



Emily Wimberger
Chief Economist
California Air Resources Board
1001 I Street
Sacramento, CA 95814

April 10, 2017

Dear Ms. Wimberger:

Thank you for submitting the Standardized Regulatory Impact Assessment (SRIA) and the summary (Form DF-131) for the proposed regulations amending the Portable Engine Airborne Toxic Control Measures (ATCM) and the Portable Equipment Registration Program (PERP), as required in California Code of Regulations, title 1, section 2002(a)(1). As proposed regulations were not submitted with the SRIA, these comments are solely based on the SRIA.

The SRIA describes regulatory amendments that allow fleet owners to delay from 2020 to 2027 the replacement process of fleet units that do not comply with the emission standards levels set by the original ATCM program. It also increases PERP's new registration fee by \$185, and renewal fee by \$165. While the seven-year delay allows stakeholders to decrease the per-year financial replacement costs of replacing non-emission compliant units by \$109 million, and also increases pollutant emissions of particulate matter and nitrogen oxides versus the existing regulations. The SRIA notes that this additional seven years of exposure to pollutant emissions implies a temporary increase of an individual's chances of developing cancer by 2020 in the South Coast Air Basin, but does not quantify any of the health impacts. The aggregate impacts in the SRIA on the state economy therefore only reflect the benefits to industry. On the fiscal side, the increase in PERP's fleet registration fees implies a \$2 million per year revenue increase, but the SRIA does not include any impacts on health spending.

Due to the omission of health costs to individuals of this delay, Finance does not concur with the methodology used to assess the economic impact of the additional seven years of phased-in investment and pollutant exposure. While the analysis identifies increased cancer risk, ARB has quantified estimates of health impacts of pollutant emissions in other analyses, and the SRIA must include similar modeling. For example, given the estimated polluted emissions in the SRIA, health costs would be at least \$20 million annually, and are likely to be much higher. Omitting these costs improperly shows only benefits of the proposed regulations to the state economy.

The discussion of impacts must also include an analysis of whether the higher exposure to these air pollutants generates disproportionate negative health effects across various categories of individuals. In particular, the workers using the portable equipment emitting more pollutants will be affected. Low income communities may also be exposed to higher concentrations of air pollutants which can lead to higher health problems. Across age groups, evidence shows that exposure to pollutant emissions can have higher negative consequences on the health of children and senior adults. These impacts should be discussed to the extent possible.

For fiscal impacts on local and state governments, the analysis needs to be expanded beyond the identification of additional fees paid to the state by adding expenditure changes by state and local government operators of affected equipment, and by adding expenditures on state and local health programs.

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 or fiscal impacts not discussed in the SRIA, please note that the revised 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,

A handwritten signature in blue ink, appearing to read "Irena Asmundson".

Irena Asmundson
Chief Economist
Department of Finance

cc: Ms. Panorea Avdis, Director, Governor's Office on Business and Development
Ms. Debra Cornez, Director, Office of Administrative Law
Mr. Richard Corey, Executive Officer, California Air Resources Board
Ms. Jessica Charrier, Manager, California Air Resources Board