

SB 375 Cost Impacts

At the February 2-3 meeting, the board directed League staff to investigate the costs to regional planning agencies to fulfill their planning responsibilities set forth under SB 375 (chapter), and to identify possible funding sources available to help pay for these costs. The work plan for this project consisted of the following:

1. *Determine Additional MPO SCS-APS Planning Costs.* Work with California Association of Councils of Government (CALCOG) to see if they have an estimate on what new, additional costs will be involved with developing the SCS-APS.
2. *Determine New Funding Sources.* Analyze potential funding availability through Prop. 84 and SB 732; Caltrans grants for the Blueprint Network; use of new stimulus dollars; any other possible sources.
3. *Working with Other Organizations.* Work with CSAC, APA, Transportation agencies, CallAFCO, CALCOG, builders and others to secure funding to cover additional planning costs.

The following describes the research process staff undertook to develop this information and our findings to date. Staff's work with other organizations continues.

The Research Process. Staff began this process by contacting CALCOG and a number of the metropolitan planning organizations (MPOs) to determine how far along they were in their planning process and what factors that would be appropriate to include in a survey. It became quickly apparent that most of the organizations were at the beginning stages of SB 375 planning, and had not yet developed detailed budget information.

Staff also learned that it would be difficult generally to ascertain costs because the SB 375 requirements would be interlinked with the existing forecast and (potentially) blueprint processes already being conducted by the regional MPOs.

League staff then developed a general survey that asked three questions:

1. Has your organization prepared a budget that identifies costs associated with implementing SB 375, above and beyond the costs you would otherwise incur to prepare your regional transportation plan?
2. If yes, what are these additional costs, and what assumptions did you use in arriving at this estimate?
3. What is the timeframe during which your organization would incur these additional costs?

CALCOG distributed the survey to 17 MPOs. League staff then followed up with a phone call to ensure that they had received the survey, and to answer questions about the information that the League board was requesting. During these calls staff also discussed potential cost-drivers that would be useful to include in the survey responses, such the type of planning model that would be used, and additional costs to comply with CEQA, public input requirements, or additional consultation with the state Air Resources Board.

Survey Results. At the time of this writing, the League had received information from ten of the 17 MPOs:¹ AMBAG (Monterey Bay); Metropolitan Planning Commission, Kern Council of Governments; Merced County Association of Governments; Shasta County Regional Planning Agency; Sacramento Area Council of Governments, San Diego Association of Governments, San Luis Obispo Council of Governments, Santa Barbara Council of Governments and the Southern California Association of Governments.

Each of the MPOs presented the information very differently. Some gave estimated costs of relevant planning functions; others provided narratives with very rough cost ranges. The chart below represents staff's best attempt to quantitatively reconcile this "apples and oranges" information into an aggregate cost change for each MPO (to be incurred over a period of years).

MPO	Increased Costs Related to SB 375	Comments
AMBAG	\$2 million	Covers costs of AMBAG and its three county transportation planning agencies: San Benito COG, Santa Cruz RTC, and Transp. Agency of Monterey County
MTC/ABAG	\$2.8 million	Includes costs for MTC and ABAG in nine county region.
Kern Co. COG	\$700,000	Includes \$200K for modeling consultants
Merced County	\$500,000 - \$1million	Does not include APS
Shasta Co.	\$2.1 m.	Includes APS estimate. Also includes \$285,000 to compensate member agencies for data gathering
SACOG ²	\$1 to \$1.5 million	Costs significantly reduced due to prior blueprint work; staff estimates that existing blueprint as implemented will meet GhG target
SANDAG	\$2.5 million	Most detailed estimates as SANDAG will be first to start process in 2011.
San Luis Obispo	No estimate yet	SB 375 does not apply to SLO's 2010 RTP; next update will be in 2014.
Santa Barbara COG	\$900,000	Covers model development, data collection, public input, plan finalization
SCAG ³	\$8.85 million	SCAG predicts overall cost of \$13.85 million.

¹ There are actually 18 MPOs, but the 18th is in the Tahoe basin and covers only parts of El Dorado and Placer Counties in California and extends into Nevada. Due to its special nature, it was omitted from this survey.

² The SACOG estimate is based on very rough, informal good faith estimates by the executive director that were made in terms like "low or high six figures." The figure here is League staff's attempt to present this information in a form that is similar to other estimates received; it should not be interpreted as a hard estimate.

³ The SCAG estimate also included \$1.5 million for RHNA. However, the lack of funding for the RHNA process predates SB 375 and was not caused by SB 375. Thus, that figure is excluded here.

Key Survey Findings. In addition to the cost estimates, the survey revealed some additional useful information about the regional agencies' progress in this work.

