

# Mobile Source Certification and Compliance Fee Workshop

## Off-Road Engines, Equipment and Vehicles

July 30, 2020

9 AM

# Agenda

- Recap
  - California's Mobile Sources Categories
  - Mobile Source Certification and Compliance Program cost calculations
  - Considerations and Information used to develop fees
- Information review by EO Series Category
  - CARB Total Costs
  - Proposed Fees and Discounts
  - Other SRIA Data inputs
- Next Steps
  - SRIA comments by August 14<sup>th</sup>; other September 11<sup>th</sup>

# HSC 43019.1

## New Off-Road, Aftermarket Parts, Components Fees

- Authority provided by SB 854 in 2018
- CARB may adopt a schedule of fees to cover all or a portion of the state board's reasonable costs associated with the certification, audit, and compliance as authorized pursuant to HSC 38560\*, 43013 and 43018, and subdivision (h) of Section 27156 of the Vehicle Code.

\*Fee authority applies to both criteria and GHG Executive Orders.

# HSC 43019.1

## New Off-Road, Aftermarket Parts, Components Fees (continued)

- Includes categories not covered by current mobile source fees (HSC 43019: on-road vehicles and engines)
- Such categories may include:
  - Off-road engines and equipment
  - Non-vehicular engines and equipment
  - Aftermarket parts
  - Emissions control components

# HSC 43019.1

## New Off-Road, Aftermarket Parts, Components Fees (continued)

- Fee assessment considers:
  - impacts on manufacturers
  - company size
  - number of certifications requested and consistency with prior-year certifications
  - category complexity
  - product's potential impact on emissions
  - potential change in number of certifications issued
  - impacts on processing time, etc., if fee doesn't cover CARB's costs

# CARB Mobile Source Certification and Compliance Program Costs



# Mobile Source (MS) Program Executive Order (EO) Categories

EO Number Series	Topic	EO Number Series	Topic
	<b>On-Road Vehicles and Engines</b>		<b>Off-Road Vehicles and Engines (Cont'd)</b>
A	New Cars, Light/Medium/Heavy-Duty Vehicles/Engines	U-U	New Small Off-Road Spark - Ignition Engines/Equipment
M	New Street-Use Motorcycles	U-W	New Spark - Ignition Marine Engines/Watercraft
N	New On-Road Heavy-Duty Exempt Engines		<b>Evaporative Components</b>
P	New Federal AB965 Cars & Light-Duty Trucks	G	Portable Fuel Containers (PFCs) Certified For Use In California
	<b>GHG Phase 2</b>	RM	Evaporative components for Spark-ignited Marine Water Craft
A	P2 GHG Vehicle /ZEP	Q	Small Off-Road Engines - Evaporative Components
AT	GHG Trailer		<b>Aftermarket Parts</b>
AD	GHG Aerodynamic Components	B	Alternative Fuel Retrofit Certification
	<b>Off-Road Vehicles and Engines</b>	C	Experimental Permits
U-G	Electric Golf Carts	D	Aftermarket Part Exemptions
U-L	New Off-Road Large Spark-Ignition (LSI) Engines/Equipment	K	Aftermarket Critical Emission Control Parts for Highway Motorcycles.
U-M	New Emission Compliant ("Green Sticker") Off-Road Motorcycles, All-Terrain/Utility/Sport Vehicles, Sandcars		<b>Retrofits</b>
U-N	New Emission Non-Compliant ("Red Sticker") Off-Road Motorcycles & All-Terrain Vehicles	DE	Verification of Diesel Emission Control Strategies (On/Off Road, SS, Harbor Craft, TRU, RTG) for In-Use Diesel Engine Regulations
U-R	New Off-Road Compression - Ignition Engines	AB	Alternative Control Technologies (e.g. Bonnets) verification/approval for At-Berth regulation

# Types of Activities Used to Determine Costs for the Purposes of This Fee Regulation

- Staff labor, operational cost, and equipment to conduct certification activities and audits
  - Review and approval of applications with the issuance of an Executive Order or authorization letter
  - Testing and confirming product in production or before, includes testing for defeat devices
- Staff labor, operational cost, and equipment to conduct compliance activities
  - Warranty and in-use manufacturer reporting requirement
  - In-use and defeat device testing product after sale to meet durability and emission criteria

Does not include costs for regulatory development, research, or enforcement activities



# CARB's Costs Calculation

- Labor
  - FY labor values times the percentage of staff time working in program by classification
    - Surveyed first line managers and staff conducting certification and compliance activities
  - Plus 26% of labor cost for management, administrative, legal and IT overhead
- Operating Costs
- Equipment Costs
  - Annual value = 10 year amortization of cost
- Facility Costs (utilities, rent, housekeeping, etc)  
Based on square footage of laboratory space

