

CAPITOL OFFICE
STATE CAPITOL, ROOM 2059
SACRAMENTO, CA 95814
TEL (916) 651-4035
FAX (916) 651-4935

INGLEWOOD DISTRICT OFFICE
ONE WEST MANCHESTER BLVD.
SUITE 600
INGLEWOOD, CA 90301
TEL (310) 412-6120
FAX (310) 412-6125

SAN PEDRO DISTRICT OFFICE
302 WEST FIFTH ST.
SUITE 203
SAN PEDRO, CA 90731
TEL (310) 514-8573

SENATOR.BRADFORD@SENATE.CA.GOV
WWW.SENATE.CA.GOV/BRADFORD

California State Senate

SENATOR
STEVEN BRADFORD
THIRTY-FIFTH SENATE DISTRICT



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January 21, 2020

JAN 21 2020

The Honorable Rudy Salas, Jr., Chairman
Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

2020-114

RE: Audit Request – California Air Resources Board Climate Policies on Transportation

Dear Chairman Salas,

I respectfully request that the Joint Legislative Audit Committee approve a performance audit of the transportation-related greenhouse gas (GHG) reduction programs overseen by the California Air Resources Board (CARB). It is my hope that this audit will identify efficiencies and potential deficiencies in our GHG reduction programs that will enable CARB and the Legislature to improve future policymaking. Climate change is a grave threat to California and it demands an equally serious approach in assessing the programs we have created to fight it.

The transportation sector is the greatest single source of GHG emissions in this state. Although transportation-related GHG emissions declined between 2007 and 2011, emissions have been rising since 2013. The state policies put in place to address this challenge, according to the Legislative Analyst's Office (LAO), generally focus on four strategies: light-duty vehicle emission reductions, heavy-duty vehicle emission reductions, increased use of low-carbon fuels, and reducing vehicle miles traveled (VMT). While each program is distinct, they commonly work either to reduce costs of lower-emission technologies and/or increase costs of higher-emission technologies. The efficacy of a program's emission reductions relative to the public's investment in that program varies. Unfortunately, the LAO found little specific information that would enable policymakers to assess the efficiency of these investments and inform future policymaking.

In late 2018, the LAO released a report on state programs and policies that intend to reduce GHG emissions from transportation.¹ Some of the specific findings include:

1. The economic impacts and benefits from these policies are unclear and would benefit from both more consistent evaluation and regular retrospective analysis.
2. The *breadth* of programs, specifically, create a series of challenges for policymakers, such as:

¹ Legislative Analyst's Office, *Assessing California's Climate Policies — Transportation*, December 2018.



- a. Sometimes programs interact in such a way that emissions reductions from one policy offset those of another policy;
 - b. It is difficult to assess the net effect of a particular policy;
 - c. It is difficult to assess whether policies are coordinated with each other;
3. It is difficult to assess the effect of California's emissions reduction policies on other jurisdictions.

As the primary state agency tasked with reducing GHG emissions from the transportation sector (among other challenges), CARB has many climate programs and policies under its purview. These include the Clean Vehicle Rebate Project (CVRP), Clean Car Standards, zero-emission vehicle mandates, and the Low Carbon Fuel Standard, among many others. Unfortunately, the LAO's review of all transportation-related programs found "the available research on major effects is limited." While acknowledging that retrospective analysis is not easy, the LAO nevertheless found such work is essential to understanding the net impact of state programs. One specific recommendation from the LAO was that the Legislature require departments to conduct retrospective evaluations of major programs after they are implemented. This does not seem impossible to do. As part of a more recent report, the LAO was successfully able to survey the effects of a particular climate program, the California Solar Initiative, because the program was designed and operated with the intent to facilitate outside review of its effects.² It is my understanding that CARB does include social and economic benefits of a particular proposed policy in initial statements of reasons (ISORs). What is less clear is to what extent CARB is retrospectively reviewing existing programs generally to determine their efficacy and what lessons can be drawn, both for CARB and the Legislature, from past practices. This is what I believe is needed for CARB's GHG-reduction programs for the transportation sector, and this request is a step towards filling this knowledge gap.

For example, in its 2019 AB 615 report to the Legislature on the CVRP, CARB identified that legislatively-required changes to the program — including income caps and increasing rebates for low-income customers — would indeed increase equity.³ This was identified in the context of significant program incentives having previously gone to high-income participants. This is exactly the kind of analysis we need more of, translated into actionable program design improvements, and well-reported to the Legislature as well as other state agencies. For the 32 transportation GHG reduction programs CARB oversees, it is unclear how much detailed analysis is being done on program efficacy and whether that is translating into better program design. It may be that some or much of this kind of review is occurring but, as the LAO found, it does not appear to be translating into comparative analysis and widespread program evaluation.

California has broken significant new ground in the fight against climate change over the years. Inevitably, we have not always done so perfectly. But as good stewards of public funds, the Legislature must move forward with open eyes about the efficiency of the various programs we authorize and fund. Doing so will enable the State to do better and be more efficient in our future policymaking. I am therefore requesting that the Committee approve this request and direct the State

² Legislative Analyst's Office, *Assessing California's Climate Policies — Electricity Generation*, January 2020.

³ California Air Resources Board, *Assembly Bill 615 Report to the Legislature on the Impact of the Clean Vehicle Rebate Project on California's Zero Emission Vehicle Market*, 2019.

Auditor to audit the transportation-related climate programs overseen by CARB. This should result in an evaluation of the efficiency and effectiveness, including costs and benefits, of these GHG-reduction programs. I request that this audit have the following scope:

1. For policies related to GHG emissions in the transportation sector that CARB oversees:
 - a. Assess how these programs impact communities and households of varying economic status, ethnicity, and geographic location.
 - b. Assess the extent to which these programs overlap, how they interact with one another, and what the net effect of each policy is. This would include, but not be limited to, ways in which different programs potentially “reshuffle” emissions rather than reduce net emissions.
 - c. Evaluate the extent to which the social and economic cost-effectiveness of programs are similar to, or distinct from, other GHG reduction programs. This may include comparing the efficiency of these transportation-related programs with economy-wide GHG reduction programs, such as Cap-and-Trade, as a point of reference.
 - d. Assess how many participants in a select number of programs are “free riders” who would have changed their behavior without the influence of these programs, review how CARB has worked to reduce this figure over time, and evaluate what strategies to reduce “free riders” are successful and which are not. Explain why those strategies succeeded and failed, respectively.
2. Evaluate analyses performed by CARB when deciding how to implement new policies or programs related to transportation emissions.
 - a. Assess how air quality, the environment, administrative costs, the economy, as well as low income and Disadvantaged Communities, were considered.
 - b. Review how the potential interaction with existing policies and programs are assessed.
3. For all of these issues, make recommendations that would assist CARB and the Legislature in improving existing and future transportation programs.

As a legislator who represents an area with many major freeways and high vehicular traffic, I am acutely aware of the challenges associated with GHG reductions in this sector. As someone who worked for the Los Angeles Conservation Corps, I am also aware of the urgent need to continue working on these issues and to do so in the most efficient manner possible. Thank you for your consideration of this request. Should you have any questions or require additional information, please contact my office at (916) 651-4035.