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July 28, 2022

Board Members
California Air Resources Board
1001 I Street,
Sacramento, CA 95814

Attention: Clerk's Office

Re: Comments regarding the Advanced Clean Cars II Regulations

Dear Members of the California Air Resources Board,

Transportation California appreciates the opportunity to comment on the California Air Resources Board's (CARB) proposed Advanced Clean Cars II (ACC II) regulations. Our organization represents the transportation industry and workforce that builds, repairs, and maintains California's statewide multimodal transportation system. We strongly support the state's efforts to reduce vehicle emissions, especially those from light-duty passenger cars, trucks, and SUVs, which the ACC II rulemaking seeks to accomplish starting with the 2026 model year, reaching zero emissions by 2035. At the same time, the proposed rulemaking will have drastic negative impacts to transportation funding and the state's ability to build, repair, and maintain a multimodal transportation system. We urge CARB to take a leading role going forward to more robustly predict funding impacts, mitigate these impacts in the short-term, and in the long-term help California chart a new transportation funding path.

As we understand the rulemaking, the Board intends to amend the Zero-Emission Vehicle Regulation to require an increasing number of zero-emission vehicles, and relies on advanced vehicle technologies, including battery-electric, hydrogen fuel cell electric and plug-in hybrid electric vehicles, to meet air quality and climate change emissions standards. The state has much to do to ensure availability of ZEVs in the marketplace, the ability to fund and implement the required build out of the associated charging and refueling infrastructure to support the transition to ZEVs, and the availability of clean energy. The state must also focus its efforts on how the regulations will significantly reduce transportation funding and associated mobility options in communities across the state, which is the transportation-construction industry's chief concern, and which will also have a direct impact on the ability of the state to meet its own climate goals.

While we do support the state's efforts to move toward a clean mobility future, we are deeply concerned about aspects of the rulemaking under consideration from a transportation finance perspective, again, as the draft rule would have drastic negative implications for our state's core transportation funding programs. Consequently, we fear that the lifetime maintenance, ongoing safety and non-auto mobility needs of our transportation system will be threatened with decay over time. We urge CARB to recognize that the State of California needs a workable, realistic, and implementable plan and timeline for replacing the gas tax with an alternative funding mechanism for its ZEVs goals to be comprehensive and to mitigate against negative unintended consequences to the economy, jobs, safety, and overall quality of life in California.

Therefore, Transportation California makes the following observations regarding the rulemaking to enter into the record:

### Proposed Rule Dramatically Reduces Already Insufficient Transportation Funding

CARB's Standardized Regulatory Impact Assessment ("economic analysis") of the proposed rule estimates a cumulative reduction in fuel excise tax revenues to the state and local governments of $31.1 billion between 2026 and 2040. California's fuel excise tax revenue is allocated nearly exclusively to maintaining and improving local streets and roads and state highways, including active transportation improvements—needs which will continue to be acute with a fleet increasingly comprised of ZEVs.

The economic analysis estimates that state gasoline excise tax revenues will decrease by a cumulative $17.7 billion from 2026 through 2040, while the State Highway System (SHS) is already facing a significant funding gap. The 2021 State Highway System Management Plan has identified 10-year unmet funding needs of $61.9 billion to maintain the existing assets on the SHS, expand the bicycle and pedestrian infrastructure, mitigate for potential sea level rise, and remove transportation induced fish passage barriers. While offsetting revenue increases are identified in the economic analysis, revenues from vehicle registration and license fees, the energy resource fee, and vehicle sales tax are not dedicated to transportation infrastructure.

The economic analysis further estimates a $13.3 billion reduction in excise tax revenues for cities and counties, while local governments are similarly facing a significant transportation funding shortfall. California's 2020 Statewide Local Streets and Roads Needs Assessment identified $64 billion in unmet needs for maintaining local street and road infrastructure in a state of good repair over the next decade. This significant funding gap includes a $37.6 billion in unfunded needs for pavement maintenance and rehabilitation; $22.1 billion in unfunded needs for existing essential street components, such as curb ramps, sidewalks, storm drains, streetlights, and traffic signals; and $4.3 billion in unmet needs for repairing or replacing deficient local bridges. These estimates do not include the cost of making safety improvements, including new active transportation infrastructure.

### Economic Analysis Understates State Revenue Reductions from Proposed Rule

While the economic analysis indicates that the state's revenue losses will be partially offset by increased registration and vehicle license fee revenues and, to a smaller extent, increased vehicle sales tax revenues, the analysis appears to ignore that 1) all vehicle license fee revenues after administrative costs are dedicated to local government public safety services, and 2) a significant portion of the revenue from the transportation improvement fee established by SB 1 (Chapter 5, Statutes of 2017), which is charged upon registration for both ZEV and non-ZEV vehicles, is allocated to local transit, rail and multimodal corridor grants, as well as both state highway and local street and road maintenance and improvements. Accordingly, the economic analysis significantly understates the state revenue impact of the proposed rule.

**Proposed Rule Reduces Funding for Transportation Improvements Needed to Implement Scoping Plan**

Achieving greenhouse gas emission reduction goals from the transportation and land use sector will require significant investments in active transportation infrastructure and public transportation service as part of a strategy to reduce driving. The economic analysis of the proposed rule illustrates the total projected revenue losses for fuel excise taxes and local sales and use taxes, but the analysis does not examine how these revenue streams are used to advance broader transportation goals consistent with CARB's Scoping Plan. Twenty-five counties have implemented transportation sales tax measures, many of which fund public transportation infrastructure improvements and operations and, as the economic analysis notes, four transit authorities have approved permanent local tax measures that support their operations.

Similarly, local governments are using funding derived largely from gasoline excise taxes to support active transportation infrastructure consistent with Scoping Plan goals. According to the California Transportation Commission, during just the first two and a half fiscal years since SB 1 (Chapter 5, Statutes of 2017) funds became available, cities and counties reported spending $1.5 billion from the Road Maintenance and Rehabilitation Account to complete over 3,100 projects; repairing 10,000 miles of local roads, installing or improving 4,700 Americans with Disabilities Act-compliant curb ramps and related pedestrian improvements; and adding over 1,223 miles of bicycle lanes.

While not subject to this rule, a similar transition to ZEVs for heavy duty vehicles would significantly reduce diesel sales tax revenues, which are the primary state revenue stream funding public transportation service in California.

In closing, we reiterate our appreciation for the opportunity to provide input into the ACC II Regulations and our support for meeting the state's climate goals through the transition to ZEVs. We also urge the Board to commit to take on the responsibility to develop the necessary finance mechanisms to meet the revenue needs to adequately fund the future transportation safety, rehabilitation, maintenance and mobility needs of California into the future. The statewide transportation-construction industry offers our assistance to CARB for this significant and complicated but vitally important endeavor.

Sincerely,

Mark Watts

Mark Watts
Legislative Advocate
Transportation California