



**DEPARTMENT OF  
FINANCE**

**GAVIN NEWSOM • GOVERNOR**

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

August 26, 2021

Dear Mr. Leung:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for the Proposed Heavy-Duty Inspection and Maintenance Regulation, 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 would establish a comprehensive heavy-duty inspection and maintenance program to ensure proper operation and repair of the emissions control systems on the 1.2 million non-gasoline combustion heavy-duty vehicles above 14,000 pounds driven in California. Implementation will begin in 2023 and roll out in three phases (compliance certification, enforcement, and periodic testing), with full implementation in 2024. Based on the evaluation of a limited number of health impacts, annual health benefits are estimated at \$2.9 billion and cost savings in smoke opacity testing at \$32.8 million in 2037. Heavy-duty vehicle owners will incur costs for reporting, testing, training, compliance certification, and vehicle repair. Assuming small businesses (fleet size of three or fewer vehicles) represent 44 percent of the vehicle population, annual direct costs are conservatively estimated with a maximum annual cost of \$332 million in 2024, decreasing to around \$117 million in 2037, which are likely to be passed on to consumers. A typical fleet of seven heavy-duty vehicles incurs a direct cost of \$2,104 in 2024, 60 percent of which are due to repair. A single vehicle fleet is projected to incur costs of \$523 to \$646. In 2024, local and state governments are expected to incur compliance costs of \$22.2 million and \$7.4 million, savings of \$1.7 million and \$551,000, and \$8.5 million and \$7.1 million in increased sales tax revenue, respectively. Statewide implementation and enforcement costs, incurred by CARB, California DMV, CHP, and CalTrans, are estimated to average \$30 million annually, leading to an annual per vehicle compliance certificate fee of \$30 to ensure that state administration costs are covered.

Finance generally concurs with the methodology used to estimate impacts of the proposed regulations, with two exceptions. First, 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.

Second, 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 heavy-duty vehicle owner's compliance costs, including government fleets. Finally, 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.

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,

Signature is on file

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  
Mr. Richard Corey, Executive Director, California Air Resources Board