

March 8, 2016

503-682-3363

Dear Chair Dembrow and Members of the Committee:

800-826-6610

Associated General Contractors – Oregon Columbia Chapter represents a broad cross-section of the commercial construction industry, including open shop and union, rural and metro, highway and building contractors. The policies in SB 1008 would negatively impact all sectors of our industry.

We oppose SB 1008 for the reasons I list below. However, we are prepared to work with stakeholders on an alternative, like the one we have crafted in SB 971.

Our principal focus is off-road diesel equipment, which is prevalent in the construction industry. However, the on-road regulations would also have a significant impact on our industry.

We have spent a great deal of time and resources on this issue and have done our due diligence by thoroughly researching the legal and industry implications of this concept. We've come to the table in good faith for the meetings of the diesel workgroup, hoping to find a resolution that would work for both sides. This bill, however, is not one that our industry can live with.

There are several portions of the bill that will hurt our industry. First, **Section 19 and California style regulation**. Through our research, we have learned a great deal about the California off-road diesel regulatory program in the past year. There are a variety of reasons why we don't want to import the California regulatory program into Oregon.

Issues with inaccurate data. There were significant issues with the implementation of California's program. The state used EPA modeling data to estimate the levels of diesel pollution in the state. After a third party analysis and review, the state publicly acknowledged that the construction industry's diesel emissions had been overestimated by 340%. In fact, the fleets had already reached the pollution reduction goal before the regulations even went into place.

Differences in California and Oregon's diesel emissions situations. California faces the problem of EPA non-attainment areas for diesel pollution, while Oregon does not. California has also spent an incredible amount in incentive money for diesel

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retrofits and replacements. Oregon has not offered this magnitude of incentives, nor does it have the ability to do so. Wilsonville, OR 97070

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Legal restrictions on adopting CA program. According to a legislative counsel analysis, Oregon must adopt California's program identically. This means that Oregon would not have any of the lead up time that California had. Oregon would have to implement California's current regulations, with no time to phase out older equipment and attempt to come into compliance. Additionally, Oregon would not have the financial ability to do the equivalent of California's millions of dollars in incentives.

Impact this would have on the construction industry. Oregon's construction industry is primarily home grown. Much of each company's value comes from the equipment it owns. Regulations like these would diminish, if not eliminate, the value that this diesel equipment has, thereby irreparably damaging these businesses. We cannot begin to calculate the cost of this regulation to our industry. The on-road fleets have information from ODOT and the public sector has an inventory of their fleets. There is no such data for private off-road fleets. As a result, it is impossible to know the financial impact that the importation of California's off-road diesel regulatory program will have.

The **public contracting requirement** is also problematic for the construction industry. This would require a portion of certain public contracts to be set aside for diesel retrofits. There is great concern that this would create competitive imbalance in the industry. Public contracting mandates create competitive imbalance within our industries by disadvantaging smaller businesses that lack the capital to make large investments in new technology. Additionally, our research has shown us that public contracting mandates may be preempted by federal law.

We are also concerned with the **registration requirement** in SB 1008. Such a requirement is premature until a comprehensive inventory has been completed. In California, the state pays for the registration at the expense of \$216M per year, analysts estimate. Such a costly program, regardless of whether it is state funded or not, is too great a burden for Oregon to bear. Registration requirements also create an ongoing financial obligation. The information required to understand diesel's impact in Oregon can be achieved by an inventory, and does not require a registration program.

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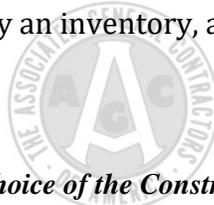
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Our due diligence has led us to the conclusion that more information is the critical next step. We believe this next step is a **statewide inventory**, as set out in SB 971. This inventory must be state-funded, comprehensive, and data-driven for all public and private off-road diesel fleets. An inventory will allow Oregon's policy makers to understand diesel emissions associated with all public and private fleets operating in Oregon and determine if Oregon has an issue with diesel emissions and the potential scope. This inventory will generate an analysis to guide targeted approaches to incentives and other pollution control solutions. SB 1008 contains a provision for an inventory. However, it places this responsibility with the Department of Environmental Quality. It is important for industry that this inventory is done by a neutral third party instead.

Wilsonville, OR 97070

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It is for these reasons and concerns that we urge your opposition to SB 1008. For additional information, please contact John Rakowitz (503) 317-1781.

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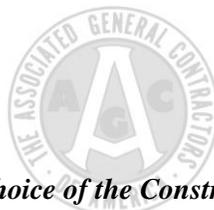
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