

# Off-Road Mobile Source Certification and Compliance Fee Workshop

November 21, 2019

# Agenda

- Background on California's Mobile Sources Categories and Fee Authorities
- CARB cost calculations
- CARB Mobile Source Certification, Audit, and Compliance Program Costs and Fee Discussion
- Next Steps

# Background

# Why a new fee?

- Only 1/3 of the mobile source (MS) executive order holders pay a fee
- Over 4,000 MS applications/executive orders received and issued each year from all categories
- Legislature moving toward certification activities funded by certification recipients
- Facilitate quicker certification turn around

# 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 if fee doesn't cover CARB's costs

# CARB Mobile Source Certification, Audit, and Compliance Program Costs



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

EO Number Series	Topic	EO Number Series	Topic
G	Portable Fuel Containers (PFCs) Certified For Use In California	D	Aftermarket Part Exemptions
RM	Evaporative components for Spark-ignited Marine Water Craft	B	Alternative Fuel Retrofit Certification
C-U	Small Off-Road Engines - Evaporative Components	K	Aftermarket Critical Emission Control Parts for Highway Motorcycles.
G-05	Small Off-Road Engines - Evaporative Components	N-yyyy-100	New On-Road Heavy-Duty Exempt Engines
Q	Small Off-Road Engines - Evaporative Components	U-R	New Off-Road Compression - Ignition Engines
A	New Cars, Light/Medium/Heavy-Duty Vehicles	U-L	New Off-Road Large Spark-Ignition (LSI) Engines/Equipment
M	New Street-Use Motorcycles	U-U	New Small Off-Road Spark - Ignition Engines/Equipment
T	Grey Market	U-W	New Spark - Ignition Marine Engines/Watercraft
P	New Federal AB965 Cars & Light-Duty Trucks	G-08 thru 09	Off-Road Large Spark Ignition Equipment
U-G	Electric Golf Carts	DE	Verification of Diesel Emission Control Strategies (On/Off Road, SS, Harbor Craft, TRU, RTG)
U-M	New Emission-Compliant ("Green Sticker") Off-Road Motorcycles & All-Terrain Vehicles	AB	Alternative Control Technologies (e.g. Bonnets) verification/approval for at-berth regulation
U-N	New Emission-Non-Compliant ("Red Sticker") Off-Road Motorcycles & All-Terrain Vehicles	C	Experimental Permits

# 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

# Terminology

- **Direct cost:**  
The cost associated with implementing the program including staff salaries, gases, fuel, annual service contracts, etc.
- **Indirect cost:**  
The cost not directly used in the program but required to maintain the program such as management, personnel support functions, IT support and facility costs
- **PY:**  
Person year of activity, not exact number of people

# How did we calculate CARB's costs?

- Labor
  - Direct: budget values X percentage of staff time working in program
  - Indirect: Management, administrative and IT overhead
    - 26%
- Operating Costs
- Equipment Costs
  - Annual value = 10 year amortization of cost
- Facility Costs
  - Based on square footage of laboratory space

# CARB MS Fee Program Costs (all categories)

<b>Costs</b>	<b>2018*</b>	<b>2021**</b>	<b>2022**</b>
<b>Total</b>	<b>\$40.2 M</b>	<b>\$52.5 M</b>	<b>\$54.0 M</b>
Direct Labor	\$27.0 M	\$30.3 M	\$30.7 M
Indirect Labor	\$7.0 M	\$7.9 M	\$8.0 M
Operational Costs	\$3.5 M	\$6.1 M	\$7.1 M
Equipment Costs	\$1.8 M	\$7.1 M	\$7.1 M
Facility Costs	\$0.9 M	\$1.1M	\$1.1M
<b>PYs</b>	<b>162</b>	<b>174</b>	<b>176</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.

# CARB Mobile Source Certification, Audit, and Compliance Program Costs

# Today's Workshop

## Executive Order (EO) Categories

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# Discussion Outline

- Costs for each EO category
- Fee Model Concept
- What business factors should be used to develop alternative fees?
- What other ways can CARB recoup costs in your category group?