# CARB MS Fee Program Costs (all categories)

<b>Costs</b>	<b>2018*</b>	<b>2022**</b>
<b>Total</b>	<b>\$38.6 M</b>	<b>\$48.5 M</b>
Direct Labor	\$25.8 M	\$29.1 M
Indirect Labor	\$6.7 M	\$7.6 M
Operational Costs	\$3.5 M	\$5.7 M
Equipment Costs	\$1.7 M	\$5.1 M
Facility Costs	\$0.9 M	\$1.1M
<b>PYs</b>	<b>150</b>	<b>163</b>

\* 2018 labor costs based on 18/19 FY mid range labor costs and does not include additional PYs for program growth received in 18/19 FY through 21/22 FY funding cycles.

\*\* 2021-2022 labor costs based on 19/20 mid range labor costs and includes additional PYs for program growth. In addition, the increase in operational and equipment costs for the expanded services provided by the Riverside laboratory.



# Considerations and Information Requests for Developing Fees and Discounts

# Considerations

- Number of certifications requested, consistency with prior year certifications and anticipated change in number annually
- Complexity of the regulated category
- A product's potential impact on emissions
- The complexity of the evaluation required
- Size of the manufacturer
- Potential impacts for CARB if costs not fully covered
- Potential impacts on manufacturers

# Fee Cost Impacts on Manufacturers

- February Workshop Request/Website posted/  
Several follow-up e-mails
- Using CARB costs per application, what impact will these costs have on:
  - the number of applications
  - California production
  - vehicle/equipment pricing
  - impact your business model
  - type of financial hardship (if any) for your business
  - any factors that are not currently being considered, but you believe should be considered when establishing new certification fees



# CARB Costs Proposed Fees SRIA Inputs



# Off-Road Engine and Vehicle Program (U-G, U-L, U-M, U-R, U-U and U-W E.O. Series)

# CARB Off-Road Engine and Vehicle Program Costs

(U-G, U-L, U-M, U-R, U-U and U-W E.O. Series)

	2018	2022
<b>Total Costs:</b>	\$4,673,000	\$5,513,000
<b>Labor Costs (All)</b>	\$4,366,000	\$4,654,000
Direct Labor	\$3,465,000	\$3,694,000
Indirect Labor Cost (26%)	\$901,000	\$960,000
<b>Operational Costs</b>	\$198,000	\$275,000
<b>Equipment Costs</b>	\$71,000	\$481,000
<b>Facility Costs</b>	\$38,000	\$103,000
<b># EOs issued</b>	2353	2323
<b>Average \$/EO</b>	\$2,000	\$2,400
<b>Total PYs</b>	20.9	21.8

\*Cost numbers rounded to the nearest \$1000

# 2022 Costs by EO Series

## Program Costs (U-G, U-L and U-M)

	U-G	U-L	U-L	U-M
		Exhaust	Evap	
<b>Total Costs:</b>	\$13,000	\$257,000	\$21,000	\$722,000
<b>Labor (All)</b>	\$13,000	\$233,000	\$21,000	\$674,000
Direct	\$11,000	\$185,000	\$17,000	\$535,000
Indirect	\$3,000	\$48,000	\$4,000	\$139,000
<b>Operational</b>	\$0	\$24,000	\$0	\$47,000
<b>Equipment</b>	\$0	\$0	\$0	\$0
<b>Facility</b>	\$0	\$0	\$0	\$0
<b># EOs issued</b>	4	57	19	242
<b>Average \$/EO</b>	\$3,400	\$4,500	\$1,100	\$3,000
<b>PYs</b>	0.1	1.1	0.1	2.8

\*Cost numbers rounded to the nearest \$1000

# 2022 Costs by EO Series

## Program Costs (U-R, U-U and U-W)

	U-R	U-U	U-U	U-W	U-W
		Exhaust	Evap	Exhaust	Evap
<b>Total Costs:</b>	\$1,557,000	\$1,793,000	\$796,000	\$207,000	\$146,000
<b>Labor (All)</b>	\$1,463,000	\$1,235,000	\$685,000	\$183,000	\$146,000
Direct	\$1,161,000	\$980,000	\$544,000	\$145,000	\$116,000
Indirect	\$302,000	\$255,000	\$141,000	\$38,000	\$30,000
<b>Operational</b>	\$95,000	\$47,000	\$38,000	\$24,000	\$0
<b>Equipment</b>	\$0	\$435,000	\$46,000	\$0	\$0
<b>Facility</b>	\$0	\$76,000	\$27,000	\$0	\$0
<b># EOs issued</b>	375	689	657	140	140
<b>Average \$/EO</b>	\$4,200	\$2,600	\$1,200	\$1,500	\$1,000
<b>PYs</b>	6.9	5.9	3.3	0.9	0.7

