



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

August 12, 2022

Dear Mr. Leung:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary for the On-Road Motorcycle (ONMC) proposed regulations, as required in the California Code of Regulations, title 1, section 200(a)(1). Proposed text of the regulations were not submitted, therefore comments are based solely upon the SRIA and other publicly available information.

The proposed regulations amend current exhaust and evaporative requirements for on-road motorcycles by changing test procedures and reducing emissions from new internal combustion engines (ICE) beginning with model year 2024 and requiring that by 2035 half of all new motorcycle sales be zero emission (ZEMs) (starting with 10 percent in 2028). The SRIA assumes that manufacturers' compliance costs will be passed on to California consumers (at a retail mark-up of 1.5 times the manufacturer costs), leading to statewide costs of over \$4 million in 2025 and increasing to nearly \$44 million in 2035. The regulations are expected to increase the cost of ONMC's by an average just below \$2,300 per motorcycle between 2024 and 2035, largely driven by battery cost which is assumed to rapidly decline over time. Consumers are expected to save due to lower operating and maintenance costs of ZEMs and on fuel expenditures, totaling just above \$237,000 in 2028 and increasing to \$9.5 million in 2035. State and local impacts include incremental vehicle costs and operational savings for new ZEMs purchased, increased sales tax revenue, and a reduction in gasoline tax revenue. State gas tax revenue is expected to decrease by \$16,000 in 2028 and by \$608,000 by 2035, which is partially offset by an increase in registration and license fee revenue (expected to increase \$235,000 in 2028 and by \$702,000 in 2035).

Finance generally concurs with the methodology, with the following exceptions. First, the SRIA must disclose the rationale for key assumptions that affect the impact estimates, including: 1) the SRIA assumes that charging infrastructure will accelerate as the private sector continues its rollout of zero-emission vehicles. However, slower adoption of charging infrastructure may hinder consumers' willingness to purchase ZEVs and faster adoption may accelerate the rate at which benefits are realized. The SRIA should include a sensitivity analysis to show how impacts may vary under different infrastructure adoption scenarios or justify the current adoption rate assumptions. 2) The regulation is implementing a voluntary tradeable ZEM credit

program to incentivize manufacturers to begin early compliance with the target ZEM sales. The SRIA must disclose any administrative costs that may be incurred from tracking the generation or trading of ZEM credits or clarify why there is no expected change in administrative costs to implement and track the program.

Additionally, the SRIA must include comprehensive estimates of disparate impacts. Finance acknowledges the SRIA broadly discusses state and local government programs that will be impacted by the reduction in tax revenue. However, the SRIA currently reports statewide costs for state and local government but does not include estimates for any government program(s) that are expected to be disproportionately impacted. Similarly, some state and/or local agencies such as police motorcycle fleets, as mentioned in the SRIA, own a larger share of the government fleet, and are expected to bear a disproportionate share of the government ownership costs. Finally, the SRIA does not discuss the potential disparate impacts of mandating incrementally higher-priced vehicles and the consequent need for electrical charging on lower income individuals or the potential for higher used motorcycle prices as the more expensive cleaner motorcycles cycle into the used motorcycle market and as the stock of cheaper conventional motorcycles is being gradually depleted.

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. 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
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