transportation

Leadership Counsel for Justice and Accountability
Los Angeles County Bicycle Coalition
Napa County Transportation Planning Agency
NRDC
Policy Link
Public Advocates
Sacramento Housing Alliance
Safe Routes to School National Partnership
San Diego Metropolitan Transit System
TransForm

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