

[STAFF REPORT FOR USE FOR WORK SESSIONS AND COUNCIL MEETINGS]

CARBON REDUCTION PROGRAM OVERVIEW AND FEEDBACK

Date: December 5, 2022
Department: Planning, Development, and
Research
Meeting Date: December 13, 2022

Prepared by: [Grace Cho
grace.cho@oregonmetro.gov]
Presenter(s): Margi Bradway, Ted
Leybold
Length:

ISSUE STATEMENT

In November 2021, President Biden signed into law the Bipartisan Infrastructure Law (BIL). The BIL authorized five years of funding for the purpose of preserving, maintaining, fortifying existing and constructing new infrastructure. Through the passage of BIL, the U.S. Department of Transportation will oversee the largest transportation infrastructure program in its history. As part of BIL, several new funding programs were created and some existing funding programs will receive additional funding. The Metro Council acted in October 2022 to allocate the increased funding to existing programs with the adoption of Resolution 22-5284: For the Purpose of Allocating \$152.8 million of Regional Flexible Funding for the Years 2025-2027, Pending Adoption of the 2024-2027 MTIP.

The Carbon Reduction Program is a new funding program established by the BIL and administered through the Federal Highway Administration (FHWA). The State of Oregon is to receive an estimated \$82.5 million in Carbon Reduction Program funding to be allocated at the state level by the Oregon Department of Transportation (ODOT). Metro, as the metropolitan planning organization (MPO) for the Portland region, receives a portion based on formula allocation. Metro's portion of the Carbon Reduction Program funding is approximately \$18.8 million total, allocated over five federal fiscal years.

As part of the work session, Metro staff will provide:

- 1) an overview of the Carbon Reduction Program.
- 2) a status report on the coordination activities with ODOT staff.
- 3) a brief review of Metro's Climate Smart Strategy.
- 4) an overview of the process and timeline for allocating Carbon Reduction Program funds

ACTION REQUESTED

No action is requested. Staff requests input from Council on the process and timeline for the allocation of Carbon Reduction Program funds. Additionally, staff requests input on the selected Climate Smart investment areas to guide the allocation of Carbon Reduction Program funds.

IDENTIFIED POLICY OUTCOMES

The federal aim of the newly created [Carbon Reduction Program](#) is “to reduce transportation emissions through the development of State carbon reduction strategies and by funding projects designed to reduce transportation emissions.” As part of implementing the new federal program, states and metropolitan planning organizations will receive a formula allocation of Carbon Reduction Program funds (often referred to as “CRP” funds). Prior to allocating the new Carbon Reduction Program funds, states, in consultation with metropolitan planning organizations and local governments, must develop statewide carbon reduction plans aimed specifically at the transportation sector.¹ Fortunately, both the State of Oregon and Metro already have climate plans in place.

In 2009 and 2010 the Oregon Legislature directed Metro to develop a regional plan to reduce greenhouse gas emissions from transportation Climate Smart Strategy. Known as the Statewide Transportation Strategy (STS) and the, these transportation focused emissions reduction plans have the aim to achieve the state goal to reduce greenhouse gas emissions a least 10 percent below 1990 levels by 2020 and at least 75 percent below 1990 levels by 2050. The Statewide Transportation Strategy was accepted by the Oregon Transportation Commission in 2013 and the Climate Smart Strategy was adopted in 2014. In the Metro region, Metro and the Joint Policy Advisory Committee on Transportation (JPACT) unanimously adopted Climate Smart Strategy. If fully implemented, the Climate Smart Strategy would meet and exceed the state-mandated target for the region to achieve a 20 percent reduction per capita in greenhouse gas emissions by 2035.

Because of this previous planning work, Metro and ODOT are well positioned to spend CRP funds in a timely manner. ODOT convened metropolitan planning organizations and stakeholder organizations (e.g., League of Oregon Cities, Oregon Environmental Council) to discuss areas of investment with the CRP funds at the state level. ODOT developed the overarching framework to allocate CRP funds for both the state and metropolitan areas. The aim is to complete the statewide Carbon Reduction Plan in early 2023.²

State Priorities for Carbon Reduction Program

Since the adoption of the Statewide Transportation Strategy and the Climate Smart Strategy, monitoring reports have shown that in recent years both the state and the region are behind and off track in implementation. At the same time, the impacts of climate change have become more severe in the Pacific Northwest as demonstrated by extreme heat events, wildfires, and unpredictable winter storms. As a result, Governor Kate Brown issued Executive Order 20-04 in March 2020, which directed state agencies including ODOT, the Department of Land Conservation and Development (DLCD), Department of Environmental Quality (DEQ) and Department of Energy (DOE) to advance implementation of initiatives that will bring the state back on track. Since Executive Order 20-04, the state agencies’ efforts developed work plans and initiatives focused on promoting cleaner

¹ Carbon Reduction Program funds may be used for development of Carbon Reduction Plans and fund program administration.

