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18 May, 2000

Mr. Michael P. Kenny
Executive Officer
California Air Resources Board
P.O. Box 2815
Sacramento, California 95812

REC'D BY CTC

MAY 24 2000

Dr. Barry R. Wallerstein
Executive Officer
South Coast Air Quality Management District
21865 East Copley Drive
Diamond Bar, California 91765-4182

Dear Executive Officers:

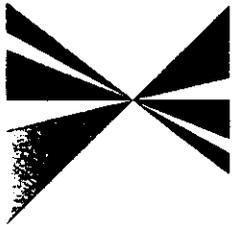
Following the meeting we had in Sacramento on April 26th, SCAG has modeled and analyzed the impact of the SIP shortfalls which we had discussed. We have completed our analysis, and have determined that the shortfall amounts to approximately 15 tons per day of ROG in the South Coast Air Basin. As a result, we will no longer be able to make a determination of conformity for the upcoming 2000 Regional Transportation Improvement Program (RTIP) which we are required to adopt in September. In the absence of a federally approved and conforming RTIP, the SCAB portion of the Region will face a conformity lapse October 1, 2000, and the Region will lose authority to initiate badly needed new projects. The RTIP programs more than \$ 22 billion in projects over the next six fiscal years, and of which about 80% of its expenditures are in the SCAB.

There appear to be only limited options to avoid a conformity lapse in the SCAB. Since the shortfalls are attributable to SIP issues. These shortfalls were caused by the failure to fully implement the State sponsored control measures.

It is our understanding that three programs caused most of the ROG shortfalls:

- The Enhanced Inspection and Maintenance (I/M) Program
- The M1 Program automobile scrappage program – (due to lack of funding)
- The M2 Program for emission reductions from light duty vehicles.

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SCAG believes that the proper approach is to develop and implement these and other SIP measures, since there is clearly no possible means by which the transportation plan for the region could achieve the needed additional reductions. Remedying these programs is the best and most direct means available to make up the shortfalls. We would prefer to follow this course, and stand ready to work with you to implement any SIP measures that could contribute to meeting the emissions budgets, including working with the State legislature and the Governor's office to rectify the shortcomings of the present program implementation.

In the event that we are unable to follow the course outlined above, we have developed two possible alternative approaches:

- (1) A revision of the 1997 Ozone SIP, revisiting the ratio of the emission budget allocation budgets for mobile sources, i.e. on-road and off-road sources.

Or,

- (2) Disapproval of the motor vehicle emission budget by the Environmental Protection Agency (EPA). The feasibility and consequences of this option are under review and discussion with the federal agencies.

SCAG has prepared a White Paper outlining these approaches. I have enclosed a copy of this Paper for your review. We would welcome any additions or suggestions, since each approach is fraught with problems of implementations and / or timing of its own.

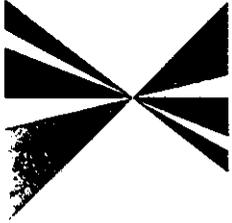
I will contact you early next week to review these proposals and to develop a strategy which I can take to the SCAG Regional Council at its next meeting on June 1, 2000. Please feel free to contact me at any time. Your staff may also contact Charles Keynejad of my staff at (213) 236-1915 for any further technical information on our proposals.

Sincerely,

Mark A. Pisano
Executive Director

Michael Kenney and Barry Wallerstein, p 3

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Executive Directors, County Transportation Commissions, SCAG Region
SCAG Regional Council Members
Felicia Marcus, Regional Administrator, EPA Region IX
Leslie Rogers, Regional Administrator, FTA, Region IX
Michael G. Ritchie, Administrator, FHWA, California

A White Paper on

**Implications of the Ozone SIP Shortfalls
On
Conformity Finding
Of
2000 Regional Transportation Improvement Program
In
South Coast Air Basin**

Southern California Association of Governments

May 17, 2000

Prepared by:

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Senior Transportation Analyst

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**Implications of the Ozone SIP Shortfalls
On
The 2000 RTIP Conformity Findings
In
South Coast Air Basin
And
Potential Approaches to Remedy Shortfalls
(May 17, 2000)**

Background - SIP Shortfalls

In late April 2000, the California Air Resources Board (ARB) announced a series of State Implementation Plan (SIP) shortfalls for the 1-hour Ozone SIPs. The SIP shortfalls are the results of failure to implement fully some of the emission reduction control measures established in the SIP for demonstration of the air quality attainment. All shortfalls are attributable to the State sponsored control measures.

