

GREENHOUSE GAS REDUCTION FUND (GGRF)



LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP) GUIDELINES FY15-16

December 2015



Low Carbon Transit Operations Program

EXECUTIVE SUMMARY

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862 (SB 862). The LCTOP was 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. Approved projects in LCTOP will support new or expanded bus, ferry or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project required to reduce greenhouse gas (GHG) emissions. For agencies whose service area includes disadvantaged communities, at least 50 percent of the total monies received shall be expended on projects that will benefit disadvantaged communities. Senate Bill 852 (Statutes of 2014) appropriated \$25 million for LCTOP for 2014-15 and SB 862 continuously appropriates five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund (GGRF) for LCTOP beginning in 2015-16.

This document provides guidance to eligible recipients for the processes and timelines to request funds for transit projects that meet the criteria established in SB 862. These guidelines are consistent with the guidance provided by the Air Resources Board (ARB) and have been reviewed and updated based on experience from the first fiscal year of the program.

Senate Bill 862 establishes the LCTOP as a formulaic program instead of a state-level competitive program. Per Section 39719 of the Health and Safety Code, funds will be distributed by formula based on prior use of State Transit Assistance funds and is divided in two equal parts. One half is available for regional entities and is based the ratio of population of the area under its jurisdiction to the total population of the state. The other half is based on total revenue of each jurisdiction during the prior fiscal year to the total revenue of all the operators of the state. By using this formula the program ensures all eligible transit providers can receive a share of the program funds. The California Department of Transportation (Caltrans) is responsible for ensuring that the statutory requirements of the program are met in terms of project eligibility, greenhouse gas reductions, disadvantaged community benefits, and other requirements of law. Caltrans will require agencies to report on their compliance with the statutory requirements. As a formulaic program, local agency recipients are responsible to ensure projects selected provide maximum public benefits. As such, recipients are strongly encouraged to select those projects that maximize public benefits for transit ridership, greenhouse gas reductions, disadvantaged community benefits, and other co-benefits. Recipient agencies are encouraged to work closely with their Metropolitan Planning Organizations, Regional Transportation Planning Agencies, local governments, and affected communities, to achieve co-benefits including but not limited to encouragement of infill development, low-income housing, protection of disadvantaged communities from displacement, active transportation benefit, and other environmental and health benefits. Caltrans will require reporting on project co-benefits, not for eligibility analysis but to gauge the effectiveness of the overall program. This program will be administered by Caltrans in coordination with the California Air Resources Board (ARB) and the State Controller's Office (SCO).

HISTORY

Assembly Bill 32 (AB 32), the California Global Warming Solutions Act of 2006, took a long-term, comprehensive approach to addressing climate change and its effects on the environment and natural resources. AB 32 required California to reduce greenhouse gases to 1990 levels by 2020, and to maintain and continue reductions beyond 2020. ARB was directed to be the lead agency to implement the law. ARB has adopted a Scoping Plan and, together with other State and local agencies, has developed and implemented numerous regulations and programs to reduce emissions to meet these goals. The Cap-and-Trade program is a key element of the Scoping Plan. In the Cap-and-Trade program, ARB places a limit, or cap, on GHG emissions by issuing a limited number of tradable permits (called allowances) equal to the cap. A portion of these allowances can be purchased from the State at a quarterly auction, thereby generating auction proceeds. The State portion of these proceeds is deposited in the GGRF where it is available for appropriation by the Legislature. All projects funded by the GGRF must reduce GHG emissions and further the purposes of AB 32.

The Sustainable Communities and Climate Protection Act of 2008 (SB 375) supports the State's greenhouse gas reduction goals through coordinated transportation and land use planning to encourage more sustainable communities. Metropolitan Planning Organizations are directed to develop "sustainable communities strategy" as an integral part of their Regional Transportation Plan.

Passed in 2012, Senate Bill 535 (SB 535) requires GGRF investments in, and for the benefit of, disadvantaged communities. The identification of "disadvantaged communities" is assigned to the California Environmental Protection Agency (CalEPA), and the ARB is responsible for developing funding guidelines that include a component for maximizing benefits to disadvantaged communities.

As one of the programs established in the Transit, Affordable Housing, and Sustainable Communities Program by SB 862 in 2014, the Low Carbon Transit Operations Program will draw funds from the GGRF to implement projects that reduce GHG emissions and support transit agencies in their efforts to increase transit ridership, further the purposes of AB 32, and achieve the associated regional greenhouse gas reduction goals of SB 375.

IMPLEMENTATION

Working with the California State Transportation Agency (CalSTA), Caltrans participated in workshops to gather input from local agencies and the public to help develop the guidelines. Input from these workshops has been an integral part of the development of these guidelines. LCTOP Guidelines include a suggested list of eligible projects and a greenhouse gas quantification methodology (see Attachment A: Greenhouse Gas Reduction Criteria) developed by ARB and Caltrans to meet statutory requirements for reducing greenhouse gas emissions in investments funded by GGRF. The quantification methodology will allow agencies to calculate and report the reductions achieved by their projects. After the LCTOP Guidelines are updated, Caltrans will invite eligible transit agencies to submit an Allocation Request for Caltrans review. Caltrans, in consultation with ARB, will determine whether those proposals are eligible for funding before authorizing the SCO to release funds to the project leads.

The following LCTOP Guidelines describe the process that recipient transit agencies must follow to qualify and receive their share of the GGRF. These funds are available to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities.

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In Fiscal Year 2014-15, the Budget Act appropriated \$25 million of GGRF to the Low Carbon Transit Operations Program. Agencies submitted their projects and worked with Caltrans and ARB to make sure their projects were eligible and met the requirements of the law. Caltrans submitted 95 eligible projects for funding to the State Controllers' Office. The funds were distributed to agencies prior to June 30, 2015, with 68 projects targeted to benefit disadvantaged communities.

