DEPARTMENT OF FINANCE
CALIFORNIA
GAVIN NEWSOM ▪ GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

Anthony Oliver
California Air Resources Board
1001 I Street
Sacramento, CA 95814

May 5, 2023

Dear Mr. Oliver:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary for the Zero-Emission Forklifts proposed regulation, as required in the California Code of Regulations, title 1, section (a)(1). Comments are based upon the SRIA and other publicly available information.

The proposed regulation phases out the use of forklifts with a lift capacity of 6 tons or less that are powered by gasoline or propane. California fleet operators would (with some narrow exceptions) be prohibited from buying these forklifts starting on January 1, 2026 and also prohibited from using them on a schedule that would phase them out over the next 12 years with the oldest models being banned first. Dealers and manufacturers doing business in California would face similar restrictions. The regulation would affect about 11,000 fleets in the state that own about 95,000 forklifts (about half the statewide total count). In 2034, the year with the highest estimated costs, direct costs on operators would be $688.5 million, mostly for capital expenses and electricity. Local governments would see $3 million in cost savings offset by a decline of $10.7 million in tax revenue, mostly from sales and use tax receipts in 2034. In the same year the state government's costs would increase by $2.4 million and its revenues would decline by $13.8 million. Estimated benefits in 2034 would include $577.5 million in residents' health benefits from pollution reduction and $838.8 million in operators' cost reductions, mainly for reduced energy and maintenance costs.

Finance generally concurs with the methodology in the SRIA, with the following exceptions. First, the SRIA must identify any changes in the amount of operating income received by state and local agencies. The SRIA estimates that the impact on state personal income will exceed $1 billion in several years. State income tax revenue is typically equal to about 4 percent of state personal income, thus, a $1 billion change in income could cause income tax revenue to change by about $40 million. The SRIA should provide estimates for the regulation's expected impact on income tax revenue in each year of the analysis.

Second, the SRIA must explain the rationale of any assumption material to the impact estimate. It assumes that capital expenditures on new forklifts will spike in 2041 as all the forklifts purchased in 2026 reach the end of their expected 15-year lifespans and will need to be replaced. The SRIA should explain why this is the most plausible assumption for the analysis, or use a distribution of forklift lifespans (or possibly a sensitivity analysis with several plausible distributions) that is more typical for vehicles.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment if a SRIA is required. The SRIA, a summary of Finance comments, and any responses must be included in the rulemaking file that is available for public comment. If any significant changes to the proposed regulations during the rulemaking process 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,

Somjita Mitra

Somjita Mitra
Chief Economist

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Ms. Yana Garcia, Secretary for Environmental Protection, California Environmental Protection Agency