\*Cost numbers rounded to the nearest \$1000

# Proposed Fees

## Off-Road EO Series

EO Series Category	Application Fee Type			
	New (100%)	Low CA Prod mfr (75%) [Limit]	Partial Carryover (50%)	Carry- over / Electric (25%)
Electric Golf-Carts (U-G)	-	-	-	\$842
LSI (U-L) - Exhaust	\$4,511	\$3,383 [100]	\$2,255	\$1,128
LSI (U-L) - Evaporative	\$1,099	\$824 [100]	\$550	\$275
Off-Road Motorcycle (U-M)	\$2,988	\$2,241 [300]	\$1,494	\$747

# Proposed Fees

## Off-Road EO Series

EO Series Category	Application Fee Type			
	New (100%)	Low CA Prod mfr (75%) [Limit]	Partial Carryover (50%)	Carry- over / Electric (25%)
Compression Ignition (U-R)	\$4,153	-	\$2,076	\$1,038
SORE (U-U) - Exhaust	\$2,603	-	\$1,301	\$651
SORE (U-U) – Evaporative	\$1,212	-	\$606	\$303
Watercraft (U-W) – Exhaust	\$1,478	\$1,108 [100]	\$739	\$369
Watercraft (U-W) – Evaporative	\$1,043	\$782 [75]	\$522	\$261



# Fee Phase-in for New, Partial Carry-Over and Low CA Production Applications\*

Fee	21/22	22/23	23/24	24/25	202?***
Off-Road: U-G, U-L, U-M, U-R, U-U and U-W series	No Current Fee Reqs	50% of Proposed fee	75% of Proposed fee	100% of Proposed fee	100% of Cost Recovery
% of Cost recovery	none	45%	68%	90%	100%
Total \$ recovery	none	\$2,508,000	\$3,743,000	\$4,977,000	\$5,513,000

\*Proposed zero emission and carry-over application fees start in 22/23 and fee levels are not phased in.

\*\* Other actions will be sought to balance out full cost recovery

Slide Updated 9/30/20

# Off-Road Engine and Vehicle California Production/Sales Trends used for SRIA

SRIA Input Category	Source				Input Value			
	U-G	U-L <sub>ex</sub>	U-L <sub>evap</sub>	U-M	U-G	U-L <sub>exh</sub>	U-L <sub>evap</sub>	U-M
2018 CA Production/Sales	Survey/ Pub Avail Data	Report	Report	Report	19,515	19,785	19,785	99,374
2018-2031 Trends					0%	1.1%	1.1%	1%
Sales Split								
Individual					5%	-	-	99.9%
Business					75%	91%	91%	-
Local Government					19%	7%	7%	-
State Government					1%	1%	1%	0.1%

U-L: 1% federal government sales

U-M: assumes green sticker+ ½ red sticker sales

# Off-Road Engine and Vehicle California Production/Sales Trends used for SRIA

SRIA Input Category	Source			Input Value				
	U-R	U-U <sub>exh</sub> U-U <sub>evap</sub>	U-W <sub>exh</sub> U-W <sub>evap</sub>	U-R	U-U <sub>exh</sub>	U-U <sub>evap</sub>	U-W <sub>exh</sub>	U-W <sub>evap</sub>
2018 CA Production/Sales	Reported			116,806	3,881,466	3,881,466	25,027	25,027
2018-2031 Trends				0%	1.6%	1.6%	0%	0%
Sales Split								
Individual				5%	67%	67%	100%	100%
Business				95%	33%	33%	-	-
Local Government				-	<1%	<1%	-	-
State Government				-	<1%	<1%	-	-

# Next Steps

# Information Requests

Please provide your feedback by August 14th

- Regulatory cost
  - Fee schedule: For any changes, please include business information which can be handled as confidential if requested. Subject to limitation under the California Public Records Act.
  - Model cost inputs

Please provide your feedback by September 11th

- Regulatory alternatives
  - Definitions for small business
  - Phase in process
  - Other Fee information for regulation development

# Timeline

- First Workshop (April 30, 2019)
- Second Workshop (November 21, 2019)
- Third Workshop (February 21, 2020)
- Fourth Workshop (July 31, 2020)
- Fifth Workshop (3<sup>rd</sup> Quarter, 2020)
- Additional work groups or meetings, as needed
- Board Hearing date (Spring, 2021)



# Stay Informed

## GovDelivery (List serve)

Sign on, search for name of topic “Mobile Source Certification and Compliance Fee Regulation,” check box, and hit the submit button (at bottom of page)

<https://public.govdelivery.com/accounts/CARB/subscriber/new>

## Workshop notices and information

<https://ww2.arb.ca.gov/mobile-source-certification-and-compliance-fee-regulation-meetings-workshops>

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***Questions?***