

William Leung
California Air Resources Board
1001 I Street
Sacramento, CA 95814

June 24, 2022

Dear Mr. Leung:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for Amendments to the Off-Road Diesel-Fueled Fleets Regulation, as required in the California Code of Regulations, title 1, section 200(a)(1) for major regulations. Proposed text of the regulations were not submitted, therefore comments are based solely upon the SRIA and other publicly available information.

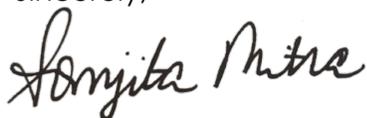
The proposed amendments are intended to reduce emissions of nitrogen oxides and particulate matter by phasing out diesel engines in off-road vehicles that don't meet 2006 emission standards by 2036, with fleets with more than 5,000 total horsepower being required to stop using engines that don't meet 1996 emission standards by 2024. Fleets would also be forbidden from adding new engines that don't meet 2015 emission standards by 2028, and most vehicles would be required to use renewable low-emission R99 diesel fuel starting in 2024. The SRIA estimates annual costs (mostly from vehicle replacement by construction firms) in the early years of the proposed regulations, averaging around \$350 million between 2023 and 2031, with annual cost savings beginning in 2032 averaging around \$175 million through 2038. Annual benefits (mostly the health benefits from reduced cancer risk) are estimated to range from \$500 million in 2024 to \$252 million in 2038. State and local impacts include capital and administrative costs and increased sales tax revenue. Annual averages from 2023 to 2038 are for \$5 million of costs and a \$3 million revenue gain for local governments, and for \$2 million of costs and a \$3 million revenue gain for the state government.

Finance generally concurs with the methodology used to estimate impacts of the proposed regulations, with some exceptions. First, the SRIA must disclose disparate impacts, including those on state agencies that may bear proportionately higher costs relative to others. Currently, the SRIA reports separate costs only for the UC and CSU systems, and these cost estimates must be expanded to include other individual agencies that might also use a disproportionately larger number of the state's off-road vehicles.

Second, the SRIA must disclose the rationale for key assumptions that affect the impact estimates. There are some missing descriptions of assumptions and data sources, including but not limited to: (1) The SRIA assumes that incidence-per-ton factors calculated for the period from 2014 to 2016 will hold in the future, while it may be that additional years of data may change these factors and/or causal relationships and hence change the estimated benefits. Or provide an explanation for why the period only from 2014 to 2016 is the most appropriate one to use. (2) The SRIA assumes that vehicle and engine activity profiles from 2020 are the most representative profiles. However, 2020 may not be the most appropriate year to measure vehicle activity (as opposed to 2021, if available, or 2019) as construction activity was unusually low for due to the COVID-19 Pandemic, and the SRIA should demonstrate that the 2020 profiles are not an outlier or use more representative data. (3) The SRIA assumes that under current law, operators would replace enough vehicles every year to keep the average fleet age the same as it was in 2013. As operators' vehicle replacement rates could significantly affect both the costs and the benefits, the SRIA should either base its estimated replacement rate on the most relevant data or justify why the 2013 benchmark is the most appropriate target age.

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'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,



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