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SACOG

July 27, 2017

Mary D. Nichols
Board Chair
c/o Clerk of the Board
Air Resources Board
1001 'I' Street
Sacramento, CA 95814

Dear Ms. Nichols:

SACOG has been an active participant in the discussions around implementation of SB 375, and climate change and adaptation more generally, since the bill was passed in 2008. For example, the agency played a leadership role in the Regional Targets Advisory Committee and the setting of the current greenhouse gas (GHG) reduction targets. SACOG appreciates the role the ARB is now playing in the update of those targets. It is a difficult task, and it requires the ARB to balance the need to make meaningful progress on reducing GHG emissions and achieve the State's climate change goals, with the realities of growth, development, and funding across the eighteen metropolitan planning organizations (MPOs) in the state. In April, the SACOG Board of Directors recommended increasing our 2035 target from 16 to 18 percent to support the now-higher State goals on GHG reductions. However, reaching this higher target will be difficult for the SACOG, in large part because, relative to 2009 when the current targets were set, SACOG has fewer tools and less funding to implement the substantial GHG reductions envisioned in SB 375.

<u>Recent Challenges in the Development of GHG Reduction Targets</u>

The dialogue on GHG reduction targets between the MPOs, ARB staff, and our members was challenging and difficult at times, both because of the technical complexity of the issues related to GHG forecasting and the target metric itself, and because of the challenges SACOG faces in implementing the policies necessary to achieve GHG reductions. Examples of these challenges are the loss of tools like redevelopment and a steady decline in the cost of driving in recent years. The result of this dialogue was a unanimous recommendation by the SACOG Board of Directors to increase the region's GHG reduction target from 16 percent to 18 percent by 2035. The Board of Directors made this recommendation knowing that it would be extremely difficult to achieve.

Under these circumstances, we are disappointed that the ARB staff report recommends that SACOG's target be increased to 19 percent and we respectfully request that the ARB Board accept our recommendation to change the target to 18 percent.

Specific Comments on the ARB Staff Report

- Page 16: The statement that the recommended target "…excludes reductions anticipated from implementation of State technology and fuels strategies, and any potential future State strategies such as statewide road user pricing" is concerning for various reasons. SACOG works with other MPOs to develop consistent assumptions about the cost of driving used in our forecasting model. This collaborative work and cross-MPO consistency was one of the major advances in travel demand forecasting practice that resulted from the early work by the Regional Targets Advisory Committee. Previously, each MPO used different assumptions about the future costs of driving. SACOG bases its forecasts for development of its Metropolitan Transportation Plan / Sustainable Communities Strategy (MTP/SCS), Clean Air Act implementation, and SB 375 GHG reductions on assumptions about driving cost, which include all costs. To the extent that the State implements higher gas taxes, a road charge program, or any other policy increasing driving costs in the future, SACOG includes those costs in the calculation of future driving costs, and bases its travel forecasts for all its planning functions on that cost. The proposal in the staff report to exclude these costs, and their impact on travel behavior and VMT, would require a separate forecast for SB 375 purposes. This would be both wasteful and confusing. We ask that this proposal be modified.

- Pages 19 and 20: The staff report states that $53 billion in new funding will be available from "…SB 1, as well as through the Greenhouse Gas Reduction Fund Transformative Climate Communities Program, and the Volkswagen Settlement Investments." Describing these sources as "new funding," without accounting for the loss of key funding sources like redevelopment, and without accounting for the limitations and constraints on the use of those sources, distorts the potential effect these funds will have on GHG reductions. The majority of SB1 new funding will go to maintenance and state-of-good-repair (SOGR). This is particularly true in the SACOG region, where a a significant unfunded backlog exists. SB1 will add $0.9 billion in funding for maintenance over the next 10 years, but leaves unfunded $2.0 billion in needed maintenance. SACOG's target recommendation recognized that new maintenance funding provides an opportunity to make targeted SOGR investments that also advance GHG reduction (e.g., a road maintenance project that also implements complete streets improvements), but the extent of this opportunity and the potential cumulative effect on GHG reduction are not certain at this point. SB1 will provide about $151 million in new funding for transit operations, an 8 percent increase on current funding—but our adopted MTP/SCS assumes much higher increases in overall transit service, and the "new" SB1 funding is already accounted for in our forecasts. SACOG requests that the staff report be modified to correctly characterize the potential impact of SB1 and the other named funding sources on MPO implementation of GHG reduction strategies.

- Page 20: The staff report recognizes that the so-called "rebound effect" is a factor influencing the GHG reduction targets, but states that the effect is "on the order of 1 percent increase by 2035." The recognition that an overall decline in the cost of driving (including all factors: cost of fuel or power, vehicle efficiency, etc.) influences driving behavior, and that reductions in cost will result in higher VMT and GHG, is appreciated. However, research on the sensitivity of driving to driving cost, and indirectly to fuel efficiency, shows that the relationship is dynamic and varies according to other factors, such as fuel prices, household income, congestion levels, etc. Our analysis indicates that in the SACOG region these factors contribute to a "rebound effect" much greater than 1 percent. While we look forward to continuing a dialogue with the ARB staff and the other MPOs on these issues, the definitive conclusion on minor impact of the "rebound effect" statewide is misleading.

- SACOG's recommendation to the ARB on the target included a condition that changes in exogenous factors influencing target achievement also be considered. For example, when the current targets were set in 2009, the projected fuel price in 2020 was $4.79 per gallon; the 7 percent reduction target for 2020 was based on this assumed fuel price. The fuel price today is less than $3.00 per gallon, and has been trending down steadily since 2012, which will make the 2020 reduction target considerably more difficult to achieve. Additionally, SACOG and the other MPOs are dependent on iterative releases of ARB emissions software for the calculation of target achievement, and fleet efficiency and GHG emission rates for each iterative software release change. SACOG requests that the ARB recognize this and allow for future adjustments to reflect changes in the assumptions on which the targets are based.

As the ARB Board moves toward consideration of this item, SACOG requests that consideration of the targets be taken up before the ARB Board acts on the Scoping Plan. We also applaud the initiative of the ARB Board in proposing a roundtable to better align State agencies, MPOs, and other interested parties on transportation funding and pricing, with State environmental goals, and we appreciate that the staff report recognizes this as a necessary action to support achievement of higher GHG reduction targets.

Sincerely,

James Corless
Chief Executive Officer

Cc:
ARB Clerk of the Board
Lezlie Kimura, Manager of Sustainable Communities Policy and Planning
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