- SB 375 is uncharted territory. Most regional agencies are just beginning their work. They do not have detailed plans or budgets. As a result, the estimates vary widely. For example, Shasta County estimates costs that are nearly equal to the nine-county ABAG-MTC region.
- Total costs will be spread over a two to three year planning period. In other words, funding is not a one year hit.
- Much of the new costs associated with SB 375 will be for developing modeling technology to address GhG issues, development of an SCS and APS beyond what is required under current forecasting requirements, increased CEQA analysis, and increased public participation.
- MPOs are uncertain about how to budget for the Alternative Planning Scenario (APS). For example, SANDAG assumes that the APS will be a separate process from the SCS and calculates the APS as being 80 percent of the SCS. If the SCS achieves the GhG target, or if the APS is developed in conjunction with the SCS, SANDAG's costs could be reduced by as much as \$800,000. In light of the unknowns, it makes sense to budget conservatively.
- MPOs that have already worked on a regional blueprint will experience some efficiency. For example, SACOG reports that their costs for public outreach and possibly CEQA compliance will be reduced under the SB 375 process because the foundation for this work was laid during the development of the regional blueprint.
- The planning model selected will be a major cost driver. A lot will depend on the extent to which the regions will have to be able to account for savings after implementation. These costs could be more or less depending on the extent to which the state invests in modeling resources that can be accessed by all MPOs. These issues are also being discussed by the Regional Targets Advisory Committee.
- MPOs in the San Joaquin Air Basin may be at different stages in their SB 375 planning work; only two out of 8 agencies responded to the survey and we did not obtain any information on the potential costs of coordination between MPOs in this region.

Funding Opportunities. In addition to conducting the survey of regional agencies, League staff has been working with other organizations to identify possible funding sources. The problem right now is that there is not an existing funding source that is guaranteed to cover the increased costs to the MPOs associated with SB 375. However, there are a number of potential sources, some of which could be available within the next year:

- *Prop 84 Sustainable Planning Funds and SB 732 (Steinberg).* Proposition 84 included \$90 million in funds for "sustainable planning." Last year, SB 732 (Steinberg), created the

Strategic Growth Council⁴ to develop criteria for allocating these funds. In a letter to the Strategic Growth Council dated April 1, 2009, Senator Steinberg offers his assistance in getting these funds in “the pipeline” so that the regional MPOs can meet their statutory requirements imposed by SB 375. While not a definite source of funding, there is a good chance, that absent any other adequate funding source, some of these funds can be used to develop sustainable communities strategies and, if needed, alternative planning strategies.

- *California Regional Blueprint Planning Program.* For the past several years, Caltrans has offered blueprint planning grants through the Regional Blueprint Planning Program. A total of \$5 million was made available for FY 2008-2009. As noted by SACOG’s response to the survey, there can be a great deal of overlap between a blueprint and SB 375’s requirements. Thus, to the extent that MPOs continue to receive some grant funds for blueprint planning, some of the SB 375 requirements, particularly those related to receiving public input on varying planning scenarios that might be included in an SCS or APS, may be underwritten.
- *RHNA Savings.* While much of the focus on SB 375 has been on increased duties related to GhG planning, each region should realize a 37.5 percent cost savings over time related to the Regional Housing Needs Assessment to the extent that the allocation will be required once every 8 years instead of once every 5 years. For example, SANDAG estimates its RHNA allocation costs at \$500,000. The 8 year cycle should represent a savings of \$187,500. In the SCAG region, this calculation yields a \$562,500 savings.
- *Federal Transportation Reauthorization.* Though it is too early to tell what influence the new federal administration and Congress will have in this area, it is not hard to speculate that there will be more funding related to planning to minimize GhG emissions related to cars and light trucks in the next federal transportation reauthorization bill or climate change legislation in Congress. The Administration’s budget overview provides calls for reforming transportation programs to “*put the system on a sustainable financing path and to make investments in a more sustainable future—enhancing transit options and making our . . . communities more livable.*” However, this conclusion is not certain, and the counter point is that the size of the deficit and the economy may caution against such a conclusion.
- *SB 406 (DeSaulnier).* This bill proposes another potential funding source: allowing MPOs to impose up to a \$2 motor vehicle registration surcharge on vehicles registered in the entity’s jurisdiction. Those fees could in turn be used for regional blueprint plan/sustainable communities strategy and potentially be directly available for city and county planning efforts that are consistent with a regional blueprint. The League’s Transportation, Communication and Public Works Policy Committee considered this legislation at its April 3, 2009 meeting and voted to oppose the measure. Their concerns focused on the significant policy shift associated with assigning vehicle registration fee-setting authority to an MPO. The likely passage of this bill is uncertain, a similar bill was held in the Senate Local Government Committee in 2007.⁵

⁴ The Strategic Growth Council is made up of four agency heads (Governor’s Office of Planning and Research, Cal EPA, , Department of Health and Human Services, and Department of Business, Transportation, and Housing) and one public member appointed by the Governor (not yet appointed).

⁵ Update. On April 15, 2009, the Senate Local Government Committee voted approved this bill on a 3 to 2, party line vote.