



February 28, 2014

Fereidun Feizollahi, Manager
Economic Studies Section, Research Division
Air Resources Board
Sacramento, CA

Dear Mr. Feizollahi:

Government Code section 11346.3 and California Code of Regulations, title 1, sections 2002 and 2003 require an agency promulgating major regulations to prepare and submit a Standardized Regulatory Impact Assessment (SRIA) to the Department of Finance (Finance) for comments. Finance must provide its comments on the SRIA regarding whether that SRIA adheres to Finance's regulations. The agency must summarize and respond to Finance's comments, and include them with the notice of proposed action it files with the Office of Administrative Law.

California Code of Regulations, title 1, section 2002(a)(1) requires that a SRIA be submitted to Finance not less than 60 days prior to the filing of a notice of proposed action with the Office of Administrative Law. We recognize that the full extent of the economic impact did not become clear until the Economic Impact Assessment was almost complete, and we appreciate you letting us know as soon as you realized the proposed trucking regulation amendments would meet the standard of a major regulation. To prevent this situation from recurring in future regulations, we are available to consult regarding estimated economic impacts.

As the regulation extends the time and gives additional flexibility to the trucking industry to comply with air quality regulations, we concur that reduced expenditures of at least \$621 million will accrue to the regulated trucking businesses in 2015 as a result of this proposed regulatory amendment. This SRIA fulfills all the requirements set forth in Finance regulations, and we broadly agree with its conclusions. However, we have some suggestions that may provide a more complete discussion of the issues raised by the regulations.

There could be a section added on differences in calculated impacts using discounted amounts and the methodology required by Finance's regulations, which requires an examination of annual disaggregated impacts. We understand that for some of ARB's other regulatory requirements, discounted amounts are needed. However, this may be confusing for readers if there are different numbers presented in the SRIA and other regulatory material. The two approaches also show different aspects of the trade-offs, and it would be valuable to discuss both within the SRIA.

Discussion of the two alternatives would benefit from more thorough modeling of the effects. Ideally, investigation of the alternatives would include the same level of analysis that was applied to the proposed major regulation. If advance consultations had been possible, we would also have recommended alternatives be chosen to illustrate the trade-offs on both sides. Both alternatives discussed are less costly to industry, but do not have adequate air quality benefits. It would have been instructive to investigate an alternative that was more costly to industry but better for air quality. Additional public outreach in the future could aid in identifying a wider scope of alternatives.

The analysis would also have benefited from a more thorough discussion of the health impacts. When the regulation was initially promulgated, the main trade-off was between the health impacts of cleaner air and costs to industry. The SRIA discusses changes to industry costs, but does not discuss the decreased health benefits with as much detail. Some evidence is provided that the changes will be marginal. Cross-references to the calculations in the original regulatory material could also be provided for readers interested in these aspects.

We hope that our comments provide sufficient guidance for you to revise your analysis if necessary and for future analyses. Please let us know if you have any questions regarding how our comments should be summarized when submitting your regulatory package to OAL as required. Again, we appreciate your willingness to work with Finance to ensure that the SRIA provides information regarding the economic impact of the proposed regulations for the public and policymakers.

Sincerely,



Irena Asmundson
Chief Economist

cc: Ms. Panorea Avdis, Governor's Office of Business and Economic Development
Ms. Debra Cornez, Director, Office of Administrative Law
Mr. Michael Fitzgibbon, Air Resources Board
Mr. Reza Mahdavi, Air Resources Board
Ms. Chantel Crane, Air Resources Board