

## 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 Amendments are needed because they provided compliance flexibility to truck and bus fleet operators and enhances long-term compliance with the Regulation to Reduce Emissions From In-Use On-Road Diesel Vehicles, Drayage Trucks, Municipality and Utility Vehicles, Mobile Cargo Handling Equipment, Portage Engines and Equipment, Heavy-Duty Engines and Vehicle Exhaust Emissions Standards and Test Procedures and Commercial Motor Vehicle Idling adopted by the Air Resources Board in 2008. The Regulation reduces PM and NOx emissions, which are needed to comply with the mandated Federal and State Ambient Air Quality Standards for PM and NOx.</p> <p>The Proposed Amendments to the Regulation to Reduce Emissions of Diesel Particulate Matter, Oxides of Nitrogen, and Other Criteria Pollutants From In-Use On-Road Diesel-Fueled Vehicles are intended to ensure the emissions reductions envisioned by the Truck and Bus Rule are achieved by providing time for these fleets to meet compliance requirements. This will be achieved through delaying of some compliance requirements.</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 proposed Amendments to the Regulation would have an impact on for-hire transportation, construction, agriculture, manufacturing, retail and wholesale trade, truck leasing and rental companies, truck dealerships and truck maintenance firms, and bus lines. These are predominantly small businesses, to whom we provide additional flexibility to meet already in place emission reductions.</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>Costs: None of the changes would make the Regulation more stringent; therefore, it would not increase costs to any individual business.</p> <p>Benefits: The proposed Amendments would defer existing compliance requirements for three years for small fleets and lower use vehicles and would provide new options to give owners more flexibility. Estimated annual costs are from deferring truck replacement or PM retrofits by a few years and the changes in the associated annual operating cost.</p> <p>The expected impact of the proposed Amendments would be to reduce the overall cost of the regulation by a little over \$400 million from 2015 to 2025. The economic impacts of the regulation include an increase in GSP of \$830 million in 2016 (highest savings year) and decrease of \$310 million in 2020 (highest expenditure year); additionally, an increase in personal income of \$500 million in 2016 and decrease of \$160 million in 2020. While the number of businesses created or eliminated are not quantified, the changes in the number of jobs will be an increase in 8,900 in 2016 (highest savings year) and a reduction of about 3,600 in 2020 (the highest expenditure year).</p>		

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4. Description of the 12-month period in which the agency estimates the economic impact of the proposed major regulation will exceed \$50 million.

The proposed Amendments will exceed \$50 million in economic impacts through capital cost savings in the year 2015 compared to the existing regulation. Additional flexibility and cost savings are achieved through a relaxing of the filter requirement for some vehicles and a delay of the compliance requirements for small fleets, certain rural fleets operating in counties that have made substantial progress towards cleaner air, and certain lower use fleets.

5. Description of the agency's baseline:

The existing Regulation requires trucks and buses to meet PM filter requirements starting January 1, 2012, and to upgrade to 2010 engines starting January 1, 2015. The baseline includes the requirements for installation of verified diesel emission control strategies on existing engines; by replacing older vehicles with newer vehicles equipped with cleaner engines; or repowering vehicles with newer, cleaner engines. The prices of PM filter retrofits should remain nominally steady through full implementation, but used truck prices will decline over time.

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

1. The first alternative proposed is to exempt all trucks with annual driving miles of less than 65,000.

#### Costs and Benefits:

The compliance costs would be significantly cheaper for the businesses, however the benefits would be reduced dramatically. The cost savings would likely be in the hundreds of millions; this is because they would incur the cost savings, but not have to expend the money in the later years (this would be similar to the cost savings presented in table 4, years 2015 and 2016, and these same businesses not expending in 2017 and onward). This is because the majority of the trucks in the Regulation and the proposed Amendments drive less than 65,000 miles, and would therefore never have to comply. Additionally, the health impacts would be significant; this is because ARB would not meet the standards and emissions would remain at poor levels.

#### Reason for Rejecting:

The average affected truck by the Regulation drives about 40,000 miles per year. This proposed alternative would exclude more than half of the trucks currently regulated. The exclusion would make the proposed alternative unreasonable because the Federal SIP commitments would not be met. Therefore the alternative was rejected.

2. Stakeholders recommend that trucks in the attainment areas be exempted from the PM filter requirements of the regulation as long as they remain in the attainment area, and that they be subject to annual smoke testing so that normal attrition would bring those fleets into compliance. These tests are currently used for fleets with three or more trucks, and this alternative suggests that the requirement be expanded to fleets with less than three trucks, with a no filter requirement. Opacity tests are designed to be simple tests to detect an engine problems but do not reduce emissions of a properly operating engine. This alternative would leave the currently required compliance schedules for the truck and bus fleets as required by the existing Regulation.

#### Costs and Benefits:

This would cost less for each business as the Smoke tests are less expensive than a filter, however, for those trucks that cannot pass, they would still require a filter (after repairs are attempted). These businesses would only have to incur an approximately \$50 test each year, and whatever repairs were required to meet the standards. These costs are difficult to quantify because they vary based upon the level of repair required, if any. These savings would be similar to the ones presented in the first alternative (and the health and emission impacts as well). Smoke tests cannot achieve PM reductions like a PM filter can. PM filters have been proven to reduce exhaust emissions by 99 percent, whereas smoke testing removes none.

#### Reason for Rejecting:

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This alternative was rejected because smoke testing is not sufficient to meet the goals of the Diesel Risk Reduction Plan and does not adequately reduce exposure to diesel PM. Smoke tests cannot achieve PM reductions like a PM filter can. PM filters have been proven to reduce exhaust emissions by 99 percent, whereas smoke testing removes none.

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

Staff conducted a series of statewide workshops and meetings to solicit comments from affected stakeholders regarding the proposed Amendments to the Truck and Bus Regulation. In addition, staff continues to offer comprehensive outreach to assist and educate fleets on actions needed to comply with diesel fleet Regulations, and the financial incentive programs that are available. While the comments were predominantly positive, there were some concerns presented by stakeholders. These concerns are outlined in the Staff Report, and these concerns are being investigated. Some of the concerns were not specific to the proposed Amendments, but instead to the Regulation; the concerns outlined that were relevant to the proposed Amendments were: new and used truck availability and fairness for those companies that already complied. Most comments came from industry representatives.

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).

We use the REMI model to estimate the economic impact of the proposed Amendments. The REMI model is an analytical tool which can be used to model a regional economy. The benefit to this model is that we can see the results year-by-year and analyze the total effects of the regulation on a macro scale. The baseline is compared to the proposed Amendments; the inputs include cost savings in some years (due to delayed compliance) and costs in the years of scheduled compliance requirements. There are minor additions in record-keeping costs that were also included. The assumption used for the baseline is that the businesses would incur the costs this year, and the proposed Amendments delay those costs. No other trends or assumptions were used.

Agency Signature

Date

Agency Head (Printed)