In subsequent years the State Controller will prepare a distribution list by formula of the estimated amount of available funds. It is assumed that the available funds will continue to increase over the next few years, providing substantial opportunities to expand transit services and reduce greenhouse gas emissions.

Application Process Summary¹

The Project Lead must complete the following steps to apply for LCTOP funds:

- 1) **Establish Agency’s eligibility to receive LCTOP funds**
 - a) Check SCO letter of share distribution, Agency must be listed on the SCO letter.
- 2) **Select a project that is included in the list of Eligible Projects** (see criteria in Attachment A, Greenhouse Gas Reduction Criteria)
- 3) **Verify that project will meet the following eligibility requirements:**
 - a) Greenhouse gas emission reduction (see criteria in Attachment A, Greenhouse Gas Reduction Criteria)
 - b) Disadvantaged Community benefits, including map (see criteria in Attachment B, Disadvantaged Communities criteria)
 - c) Increased mode share – define how project will increase transit ridership.
 - d) Project is fully funded, provide a full funding plan (total project cost and fund sources, including LCTOP funds).
- 4) **Complete the following required documents:**
 - a) **Authorized Agent form** – document identifying the staff that is authorized to sign documents to represent the agency. Use Caltrans form (available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>). Agent must be approved by Board resolution submitted with form.
 - b) **Certifications and Assurances form** – self-certification that the agency will meet all requirements of the LCTOP guidelines, including reporting deadlines. Use Caltrans form (available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>). The form must be Board approved and documentation submitted to Caltrans.
 - c) **Board Resolution – Authorized Agent and Certifications and Assurances** – this resolution only needs to be submitted once to indicate the Board has approved items **.Note:** a) and b) may be listed on the same Board Resolution. A sample is available on line.
 - d) **Board Resolution - Project** – publicly adopted document indicating approval of project, including the amount of LCTOP funds requested, a description of the project, and the contributing sponsors. Multiple projects may be included in a single Board Resolution. A sample is available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>.
 - e) **Allocation Request form** – this provides a full description of the project and how it meets the eligibility criteria (directions to complete this form can be found in the “Read Me” tab, and also available on line). Use Caltrans Allocation Request form (available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>). Form includes a detailed project description, quantification methodology and calculator tool, disadvantaged community benefit (if applicable), a project map (shape files, census tract number(s) and or specific location/geographic coordinates—i.e. transit stop locations, bus shelter locations, etc.) and a project schedule. Each project must have a separate Allocation Request form. *Note: If you are rolling funds over to a*

¹ Note that requests will be treated in accordance with Public Records Act requirements and that certain information, subject to those requirements, may be publicly disclosed.

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second or third year, you must submit a full Allocation Request in each year of accrual, the funds will then be released to the project lead to be held in a dedicated bank account until the final year of accrual is received and the project will proceed. A letter of No Prejudice (LONP) is not possible with this program. A request must be made if an agency intends to use the funds as no request will be accepted or approved for a past allocation amount.

- f) **Project Funding Plan** – itemizes all fund sources for full project costs (form available online at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>). This will detail a break-out of each fiscal year of LCTOP contributions.
- 5) **LCTOP Allocation Request Submittal** -- All required documents including signed original, Authorized Agent, Certifications and Assurances, Allocation Request, Total Project Cost and Funding Plan and Board Resolutions, must be mailed to:

LCTOP Program
California Department of Transportation
Division of Rail and Mass Transportation, MS #39
P.O. Box 942874
Sacramento, CA 94274-0001

A scan copy of all signature pages and electronic copies of both the Allocation Request and Total Project Cost and Funding Plan (in excel) are required to be e-mailed to LCTOPcomments@dot.ca.gov, Agencies who fail to submit revisions made to any documents requested by Caltrans staff and/or are delinquent in other required reports and submittals will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.

Roles and Responsibilities – Caltrans and Partner Agencies

1. Caltrans

- Administering agency for this program.
- In coordination with the ARB, updates the guidelines for the LCTOP, defining the criteria for project eligibility and reporting requirements.
- Establish and manage the schedule for the allocation process.
- Provide assistance and guidance to local agencies in preparing their requests for funds.
- Evaluate agencies' requests for funds, reviewing projects with ARB for their concurrence for approval of the project.
- Submit the list of approved projects to SCO for release of funds to project lead agencies.
- Monitor the progress of projects through reporting requirements and communication with project lead agency.
- Review project completion through reports and documentation from project lead agency.
- Conduct spot audits and on-site monitoring as needed.
- Prepare program data for the annual report for the Legislature.
- Prepare LCTOP program reports to submit to ARB for the following reports:
 - Project Profile, submitted once a year by Jan. 15
 - End of Year Report, submitted once a year by Jan. 15
 - Project Closeout, submitted once by Jan. 15, after the completion of the project
 - Phase 2 Reporting, periodical reports to update benefit status, volume and timing is yet to be determined.

2. Air Resources Board (ARB)

- Develop the methodology for quantification and reporting of greenhouse gas reductions and other co-benefits, as well as provide guidance to the State agencies administering the auction proceeds. Quantification methodologies are available at:
<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm>.
- Adopt Cap-and-Trade Auction Proceeds: Funding Guidelines for Agencies that Administer California Climate Investments (Funding Guidelines) after public comment, review and revisions available on line at: ARB website:
<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/fundingguidelines.htm>.
- Adopt the Second Investment Plan for investing auction proceeds in California's most disadvantaged communities, after public discussion and review.
- Coordinate with Caltrans to revise the guidelines for LCTOP.
- Work with Caltrans to determine the eligibility of the projects submitted by the Project Leads for LCTOP funds.
- Collect information on program status for the annual report to the Legislature and to provide program transparency.
- Collect data from administering agencies for multiple annual reports (Project Profiles, End-of-Year Report, Project Closeout, Follow-up Reporting, etc.)
- Manage the GGRF, in coordination with Department of Finance (DOF), and work with SCO to distribute GGRF monies to administering agencies.

