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Memorandum

TO: Transit Finance Working Group DATE: November 5, 2009

FR: Rebecca Long

RE: S. 1733 (Kerry): The Clean Energy Jobs and American Power Act

On November 5, the Senate Environment and Public Works Committee voted 11-1 in favor of S. 1733 (Kerry/Boxer), the Senate's version of legislation to address global climate change through various measures, including an economy-wide carbon cap-and-trade system. Senator Graham (D-SC), who chairs the Finance Committee where the bill will be sent next, was the sole vote against the measure. Republicans in the Senate boycotted the hearings on the grounds that insufficient economic analysis has been conducted on the Senate's version of the bill. The House adopted its version of the legislation, H.R. 2454 (Waxman/Markey), last June. This memo summarizes the transportation-related provisions of the Senate bill, noting key differences with the version passed by the House.

Overview of Transportation Provisions in S. 1733
The Senate bill — totaling 925 pages — contains many greenhouse gas reduction provisions related to transportation. Many of these pertain to vehicles and fuel (such as new heavy-duty vehicle emissions regulations, low-carbon fuel standards and incentives to promote plug-in hybrid vehicles), addressing two key components of the "three-legged stool" that comprises the transportation sector's greenhouse gas emission profile.

Of greatest interest and relevance to MTC and our partner transportation agencies, however, are the provisions that address the third leg of the stool — promoting sustainable transportation planning and options so as to reduce vehicle miles traveled. To that end, the bill contains three key provisions:

- ***Section 112***. New planning requirements and greenhouse gas reduction targets for states and metropolitan planning organizations (MPOs), very similar to those now required in California under Senate Bill 375 (Steinberg, 2008), along with a new source of formula funding for MPOs to support the new requirements.
- ***Section 113.*** A new source of discretionary funding for states and MPOs for multi-modal transportation improvements to help deliver the promises of the greenhouse gas reduction plans. Administered by the Secretary of the Department of Transportation in consultation with the Environmental Protection Agency Administrator.
- ***Section 215.*** Additional transit formula funding for the Urbanized Area Formula (5307), Non-urbanized Area Formula (5311) and Growing States Program (5340).

MTC, in partnership with Bay Area transit operators, the American Public Transportation Association (APTA), and other organizations, urged Congress to provide a reasonable share of the revenue generated by the carbon allowances for transportation improvements considering that transportation contributes about 28 percent of the nation's greenhouse gas emissions. These efforts were rewarded in Senate Environment and Public Works Committee Chair Boxer's recent markup of the bill, which dedicates an average of 2.4 percent of allowances to transportation. The bill specifies the share of transportation's allowances for each year, with the amount ranging from a low of 1.8 percent in 2012 to a high of 3.1 percent in 2027. Admittedly, 2.4 percent is much lower than the 10 percent sought by Senator Carper and Congressman Blumenauer through CLEAN TEA (the Clean, Low-Emission, Affordable, New Transportation Efficiency Act, as provided for in S. 575 and H.R. 1329). However, given that H.R. 2454 dedicated a maximum of 1 percent to transportation improvements at states' discretion, with no guarantee of funding whatsoever, 2.4 percent represents substantial progress.

Funding Estimates from Emission Allowances

The Senate bill would generate almost $1.5 billion nationwide for transportation programs in 2012, between $1.3 billion to $1.6 billion per year in 2014-2024, and an average of $2.5 billion in 2025-2050, according to estimates developed by APTA.[1] For the Bay Area, we estimate a range of between $55 million to $70 million in 2012, growing to $97 million — $123 million by 2030, as shown below. For the discretionary grant program, we used a range based on the region's share of the population in areas covered by metropolitan planning organizations (three percent) and the Federal Transit Administration's Urbanized Area 5307 program (5.2 percent).

Dollars in millions	**2012**	**2020**	**2030**
Nationwide			
Planning	$74	$70	$132
Transit Formula	$741	$698	$1,320
Discretionary Grants	$667	$628	$1,188
Total	$1,482	$1,396	$2,640
S.F. Bay Area			
Planning	$2.5	$2.4	$4.4
Transit Formula	$32	$30	$57
Discretionary Grants (3-5 percent)	$20 - $35	$19-$33	$36-62
Total	$55-$70	$51-$65	$97-$123

With Congress also tackling health care legislation this session and Republican Senate leadership boycotting hearings on the bill, it is unclear what progress will be made on this legislation in the near term. If the bill does advance to the Senate floor and is passed by the Senate, the next step will be a House-Senate conference committee to resolve key differences between the bills. At each stage, we will keep you informed and urge Congress to retain the current transportation provisions in S. 1733.

[1] APTA's estimate is based on economic analysis conducted by the Environmental Protection Agency and is quite conservative regarding the cost of allowances. Allowance prices could easily hit a higher price and generate significantly more revenue as a result.