² Further detail regarding the statewide Carbon Reduction Plan development can be found in Attachment 1 to this memorandum.

vehicles, cleaner fuels, and less driving.³ As a result, ODOT looks to use its portion of the Carbon Reduction Program funds to advance statewide priorities – such as a statewide vehicle electrification and funding capital projects that reduce greenhouse gas emissions in rural areas.

Regional Priorities for Carbon Reduction Program

The Climate Smart Strategy is the Portland region’s action plan to reduce greenhouse gas emissions from light duty trucks and passenger vehicles through a combination of land use and transportation efforts. The Climate Smart Strategy identifies eight investment areas and two supporting actions for the region to meet the state mandated greenhouse gas emissions reduction target. These are:

1. Implement adopted local and regional land use plans
2. Make transit convenient, frequent, accessible and affordable
3. Make biking and walking safe and convenient
4. Make streets and highways safe, reliable and connected
5. Use technology to actively manage the transportation system
6. Provide information and incentives to expand the use of travel options
7. Make efficient use of vehicle parking and land dedicated to parking
8. Support Oregon’s transition to cleaner fuels and more fuel-efficient vehicles
9. Secure adequate funding for transportation investments
10. Demonstrate leadership on reducing greenhouse gas emissions

As noted, the Portland region made initial progress with the implementation of the Climate Smart Strategy in the years immediately after adoption and saw a boost in efforts with the Oregon legislature passing a statewide transportation investment package (HB 2017) in that it provided funding for transit operations. However, implementation of the eight investment areas requires significant resources. The newly created federal Carbon Reduction Program is a limited opportunity targeted towards those transportation infrastructure investments or activities with the express purpose of reducing greenhouse gas emissions as outlined in the region’s Climate Smart Strategy and meet state requirements. **Therefore, the region’s aim for the Carbon Reduction Program is to implement the Climate Smart Strategy by investing into one or more of the investment areas identified, after considering federal funding eligibility requirements, state Carbon Reduction Program investments, regional opportunities, and other factors.**

As part of the rules for the new Carbon Reduction Program, state transportation departments and MPOs must submit Carbon Reduction Plans and list of projects for CRP funding to the US DOT by November 2023. Between now and November 2023, Metro, as

³ Executive Order 20-04 set updated greenhouse gas emissions reduction goals that call for the State of Oregon to reduce its GHG emissions at least 45 percent below 1990 emissions levels by 2035 and at least 80 percent below 1990 levels by 2050. These updated goals are consistent with the reductions that climate scientists now believe are necessary to avoid catastrophic climate change impacts.

the MPO, will also be managing several other federally required core activities – 2023 RTP and 2024-2027 MTIP development. Those processes must also take place prior to the end of 2023 to remain eligible for federal funds. The Carbon Reduction Program, while certainly welcome, is an unanticipated additional funding allocation effort. Metro staff seeks Council direction on the following proposal to allocate Carbon Reduction Program funds to projects within the following three Climate Smart Strategy investment areas:

- Make transit convenient, frequent, accessible and affordable
- Make biking and walking safe and convenient
- Use technology to actively manage the transportation system

In suggesting these three areas of focus for investment, staff considered the following:

- potential for greenhouse gas reduction
- climate strategies that are underfunded or will not be funded with state CRP funds, and
- will be relatively straightforward and efficient to allocate to projects or programs that are already scoped or identified in order meet the federal deadline

POLICY QUESTION(S)

The Climate Smart Strategy outlines the necessary implementation actions to reach the greenhouse gas emissions reduction targets. With both Climate Smart and the federal Carbon Reduction Program sharing the same aim to reduce greenhouse gas emissions from transportation, the Climate Smart Strategy should serve as the policy framework for the allocation of Carbon Reduction Program funds.