Ozone has two precursors, reactive organic gas (ROG) and nitrogen dioxide (NOx). The SIP shortfalls were evaluated for both precursors and for the years 1999, 2002, 2005, 2008, and 2010 (attainment year). Every three years, the SIP must demonstrate reasonable further progress, and the shortfall evaluation addressed all milestone and attainment years.

In the SCAG region, the South Cast Air Basin (SCAB) has been severely affected by the SIP shortfalls. In other words, the 1997 Ozone (1-hour standard) SIPs for the SCAB have been affected by the State sponsored control measure shortfalls (see the following table).

1997 Ozone SIP Shortfalls (tons/day) for On-road Mobile Sources (SCAB)

| 97 Ozone SIP | 1999 | | 2002 | | 2005 | | 2008 | | 2010 (attainment year) | |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-----|------------------------|------|
| | ROG | NOx | ROG | NOx | ROG | NOx | ROG | NOx | ROG | NOx |
| Shortfall | -11.5 | -34.0 | -16.2 | -17.0 | -17.6 | -12.4 | -26.4 | 8.9 | -27.8 | 27.0 |

Based on the measures incorporated into the 1997 Ozone SIP

As indicated above, the ROG shortfalls increase with time and the NOx shortfalls decrease. The ROG shortfalls are very significant, particularly in the year 2010 – attainment year.

The State sponsored control measures that caused these shortfalls apply to the following State control measures in the SCAB:

- Enhanced Inspection and Maintenance (I/M) Program (Smog Check II)
- (M1) - Car Scrappage Program
- (M2) - Low-Emission Vehicle II (LEVII) Program
- (M4) - Incentive for Clean Engine Program
- (M5) - California Heavy Duty NOx Standard Program
- (M6) - National Heavy Duty NOx Standard (Federal Program)
- (M17) - Additional Reductions from Heavy Duty Vehicle Program

Of the above listed control measures, three control measures (emission reduction programs) have been identified as the major causes for shortfalls in the 1997 Ozone SIP. These are:

- Partial implementation of the Enhanced Inspection and Maintenance (I/M) Program (Smog Check II)
- Lack of full implementation of the Car Scrappage Program (known as M1)
- Partial implementation of the Low-emission Vehicle II (including alternative fuel) Program (known as M2)

The causes behind the reduced effectiveness of the implementation of the Enhanced I/M Program are:

- A less stringent than the required standard test and a less effective evaporative test
- Vehicle exemptions for: (a) 4 year old & newer vehicles, (b) 1973 vehicles & older (exempt until 2003), and (c) any-vehicle older than 30 years

In order to reduce the SIP shortfalls, ARB has listed additional control measures which were not included in the 1997 Ozone SIP attainment demonstration. The control measures, not incorporated into the 1997 Ozone SIP, are:

- Motorcycle Standard Program
- Clean Fuel On-road Program
- Urban Buses Program

Incorporation of these control measures reduced the original SIP shortfalls to some degree, and the Final SIP shortfalls are highlighted in the following table.

Final Shortfalls (tons/day) for On-road Mobile Sources (SCAB)

| 97 Ozone SIP | 1999 | | 2002 | | 2005 | | 2008 | | 2010 (attainment year) | |
|------------------|------|-------|------|------|------|-----|-------|------|------------------------|------|
| | ROG | NOx | ROG | NOx | ROG | NOx | ROG | NOx | ROG | NOx |
| Shortfall | 5.4 | -14.1 | -2.2 | -1.5 | -5.9 | 5.2 | -16.4 | 22.3 | -17.8 | 43.1 |

Based on the 1997 Ozone SIP measures and additional measures not included in the SIP

As shown in the above table, even after taking credit from the addition new measures, the ROG shortfalls remain very significant in the SCAB.

