

Memo



Metro

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Date: Friday, January 6, 2023
To: Joint Policy Alternatives Committee on Transportation (JPACT) and Interested Parties
From: Grace Cho, Senior Transportation Planner - Metro
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Subject: Carbon Reduction Program Overview and Direction for Fund Allocation

Purpose

Provide JPACT members an overview of the new Carbon Reduction Program (CRP) fund program and gather feedback on the proposed Climate Smart Strategy investment areas to develop an allocation proposal for Carbon Reduction Program funds.

Introduction

In November 2021, President Biden signed into law the Bipartisan Infrastructure Law (BIL). The BIL authorized five years of transportation funding and the largest transportation infrastructure investment program in its history. As part of BIL, several new funding programs were created and existing funding programs received additional funding.

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 total in Carbon Reduction Program funding. The Oregon Department of Transportation (ODOT) will administer approximately \$53.9 million at the state level of the \$82.5 million total. Whereas the three large metropolitan organizations in Oregon – Portland, Eugene, and Salem – receive a direct suballocation of the Carbon Reduction Program funds based on formula. Metro's portion of the Carbon Reduction Program funding is approximately \$18.8 million total for the five federal fiscal years.

Carbon Reduction Program Requirements and Timeline

The federal aim of the newly created Carbon Reduction Program is “to reduce transportation emissions through the development of State carbon reduction strategies and fund projects designed to reduce transportation emissions.” As part of implementing the new federal program, states and metropolitan planning organizations must complete two requirements:

- States, in consultation with metropolitan planning organizations and local governments, must develop statewide carbon reduction plans aimed specifically at the transportation sector.
- The statewide carbon reduction plan includes the projects and programs funded with Carbon Reduction Program funds (referred to as “CRP” funds).

Per the federal requirements of the new program, state carbon reduction plans with identified allocation of CRP funds are due to federal partners by November 2023.

Because of the Statewide Transportation Strategy (STS) and the Climate Smart Strategy, Metro and ODOT are well positioned to meet the first requirement of the new program quickly and can begin developing allocation processes for the new Carbon Reduction Program funds. The Oregon Department of Transportation (ODOT) already began to convene stakeholders to discuss and prioritize STS policy areas to include in the required Carbon Reduction Plan and guide the allocation of CRP funds for all parties. ODOT will conduct a funding allocation for the approximate \$53.9 million CRP funds it receives, whereas the three larger metropolitan planning organizations

in Oregon – Portland, Eugene, and Salem – will conduct their own independent allocations separate from the state allocation process.¹

Portland Metropolitan Region Carbon Reduction Program – Policy Direction for Allocation

Adopted in 2014, 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 ten 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

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) that provided on-going funding for transit operations. However, in recent years, state mandated monitoring reports show the region and the state are behind and/or off track to meet greenhouse gas emissions reduction targets. While multiple cycles of Metro’s Regional Flexible Funds have invested into Climate Smart Strategy areas and a statewide transportation package has created new revenue streams to further invest, additional revenue is needed. In recognition of the region’s current implementation progress and the funding need, the Climate Smart Strategy will serve as the policy direction and guide the Carbon Reduction Program fund allocation for the Portland region.

Carbon Reduction Program Fund Allocation – Proposed Climate Smart Strategy Investment Areas

The newly created federal Carbon Reduction Program is a limited opportunity targeted towards transportation infrastructure investments or activities with the express purpose of reducing greenhouse gas emissions. 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.² The varied mix of strategies outlined in Climate Smart provides a wide span of options to invest CRP funds on the regional transportation system.

Based on initial feedback from the 2023 RTP workshop and discussion with the Metro Council, regional leadership has that investing and focusing on the following three Climate Smart Strategies to meet the region’s greenhouse gas emissions reduction goals.³

- Make transit convenient, frequent, accessible, and affordable

¹ The Portland metro region portion of Carbon Reduction Program funds is approximately \$18.8 million.

² After considering federal funding eligibility requirements, state Carbon Reduction Plan priorities, regional opportunities, and other factors

³ See attachment 1.

- Make biking and walking safe and convenient
- Use technology to actively manage the transportation system

Based on this initial feedback, Metro staff proposes to use these three Climate Smart Strategies as the initial starting point for the development of one or more proposals for allocating CRP funds.

