

# **Appendix C-3**

## **Summary and Response to Department of Finance Standard Regulatory Impact Assessment**

Advanced Clean Fleets Regulation

California Air Resources Board

## Addressing Department of Finance Comments

### 1. Some state and local government entities may be disproportionately impacted.

**DOF Comment:** The Standard Regulatory Impact Assessment (SRIA) must include comprehensive estimates of disparate impacts, including on identifiable government entities if some state and local government entities own a larger share of the government fleets and are therefore expected to bear a disproportionate share of the government ownership costs. The SRIA currently reports statewide costs for state and local government but does not discuss fleet costs for disproportionately impacted agencies.

**Response:** California Air Resources Board (CARB) staff are not able to precisely predict how the purchase and ownership of zero-emission vehicles (ZEV) may have disparate impacts on state and local government agencies. Our cost analysis shows that the higher upfront costs are offset by lower expected fuel and maintenance savings that result in lower total cost of ownership. We expect the change in costs for state and local government fleets would be proportional to the number of vehicles in each fleet. However, larger fleets may have additional cost savings opportunities per vehicle due to their size. First, they are likely to have more depots, and have more choices on prioritizing where vehicles infrastructure will be placed over the next 10 to 20 years. They are also more likely to get lower price per vehicle in bids than other agencies due to their larger procurements.

The State departments that own the greatest number of medium to heavy-duty vehicles include the Department of Transportation, Department of Forestry and Fire Protection, and Department of Corrections and Rehabilitation. In 2020, these departments each owned over 10 percent of the medium to heavy-duty vehicles within the California State Vehicle Fleet.<sup>1</sup> Data from the Department of Motor Vehicles and the Advanced Clean Trucks (ACT) Large Entity Reporting survey responses indicate the largest local government agencies affected by this proposed regulation include the City of Los Angeles, City and County of San Francisco, the City of Sacramento, the City of San Diego, Los Angeles Department of Power and Water, and the County of Los Angeles.<sup>2</sup> Note that emergency vehicles are exempt from the proposed regulation.

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<sup>1</sup> California Department of General Services. [California State Fleet](https://data.ca.gov/dataset/california-state-fleet), 2015-2020. (web link: <https://data.ca.gov/dataset/california-state-fleet> June 2, 2022). Accessed June 20, 2022.

<sup>2</sup> CARB, [Large Entity Reporting Data](https://ww2.arb.ca.gov/our-work/programs/advanced-clean-trucks/large-entity-reporting), 2021 (web link: <https://ww2.arb.ca.gov/our-work/programs/advanced-clean-trucks/large-entity-reporting>, last accessed May 2022).

**2. Justify assumption that fleets will be able to purchase the required ZEVs.**

**DOF Comment:** The SRIA assumes that the purchase requirements of the proposed ACF regulation will complement the sales requirements of the existing ACT regulation, yet also states that the ACT is expected to result in proportionately fewer zero-emission tractors relative to lighter vehicle classes and that the proposed regulation places higher requirements on heavier vehicle classes, especially tractors. Such differences in timing between ACT and the proposed ACF regulation may hinder compliance of fleets that utilize heavier vehicle classes. The SRIA should include a sensitivity analysis to show how impacts may vary if the ACT and the proposed ACF regulations take longer to harmonize or justify the current assumption that the fleets will be able to purchase the required zero-emission vehicles as produced under the ACT.

**Response:** CARB staff believe the assumptions staff made are appropriate for a number of reasons. First, there are more manufacturers that exclusively produce ZEVs than ICE vehicles, and they are not subject to the ACT regulation that begins in 2024. Today, there are already more than 130 different medium to heavy-duty ZEV models available in all weight class categories. The ACT regulation requires large manufacturers to produce ZEVs, which ensures additional models will be available. Once manufacturers have made the investments to produce ZEVs, it is in their interest to sell as many vehicles as possible to recoup their costs. Second, from experience with the Innovative Clean Transit (ICT) regulation that the zero-emission bus purchase requirement is successfully being implemented without a corresponding manufacturer requirement. Third, the proposed regulation has been updated since the SRIA to include a number of exemptions or extensions to minimize concerns where certain vehicle configurations may not be available as a ZEV, or if there are extended delays in receiving a ZEV. The ZEV unavailability exemption allows a fleet owner to purchase an ICE vehicle if a ZEV is not commercially in the configuration that is needed. The vehicle delivery delay extension allows a regulated fleet to continue operating their existing vehicle as long as it takes to receive a ZEV that is ordered a year in advance of the next compliance deadline. In summary, we believe that having both the proposed ACF regulation and ACT regulation are complementary policies but that each can be successfully implemented on its own.