3. Strategic Growth Council (SGC)

- Review and coordinate the activities of member agencies of the council for each program under the Affordable Housing and Sustainable Communities Program.
- Review the guidelines for recipients of each program.

4. State Controller's Office

- Prepare a list of eligible recipients and the formulaic share of funds each is to receive in the state fiscal year, per the formula defined in PUC Sections 99313 and 99314. In 2015-16 and each fiscal year thereafter, the SCO shall notify eligible recipients of the dollar level each will receive. Starting in 2015-16, the funding available for the fiscal year shall be based on the information provided to the SCO by Caltrans in consultation with the DOF.
- SCO will annually apply the current year's formula to 75 percent of the estimated available funds from annual auction proceeds (as estimated by DOF) to determine each eligible recipient's share. The remaining balance of the available funds for the fiscal year will be combined with the 75 percent of the estimated available funds for the consecutive year to determine the exact amount available for distribution by formula to the eligible recipients (see graph on page 18).
- Allocate LCTOP funds to eligible recipients based on the list of expenditures approved by Caltrans. Caltrans, in coordination with ARB, will review the projects submitted by local agencies for compliance with the criteria established in law, then Caltrans will authorize SCO to release the funds.

5. Department of Finance

- Upon enactment of the annual budget for GGRF, DOF will consult with Caltrans to provide information on the amount of auction proceeds available to LCTOP for the fiscal year.

Roles and Responsibilities – Recipient Agencies

1. Eligible Recipients (eligible recipients are entities included in the list provided by the State Controller's Office and are qualified by Public Utilities Code (PUC) 99313 and 99314)

- A transportation planning agency, including metropolitan transportation planning agencies, regional transportation planning agencies, county transportation commissions, or the San Diego Metropolitan Transit Development Board that are eligible for State Transit Assistance funds per PUC 93313, are eligible for allocation from the GGRF under this program. The allocation share is determined by the ratio of the population of the area under its jurisdiction to the total population of the state (PUC 99313).
- A transit operator, including a transportation planning agencies, county transportation commissions, or the San Diego Development Board, that are eligible for State Transit Assistance funds per PUC 99314, are eligible for allocations from the GGRF under this program. The allocation share is determined by formula based on the ratio of the revenue of the transit operator's jurisdiction to the total revenue of all operators in the state.
- After receipt of funds, transit agencies are responsible for ensuring that the funds are only applied to approved LCTOP expenditure proposals in accordance with the LCTOP Guidelines.

2. Project Lead and Contributing Sponsor

Project Lead

- The project lead is an eligible recipient of LCTOP funds that is responsible for the application for funds and the implementation of the project. (Step-by-step directions for the application are provided on Page 4 of these Guidelines, [Application Process Summary](#).)
- The project lead may receive funds from contributing sponsors that support the approved project. Project lead must ensure that the appropriate signatures are included with the Allocation Request from the contributing sponsors.
- The project lead is responsible for oversight and/or performance of all work from receipt of funding through completion of the project.
- The project lead receives all LCTOP funds directly from the SCO and is accountable for all reporting. If the regional entity (qualified under PUC 99313) elects to be identified as the project lead, they will be held responsible for providing all information required in progress and final reports, as directed by statute.
- Project lead is responsible for establishing a **dedicated bank account** for LCTOP funds. If a separate account is not possible the agency may show documents of a line item or subaccount dedicated to LCTOP funds.
- All project documentation (i.e., Reports, Transportation Development Act Audits, Corrective Action Plans, Reassignment of GGRFs requests, Final Reports, and any additional information needed in case of an audit) is the responsibility of the project lead.
- The project lead is responsible for quantifying GHG emission reductions, in accordance with ARB's quantification methodology, available online at:
<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm>.

Contributing Sponsor

- The **contributing sponsor** is an entity that passes funds to the project lead to support a project. The contributing sponsor could be the regional entity (PUC 99313) passing their funds through to the local agencies within their jurisdiction or another transit agency (PUC 99314) within the same region that contributes funds to the project lead for a mutually beneficial project.
- If a contributing sponsor has a Disadvantaged Community (DAC) within its jurisdiction, they may only contribute funds to another entity that contains a DAC within their jurisdiction and at least 50 percent of the transferred funds must benefit a DAC.
- If the regional entity (PUC 99313) has a DAC within one of its transit agencies, at least 50 percent of their funds transferred must benefit a DAC.
- Per SB 862, all recipient transit agencies must also comply with the Funding Guidelines developed by ARB (available on line at:
<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/fundingguidelines.htm>). These guidelines include requirements for reporting, recordkeeping and other activities designed to provide accountability and transparency.

Project Eligibility Criteria (see Attachments details)

Per Public Resource Code 75230 (d) (1-3) funds shall be expended to provide transit operating or capital assistance that meets **all** of the following three criteria:

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- 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,
- The recipient transit agency demonstrates that each expenditure directly enhances or expands transit service to increase mode share, and
- The recipient transit agency demonstrates that each expenditure reduces greenhouse gas emissions.

Caltrans and ARB will evaluate the expenditure proposals to determine if they will provide greenhouse gas reductions, mode share increase, and if applicable, if it will benefit disadvantaged communities and if it is located within a disadvantaged community. If the project is a capital building project, any project phase prior to construction is NOT eligible for LCTOP funding.

LCTOP was 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. ARB has provided all agencies administering GGRF monies with the guidance on how to incorporate these priorities in project criteria. In order to maximize the benefits to disadvantaged communities, LCTOP requires transit agencies with a disadvantage community to use 50 percent of their allocation on projects that benefit the disadvantage community. In addition, LCTOP supports projects that serve specific disadvantaged community needs as identified in the Funding Guidelines in Table 2-2.

