



Proposed Regulations for the Mobile Source Certification and Compliance Fees

April 22, 2021

Overview

- Authority/Legislation
- Fee Development
- Fees Categories/Total Collected
- Payment Process
- Remaining Industry Concerns

Background **Legislation**

Current On-Road Vehicle/Engine Certification Fee Health and Safety Code 43019

- Established in 1988
- Schedule of fees for the certification of motor vehicles and engines sold in CA
- Fee capped at \$4.5 M with annual adjustments by California Consumer Price Index [CPI]

Then vs Now

1990

- First certification fee
- On-road basic exhaust and evaporative standards
- 430 Executive Orders issued

Now

- More complex standards and requirements
 - ✓ Multiple test cycles, OBD, AECD reviews . .
- Off-road engine and other categories now included
- Over 3800 Executive Orders issued, and still growing

Impact of Growth on Program Costs

- Current fee only provides for:
 - One-third of CARB's on-road costs
 - One quarter of CARB's total costs
- Remaining costs covered by other state funds
- Recent legislation establish regulations to recover greater portion of costs.

Legislation Updates

- Senate Bill 854 (2018)
 - New HSC 43019.1
 - Establish fees for off-road and other fee categories
 - Establish Certification and Compliance Fund (CCF)
- Senate Bill 85 (2019)
 - Removed cap on existing on-road fees
 - Fees deposited into CCF

Mobile Source Certification and Compliance Fee
**Scope, CARB Program Costs and
Fees Development**

Stakeholder Participation

Workshops	April 2019, November 2019, February 2020, July 2020, November 2020
Associations	Alliance of Automotive Manufacturers Association of Global Automakers, Inc Manufacturers of Emission Control Association Motorcycle Industry Council, Inc. National Marine Manufacturers Association Outdoor Power Equipment Institute Portable Fuel Container Manufacturers Association Portable Generator Manufacturers' Association Specialty Equipment Market Association Truck and Engine Manufacturers Association
Association and industry member meetings	Multiple, extended public process timeline to consider COVID impacts

Scope

Mobile Source Certification Topics

Topic	Topic
New Cars, Light/Medium/Heavy-Duty Vehicles/Engines	New Small Off-Road Spark - Ignition Engines/Equipment
New Street-Use Motorcycles	New Spark - Ignition Marine Engines/Watercraft
New On-Road Heavy-Duty Exempt Engines	Portable Fuel Containers (PFCs) Certified For Use In California
New Federal AB965 Cars & Light-Duty Trucks	Evaporative components for Spark-ignited Marine Water Craft
Phase II GHG Vehicle/Zero-Emission Powertrain	Small Off-Road Engines - Evaporative Components
GHG Trailer	Alternative Fuel Retrofit Certification
GHG Aerodynamic Component	Experimental Permits
Fuel-fired Heaters	Aftermarket Part Exemptions
Electric Golf Carts	Aftermarket Fuel Tanks
New Off-Road Large Spark-Ignition Engines/Equipment	Aftermarket Critical Emission Control Parts for Highway Motorcycles
New Emission Compliant ("Green Sticker") Off-Road Motorcycles, All-Terrain/Utility/Sport Vehicles, Sandcars	Verification of Diesel Emission Control Strategies (On/Off Road, SS, Harbor Craft, TRU, RTG) for In-Use Diesel Engine Regulations
New Emission Non—Compliant ("Red Sticker") Off-Road Motorcycles & All-Terrain Vehicles	Alternative Control Technologies (e.g. Bonnets) verification/approval for At-Berth regulation
New Off-Road Compression - Ignition Engines	

Activities Covered

- Labor, operational, equipment, and facility costs to confirm compliance:
 - Application review and approval
 - Testing
 - certification confirmation
 - manufacturer facility testing audits
 - in-use (emission control durability) requirements
 - Warranty and recall programs
- Does not include costs for enforcement, research, and regulation development activities

CARB Cost Analysis

- Staff labor, operational cost and equipment surveys based on 2018 information
- Equipment cost amortized over 10 years
- Facility costs based on lab testing facility space
- Equipment and facility cost adjusted to percent time used

Mobile Source Certification and Compliance Annual Program Costs by Category

Major Regulatory Groups	2022 Estimated Cost of Program
On-Road	\$36,200,000
Off-Road	\$5,500,000
Evaporative Components	\$400,000
Aftermarket Parts	\$4,800,000
Retrofits and At-Berth Technologies	\$1,500,000
Total	\$48,400,000

Categories and Fee Types

- Fees at the time of application
- 35 regulatory categories organized into six groups

On-Road Vehicles/Engines	Aftermarket Parts
Off-Road Vehicles/Engines	Retrofits
Evaporative Components	At-Berth Control Tech

Fee Development

- Base Fee
 - CARB's average cost per application
- Considerations:
 - Business Impacts/Vehicle/equipment pricing
 - Company size
 - California production
 - Discounts for simpler applications
 - Zero emission technology, carry-over applications