ODOT will be steering a portion of their funds towards electrification of the fleet, as well as other state programs. Metro staff suggest that regional CRP investments should be focused in these three areas:

- Make transit convenient, frequent, accessible and affordable
- Make biking and walking safe and convenient
- Use technology to actively manage the transportation system

Given the information above, are these the areas of focus for investment of the regional CRP funds?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

The new Carbon Reduction Program will allow the region to invest approximately \$18 million into the implementation of the Climate Smart Strategy. However, funding of the Carbon Reduction program after 2026 remains contingent on support from the next presidential administration and congress. While hopeful the funding program will continue in perpetuity like other federal surface transportation funding programs, Metro staff

recommends an allocation of funds limited to the timeframe of the current federal authorization of the bill: through federal fiscal year 2026.

OPTION 1 – Invest in transit, biking and walking, and system management technology as priority elements of the Climate Smart Strategy for Carbon Reduction Program funds

The region's Climate Smart Strategy outlines eight different areas of investment. The eight areas represent a mix of capital investments, program investments, demand management and land use strategies. The varied mix provides a wide span of options and areas to invest on the regional transportation system. However, two of the investment areas in the Climate Smart Strategy are ineligible for CRP funds. These are:

1. Implement adopted local and regional land use plans
2. Make streets and highways safe, reliable and connected

The remaining six Climate Smart investment areas are eligible for Carbon Reduction Program funds according to federal eligibility rules and ODOT's state Carbon Reduction Plan prioritization. These six are:

Eligible for Carbon Reduction Program Funds

1. Make transit convenient, frequent, accessible and affordable
2. Make biking and walking safe and convenient
3. Use technology to actively manage the transportation system
4. Provide information and incentives to expand the use of travel options
5. Make efficient use of vehicle parking and land dedicated to parking
6. Support Oregon's transition to cleaner fuels and more fuel-efficient vehicles

At the November 10 Metro Council and JPACT workshop on the 2023 RTP, Metro staff provided a refresher on the Climate Smart Strategy. Since the Climate Smart Strategy has been integrated into subsequent regional transportation plans (2014 RTP, 2018 RTP) after its adoption, the 2023 RTP presents an opportunity to update related policies in the Plan and develop a long-term transportation investment strategy which will bring the region back on track to meet the greenhouse gas emissions reduction target set forth by the state.⁴

At the workshop, regional leaders participated in a set of exercises ranking the different Climate Smart investment areas for: 1) further implementation; 2) greatest benefit to people living in the Portland metropolitan region; and 3) preference on ambitiousness in pursuing. Under the three different ranking exercises, the following three ranked in the top three in each exercise. Making transit convenient, frequent, accessible, and affordable, was the top ranked Climate Smart investment area in each.

⁴ The regional emissions targets set by the state focus on per capita reductions achieved by reducing light vehicle trips and travel which includes passenger vehicles (cars, pickup trucks and SUVs) and commercial trucks with a vehicle weight rating of 10,000 pounds or less. Regional targets are focused on reducing vehicle use, not on making fuels and vehicles cleaner and more efficient.

- Make transit convenient, frequent, accessible and affordable – through increased transit service, including high-capacity transit
- Make biking and walking safe and convenient – through new active transportation connections
- Use technology to actively manage the transportation system – through system management and operations

These (non-binding) results indicate that the region's leaders are interested in advancing Climate Smart Strategies/investment areas for implementation.

OPTION 2 – Invest in other eligible regional priorities

While the region's leaders indicated interest and a desire to continue implementing the Climate Smart Strategy, the Strategy is not comprehensive in reducing greenhouse gas emissions from all parts of the transportation sector. That is partially by design in that the state mandate which initiated the development of Climate Smart directed the region to develop a plan that reduces emissions produced by passenger vehicles and light duty commercial vehicles trips. As a result, the Climate Smart Strategy does not address greenhouse gas emission reduction from other parts of the transportation sector, such as heavy-duty diesel trucks, garbage trucks, diesel construction equipment, or transportation emissions generated by shipping containers at ports.

While federal rules places certain restrictions on what Carbon Reduction Program funds can be used for, there are several transportation activities which are eligible uses, but not included in the Climate Smart Strategy. Some examples of eligible uses for Carbon Reduction Program funds include construction equipment retrofits and port electrification. The Metro Council may view a particular urgency or need to invest into a greenhouse gas emissions reduction strategy not identified in the Climate Smart Strategy or a desire to further support state agencies in their effort to promote electrification.