For eligible recipients who operate ferry services, funds may be spent in support of new or expanded ferry services, consistent with the requirements of statute and these guidelines.

Greenhouse Gas Reduction criteria (See Attachment A for details)

For FY 2014-15, as an interim guide to comply with the greenhouse gas reduction requirement, ARB and Caltrans provided a list of eligible projects pre-determined to meet the statutory requirements of SB 862. For FY 2015-16, ARB and Caltrans are continuing to provide a list of eligible projects but will also ask agencies to quantify GHG emission reductions using methodology developed by ARB. All projects must quantify GHG emission reductions. Projects must also fit into one of the categories of Eligible Projects in Attachment A. The number of the category listed on the attachment must be included on the Allocation Request.

Disadvantaged Communities Criteria (See Attachment B for details)

For transit agencies whose service areas include disadvantaged communities (DAC) as identified in Section 39711 of the Health and Safety Code, at least 50 percent of the total funds received shall be expended on projects or services that benefit the DAC. If a transit agency transfers funds to another agency, both agencies need to be aware of the applicable DAC requirements, and the project lead must use the funds accordingly and track and report all expenditures that benefit DACs.

Caltrans encourages agencies to conduct outreach to the disadvantaged communities that they serve and fund projects that target the specific needs of those communities. Examples of common needs can be found in Table 2-2 of ARB's Funding Guidelines (available in Attachment B and on line at: <http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/fundingguidelines.htm>).

The California Environmental Protection Agency (CalEPA) has identified disadvantaged communities based on geographic, socioeconomic, public health, and environmental hazard criteria. Maps identifying the Disadvantaged Communities are available at: <http://www.calepa.ca.gov/EnvJustice/GHGInvest/default.html>). This process utilized CalEnviroScreen, a tool that assesses all census tracts in the State to identify areas disproportionately affected by multiple types of pollution and areas with vulnerable populations. Attachment B in the Appendix provides additional directions and guidance. A project must be included in one of the categories listed on Attachment B in order to meet the requirement of benefitting disadvantaged communities.

Certified Board Resolution for Project

Projects **must** be reviewed and publicly approved by the administrative board that directs the local agency. The resolution must include the amount of LCTOP funds requested, identify any DAC requirements, a description of the project, and the names of the Contributing Sponsors, if there are any. A sample Project Board Resolution is on our website for your use. This Project Board Resolution must be submitted with the Allocation Request. The Project Board Resolution is in addition to the Board Resolution that approves the Authorized Agent and the Certifications and Assurances.

Development Plan (Component of project that has multiple sources and purposes)

If this transit project is part of a development project that is inclusive of multiple types of projects and funding (i.e., transit, development, housing, mixed land use, etc.), the LCTOP project must be able to be clearly identified for the purposes of reporting and tracking. Please supply a copy of the total development plan, of which the transit project is identified as an integral component.

Project Full Funding Plan

The project lead must provide a Total Project Cost and Funding Plan for the project that shows **all** fund sources (not just the LCTOP portion) needed to complete the project. **The Authorized Agent must sign the statement on the funding plan to assume all fiscal responsibilities.** If future year LCTOP funding is to be dedicated to the project, include those funds on the Total Project Cost and Funding Plan sheet as well and list the amount in the appropriate fiscal year. The form is on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>).

Documentation Forms for Allocation requests (see page 4 for a Summary of the Request Process)

The following documents are required to be submitted in order to request an allocation of funds:

- **Authorized Agent form** – The executive authority of an eligible recipient of LCTOP funds must submit to Caltrans a signed and dated Authorized Agent form that is Board Approved, identifying the agent(s) given authority to act for the executive authority to submit the Allocation Request form and all reporting documents. If there is a change in the authorized agent(s), the eligible recipient must submit a new form. This form is required even when the authorized agent is the executive authority himself. This form must be Board approved. The

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form is available online (available on line at:
<http://www.dot.ca.gov/hq/MassTrans/lctop.html>).

- **Certifications and Assurances form** – Before submitting an Allocation Request, the eligible recipient must submit a self-certification that he/she will meet all requirements of the LCTOP guidelines, including reporting deadlines. Only allocation requests from agencies with a signed Certifications and Assurances document on file will be accepted. This form must be Board approved. The form is available online (available on line at:
<http://www.dot.ca.gov/hq/MassTrans/lctop.html>).
- **Board Resolution approving the Authorized Agent and the Certifications and Assurances forms**. You may combine the two items on one Board Resolution. A sample is available on the program website (available on line at:
<http://www.dot.ca.gov/hq/MassTrans/lctop.html>).
- **Board Resolution approving the Project**, including description, the amount of LCTOP funds requested, and a list of Contributing Sponsors, if applicable. A sample is available on the program website (available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>).
- **Allocation Request form** – Project leads must submit to Caltrans a description of the proposed transit expenditure or expenditures it intends to fund with the LCTOP allocation. A guide for this form is available as Attachment C. The LCTOP Allocation Request form is the basis for Caltrans' verification that the project is consistent with LCTOP project requirements (available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>). This document includes:
 - Project profile cover page
 - Identification of project sponsors (project lead and contributing sponsors)
 - Signature page signed by project sponsors (must have an Authorized Agent form on file)
 - A detailed summary of the project
 - Useful life of the project (if it is a capital project)
 - Detailed Description of the project's major benefits (details of how the project complies with requirements of improved mobility, increased mode share, greenhouse gas reduction, and benefits to disadvantaged communities, if applicable, and any other co-benefits)
 - Project Schedule for all relevant phases (NOTE: any project phase prior to construction is NOT eligible for LCTOP funding.)
- **Project Funding Plan** – itemizes all fund sources for full project costs (form available online at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>). This will detail a break-out of each fiscal year of LCTOP contributions.