State is responsible for full funding and implementation of these control measures.

2000 RTIP Conformity Findings and SIP Shortfalls (SCAB)

The SIP shortfalls have transportation conformity implications. The most severe ones are in the SCAB. The conformity finding of the upcoming 2000 Regional Transportation Improvement Program (RTIP) will be affected by the 1997 Ozone SIP shortfalls in the SCAB.

The 2000 RTIP will program more than \$ 22 billion in projects over the next six fiscal years. About 80% of the RTIP expenditures are in the South Coast Air Basin. Since the 1998 RTIP (current RTIP) will expire on October 1, 2000, SCAG must have a new federally approved and conforming RTIP by September 30, 2000, to avoid being put in a position of lapsed conformity and the loss of authority to initiate new projects.

The 2000 RTIP must pass several conformity tests, including:

- Regional emission test, comparing the 2000 RTIP emissions with the 1997 Ozone SIP emission budgets [to pass this test the 2000 RTIP emissions must be equal or less than the SIP emissions budgets]
- Timely implementation of the transportation control measures (TCMs), i.e. high occupancy vehicle (HOV), transit (bus, rail, and smart shuttle), and rideshare program, (to pass this test all TCM projects must be fully funded and on schedule which they are).

The 1997 Ozone SIP shortfall of 17.8 tons per day for ROG for the year 2010 (attainment year), imposes a serious challenge to making conformity finding of the 2000 RTIP. A preliminary regional emission analysis of the 2000 RTIP, examining the year 2010 ROG regional emission, indicates that the regional emissions will be 14 to 16 tons per day above the conformity threshold (applicable emission budget) of 80.73 tons per day.

Conclusion

Unless, these SIP shortfalls are reduced conformity findings for the upcoming RTIP and the Regional Transportation Plan (RTP) can not be made.

A preliminary list of potential approaches to remedy the current situation is outlined in the following page.

Potential Approaches to Remedy the Current Situation

A. Remedy the Shortfalls by Adoption of New Control Measures Or Enhancement of Existing Ones (A Multi-Agency Effort)

A.1 Administrative Actions

To remedy the SIP shortfalls caused by the State sponsored control measures, all agencies should work together to device new SIP control measures including more stringent regulations for those in place and failed to achieve the assumed emission reductions. These measures should be implemented through the administrative action - most will require State action.

A.2 Legislative Action

Work with the State legislature to incorporate the proposed measures that require State legislative action into the appropriate bills. This needs to occur in a timely manner (as the legislature is in session only until the end of August 2000)

Note that SCAG, ARB and the South Coast Air Quality Management District (SCAQMD) staff are working together to list all potential specific programs (control measures) that can effectively remedy the SIP shortfalls. This list will be available in early June.

B. SIP Revision – Emission Budget Adjustment

The 1997 Ozone SIP revision may need to incorporate the new control measures or to revisit the ratio of the emission budget allocation for various mobile sources (on-road, off road, ships, etc.). Thus, SIP Revision - the emission budget adjustment should not be ruled out. In this course of action, the air agencies should minimize the typically lengthy SIP approval process.

C. SIP On-road Mobile Source Emissions Budgets Disapproval by EPA

EPA can disapprove the ozone (ROG and NO_x) motor vehicle emissions budgets established in the 1997 and 1994 SIPs for conformity findings in the South Coast Air Basin, due to severe shortfalls caused by the assumed control measures other than TCMs established in the SIP. In other words this is a SIP issue that has imposed on the regional transportation planning processes.

SCAG staff is working with the federal agencies (FHWA / FTA and EPA) and examining this approach for its feasibility and consequences. This examination is needed to better understand implications of the court rulings, issued after August 15, 1997, on SIP disapproval and its implication for conformity lapse.