

On-Road Mobile Source Certification and Compliance Fee Workshop

November 22, 2019

9 AM

El Monte, CA

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?

- Cost increases have out paced original authorized fee (1988)
- Current fee only covers one third of CARB's current on-road certification and compliance program costs.
- Legislature moving towards certification-related agency funding from certification recipients
- Streamline process

HSC 43019

Current On-Road Vehicle/Engine Certification Fee

- Authorized CARB in 1988 to adopt a schedule of fees for the certification of motor vehicles and engines sold in CA to cover the costs of state programs
- Annual fee cap was \$9,679,312 in 2018 (increases yearly by CPI)
- Current procedures located at 13 CCR 1990-1994

HSC 43019

Updated On-Road Vehicle/Engine Certification Fee

- Authority updated in 2019 (AB 85)
- Authorizes CARB to adopt a schedule of fees for the certification of motor vehicles and engines sold in CA to cover the costs of state programs
- Modified authority (HSC 43019):
 - Fee cap removed
 - Reimburse reasonable CARB costs
 - Consumer Price Index (CPI) annual fee increase
 - Fees to be directed to new mobile source certification and compliance fund

HSC 43202.5 and 43202.6

New On-Road Vehicle/Engine Fees

- Authority provided by AB 2381 in 2018
- Requires CARB to enhance its certification, audit, and compliance activities for new motor vehicles to detect defeat devices or other software used to evade emissions testing
- Provides for recovery of costs to implement
 - Capped at \$5,000,000
 - allowed to adjust annually with CPI

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, test 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)

Costs	2018*	2021**	2022**
Total	\$40.2 M	\$52.5 M	\$54.0 M
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
PYs	162	174	176

* 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.

Today's Workshop

Executive Order (EO) Categories

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Discussion Outline

- CARB 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 2018 On-Road Fees Collected

	Total	LD	HD	MC
On Road Fee Total	\$9.68 M	\$9.29 M	\$168 K	\$224 K
Number of vehicles sold	2,270,124	2,178,182	39,389	52,553
Cost per vehicle/engine		\$4.26	\$4.26	\$4.26
Fee range per manufacturer	\$4.26 to \$1.6 M	\$4.26 to \$1.6 M	\$8.53 to \$55.4 K	\$8.53 to \$62.7 K
Median Fee	\$1,151	\$16,646	\$804	\$623

CARB Cost by EO Series

EO Series	CARB 2018/2022 Cost (Total)	Number of EOs issued 2018/2022	Ave CARB 2022 cost per EO
Total (all programs)	\$40/54 M	4,064	-
Total (on-road fee payers)	\$29.7/40.4 M	987	\$40.7 K
A Series – Light and Medium Duty	\$18.6/22.7 M	487	\$46.6 K
A Series – Heavy Duty	\$8.30/13.5 M	199/342	\$39.4 K
M Series – Motorcycle	\$2.67/4.03 M	231	\$17.5 K
T/P/N Series	na	16	tbd

CARB 2022 On-Road Projected per Vehicle Fees

	Total	LD	HD	MC
On Road Fee Total	\$ 40.3 M	\$38.7 M	\$700 K	\$935 K
Number of vehicles sold*	2,270,124	2,178,182	39,389	52,553
Cost per vehicle		\$17.78**	\$17.78	\$17.78
Fee range per manufacturer	\$17.78 to \$6.66 M	\$17.78 to \$6.66 M	\$35.36 to \$238.9 K	\$35.36 to \$261.3 K
Median Fee	\$4801	\$69,413	\$3352	\$2596

*Using 2018 vehicle sold numbers

** Estimate based on total 2022 costs divided by total 2018 vehicle sold numbers

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 times annual budget position cost
 - Indirect labor percentage fixed or adjusted by formula
 - 2022 operating, equipment, and facility costs increased by CPI annually
 - Divided by number of EOs or applications previous year or average of 3 number of previous years
- Similar to “Ave CARB 2022 cost per EO”
- Lower cost categories (discuss on slide 21)

Guiding Principles for Determining Fees

- What business factors should be used to set the fee?
 - Vehicle/engine sales?
 - Company size
 - Other?

Lower Cost Applications

- Small Business
- Audit and Compliance Fee

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 15th
- 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)

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GovDelivery (List serve)

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Workshop notices and information

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

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Questions?