STAFF RECOMMENDATIONS

While there are several strategic opportunities to invest the Carbon Reduction Program funds to reduce greenhouse gas emissions, Metro staff recommends the region continue to focus on implementing the Climate Smart Strategy. In review of the investment areas identified through the Climate Smart Strategy, Metro staff recommends Carbon Reduction Program funds focus on the following three investment areas:

- Make transit convenient, frequent, accessible and affordable
- Make biking and walking safe and convenient
- Use technology to actively manage the transportation system

Metro staff considered several factors to recommend the select three Climate Smart investment areas for Carbon Reduction Program funds. These factors include, but not limited:

- Federal funding eligibility requirements
 - Including those specific to the Carbon Reduction Program
- Carbon Reduction Program requirements

- Submission deadlines, timing of obligation of funding, and other limitations
- ODOT's allocation and priorities for Carbon Reduction Program funds
- Potential for greenhouse gas emissions reduction
- Ability to advance additional Regional Transportation Plan objectives, including Equity, Safety, and Mobility in addition to Climate
- Ability to address Climate Friendly Equitable Communities and other state, regional, or local climate change related objectives
- Funding leverage opportunities
- Feedback received at the November 10 Metro Council and JPACT workshop for the 2023 RTP on the Climate Smart Strategy

Metro staff seeks to gather Metro Council input on whether the three investment areas identified are the desired direction to focus the Carbon Reduction Program funds.

Additionally, considering the timeframe for submitting the Carbon Reduction Plan and the allocation of CRP funds, Metro staff recommends development of an allocation proposal based on the investment area priorities from the Climate Smart Strategy provided by JPACT and Metro Council. Staff believe this will provide for an efficient allocation process since there are multiple MPO activities taking place at the same time that will necessitate both Metro staff and local jurisdictional partners' participation and coordination.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

- How is this related to Metro's Strategic Plan (to be developed in 2019) or Core Mission?

Climate leadership is one of the Metro Council's adopted six desired outcomes for the Portland metropolitan region. In the role of climate leadership, Metro lobbied at the state level for the passage of House Bill 2001 during the 2009 Oregon legislative session. The passage of House Bill 2001 eventually led to the development of greenhouse gas emissions reduction targets for light duty vehicles and directed Metro to develop and adopt a climate plan to meet the metropolitan area target. The region developed and adopted the Climate Smart Strategy in 2014, which outlines ten key strategies for the region to implement. This supported the region's lobbying during the 2017 state legislative session to pass a transportation package which provided a new local revenue stream for transit to support operations and service. Additionally, the region went on to pursue a regional transportation revenue in 2020 with a transportation packaged focused on addressing greenhouse gas emission reduction among its priorities. The region continues to take an active role in lobbying the Oregon congressional delegation for transportation infrastructure funding and in support of the Bipartisan Infrastructure Law, which includes the new Carbon Reduction Program funding.

- How does this advance Metro's racial equity goals?

The Climate Smart Strategy was integrated into the development of the 2014 and 2018 Regional Transportation Plan (RTP). In the process of refining the 2018 RTP, Metro Council directed Metro staff to work with local and regional partners to identify transportation investments which advance four regional priorities: Equity, Safety, Climate Change, and Mobility. Based on feedback from communities of color, community-based organizations, and human services organizations serving lower-income households, many of the transportation strategies and priorities requested by historically marginalized communities are strategies which reduce vehicle trips and therefore emissions of greenhouse gases. Some examples include increased transit service and building out the active transportation network in historically marginalized communities. More specifically for Metro's racial equity goals, the greater progress the region can make towards the implementation of those transportation strategies that reduce greenhouse gas emissions in a manner that serves historically marginalized communities will provide multiple benefits. The Carbon Reduction Program funding has the potential to do so as a new source of revenue between 2022-2026.

- How does this advance Metro's climate action goals?

The new Carbon Reduction Program funding directly advances Metro's climate action goals by funding implementation of the Climate Smart Strategy.

As the current monitoring reporting for the Climate Smart Strategy indicates, the region is not currently on track to meet the greenhouse gas emissions reduction target, in part because of the significant impact the COVID-19 pandemic had on transit service. The Carbon Reduction Program can help place the region back on track by reinvigorating the transit network or implementing the other strategies identified in the Climate Smart Strategy.

Lastly, the Carbon Reduction Program funding may be used address concurrently new state requirements adopted by the Land Conversation and Development Commission (LCDC) that are applicable to the Portland region. The Climate Friendly and Equitable Communities (CFEC) initiative, CFEC, an update the DLCD's transportation planning rules, requires local governments across the eight metropolitan areas throughout Oregon – including Metro – to update and implement their local transportation and land use plans to reduce transportation-related greenhouse gas emissions.