Allocation Process

The region completed the 25-27 Regional Flexible Fund Allocation (RFFA) in October 2022. The 25-27 RFFA was a two-year multistep process to determine the program direction, identify the criteria for evaluating candidate projects, conducting the solicitation, and selecting candidate projects for funding. To the degree possible, Metro integrated increases in federal surface transportation funding due to BIL into the 25-27 RFFA process. However, due to it being a new funding program, coordination requirements, and awaiting congressional appropriations, the Carbon Reduction Program was not integrated into the 25-27 RFFA process. At the end of the 25-27 RFFA process, Metro staff asked partners if there is interest in another competitive allocation for the CRP. The overwhelming feedback was fatigue coming off the 25-27 RFFA decision and a desire to do a different process.

Recognizing the time constraints for submitting allocations of CRP funds for inclusion in the state Carbon Reduction Plan, the amount of funding available, and the desire for a different process, Metro staff will develop one or more allocation proposals for the CRP funds for regional discussion. The allocation proposals will be based on:

Policy Direction

- Climate Smart Strategy investment areas
 - 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
- Consistency with state Carbon Reduction Plan priorities

Administrative

- 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
- Program implementation needs
 - Evaluation tools and capacity, reporting, communications, policy refinement

Other

- ODOT's allocation and priorities for Carbon Reduction Program funds and other investments in reducing carbon emissions
- Funding leverage opportunities
 - Especially funding opportunities presented from BIL

Committee Input and Feedback

- Feedback received at:

- November 10 Metro Council and JPACT workshop for the 2023 RTP on the Climate Smart Strategy
- December 13 Metro Council work session
- January 6 TPAC
- January 19 JPACT

Metro staff will return to TPAC and JPACT at the February 2023 committee meetings with one or more specific project and/or program proposals with CRP funding levels. Following review of the proposal(s), Metro staff will seek gather a recommendation in early spring 2023 with the aim to adopt the allocation of CRP funds in mid to late spring 2023.

Questions for JPACT

- What questions do JPACT members have about the Carbon Reduction Funding program?
- What thoughts do JPACT members have about the three Climate Smart Strategies for emphasis for Carbon Reduction Program funds?

Attachment 1 – Summary – Initial Feedback and Direction for Carbon Reduction Program Allocation

The following are recent meetings where the discussions focused on the prioritization of the Climate Smart Strategies and/or the new Carbon Reduction Program funds. The summary of these discussions will inform Metro staff developed proposals brought forward for regional discussion.

2023 RTP Workshop

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.

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 in each exercise. Across all three exercises, “Making transit convenient, frequent, accessible, and affordable,” was the top ranked Climate Smart investment area in each.

- 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.

Metro Council Work Session

Following the 2023 RTP workshop, Metro and ODOT Climate Office staff jointly presented information about the federal Carbon Reduction program at the Metro Council work session. The presentation outlined the new program and provided insight into the priority investment areas for ODOT’s allocation. ODOT emphasized the need for partnerships to achieve Oregon’s greenhouse gas emissions reduction goal and making complementary investments. Metro staff outlined three potential Climate Smart Strategy investment areas to emphasize with CRP funds. These three areas include:

- Transit
 - Capital transit investments
 - Improvements in the right-of-way to increase speed and reliability of buses and MAX
- Active Transportation
 - New biking and walking connections to schools, downtowns, jobs, and other community places

- Completes the regional active transportation network and supports the 2040 growth concept
- System Management and Operations
 - Variable message signs and speed limits
 - Transit signal priority, bus pullouts
 - Signal timing and ramp metering

The Metro Council were asked to provide feedback and direction on the potential Climate Smart Strategy investment areas as well as other wishes the Council would like to see as part of the allocation of CRP funds. Feedback from the Metro Council included:

- Continue to support and leverage the planning work undertaken as part of the Transportation Funding Measure in 2020, in areas that would be eligible for CRP funds
- Invest into our current corridor projects, including Tualatin Valley Highway and 82nd Avenue
- Make a regional investment with the limited dollars presented with CRP, but also be context sensitive to the different counties in the region
- Accelerate implementing community plans that seek to reduce greenhouse gas emissions
- Leverage other funding opportunities presented with the BIL and with other partners
- Support microtransit and transit services which better serve communities not well reached by traditional transit providers.

