April 24, 2013

Ms. Mary Nichols
Chairwoman
California Air Resources Board
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

Dear Chairwoman Nichols,

The Orange County Transportation Authority (OCTA) appreciates the opportunity to comment on the Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-2014 through 2015-2016 (Draft Investment Plan), as released on April 16, 2013. The Draft Investment Plan's targeted emphasis on the transportation sector as the primary recipient for cap-and-trade revenue investment is supported by the OCTA. With the transportation sector representing almost 40 percent of statewide emissions, investments in expanding local public transportation (both bus and rail) and implementing the regional and subregional sustainable communities strategies (SCS) developed under SB 375 through such things as active transportation, transportation demand management strategies, and transportation system management strategies are especially supported as key strategies for investment to help meet statewide greenhouse gas emission reduction goals. As transportation fuels are added to the cap-and-trade system, investment of revenues from this sector should demonstrate a clear nexus to providing transportation improvements, similar to existing fees and taxes on fuel.

While the Draft Investment Plan looks to a variety of state studies to help influence allocation decisions, other existing plans and investment strategies should also be considered. Extensive work has already been completed within the development of each SCS, as well as in statewide transportation needs assessments, to identify immediate and long-term transportation needs. These plans can be used to help influence the allowance revenue allocation process. Regional and subregional SCSs should particularly be looked to as the Draft Investment Plan looks to focus on existing programs and plans during the initial investment years.

Although the Draft Investment Plan does not detail a recommended investment allocation strategy, there does appear to be a strong emphasis on state administration. While statewide guidelines and processes can help ensure an

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expedited process, local discretion is also needed to ensure projects most beneficial to the regions, in terms of emission reductions and regional needs are funded. Regional and subregional SCSs offer one example of plans to base investment opportunities. Similar to the deference granted under SB 375 for the regions in creating each SCS and meeting the associated greenhouse gas emission reduction targets, the Draft Investment Plan should also allow regional deference.

Any regional investment should also consider the unique geographic and demographic characteristics of each region, as well as the traditional, regional project approval and funding roles. Within the region covered by the Southern California Association of Governments (SCAG), each subregion can create their own subregional SCS to be included in SCAG's larger SCS. For SCAG's 2012 Regional Transportation Plan and SCS, Orange County was one of two sub regions opting to do a subregional SCS. Acknowledging the strong subregional role allowed for within the SCAG region, transportation funding decisions within the region should be made through the county transportation commissions rather than the metropolitan planning organization.

In order to ensure that the projects targeted for near-term investment lead to the necessary emission reductions, it should also be ensured that any new technologies promoted under the program are cost-effective and feasible for implementation. Currently, some of the technology promoted by the Concept Paper, such as zero emission buses, is undergoing demonstration programs that have shown existing costs and technology to not yet be at the point where widespread adoption can take place. Additionally, because of the extensive infrastructure needs associated with such technology change, the cost-effectiveness of such measures is questionable. Already large scale investment has been made to reduce emissions in these areas, such as through fleet conversion to alternative fuels. Minimal additional emissions would be associated with additional requirements. Instead, emphasis should be placed on more immediate measures that can promote further emission reductions, such as expansion of transit service.

OCTA looks forward to continuing to collaborate with the Air Resources Board, as well as other state agencies involved in the development of the cap-and-trade investment plan and associated allocation of revenues. If you have any questions please contact Kristin Essner, Senior Government Relations Representative, at (714) 560-5754.

Sincerely,

Darrell Johnson
Chief Executive Officer

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c: Sloat Higgins Jensen & Associates