

Appendix H.1

Summary and Response to Department of Finance Comments on the Standardized Regulatory Impact Assessment

Proposed Heavy-Duty Inspection and Maintenance Regulation

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Summary and Response to Department of Finance (DOF) Comments on the Standardized Regulatory Impact Assessment (SRIA)

DOF Comments: Finance generally concurs with the methodology used to estimate impacts of the Proposed Regulations, with two exceptions.

1. The SRIA notes in multiple places that estimates are on the conservative side, leading to benefits being understated and direct costs estimated on the high side. While the inclusion of a range or an upper bound can be useful, the SRIA must be based on CARB's best judgment on what the most likely scenario is and must include an estimation of all likely costs, benefits, and cost savings.
2. The SRIA must disclose assumptions and calculations for fiscal costs, notably the \$30 million annual average for statewide implementation and enforcement costs as well as for the additional sales tax revenue. While the SRIA discloses an estimate for CARB staffing resources, an estimate for the implementation contractor and each of the other state agencies providing support should also be provided. Given that contracts and other agency costs are still being finalized, the SRIA should provide a potential range of impacts and most likely scenario, including likely compliance fee ranges. Given that the \$30 compliance fee – the maximum fee that can be assessed per statute – is based on this estimate, changes in projected enforcement costs would also impact HD vehicle owner's compliance costs, including government fleets. The SRIA notes additional sales tax revenue from an increase in testing devices, engine parts, and vehicle parts sale, and discloses the estimate total, but offers no specific calculations.

Responses:

1. Even though staff noted in the SRIA that some estimated costs and cost savings were on the conservative side, those assumptions reflected staff's best estimates given the currently available data and ensured all relevant costs were included in the SRIA. For example, staff noted that there could be potential cost savings to fleet owners due to the proposed periodic testing requirements because it would promote fleets' vehicle preventive maintenance practices and decrease the likelihood of having catastrophic vehicle failures. Consequently, fleet owners could have cost savings through reduced vehicle operating costs due to minimizing expensive repairs and less vehicle downtime due to less vehicle failures in the long run. However, because the extent of such savings is unknown, staff did not quantify such savings.

As another example, in the SRIA staff noted that fleets that do not opt for OBD data submission through telematics were assumed to opt for OBD data submission through purchasing plug-in OBD test devices instead of opting

for the free CARB-provided testing device pathway. Since it is difficult to predict the uptake of the free-testing option at this time, staff assumed the higher testing costs of purchasing the OBD testing devices to ensure all the relevant costs are included in staff's program cost estimates.

If new data becomes available in the future, staff will update the Proposed Regulation's cost and benefit impacts accordingly in the Final Statement of Reasons of the Proposed Regulation.

2. At the time of the SRIA development, CARB staff was still in the process of firming up the cost estimates for other State agencies and external contracts needed to support the Proposed Regulation implementation. Until data was available to say otherwise, staff assumed the maximum allowable compliance fee of \$30 per vehicle for the State implementation and enforcement costs. This was done with the intention that a more detailed analysis of the compliance fee cost discussion would be provided in the ISOR, as staff would have a better understanding of implementation costs and compliance fee costs at this time. CARB staff has added cost estimates for external contracts and other State agencies that support the implementation of the Proposed Regulation, along with an analysis of how the per vehicle compliance fee was determined, in Chapter IX and Appendix F of the ISOR. Table IX-18 in the ISOR provides estimates of costs for other State agencies. Table IX-19 in the ISOR provides estimates of costs for implementation contractors. The compliance fee analysis was used to establish the per vehicle compliance fee requirement in the Proposed Regulation. Sales tax revenue assumptions are also discussed in Chapter III.A.2. and Chapter III.B.3. of Appendix F of the ISOR.