

Southern California Leadership Council

SB 375 Position Paper

SB 375 enacts the first programmatic effort to meet California's global warming objectives under AB 32 through regional planning initiatives. The California Air Resources Board (ARB) Scoping Plan provides a regulatory approach to reduce global warming emissions from all sources and sectors within the state including energy, transportation, water, construction, manufacturing, agriculture, etc. SB 375 is focused very specifically on the reduction of CO2 emissions from cars and light trucks through the development of new regional land use and transportation plans for future growth which reduces such emissions through measures including, but not limited to, reductions in vehicle miles traveled (VMT). AB 32 and new Pavely fuel standards already propose separate regulatory changes for vehicle and light truck fuel emission and efficiency standards.

ARB has suggested a possible minimum statewide reduction goal of at least 5 million metric tons of CO2 (apart from these other regulatory programs) by 2020. A Regional Technology Advisory Council (RTAC) has been created to provide preliminary recommendations on methodologies to be used and the actual level of the goal and regional allocation of the statewide reduction goal to ARB. RTAC is considering modeling methodologies and other alternatives in the development of their recommendations. ARB will then adopt an approach, final CO2 reduction goals and regional allocations, and ultimately approve regional land use/transportation plans to achieve these goals.

SB 375 has been touted as a "cutting edge" new approach to address global warming, with an underlying objective of achieving some of these outcomes by reducing "urban sprawl" through implementation of more sustainable new "smart growth" policies. As a first programmatic approach under AB 32 it is subject to the overarching requirement in AB 32 to achieve both "environmental and economic co-benefits" and to "minimize economic costs" in determining what is "feasible" under SB 375. In an era of deep recession and fiscal crisis in California, which limits the capabilities of both state and local government to fund new programs and modernize infrastructure, consideration of economic impacts and most cost effective solution paths are essential if SB 375 and AB 32 are to achieve sustainable progress in reducing global warming emissions while demonstrating leadership which will create global followers. Fiscal limitations are so severe that a companion bill to SB 375 that would have provided tens of millions of dollars in planning money to enable modeling by ARB and regional planning agencies of alternative approaches has yet to be funded. While this makes the job more difficult, this does not decrease the importance of identifying the most economically efficient, achievable and cost effective approaches to SB 375 implementation.

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The Southern California Leadership Council (SCLC) is committed to a cost effective, sustainable implementation of AB 32 and SB 375 to achieve California's global warming goals. A number of business and community leaders from SCLC are engaged with regional planning agencies like the Southern California Association of Governments (SCAG) and the San Diego Association of Governments (SANDAG) to identify land use and transportation best practices and new break through solutions for consideration by RTAC and ARB. These include representatives from the real estate development, energy, water, engineering and transportation sectors.

Having closely followed the work of RTAC and ARB on SB 375, SCLC offers the following observations and suggestions:

- (1) **SB 375 should be broadened to assure "feasible" strategies.** The very narrow focus of SB 375 (car and light truck emissions only), tied directly to land use and transportation planning policy, has the potential to eliminate from consideration other, more productive and cost effective global warming solutions. Confined to so-called "modeling methods" for implementation and regulatory approval, there is a real risk, especially lacking the funds to properly assess such an undertaking, to wander down what may prove to be sub-optimized and non-economic "blind alleys." No one appears willing or able to define the cost impacts and cost effectiveness of the alternatives. These considerations are essential. Unfunded mandates in these harsh economic times are not helpful. And regional plans that become locked into planning solutions that are too narrow or may not work in practice, lack the needed flexibility to make adjustments and adopt more optimized solutions. It is critical to recognize that the fiscalization of land use brought on by Proposition 13 has been a strong force behind sprawl rather than infill housing development. The SB 375 implementation process needs to be broadened, to the maximum extent possible (including legislative modification if necessary), to promote the most economically efficient and viable options to achieve these CO2 reductions and to deal with fiscalization of land use. For example, regions should be allowed to demonstrate how more aggressive programs in other AB 32 source areas may produce better, faster, more economic results under SB 375, if they are willing to pursue them.
- (2) **Increases in the SB 375 target beyond 5MMT are not "feasible" in Southern California today.** SCAG has been working on new, smart, sustainable land use and transportation models for a number of years and more and more cities in the region are taking part in the effort. Even under

