

# Memorandum

**To:** ANTONIO JOHNSON  
Acting Director, Financial Services  
Federal Highway Administration – California Division

**Date:** May 8, 2026

**From:** DEE LAM  
CHIEF, DIVISION OF LOCAL ASSISTANCE

**Subject:** IMPLEMENTATION GUIDANCE FOR THE CALTRANS CARBON REDUCTION PROGRAM

## PURPOSE

This memorandum provides statewide implementation guidance for administering the Carbon Reduction Program (CRP) in accordance with 23 U.S.C. §175, the Bipartisan Infrastructure Law, and California's approved Carbon Reduction Strategy (October 2023). The intent is to ensure consistent, compliant, and efficient programming of CRP funds, and to support the appropriate use of federal CRP fund codes by Caltrans, Metropolitan Planning Organizations (MPOs), and Regional Transportation Planning Agencies (RTPAs).

## KEY DEFINITIONS

- ✦ **Census Place:** Includes Rural, Urban, and Urbanized Areas as defined by the U.S. Census Bureau.
- ✦ **Incorporated Place:** Legally incorporated under state law and governed by an active local government (e.g., cities, towns, villages).
- ✦ **Metropolitan Planning Organization (MPO):** Federally designated agency responsible for transportation planning in urbanized areas with populations of 50,000 or more.
- ✦ **Rural Regional Transportation Planning Agency (Rural RTPA):** State designated regional transportation planning and programming agency without an MPO, in which Caltrans acts as the MPO.
- ✦ **Rural Area:** Population under 5,000 or fewer than 2,000 housing units; includes all territory outside urban or metropolitan areas.
- ✦ **Urban Area:** An incorporated place with a population between 5,000 and 49,999.
- ✦ **Urbanized Area (UZA):** Census defined area with a population of 50,000 or more, including current and anticipated urbanized development within 20 years. For CRP purposes, UZAs are categorized as:
  - 50,000–200,000 population
  - Over 200,000 population

## FEDERAL FUNDING CODES

CRP funds are distributed across five federal funding categories:

1. **Y601 – CRP Urbanized Area** (population **200,000+**)
  - Governed by 23 U.S. Code § 175(e)(A)(i)
2. **Y606 – CRP Urbanized Area** (population **50,000–200,000**)
  - use governed by 23 U.S. Code § 175(e)(1)(A)(ii)
3. **Y607 – CRP Urban Area** (population **5,000–49,999**)
  - for areas with population between
  - use governed by 23 U.S. Code § Section 175(e)(1)(A)(iii)
4. **Y608 – Rural Area** (population **under 5,000**)
  - use governed by 23 U.S. Code § 175(e)(1)(A)(iv)
5. **Y600 – CRP Flexible**
  - Not tied to population
  - Assigned to Caltrans for State Highway System projects
  - Governed by 23 U.S. Code § 175(e)(1)(B); 23 U.S. Code § 104(b)(7)

### Distribution Requirements

- Y601–Y608 represent 65% of California's CRP apportionment and must benefit the population associated with each code.
- Y600 represents the remaining 35% and may be used anywhere in the state; these funds are generally reserved for Caltrans projects.

### FUND CODE USE

Within Metropolitan Planning Organization (MPO) area boundaries, which include Transportation Management Areas (TMAs), Metropolitan Planning Areas (MPAs), and non-urbanized (populations under 50,000) areas, Caltrans has adopted the MPO Regional Pool Model for managing CRP funds. Using this model, MPOs are delegated authority to program CRP funds apportioned proportional to their region based on population. MPOs select eligible projects through a performance-driven prioritization process consistent with the Carbon Reduction Strategy.

Within MPO regions, there is no further sub-allocation of CRP funds below the MPO level. MPOs are responsible for managing CRP fund code apportionment utilization within each respective MPO area. The MPOs are responsible for ensuring their selected projects proportionally benefit non-urbanized population areas, resulting in overall compliance with the population-based suballocation requirements at the program level.

MPOs are required to coordinate and report use of their apportioned Urban and Rural CRP fund apportionment with Caltrans, to assure proper apportionment usage of these Statewide funding codes.

For Rural Regional Transportation Planning Agencies (RRTPAs), located outside of MPO areas, RRTPAs are delegated authority to program CRP funds apportioned proportional to their non-urbanized populations based on their own performance-driven project prioritization process. Caltrans assumes responsibility for ensuring the correct program codes on a project-by-project basis, using the two non-urbanized population categories available:

- Y607 for census designated population areas between 5,000 and 49,999.
- Y608 for census designated population areas under 5,000.

The RRTPAs or local agencies are responsible for providing clarifying project information for Caltrans to assign the correct CRP program code.