TPAC

Metro staff in conjunction with ODOT Climate Office staff provided an overview of the Carbon Reduction Program at the January 6, 2023, TPAC meeting. In the presentation, Metro staff outlined the details of the new federal funding program and the staff proposed Climate Smart Strategy investment areas to shape allocation proposals for discussion. The following is feedback from TPAC to help shape and inform the next steps for staff to develop Carbon Reduction Fund allocation proposals for discussion in February and potentially for communication to ODOT for the allocation of their Carbon Reduction Program funds.

- Agree with leveraging the work and consensus building undertaken as part of the transportation funding measure in 2020, but not constrained by what was included in the package which went before voters. Consider some of the corridors/candidate projects which did not make the final package put forward to voters.
- Have the allocation proposal reflect regional balance
- Consider those projects which can meet eligibility requirements from the 25-27 Regional Flexible Fund cycle which were not awarded grant funds
- Consider adding the Climate Smart Strategy - Provide information and incentives to expand the use of travel options – or transportation demand management (TDM) as part of the CRP allocation proposal
- Work actively with local jurisdictions on identifying candidate projects for the allocation proposal developed by Metro staff. Following a process similar to the earmark process would be positive.
- Consider quantifying greenhouse gas emissions reduction for candidate projects and have it inform the final allocation proposal. At a minimum, have allocation efforts be informed by emissions reduction potential.
- Prioritize allocating Carbon Reduction Program funds to projects and programs which do not have other sources of funding. For example, while electric vehicles and infrastructure

are an eligible activity for new funding program, there is also another federal funding program exclusively available for electrification.

- Focus on “doable” projects that can show off the success of the Carbon Reduction Program. This can help support the program’s continuation into the future.
- In considering potential transportation system management and operations (TSMO) project candidates, work with the Transport sub-committee of TPAC to identify a project or technology update which would have wide reaching regional or systemic benefit in lieu of smaller site-specific project(s).
- Consider focusing Carbon Reduction Program funds on projects in areas with high vehicle miles traveled and a lack of transportation options.
- Consider adding to the allocation proposal projects which accelerate the transition of transit fleet vehicles to alternative fuels
- While the Carbon Reduction Program funds focus on greenhouse gas emissions reduction, consider candidate projects in the allocation proposal which result in greater safety. In particular, projects which complete the pedestrian and bicycle network in areas of high crashes provide the dual benefit of emissions reduction and safety.
- Use updated information from efforts like the City of Portland’s VisionEval work to help inform which types of projects will be an effective use of Carbon Reduction Program funds and get the most emissions reduction cost-benefit.
 - Consider investing funds to advance the region’s capabilities in understanding, measuring, and advancing how to best reduce carbon emissions.

TPAC also requested additional information on use of the \$1.8 million proposed for program implementation. TPAC also asked ODOT’s climate office to keep the MPO table (i.e., TPAC, JPACT, Metro Council) and the R1ACT informed on the allocation process for the state Carbon Reduction Program funding as there is interest in knowing more about providing input to the state allocation process.

Attachment 2 – Timeline

The following is an anticipated timeline of activities for the allocation of CRP funds and submission for inclusion in the state Carbon Reduction Plan. The dates are subject to change.

| Activity | Draft Timeframe |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Finalize statewide Carbon Reduction Program draft strategies & priorities to guide MPO and state allocations | October 2022 |
| 2023 RTP workshop #5 on the Climate Smart Strategy <ul style="list-style-type: none"> JPACT and Metro Council participate in Climate Smart | November 2022 |
| Metro Council – introduction, discussion, feedback, and direction | December 2022 |
| Develop proposal for allocation of Carbon Reduction Program | December 2022 – Spring 2023 |
| TPAC and JPACT – introduction, discussion, feedback, and direction | January 2023 |
| TPAC and JPACT – introduce CRP allocation proposal(s) | February 2023 |
| TPAC and JPACT recommendation | March and/or April 2023 |
| Metro Council adoption of Carbon Reduction Program allocation | April or May 2023 |
| Statewide Carbon Reduction Program allocation check-ins | February – April 2023 |
| Prepare Carbon Reduction Program allocation entries for submission <ul style="list-style-type: none"> Also prepare for 21-24 and/or 24-27 MTIP and STIP entries | April – June 2023 |
| Submissions of Carbon Reduction Program fund allocations to ODOT | May – August 2023 |
| Carbon Reduction Plan with fund allocations due to federal partners <ul style="list-style-type: none"> If necessary, conduct 24-27 MTIP and STIP amendments to include programming of Carbon Reduction Program funds | November 2023 |

