STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

MAJOR REGULATIONS STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

DF-131 (NEW 11/13)

STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

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1. Statement of the need for the proposed major regulation.

The Portable Engine Airborne Toxic Control Measure (ATCM) is a regulation adopted in 2004 that sets emissions requirements for portable equipment to reduce exposure to toxic diesel particulate matter and protect public health. The ATCM works in concert with the Portable Equipment Registration Program (PERP) which allows fleets to voluntarily register portable equipment used across California with the State rather than with each local air district individually. As a technology forcing regulation, the ATCM is intended to force the development of retrofit emissions control technologies and new engine technologies which meet regulatory requirements. These technologies have not materialized as quickly as anticipated, which has dramatically increased costs of the ATCM regulation. The purpose of the PERP and ATCM amendments (together referred to as Portable Regulatory Amendments) is to provide relief from the financially and, in some cases, technologically un-attainable 2017 and 2020 fleet average emission standards set by the current ATCM, while also ensuring public health protection by ensuring the technological goals of the regulation will be met.

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.

Under the Portable Regulatory Amendments, fleets using portable equipment face delays in the compliance dates for the purchase of more expensive and lower emission equipment. In early years of implementation, the fleet owners face lower equipment costs relative to the BAU scenario, but see higher equipment capital costs as fleets increases turnover as the new compliance dates approach. Affected industries include rental companies, construction, and State and local agencies that employ portable engines. Additionally, the manufacturers of portable equipment face changing levels of demand as a result of the delay in the compliance date relative to the BAU.

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).

The Portable Regulatory Amendments do no impose any direct costs on individuals. However, fleets are subject to changes in production costs as a product of higher equipment costs and changes to registration fees ranging from ($338.4M) - $276.4M annually across all affected fleets. There are anticipated to be changes in State and local spending in response to the increased registration costs faced by portable engine owners. These fee changes range from ($0.9M) - $2.5M annually at the State and local level.

Portable engine manufacturers and diesel exhaust fluid wholesalers see annual changes in demand ranging from ($498M) - $289.7M as a result of the Portable Regulatory Amendments.

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 Portable Regulatory Amendments were determined to be a major regulation as preliminary modeling for the amendments result in a greater than $50 million economic impact over a 12-month period after full implementation. While increased production costs for covered fleets exceed $50 million in any one year, spreading out compliance costs and rewarding fleets that were able to make the investments necessary to meet current regulatory requirements provide a direct benefit to affected businesses.

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5. Description of the agency's baseline:

For the baseline scenario, ARB utilized the Regional Economic Model, Inc. (REMI), specific to California, to model the macroeconomic impact of the Proposed Portable Equipment Regulation and ATCM Amendments, which assumes the California economy absent the proposed amendment as the baseline. REMI Policy Insight Plus (PI+) is utilized to provide year-by-year estimates of the total impacts of the proposed amendments, pursuant to the requirements of SB 617 and the California Department of Finance (DOF). ARB uses the REMI PI+ one-region, 160-sector model that has been customized by the DOF to include California-specific data on population, demographics, and employment.

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: No Action
a. This alternative would be costly and technologically difficult to achieve. Alternative 1 would impose no additional costs to the affected businesses beyond what they are currently facing, and would result in no cost savings or delays, relative to the Portable Regulatory Amendments. The scenario would allow the BAU to continue as it was adopted in 2004 given the projected compliance costs as estimated using equipment turnover simulation model (described in Direct Cost section) with current fleet equipment levels.
b. Alternative 1 imposes an unreasonably high cost to fleets subject to the current rule. It is also unclear, from a technology standpoint, if there are enough Tier 4 engines being produced and sold to meet the demand of the affected businesses in order to stay compliant with the current rule.

Alternative 2: Increase the Fleet Compliance Standards While Retaining the Fleet Compliance Dates
a. Alternative 2 would utilize the same tier phase-out dates as the Portable Regulatory Amendments but would use a different set of fleet standards for large fleets opting into the fleet average option. Affected businesses choosing to follow the fleet average option would see average annual direct cost savings of $7.5M with the change in fleet composition.
b. While Alternative 2 would provide a lower cost solution to the current rule, it does not achieve as many emission reductions as the Portable Regulatory Amendments. Therefore, Alternative 2 does not achieve the maximum emissions reductions with the available technology and is thus not preferred over the Portable Regulatory Amendments.

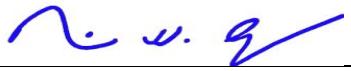
7. A description of the methods by which the agency sought public input. (Please include documentation of that public outreach).

ARB conducted eight public workshops on the Portable Regulatory Amendments. The workshops included affected industry stakeholders, members of the CAPCOA subcommittee, and the public. The workshops were held throughout the state on March 3, March 8, March 10, June 30, September 13, September 15, September 20, and November 10, 2016. Workshops were webcast to encourage participation by stakeholders who could not attend in person. Following each workshop, and throughout the regulatory development process, ARB received input from and worked with stakeholders on a variety of changes in the Portable Regulatory Amendments. Announcements and materials related to the workshops were publically posted on the ARB website and distributed through a list serve to over 14,000 recipients.

At the first series of workshops in March, ARB invited the public to join a workgroup of interested stakeholders that would help shape the amendments. The resulting workgroup consisted of 48 industry representatives and CAPCOA subcommittee members. ARB held five formal workgroup meetings and many smaller meetings at the request of individual workgroup members. The Portable Regulatory Amendments, including alternatives, were directly shaped by stakeholder comments and suggestions.

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 Portable Regulatory Amendments are simulated in REMI by adjusting production costs for covered sectors to reflect the change in purchases of portable equipment, the increase in registration costs (adjusted for increased program costs), and the change in costs due to the maintenance of the portable equipment. Additionally, the impact of increased registration costs on State and local air district budgets is modeled through changes in REMI's State and local spending variables. The years of analysis are 2018 through 2031; these years are used to simulate the Portable Regulatory Amendments through 12 months post full implementation.

Agency Signature	Date
	12/27/2016

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