## **EXPIRING NON-URBANIZED FUND USE**

In April of each year, all unobligated Y607 and Y608 funds at risk of lapsing in that Federal Fiscal Year (FFY) will be reallocated to a statewide pool to be made available to MPOs and Rural RTPAs statewide.

- In April, local agencies may submit a request for authorization to obligate expiring non-urbanized funds.
- Non-urbanized funds will be provided to projects on a first-come, first serve basis.
- Local agencies requesting the expired funds must provide documentation showing their project:
  - aligns with the California Carbon Reduction Strategy (CRS), and
  - is located within the designated population of the CRP funding code being requested.
- Agencies may check the Caltrans CRP website for the amount and type of non-urbanized (Urban and Rural) CRP funds expiring in the current FFY

## **ROLES AND RESPONSIBILITIES**

### **Metropolitan Planning Organizations (MPOs)**

- Develop and maintain accounting of CRP fund code use to ensure 23 U.S.C. §175 compliance.
- Select and program CRP funds allocated to their region based on population, using the MPO Regional Pool Model.
- Manage MPO urbanized and non-urbanized CRP fund code apportionments to ensure:
  - MPO apportionments are not exceeded, and
  - selected projects collectively provide proportional benefit to urbanized and non-urbanized population areas.
- Maintain documentation demonstrating proportional non-urbanized benefits and compliance with population-based suballocation rules; make documentation available to Caltrans and FHWA upon request.

- Select eligible CRP projects through an MPO developed competitive based prioritization process.
- Select projects in alignment with the CRS; confirm and document this using the CRP Project Alignment Confirmation (PAC) form.
- Coordinate with Caltrans to ensure accurate statewide tracking of non-urbanized CRP fund codes.
- Provide clarifying project information to Caltrans, when needed, to ensure correct CRP fund code assignment for the project.
- Work with their local agencies selected to use CRP funds on their projects to authorize the CRP funds prior to the CRP obligation deadline and to expend the funds prior to the project's expiration deadline.
- Do not loan or exchange CRP funds unless an approved loan process is issued by the Caltrans CRP Program Manager.

### **RRTPAs**

- Select and program CRP funds allocated to their RRTPA region to eligible projects, using the RRTPAs own performance-based project prioritization process.
- Select projects in alignment with the CRS; confirm and document this using the CRP PAC form.
- Coordinate with Caltrans to:
  - ensure each selected project meets the population-location criteria tied to the CRP fund code to be used, and
  - verify funds from the appropriate CRP non-urbanized fund code are available for the project at the time of obligation.
- Provide Caltrans with necessary project information and clarifications so Caltrans can assign the correct CRP non-urbanized program code and track the overall statewide balance and manage the use of CRP non-urbanized funds.
- Manage RRTPA non-urbanized CRP fund code apportionments to ensure RRTPA apportionments are not exceeded, except as allowed when applying for expiring Urban/Rural CRP funds.
- Monitor the Caltrans CRP website for updates on RRTPA CRP fund balance and obligation/expenditure deadlines.
- Work with their local agencies selected to use CRP funds on their projects to authorize the CRP funds prior to the CRP obligation deadline and to expend the funds prior to the project's expiration deadline.

## **District Local Assistance Engineers (DLAEs)**

- For Requests for Authorization (RFAs), ensure CRP PAC Form is included in the FADS RFA.
- Prior to submitting the project RFA, verify the PAC:
  - scope of work is up to date
  - is complete (i.e., complete and includes any required supporting documentation that may be referenced in the PAC)
  - is in alignment with the CRS, per the Office of Sustainability signature on the PAC
  - CRP fund amount to be obligated and CRP fund codes to be authorized with the RFA are correct and available, as indicated by the Division of Local Assistance (DLA) CRP Program Manager/Coordinator's comments and signature on the PAC
  - If the scope of work in the RFA does not match the scope of work in the PAC, work with the local agency to complete, submit and get an updated PAC approved, before sending the RFA to FHWA
- Work with MPOs/RRTPAs and local agencies on awarded CRP projects to obligate the CRP funds prior to the respective CRP obligation deadline and to expend the funds prior to the projects expiration deadline
- Provide guidance on federal requirements throughout the obligation and reimbursement process.

## **Local Assistance Area Engineers (HQ)**

Before approving the CRP project Request for Authorization (RFA), verify:

- Project meets all the regular project federal-aid requirements for RFA
- RFA has a signed PAC form included as an attachment to the RFA.
- If a current CRP PAC form is being used (revision date 01.31.2026), ensure the PAC form includes:
  - The current project scope of work
  - Comments and signature showing the project is in alignment with the CRS, per the Office of Sustainability
  - Comments and signature showing the project's CRP funds and funding code(s) requested in the RFA are correct and available, as indicated by the Division of Local Assistance (DLA) CRP Program Manager/Coordinator
- If an older CRP PAC form is being used, ensure the PAC form includes:
  - The current project scope of work
  - Comments and signature showing the project is in alignment with the CRS, per the Office of Sustainability

Then contact the Caltrans CRP Program Manager/Coordinator to verify the CRP fund codes and amounts being requested for the project do not exceed the MPO/RRTPA apportionment and the proper non-urbanized CRP fund code is being used in the RFA request.