Any contributing sponsor(s) must also sign the Allocation Request form indicating the dollar amounts to be contributed, or provide a signed letter detailing this information. If there are multiple contributing sponsors, each sponsor must sign the Allocation Request indicating their respective portion of funds being contributed or submit a signed letter with the required information as described above.

- 6) **LCTOP Allocation Request Submittal** – All required documents including signed original, Authorized Agent, Certifications and Assurances, Allocation Request, Total Project Cost and Funding Plan and Board Resolutions, must be mailed to:

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LCTOP Program
California Department of Transportation
Division of Rail and Mass Transportation, MS #39
P.O. Box 942874
Sacramento, CA 94274-0001

A scan copy of all signature pages and electronic copies of both the Allocation Request and Total Project Cost and Funding Plan (in excel) are required to be e-mailed to LCTOPcomments@dot.ca.gov. Agencies who fail to submit revisions made to any documents requested by Caltrans staff and/or are delinquent in other required reports and submittals will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.

- **Corrective Action Plan (CAP)** – To change an approved allocated project, including any changes to the originally approved scope, schedule, or cost, the project lead must first obtain approval from Caltrans by submitting a CAP form (available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>). This must be done before the funds can be applied to any use other than the current project’s approved scope of work. Funds may not be used on an alternate project until the CAP has been submitted and approved. If the funds are being applied to an alternate project, it must have an approved LCTOP Allocation Request on file. The CAP must indicate the current approved scope, funded amounts, schedule, and the major benefits in the “Original” column on the left. The revised scope, funding amounts, schedule, and any potential changes in the scope of the benefits are to be listed in the “Revised” column on the right. If the scope of work changes the type or level of benefits, the changes must also be reflected in the benefit description, with revised estimates of benefits listed in the “Revised” column.

If a project has already undergone changes with previously approved CAPs, the current approved information should be entered in the “Original” column, rather than the information from the original allocation request. If the project schedule is being revised to reflect any delays or obstacles, an adequate justification must be given and the amended LCTOP project completion date must fall within the original Budget Act time limits.

All CAPs must have the Justification for Change box filled in. If a justification is not deemed adequate by Caltrans staff, the agency will be asked to provide a revised justification before the CAP is approved. The project change may not move forward until Caltrans has approved the CAP.

If it is found that an agency has begun spending funds on a task or project outside the approved scope of work prior to submitting a CAP or prior to Caltrans approval of the CAP, the agency will be placed on the list of high risk project leads. The State is entitled to recover any and all funds that are spent on any ineligible costs.

Upon receipt of the CAP, Caltrans has 30 days to review and approve/not approve the document. Agency may not proceed without Caltrans’ approval of the CAP.

Reporting Requirements – Project Reports (Project reports are the responsibility of the Project Lead)

Semi-Annual Progress Report (available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>).

- Project leads are required to report semiannually to Caltrans on the activities and progress of each approved and allocated project to ensure those activities funded from auction proceeds are timely, within approved scope and cost, are reducing GHG emissions, and are achieving the intended purpose for which they are to be utilized. Project leads must notify Caltrans when allocated LCTOP funds have been encumbered and must provide completed and signed progress reports every six months until the approved project is completed, and the project final report has been filed.
- Reports will be on information accrued through the first quarter (March 31) and the third quarter (September 30). Reports will be due to Caltrans 45 days after the close of the first and third quarters. Due date for the first quarter report will be May 15 and the due date for the third quarter will be November 15. These dates are necessary for Caltrans' to meet program report requirements due to ARB by January 15 annually.
- The report consists of two sections, the "Semi-Annual Report" and the "Semi-Annual Itemized Expenditure Table." This report must contain accurate and up-to-date information on the progress of each project. Reports will only be accepted by Caltrans staff when determined to be complete and accurate. **Attach the March 31 or September 30 bank statement to the Expenditure Table.**
- All projects are expected to begin work within six months of becoming fully funded. Should a project experience any delays, the cause of such delay must be reported in the table in Section 7 Amendment, under "Justification for Change." Any justification deemed inadequate by Caltrans staff will be questioned and the agency will be asked to provide further information.
- If the agency is accruing LCTOP over a period of two or three years, a full Semi-Annual report will not be required until the project is fully funded and ready to go. However, a bank statement will still be required to verify the receipt of each year of LCTOP funds and the establishment of the dedicated bank account. A copy of the bank statement only will continue to be required, due concurrently with Semi-Annual Report requirements, until the project has started, at which time the Semi-Annual Reports will begin. Funding received in the first year may remain in the account until the second and third year funds are accrued and added to the account. At that time, assuming the project is fully funded, the agency will have six months to begin the project.
- For projects that have not begun within six months of the project becoming fully funded, the report must include a clear description of the circumstances delaying the project that leaves no question that the circumstances were unforeseen, extraordinary, and beyond the control of the agency. The description must include information indicating what steps the agency plans to take to keep the project on track. Agencies with a project that is repeatedly delayed will be encouraged to reassign the funds allocated to that project to either an ongoing eligible LCTOP project or a pending allocation request that can utilize the funds immediately and meets LCTOP eligibility requirements. The agency may then request the funds for the delayed project once the project is ready to proceed within six months.
- All reports must reflect accurate and complete project information. Any incomplete or inaccurate reports will not be accepted and will be considered delinquent until submitted with corrections and/or additional information as requested by Caltrans staff. Agencies

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found to have submitted inaccurate information will be placed on the list of high risk project leads and could be subjected to a Spot Audit (see Section on Spot Audits, page 17).