# CARB Cost by EO Series

EO Series	CARB 2018/2022 Cost (Total)	Number of EOs issued 2018	Ave CARB 2022 cost per EO
Total (all programs)	\$40.2/54 M		
U-G – Electric Golf Carts	\$13/13.5 K	3	\$3.4 K
U-M Series – Off-Road Rec. Veh. (green)	\$607/643 K	211	\$3.1 K
U-N Series – Off-Road MC & ATV (red)	\$75.8/78.6 K	61	\$1.3 K
U-R – Off-Road CI engines	\$1.35/1.42 M	376	\$3.9 K

# CARB Cost by EO Series

(continued)

EO Series	CARB 2018/2022 Cost (Total)	Number of EOs issued 2018	Ave CARB 2022 cost per EO
U-L – LSI Engines	\$262/278 K	76	\$3.7 K
Exhaust	\$241/257 K	57	\$4.5 K
Evaporative	\$20.2/20.8 K	19	\$1.1 K
U-U – Sm. Off-Road SI	\$1.96/2.51 M	1346	\$1.9 K
Exhaust	\$1.26/1.79 M	689	\$2.6 K
Evaporative	\$697/717 K	657	\$1.1 K
U-W – Marine/Watercraft	\$334/353 K	280	\$1.9 K
Exhaust	\$193/207 K	140	\$2.6 K
Evaporative	\$141/146 K	140	\$1.1 K

# Fee Model Discussion

## Application Fee Concept

- Application Fee at time of submittal based on costs divided by EOs or Applications.
  - Costs
    - Number of program PYs X annual budget position cost
    - Indirect labor percentage fixed at 26%
    - 2022 operating, equipment, and facility costs
  - Divided by number of EOs or applications from previous year or average of 3 previous years
- Similar to “Ave CARB 2022 cost per EO”

# Other Ways to Collect Fees

- By sales which requires reporting
- By program activity requiring multiple fees which requires additional CARB resources/costs
- Other?

# Guiding Principles for Determining Fees

- What business factors should be used to set the fee?
  - impacts on manufacturers
  - company size
  - number of certifications/complexity
  - product potential impact on emissions
  - others?

# Lower Cost Application

- Considerations to Lower Fees
  - Small Business
  - Carry-over – MY change only
  - Partial Carry-over – MY plus minor change
  - Other?

# Next Steps

# Standardized Regulatory Impact Assessment (SRIA)

- Regulatory cost analysis
  - Develop Fee schedule
  - Model cost inputs
- Regulatory alternatives analysis
  - Discussed today
  - Provide comments by December 15<sup>th</sup>
- Business information (important for small businesses)
  - Name of Company
  - Headquarter Address
  - Number of Employees
  - Sales impacts: costs and more



# Timeline

- First Workshop (April 30, 2019)
- Second Workshop (November 21, 2019)
  - Comments on today's alternatives and business information due December 15th
- Third Workshop (Winter, 2020)
- Additional workshops or work groups, if needed
- Board Hearing date (Fall, 2020)

# 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>

# Contacts

Jackie Lourenco, Branch Chief

[jackie.lourenco@arb.ca.gov](mailto:jackie.lourenco@arb.ca.gov)

(626) 450-6152

Kathleen Mead, lead

[kathleen.mead@arb.ca.gov](mailto:kathleen.mead@arb.ca.gov)

(916) 324-9550

Kumar Muthukumar, Manager

[kumar.muthukumar@arb.ca.gov](mailto:kumar.muthukumar@arb.ca.gov)

(626) 575-7040

## Off-Road Engine, RV and Equipment: Non Fee-payer Workgroup

U-L,U-U, and U-W series EO: Byron Ng (626) 459-4312 [byron.ng@arb.ca.gov](mailto:byron.ng@arb.ca.gov)

U-R series EO: James Pang (626) 450-6127 [james.pang@arb.ca.gov](mailto:james.pang@arb.ca.gov)

U-G, U-M and U-N series EO: Steven Hada (626) 575-6641 [steven.hada@arb.ca.gov](mailto:steven.hada@arb.ca.gov)



# *Questions?*