- After March 31<sup>st</sup>, verify with CRP Program Manager/Coordinator any expiring non-urbanized funds (Y607 & Y608) requested for authorization are still available prior to RFA approval (See above *End of FFY Urban and Rural Fund Use* section).

### **CRP Program Manager and Program Coordinators**

- Provide statewide oversight and program guidance for Local CRP program.
- In coordination with Office of Sustainability, maintain Local CRP documentation, forms, and CRP guidance, including Apportionment balances).
- Calculate and provide new CRP apportionment balances to MPOs and RTPAs.
- Manage and track non-urbanized CRP apportionments.
- Coordinate with Office of Sustainability to post to the Caltrans CRP web site:
  - Current CRP guidance, forms, and program updates
  - CRP apportionment information and funding balances
- Review PAC form to:
  - Identify applicable Urbanized CRP fund code(s) with assistance from the MPO (as needed)
  - Identify the applicable Urban and Rural, CRP fund code(s) based on population of project location
  - Assure project funding request is within MPO/Rural RTPA apportionment available.
- Serve as primary contacts for program policy, fund code use, and compliance issues.

### **Office of Sustainability**

- In coordination with Caltrans Division of Budgets, Roadway Pricing, and Division of Financial Programming, support statewide oversight and program guidance for the CRP Caltrans projects.
- In coordination with the Division of Local Assistance, Office of Federal Programs, support statewide oversight and program guidance for local CRP projects.
- Serve as primary contact for project alignment with the State Carbon Reduction Strategy (CRS), CRP Group email, and CRP web page maintenance and updates.
- Confirm project aligns with the California CRS by:
  - Review project submittals of the Project Alignment Confirmation (PAC) form for completeness
  - Verifying project aligns with the three pillars of the State's Carbon Reduction Strategy
  - Forward approved forms to CRP Program Manager and Program Coordinators

- Track and keep on file Project Alignment Confirmations
- In coordination with the CRP Program Manager and Program Coordinators:
  - Maintain a Project Alignment Confirmation (PAC) form and submittal process.
  - Maintain publicly available CRP Dashboard showing approved PAC forms, dollar amounts, and project information.
  - Field, coordinate and respond to the emails submitted to the CRP Group email
  - Assure timely postings of CRP content, including CRP guidance, MPO and RRTPA apportionments, apportionment and fund code balances, CRP training information, program deadlines, and FAQ updates to the CRP web page

### **Federal Highway Administration (FHWA)**

- Provide federal oversight to ensure compliance with 23 U.S.C. §175 and related regulations.
- Approve CRP obligation requests.
- Review and approve State and MPO processes, as required.
- Offer technical assistance to Caltrans and regional agencies on federal eligibility and program requirements.

## **ADDITIONAL RESOURCES**

Guidance on CRP fund obligation and fund code selection is available on the Local CRP webpage:

**<https://dot.ca.gov/programs/sustainability/carbon-reduction/local-crp>**

Questions regarding fund code use, eligibility, or program requirements should be directed to:

**Carbon.Reduction@dot.ca.gov**

## **APPROVED**



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**05/14/2026**

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Date






# CRP Policy Memo\_Final

Final Audit Report

2026-05-14

Created:	2026-05-13
By:	Misty Bradshaw (s152600@dot.ca.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAAobXM6cg4jncgfkpxzYIUqke4G_4Mm-6g

## "CRP Policy Memo\_Final" History

-  Document created by Misty Bradshaw (s152600@dot.ca.gov)  
2026-05-13 - 11:44:15 PM GMT - IP address: 149.136.17.248
-  Document emailed to Dee Lam (dee.lam@dot.ca.gov) for signature  
2026-05-13 - 11:45:03 PM GMT
-  Email viewed by Dee Lam (dee.lam@dot.ca.gov)  
2026-05-13 - 11:50:00 PM GMT - IP address: 54.84.128.142
-  Document e-signed by Dee Lam (dee.lam@dot.ca.gov)  
Signature Date: 2026-05-14 - 8:11:12 PM GMT - Time Source: server- IP address: 149.136.17.250 - Signature Appearance Selected: IMAGE
-  Agreement completed.  
2026-05-14 - 8:11:12 PM GMT

