DEPARTMENT OF FINANCE
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William Leung
Office of Economic Policy & Analysis
California Air Resources Board
1001 I Street
Sacramento, CA 95814

September 11, 2020

Dear Mr. Leung:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for the Clean Miles Standard and Incentive Program regulation, as required in 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 regulations require that at least 2 percent of miles traveled by companies that provide passenger services in California are electric in 2023, and at least 60 percent in 2030. In 2018, there were 642,000 vehicles operating for transportation network companies in California, accounting for around 2.5 percent of California registered light-duty vehicles in 2018 and around 1.25 percent of light-duty vehicle emissions. In 2023, compliance costs per average vehicle are estimated at around $8,000 reflecting incremental vehicle cost, charger, electricity, and battery electric vehicle barrier costs. Savings per vehicle on gasoline and maintenance are estimated to exceed compliance costs by $140. The SRIA assumes that low-income drivers are less likely to switch to electric vehicles in 2023, due to the lower electrification target. Furthermore, the SRIA expects that low-income drivers would not be disproportionately impacted given that they would see net savings within the first year. The underlying assumption is that drivers can pay for the upfront costs of almost $5,000, which is about16 percent of the 2023 annual minimum wage. By 2031, compliance costs per vehicle are projected to decrease to around $1,500 while savings remain higher at $2,500, leading to total statewide costs of $341.7 million and total savings estimated at $656.5 million. Health benefits from reduced emissions are estimated to total $194.9 million from 2023 and 2031. Annual benefits were not reported. Local governments' utility tax revenue are projected to rise by $2.4 million in 2031 and gasoline revenue to fall by $2.3 million. In 2031, state governments will incur a staffing cost of $162,000 and a gasoline revenue decline of $14 million while energy resources fee will increase by $91,000.

Finance generally concurs with the methodology used to estimate the impacts of the proposed regulations, with two exceptions. First, the baseline must reflect current laws as well as economic assumptions consistent with the current recession and its aftermaths.

Currently, the baseline does not estimate changes due to AB 5 and assumes that the regulated market will continue to grow at pre-pandemic rates. A delayed growth assumption is discussed as an alternative scenario rather than as part of the baseline. Compliance with AB 5 and lower demand for passenger services due to low economic activity and public health concerns likely mean that the baseline will reflect fewer vehicle and passenger miles traveled, leading to lower aggregate costs and benefits than currently estimated. If data is not available, CARB should formulate assumptions to evaluate the impacts based on the proper baseline. The SRIA may then include a sensitivity analysis to address uncertainties and to assess impacts under scenarios that deviate from the baseline. Second, benefits and costs must be reported separately for each year and without netting for transparency and disclosure of impacts.

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 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

Somjita Mitra
Chief of Economic Research

cc: Mr. Chris Dombrowski, Acting 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