

**Appendix D – Department of Finance's Comments on
Standardized Regulatory Impact Assessment (SRIA)**



Catherine Mandler
Office of Economic Policy & Analysis
California Air Resources Board
1001 I Street
Sacramento, CA 95814

December 18, 2020

Dear Ms. Mandler:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for the Proposed Amendments to the Mobile Source Certification and Compliance Fees, as required in California Code of Regulations, Title 1, Section 200(a)(1) for major regulations. Proposed text of the regulations was not submitted; hence, comments are based solely on the SRIA and other publicly available information.

The proposed regulation increases the schedule of fees paid by manufacturers of vehicle, engine and component products who request certification in order to be eligible for sale in California through the California Air Resources Board's (CARB) mobile source certification and compliance testing program. This affects a broad range of different products across on-road, off-road, evaporative systems, at-berth technologies, retrofit and aftermarket components that will impact many manufacturers, and CARB states it issues over 3,700 compliance certificates per year. The regulation will be phased in starting in 2022 and will be fully implemented at the start of 2024.

The SRIA estimates that in 2024 the regulation will result in the benefit of an additional \$30.3 million in fee revenue to CARB from manufacturers and will generate a similar level of additional revenue each year going forward. This revenue will provide CARB with a stable source of funding for certification and compliance activities as CARB is currently reliant on other revenue sources to fund these activities, including the Air Pollution Control Fund, the Motor Vehicle Account, and the Vehicle Inspection and Repair Fund. All fees paid by manufacturers are expected to be passed on in full to consumers, resulting in total direct costs of \$23.6 million, spread among California businesses (\$7.5 million), individuals (\$15.3 million), and local (\$637,000) and state (\$165,000) governments. CARB expects the magnitude of the incremental costs per unit of equipment to be sufficiently small so as not to cause a discernible change in buying behavior. For example, the expected incremental cost for a passenger car, light-duty truck, or medium-duty passenger vehicle in 2024 is \$11.75, less than 0.05 percent of the purchase price of a passenger car costing \$25,000. Further, CARB estimates the average cost per household to be small, totaling \$2.23 in 2024. The increased sale price of the affected products will also generate additional sales tax of \$869,000 to the state, and \$1.0 million to local governments in 2024.

Finance generally concurs with the methodology used to estimate impacts of the proposed regulations, with the following exceptions. First, the SRIA must estimate and discuss the impacts of securing additional funding of around \$30 million per year through the proposed fee on existing CARB operations and funding. Freeing up these resources from the funds that currently support the mobile source certification activities should result in avoided negative consequences or added economic and emissions benefits to the state, and impacts will vary depending on fund allocation and use. Second, the baseline should include a description of the number and types of affected manufacturers, as well as the distribution of costs among these manufacturers. This would help support CARB's assessment that the burden is not being borne in a manner to create disparate impacts to California businesses.

These comments are intended to provide sufficient guidance outlining revisions to the SRIA. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

A handwritten signature in black ink that reads "Somjita Mitra". The signature is written in a cursive, flowing style.

Somjita Mitra
Chief of Economic Research

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Mr. Richard Corey, Executive Director, California Air Resources Board