Final Project Report (available on line at: <http://www.dot.ca.gov/hq/MassTrans/lctop.html>)

Once a project has been completed, the project lead must notify Caltrans, Division of Rail and Mass Transportation by e-mail or letter. The project lead must submit a Final Project Report within six months of completion. The forms will be available on-line. The Final Project Report includes:

- **Final Project Report form.** This report must include the comparison of actual project performance of the final project to the projected performance when the allocation was requested. It will also include summarized information regarding benefits to disadvantaged communities, estimated greenhouse gas reduction for the entire project, and a summary of co-benefits for the project.
- **Final Project Itemized Expenditure Table.** Attach the latest bank statement from the LCTOP dedicated bank account to this Table.
- **Verification.** Project completion as scoped must be verified. The project lead will provide evidence of project completion, including photograph(s) of the completed project. Evidence of project completion can be satisfied by submitting the required photographs and one or more of the following:
 - A copy of the final invoicing
 - A copy of the punch list from the facility's final walk-through, or
 - If the project is a vehicle, a copy of the Title is required.

The above list is only a few samples of what can be used to show evidence of completion of a project. Please feel free to contact the LCTOP office to discuss what other means may exist for your circumstances.

- **Savings.** If the project has been completed with a savings, the report should indicate the amount of savings and how those funds will be applied towards an approved LCTOP project. Any project cost savings not reassigned to a current project should be applied to the next allocation request submitted, and used prior to, or along with, the allocation of additional funds. LCTOP staff will inquire about the status of any outstanding cost savings every six months until said savings are exhausted. If the savings have been accrued from a project in a disadvantaged community, the savings may only be applied to another disadvantaged community project.

Please ensure that expended interest and all other information in the final report are properly reported. Incomplete or incorrect reports will not be accepted and will be considered delinquent until corrections are provided. Agencies with delinquent reports will not receive further LCTOP allocations until the correct reports have been received by Caltrans.

- **Record Retention Period.**

Transit Agencies need to maintain copies of project records for three (3) years after the “Final Project” report or final Phase report is submitted.

Reporting Requirements – Program Reports (Program reports are the responsibility of Caltrans)

Caltrans will submit the following reports, in accordance with the reporting requirements contained in ARB’s Funding Guidelines (available on line at:

<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/fundingguidelines.htm>)

- **Annual Expenditure Record:** Government Code, GGRF, Section 16428.9, requires State agencies that have been appropriated monies from the GGRF to prepare an expenditure record. An expenditure record is prepared for a program, not for individual projects. It provides elements that describe the proposed use of the monies and must be submitted prior to expenditure of those monies for projects. The State ARB 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. Caltrans submits the Expenditure Record to ARB prior to expending any funds (in accordance with ARB’s Funding Guidelines, September 4, 2015 version. Available on line at:

<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/fundingguidelines.htm>. Caltrans will collect the data from the Allocation Requests and other information submitted by the project leads.

- **Project Profile:** This report is submitted once, after project funds are awarded. It is due to ARB by January 15. The following project information is required for each agency:

ID Number (file number assigned by Caltrans)

Project Type (i.e., expand transit service; enhancement projects)

Location (County)

Total amount of GGRF Dollars allocated

Total Project Cost and leveraged funds

Project Schedule

Estimated GHG reductions

Estimated Co-benefits

Total GGRF dollars allocated to benefit disadvantaged communities

Description of DAC benefits

Identify the specific criteria in ARB Guidance, Appendix A that the project meets

- **End of Year Report:** submitted once a year, due to ARB by January 15 and reflects both project-level status and program data as of December. This information will be used to support the Annual Report to the Legislature due March 1. ARB will provide a reporting template each year to collect and compile information from administering agencies.

- **Project Closeout Report:** submitted once, after the project completion date. It is due to ARB by January 15 and will include:

ID Number (file number assigned by Caltrans)

Summary of project accomplishments, including benefits to DAC

Total GGRF dollars allocated to benefit DAC

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Estimated GHG reduction for the entire project
Summary of co-benefits for the entire project

- **Phase 2 Report:** This would be a follow-up report submitted periodically after project completion. The purpose would be to demonstrate that GHG emission reductions have been achieved, and it is intended that the report will be due every two years for four years. The requirements and methods of data collection are still in development.
- **Record Retention Period.**
Caltrans need to maintain copies of project records for three (3) years after the “Project Closeout” report or final Phase report is submitted.

Some reported project information will be publically available on the ARB website, including the amount of funding that is being spent on projects that benefit disadvantaged communities and maps that show the locations of these communities.

Audit Requirements

- **Project Audit (Transportation Development Act)**
Annual audit of public transportation operators required under the Transportation Development Act (TDA), per PUC 99245, **must include verification of receipt and appropriate expenditure of funds.** Project leads receiving LCTOP funds in a fiscal year for which a TDA audit is conducted must submit a copy of the audit to Caltrans by December 31, **six months after the close of the fiscal year (closes June 30).** Caltrans will make the audits available to the Legislature and the SCO. Project leads may request a 90-day extension from the December 31 deadline to March 31. They must notify Caltrans in writing via e-mail or a formal letter. Project leads who fail to submit an expanded TDA audit documenting all LCTOP funding allocated to date will not receive future LCTOP allocations until the required document(s) have been submitted to Caltrans.

The State of California has the right to review project documents and conduct audits during project implementation and over the project life.

- **Spot Audit/On-site Monitoring – conducted by Caltrans**

Spot audits and/or on-site monitoring can take place at any time at the discretion of Caltrans without prior warning given to the agency. Either a spot audit or monitoring may be conducted on a specific issue or function. Any evidence or information that supports the need for a compliance audit action or monitoring will be pursued by Caltrans. High risk project leads are likely to become the subject of an audit or on-site monitoring. Agencies or projects will be placed on the high risk list for the following:

- Delinquent with reporting requirements and/or providing documentation as stipulated in the LCTOP guidelines
- Agencies with frequent errors or that have not conformed to the requirements of previous awards
- Agencies engaged in multiple reassignments of funds
- Projects with zero percent progress one year after allocation

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- Special situations

Caltrans will select agencies each year and perform an extensive review of all LCTOP related information from that agency. If selected, an agency may be asked to provide additional documents pertinent to the LCTOP program and projects that have been funded. If inconsistencies are found, agencies will be provided an opportunity to correct those errors. If discrepancies are not corrected, the agency will not be eligible to receive future funding.