- Known Opposition/Support/Community Feedback

No known opposition at this time. The Climate Smart Strategy continues to have significant support, if not a greater urgency now more than when adopted eight years ago because of the devastating weather events the Portland region has experienced in the past couple of years (e.g., extreme heat waves, ice storms, heavy rainfall). At the time of the Climate Smart

Strategy adoption in 2014, there was only one dissenting vote in the recommendation at JPACT.

Informal conversations with local partners and invested stakeholders (such as Verde, Oregon Environmental Council, and others) have indicated that partners prefer a direct allocation approach rather than a competitive grant process, especially so soon after the competitive process for the Regional Flexible Fund Allocation (RFFA), as long as the project or program has regional support.

- Explicit list of stakeholder groups and individuals who have been involved in policy development.

In 2014, JPACT and the Metro Council adopted the [Climate Smart Strategy](#) with broad support from community, business and elected leaders. Over the course of the development, Metro staff engaged in over 15,000 individual touch points between 2011 through 2014 to inform the strategy. Approved by Land Conservation and Development Commission in 2015, the strategy was built on extensive outreach and engagement of local and state agency staff and elected officials, community leaders and community-based organizations, business leaders and their associations – many of whom continue to be engaged in implementation and monitoring today. Metro updated the Climate Smart Strategy in 2018 and touched base with over 20,000 people during that process.

- Legal Antecedents

Metro Specific:

- Climate Smart Strategy – Resolution 14-1346B
- 2014 Regional Transportation Plan – Ordinance 14-1340
- 2018 Regional Transportation Plan – Ordinance – 18-1421

Non-Metro

- Bipartisan Infrastructure Law – Signed into law November 2021
- Statewide Transportation Strategy – Accepted by the Oregon Transportation Commission in March 2013
 - Adopted as part of an amendment to the Oregon Transportation Plan in 2018.
- Senate Bill 1059 (2010) and House Bill 2001 (2009), for the state to meet its 2050 goal of reducing transportation related greenhouse gas emissions
- ORS 468A.205 – Codified into state rules the greenhouse gas emissions reduction goals
- Climate Friendly Equitable Communities – Adopted June 2022
- Anticipated Effects

Investments made by the Carbon Reduction Program funds are anticipated to provide positive effects and make progress towards the region's goals to reduce greenhouse gas

emissions. The CRP funds are new revenues but are fairly modest in the total amount (\$18 million total over five years) as compared to other federal surface transportation programs. Upon adoption of legislation to allocate the Carbon Reduction Program funds, Metro will program the dollars in the 2024-2027 Metropolitan Transportation Improvement Program (MTIP) to make available for expenditure.

- Financial Implications (current year and ongoing)

Carbon Reduction Program funds are eligible for use on program administration. Because the Carbon Reduction Program is a new surface transportation funding program which Metro is required to monitor according to federal requirements. Metro, as a metropolitan planning organization, is familiar with the necessary monitoring requirements, but it adds a new load of work, requiring additional staff time to administer. In addition, the region will need to comply with new state rules pertaining to the Climate Friendly Equitable Communities, which is complementary work to the monitoring work for the Carbon Reduction Program. Therefore, Metro staff anticipates a portion of the new Carbon Reduction Program funds can be used for program administration and related work pertaining to greenhouse gas emissions within the Planning, Development, and Research department.

At this time, the amount for the Planning, Development and Research Department to administer the new CRP funds is not included in the Metro budget for fiscal year 2022-2023. Metro staff anticipates bringing forward a proposal for administrative costs after further discussion on the process to allocate the Carbon Reduction Program funds. Upon adoption of the Carbon Reduction Program allocation, Metro staff will bring forward a budget amendment, if applicable.

BACKGROUND

Please see attachment(s) for background and further information about the federal Carbon Reduction Program.

ATTACHMENTS

[Identify and submit any attachments related to this legislation or presentation]

- Memorandum with background context on the Bipartisan Infrastructure Law, legislative history of climate planning in Oregon, and discussions of statewide Carbon Reduction Plan development.
- Timeline of activities according to staff recommendations

[For work session:]

- Is legislation required for Council action? ☐ Yes ☒ No
- If yes, is draft legislation attached? ☐ Yes ☒ No
- What other materials are you presenting today?