

## MAJOR REGULATIONS STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

DF-131 (NEW 11/13)

### STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

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<p>1. Statement of the need for the proposed major regulation.</p> <p>The proposed regulations are necessary to align state regulations with Federal Motor Carrier Safety Regulations (FMCSR) contained in Title 49, Code of Federal Regulations, Part 395.8. It requires carriers and drivers to record their Record of Duty Status (RODS) by using an Electronic Logging Device (ELD). Currently, California regulations do not require an ELD as the method for preparing an intrastate RODS and are subsequently not compatible with federal regulations. Therefore, an amendment is needed to create consistency between state and federal regulations. However, because a significant share of intrastate carriers in California do not currently use an ELD system for preparing RODS, the regulatory amendments are likely to impose additional compliance costs on regulated carriers and drivers. The combined direct costs and benefits, the metric for the SRIA threshold, significantly exceed \$50 million per year. Thus, CHP implementation of the ELD rule qualifies as a major regulation, requiring a complete Standardized Regulatory Impact Analysis (SRIA).</p>		
<p>2. The categories of individuals and business enterprises who will be impacted by the proposed major regulation and the amount of the economic impact on each such category.</p> <p>The primary industries that will be affected by the proposed regulations are intrastate commercial vehicle operators and drivers in California, as many will incur new costs for compliance. The SRIA estimates 197,043 of the 366,800 intrastate drivers in California could be impacted by the proposed regulations. Some carriers, whom already operate in an interstate capacity, will likely be compliant due to the FMCSR ELD mandate which occurred in December 2017.</p> <p>The costs to directly regulated carriers and drivers include new ELD technology, training costs, and Hours of Service (HOS) compliance costs. The total direct costs borne by industry is \$441M from 2022-2031. The direct cost incurred on an average small business in the year of greatest impact is estimated to be \$11M. The proposed regulation would result in indirect costs to individuals that will be passed through markets to the consumers of trucking cargo.</p>		
<p>3. Description of all costs and all benefits due to the proposed regulatory change (calculated on an annual basis from estimated date of filing with the Secretary of State through 12 months after the estimated date the proposed major regulation will be fully implemented as estimated by the agency).</p> <p>The annualized direct costs for all affected industries consist of New ELD technology costs, training costs, and HOS compliance costs. The total annual costs for all affected industries are projected to be approximately \$49 million per year throughout the lifetime of the proposed regulation.</p> <p>The proposed regulations are anticipated to generate a benefit in the form of crash avoidance and reduced administrative costs. The total annual benefits for all affected industries are projected to be approximately \$306 million per year throughout the lifetime of the proposed regulation.</p>		
<p>4. Description of the 12-month period in which the agency estimates the economic impact of the proposed major regulation will exceed \$50 million.</p> <p>The currently projected effective date ("filing date") for the proposed regulation is October 1, 2022. The 12-month period following October 1, 2022, is therefore assumed to be the basis for the major regulation determination. The proposed regulation is a major regulation requiring a Standardized Regulatory Impact Assessment (SRIA) because the estimated annual economic impact will exceed \$50 million across the industry, from the aforementioned 12-month period through 2031.</p>		

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### 5. Description of the agency's baseline:

A counterfactual impact evaluation (CIE) assumes that California's current regulations, absent the proposal, are the baseline. This counterfactual scenario assumes that the proposed regulations were not implemented and, instead, the current intrastate commercial vehicle regulations remain as they are. Regulated carriers would not be required to utilize ELDs for preparing RODS. The CIE, absent the regulations, are referred to as the agency's regulatory baseline.

### 6. For each alternative that the agency considered (including those provided by the public or another governmental agency), please describe:

- a. All costs and all benefits of the alternative
- b. The reason for rejecting alternative

Alternative 1: More stringent ELD regulations which is achieved by increasing the financial penalties for noncompliance.

a. Alternative 1 would result in higher annualized costs to affected industries by increasing the deterrent fine for noncompliance. The more stringent alternative would only have positive economic benefits if the deterrent effect were so strong that it compelled adoption.

b. Alternative 1 was rejected. While it may compel greater compliance, it is achieved with a higher cost to California businesses, higher penalties for noncompliance imposed private economic costs without offsetting benefits because of limited deterrence potential.

Alternative 2: Less stringent ELD regulations which is achieved by implementing voluntary ELD adoption.

a. Alternative 2 would result in voluntary compliance which would be half of the proposed regulatory scenario. The less stringent alternative results in half the economic benefits of the proposed regulation and the disadvantage would remain essentially proportional to lack of voluntary compliance.

b. Alternative 2 was rejected. In the less stringent case, realistic compliance assumptions led to lower net benefits, mainly because of lower averted damages and information cost savings.

### 7. A description of the methods by which the agency sought public input. (Please include documentation of that public outreach).

The California Highway Patrol (CHP) has been engaged with stakeholders via safety summits, public outreach events, and educational seminars from the onset of the proposed rulemaking. The CHP conducted three Commercial Vehicle Safety Summits, in 2017, 2019, and 2021 where discussions and classes were conducted for the trucking industry. Additionally, the CHP has fielded numerous questions and comments about the proposed intrastate regulations from interested stakeholders as a result of the federal implementation of interstate ELD requirements.

### 8. A description of the economic impact method and approach (including the underlying assumptions the agency used and the rationale and basis for those assumptions).

The economic impact of the proposed ELD regulation is estimated using the BEAR forecasting model. The BEAR model is a dynamic computable general equilibrium (CGE) model of the California economy. The model explicitly represents demand, supply, and resource allocation across the California economy, estimating economic outcomes over the period 2022-2031. For this SRIA, the BEAR model is aggregated to 60 economic sectors, with detailed representation of the construction sectors most likely affected by the ELD rule. The current version of the BEAR model is calibrated using 2018 IMPLAN data for the California economy (BEAR: 2016b). Both the baseline and policy scenarios use the Department of Finance conforming forecast from June 2021. The conforming forecast provides assumptions on GDP growth projections for the State and population forecasts.

Agency Signature



Date

2/1/2022

Agency Head (Printed)

A. L. RAY, Commissioner