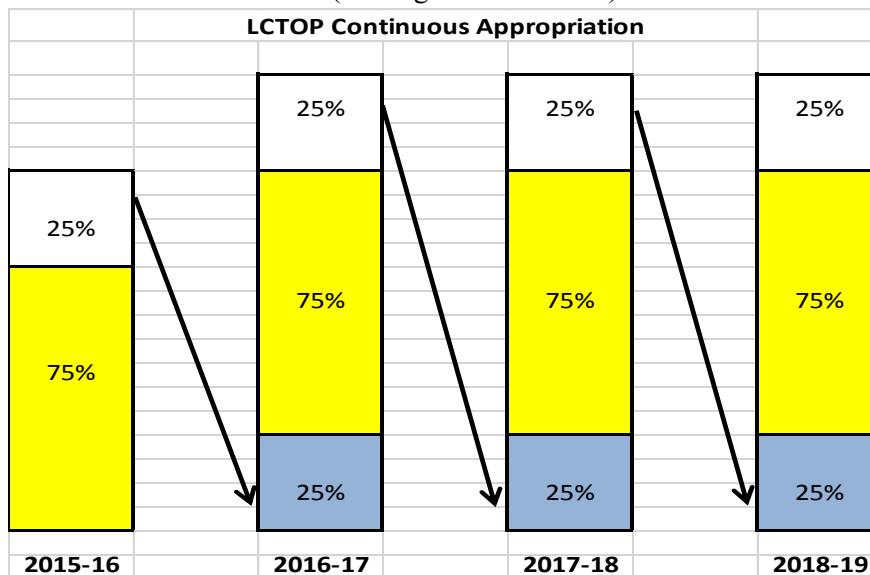
Funding Process

Funding for this program in the amount of \$25 million was appropriated in FY 2014-15 by Budget Act in SB 852. Funding for this program shall be provided in Fiscal Year 2015-16 and beyond by a continuous appropriation of five percent of the proceeds from cap and trade auctions held during the fiscal year.

The State Controller’s Office will prepare a list of eligible recipients and the amount of funds each will receive, per PUC Sections 99313 and 99314, based on a formula from previously allocated State Transit Assistance (STA) funds to local agencies. The allocation is split evenly between funds received based on population and funds received based on revenue generated. This program is not competitive as all agencies with a history of STA fund use are eligible for an established percentage share of funds. They will receive their share of funds once they have submitted a request for their allocation and Caltrans, in coordination with ARB, has determined the project meets all requirements of the program.

Phased Implementation of LCTOP Continuous Appropriation

Per 2015-16 Budget Act AB 93 Chapter 10 Statute 2015 Sec. 15.13 (b) No department shall encumber or commit more than 75 percent of any appropriation prior to the fourth Cap and Trade auction in the 2015-16 fiscal year. Caltrans will approve funding proposals based on 75 percent of the current year funding forecasts, plus the known funds carried over from the prior fiscal year as a result of the final auction (starting in FY 2016-17). With this mechanism, Caltrans should not



have to require project leads to modify proposals or review revised proposals due to fluctuations

of auction proceeds. Please see the chart below that depicts the proposed current and continuous appropriations.

Key: Yellow – Current fiscal year auction proceeds used for that fiscal year’s projects
 White – Current fiscal year auction proceeds directed to the following year’s projects
 Blue – Prior fiscal year auction proceeds carried forward for following year’s projects

- **Bank Account– Dedicated to LCTOP**

Once the agency has received their LCTOP funds, the project lead must deposit funds into a dedicated bank account that will hold only LCTOP funds. If a separate account is not possible the agency may show documents of a line item or subaccount dedicated to LCTOP funds. When the agency submits their semi-annual reports, they are required to submit a copy of their most recent bank statement.

- **Fund Roll-Over**

Roll over funding is only intended for capital projects. If the agency is not prepared to initiate a project in the current fiscal year, they may hold those funds over into a subsequent fiscal year, accruing for a maximum of three years of LCTOP funds for a more substantial project. All funds must be applied to a project within three years, and completed within the subsequent three years. The project lead will submit an Allocation Request in each year of fund accrual requesting the amount they plan to roll over. The Request will list both the current year and the additional year(s) so the full plan of LCTOP fund use is documented. After the project has been fully reviewed and approved, the SCO will release the requested funds to the project lead to be deposited in the dedicated LCTOP bank account.

Once funds have been received, the project lead will be responsible for submitting a bank statement on the same schedule as the Semi-Annual report requirements (due after the first and third quarters of the fiscal year). If the project has not been started, the only document required will be the bank statement to enable tracking and accountability of the funds.

Funding received in the first year will remain in the account until the subsequent year(s) funds are accrued and added to the account. Upon receipt of the final year’s funding, the agency will have six months to begin the project.

- **Reassigned Funds**

Project leads may find that they have surplus funds at the completion of an approved LCTOP project, or they may determine that the funded LCTOP project is no longer the highest priority as an eligible fund use. As a result, the project lead may apply to reassign funds to a different approved LCTOP project. If the project is complete and there are surplus funds, an agency should include the proposed use for the surplus funds as part of the required Final Report. If the use of surplus funds has not yet been determined, Caltrans staff shall treat the project as on-going (not completed) until the agency identifies an eligible LCTOP project to receive the surplus funds.

If the agency elects to reprioritize eligible projects and redirect approved LCTOP funds to an alternate project, a Corrective Action Plan (CAP) for the original project must be submitted. The CAP must indicate the current approved amount in the “Original” column and the lower revised project cost in the “Revised” column. The CAP must list the amount of surplus funds (and any interest earned, if applicable) that will be transferred and the project that will receive the reassigned funds in the “Justification for Change” box. If the change of the use of funds affects

the outcome of any of the benefits (i.e., reduce/increase GGR, changes in DAC benefit, etc.), the change must be explained on the CAP. The alternate project must be approved by Caltrans, with concurrence from ARB. If the alternate project is not a previously approved LCTOP project, the project lead must submit a completed Allocation Request and comply with all requirements of the application process (see page 4 of Guidelines, [Application Process Summary](#)).