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these aggressive modeling efforts to identify smart growth development policies, SCAG has only been able to identify about half of the CO2 reductions from cars and light trucks which likely allocations of the 5 million metric ton goal will impose on Southern California through its Compass model. SCAG intends to continue the effort and SCLC will work closely from the private sector perspective. However, a suggestion that Southern California should be given higher SB 375 tonnage reduction goals today is a non-starter. This would simply exacerbate and already challenging unfunded mandate for local government. If other regions believe they can achieve higher results because of their unique circumstances, allow them to volunteer for higher SB 375 regional targets. Setting unrealistic targets will result in frustration rather than progress.

- (3) **Without additional funding sources to enable infrastructure modernization, SB 375 goals cannot be achieved.** Perhaps the greatest challenge in achieving the SB 375 goals today is the lack of funding from federal, state and local government to implement the necessary changes in infrastructure and transportation modernization funding. Such funding is needed to overcome imbedded disincentives like fiscalization of land use in California. While new efforts at public-private partnership are essential, the key to success is the creation of new funding mechanisms to enable these advances. Market and user incentives to reduce emissions through reduced miles driven and use of more efficient vehicles and public transit and transportation can have profound impact on targeted reductions. One example might be the creation of new user based “regional mobility and emission reduction funding mechanisms.” Traditionally, gasoline taxes have been the primary source of user funding. Today, however, taxes at the pump are woefully inadequate to meet overall transportation infrastructure needs. One solution would be to authorize the use of regional fuel taxes at the pump. Other mechanisms need to be explored. As an example, what if regions were given the authority to authorize VMT based fees such as a regional vehicle registration fee on cars and light trucks registered in their regions. The annual registration fee would be intended to charge a VMT fee based on estimated and then actual miles traveled between annual registrations (or vehicle sales of lease turn-ins). The VMT fee could be factored based on vehicle efficiency ratings (the higher the efficiency the lower the fee with electric vehicles exempted). All fees paid would be returned to the region for mobility and emission reduction programs and each County would be assured that over a five year planning period, it would be guaranteed the benefit of the fees generated from registrations in their County. This idea is offered as one

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possible programmatic approach that can be subjected to more rigorous review, along with other programmatic solutions.

- (4) **Programmatic alternatives rather than modeled standards can offer greater chances of success in some regions.** The SCLC strongly recommends that RTAC and ARB augment the current modeling approach to SB 375 regional plan approval with more of a “programmatic” alternative. Current models do not work consistently across all regions and funding to create such a model in the near term is lacking. Alternatively, ARB could proceed to allocate the 5 million metric ton CO₂ reduction goal among regions on a commonly agreed to basis as a firm requirement (SCLC believes, however, that a percentage reduction goal equivalent to these tonnage allocations may be easier to track). Let regions volunteer for higher goals if they believe they can achieve them based upon their unique situations. Then publish a list of different programmatic approaches which can be used by regions to achieve the targets, maintaining a mechanism to add or modify programs over time as a continuous improvement mechanism to achieve the regulatory reduction goals. Examples of programs could include new/expanded transit projects, transit oriented development projects, new bus, rail or people mover systems (preferably electrified) that also create feeders into public transit systems, new live/work mixed use development projects that create more self contained “villages,” regional fuel taxes or VMT based user fees, etc.

The foregoing observations and suggestions are offered in the spirit of moving forward in more productive ways to achieve California’s global warming reduction goals and SCLC commits to ongoing involvement in finding feasible, cost effective and sustainable programs which can position California as a recognized leader in this global effort.

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