Aftermarket Part Fee Exception

Fee Type	Aftermarket Parts (General, Fuel Tank, Motorcycle Critical Emission Control Part, Catalytic Converter, Diesel Particulate Filters)
Base Fee	Business Consideration Adjustment
Low Cost Fee Types	Small business, Simple applications

Retrofit and At-Berth Fee Exceptions

- Manufacturers requested to reduce the initial cost burden
 - Spread out cost over the types of regulatory activities.
- Fee categories set by regulatory activities and staff resources required
- Small business low cost category

Fees Start Dates

- Start fee implementation early 2022
 - includes most of 2023 model year applications
- Total fees collected: \$20.6 M in 2022 to \$45.5 in 2031
 - Includes baseline revenues from current regulation

Fee Phase-in

Calendar year/Model year	Percent of full fee
2022/2023MY	50%
2023/2024MY	75%
2024/2025MY	100%

- On-road fees increase with CPI starting in 2026 MY
- No phase-in for fees already significantly discounted fees.

Updated On-Road Program Fees

Major Regulatory Groups	Range of Fees	Est. Total 2024 Fees Collected
On-Road Program Total ¹		\$32,700,000
Light/Medium Duty	\$11,627 to \$46,509	\$21,400,000
Heavy-Duty Engine	\$10,611 to \$121,265	\$5,300,000
Otto-cycle	\$10,611 to \$42,443	-
Compression Ignition	\$30,316 to \$121,265	-
Heavy-Duty Vehicle	\$3,734 to \$14,935	\$2,600,000
Motorcycle	\$872 to \$17,447	\$2,500,000

¹Other minor fee categories included in fee total

New Fee Categories

Major Regulatory Groups	Range of Fees	Est. Total 2024 Fees Collected
New Program Fee Total		\$7,300,000
Off-Road engines, vehicles and equipment	\$261 to \$4,511	\$5,100,000
Evaporative components	\$1,707 to \$6,827	\$350,000
Aftermarket parts	\$500 to \$10,000	\$750,000
General, motorcycle	\$500 to \$1000	-
Catalytic converters	\$5,000 to \$10,000	-
Retrofits and At-berth	\$1,524 to \$73,738	\$1,100,000

Hourly Based Program Fees

	Fee
Fuel-fired heaters	\$293
On-road heavy-duty exempt engines	\$98
Experimental permits	\$195

CARB Cost Recovery

- Total Mobile Source Program Cost: \$48.4 million
 - Current Fees collected: \$10.0 million
 - Total Est. Fees collected in 2024: \$40.0 million
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- Over 80% Cost Recovery

Standardized Regulatory Impact Assessment (SRIA)

- Cost of the regulation is \$2.2 M in 2022; \$35M in 2031
- Minimal to no impacts to business
 - Most manufacturers pass costs through to purchaser
 - Job growth change is <0.01 percent of baseline
 - No impact on creation or elimination of businesses, adverse impacts to business or business ability to compete
- Average annual cost per California household: \$1.24

Benefits

New Fiscal Revenue

- Additional cost recovery over current regulation
- Mobile Source Programs supported by the proposed fee regulation protect public health and safety, and the environment, by reducing greenhouse gas emissions, oxides of nitrogen, diesel particulate matter, and other air contaminants.

Mobile Source Certification and Compliance Fees **Payment Process**

Fees to be submitted at the time of application

- Fee received = Application review begins
- Corrected payment will be due before new applications will be processed if limits for volume discounts exceeded.

Refunds Allowed based on Withdrawal Dates

Criteria	Fee Refund
Application withdrawn: 0-15 days of payment or CARB notification	100%
Application withdrawn: 16-45 days of payment or CARB notification	50%
No Application received	100%
Application withdrawn: 46 or more days of payment or CARB notification	none

Light-Duty Vehicle Comments and Staff Responses

- Replica Car
 - Adjusted fees to match work effort
 - 15 day changes proposed
- Low Volume Models
 - Higher cost per vehicle impact
 - Typically higher cost vehicles
 - Costs to CARB don't vary with product volume
 - No changes proposed

Motorcycle

Comments and Staff Responses

- MIC and industry concerned about the high base cost for application (\$17,447), especially for entry level (low cost) motorcycles.
- Staff Response
 - Low volume manufacturer discount already included
 - Propose 15-day changes to expand special low cost category from 3 to 6 low sale engine families (\$872)

Low Cost Fee Type Comments and Responses

- Motorcycle, recreational marine requesting to broaden partial-carry over definition (to reduce fee amounts)
- Staff response:
 - No further reduction in staff evaluation workload for other application documents
 - Would further diminish recovery of CARB costs
 - No changes proposed

Small Off-Road Equipment Comments and Responses

- OPEI concerned about impact of future regulations on fees.
- Staff response:
 - Fee based on average CARB cost per certification family for current regulations.
 - Application fee will not change under modified SORE regulations without Board action.

Staff Recommendation

- Adopt the proposed resolution and staff's proposed regulations for the Mobile Source Certification and Compliance Fees
- Direct staff to further develop 15 day changes for replica/kit car fees.