When reassigning funds to a **NEW** eligible LCTOP project:

- If the reassigned funds have been accrued from a project in a disadvantaged community, the reassigned funds may only be applied to another disadvantaged community project.
- A CAP form is needed for the project that is transferring funds to the new project, and a new Allocation Request form must be submitted for the project receiving the funds and it must be approved by Caltrans, with concurrence from ARB before using the reassigned funds.
- The Allocation Request for the reassigned funds should be treated the same as an Allocation Request submitted for new funding, and all required documents must be submitted in the same manner.
- The new project must expend the funds within the time limits of the original allocation of funds.
- The new Allocation Request must have all the authorized signatures of the same agencies as the original project, so that all contributing sponsors are aware of the new use of their contributed funds.
- **The project lead may not expend the surplus funds on the new project before receiving written approval from Caltrans authorizing the project lead to do so.**

When reassigning funds to an EXISTING LCTOP project:

- The project lead submits a CAP for the project that will no longer be using LCTOP funds. The funds should be listed in both the Original and Revised columns and the Justification section should list the project that will receive the reassigned funds.
- An additional CAP is to be submitted for the existing approved LCTOP project receiving the reassigned funds. This CAP should list the original fund amounts and the revised amounts based on the transfer of funds following the steps listed above.
- The reassigned funds must be expended within the time limits of the original allocation of funds.
- If there are any contributing sponsors to the reassigned funds, the project lead must have sign-off from them for the change in use of their funds so that they are aware of the use of their funds. This may be documented by adding signature lines to the CAP or including a signed letter from the contributors indicating agreement of the use of their funds.
- If Caltrans staff determines an agency has a pattern/history of reassigning the same funds multiple times, the agency may be placed on the list of high risk project leads and could be subject to a Spot Audit (see section on Spot Audits, page 17).

Agencies who fail to submit revisions made to the CAP as requested by Caltrans staff and/or are delinquent in other required reports and submittals, that agency will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.

- **Interest Earned**

Interest on LCTOP funds must be used in the same manner as the principal. Interest earned must only be used for approved LCTOP projects, in the following ways:

- If the interest has been accrued from a project in a disadvantaged community, the interest may only be applied to another disadvantaged community project.
- If project costs exceed the amount on the approved allocation request, any interest earned may be applied to the project. The project lead must first submit a CAP and receive Caltrans' approval of that CAP before any interest earned may be applied to the project.
- Interest remaining after project closeout must be applied to another approved LCTOP project. Any unused interest not applied to a current project should be applied to the next allocation request submitted, and used prior to, or along with, the allocation of additional funds.
- The LCTOP staff will inquire about the status of unused interest every six months until said interest earned is exhausted. (Possibly identified on the semi-Annual reports)

Program Process and Timeline

Continuous Appropriation

1. By August 1st of each fiscal year, Caltrans will consult with DOF and notify SCO of the amount available to the Program in the fiscal year.
2. By September 1st, the SCO releases the notification of funding available for each transit agency for the fiscal year.
3. Upon notification of the funding level by SCO, eligible recipients may begin submitting project information to Caltrans to confirm eligibility of proposed expenditures in the fiscal year. All project proposals must be received by February 1st of that fiscal year in order to receive funds in the fiscal year. Eligible recipients are encouraged to request allocations in a timely manner to realize public benefit, but may also retain the continuous appropriation allocation across three fiscal years to accumulate funding for a larger capital expenditure.
4. If an agency chooses to accrue their funds over two or three years for a capital project, they must submit the project's Allocation Request in the first year, and re-apply each year that funds are included in the project. Upon concurrence of eligibility of the project for LCTOP funds, the SCO will release the first year funds to the agency, and will release funds in each subsequent year. Project Lead will deposit these funds in a dedicated LCTOP account. During the second and third year of fund accrual, the agency will resubmit the original Allocation Request indicating the current year funds and will proceed with the approved project within six months of receiving the last year's funds. All years' funds and accrued interest may be applied to the project.
5. In coordination with ARB, Caltrans shall notify the eligible recipients of any deficiencies in their Allocation Request(s) that must be addressed prior to approval, confirm eligibility of the proposals submitted by the recipient agencies, and will then develop a list of approved expenditures. The list will include project descriptions and any certifications required by the program guidelines, such as timely expenditures of funds. Caltrans will submit the final approved list of expenditures to SCO by May 1 each year.
6. Upon Caltrans notification to the SCO of project eligibility, the SCO will release the approved amount of funds available to each recipient by June 1 of that fiscal year.²

² Dates provided are based on assumption of consistent funding availability. If funding amounts are not available, appropriate adjustments will be made to the schedule and all recipients will be notified.

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TIMELINE – LCTOP FY 15-16

(The timeline for FY 15-16 deviates from the ongoing continuous appropriation shown above due to a delay in confirmation of available funds and clarification of the revised process.)

Schedule for Allocation Requests:

SCO notifies transit agencies of share of available funds for FY	Nov. 1, 2015
Caltrans posts Updated LCTOP Guidelines	Dec. 1, 2015
Transit agencies submit expenditure proposals to Caltrans, due by:	Feb. 1, 2016
Caltrans and ARB review and approve list of projects and submit to SCO	May 1, 2016
SCO releases approved amount of funds to recipients	June 1, 2016

Schedule for Reports:

Semi-Annual Report due to Caltrans (on data through March 31)	May 15*
Semi-Annual Report due to Caltrans (on data through September 30)	Nov. 15*

**Subject to change*