

Anthony Oliver
Office of Economic and Policy Action
California Air Resources Board
1001 I Street
Sacramento, CA 95814

June 17, 2022

Dear Mr. Oliver:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for Advanced Clean Fleets, as required in the 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 proposed regulation builds upon an existing portfolio of regulations designed to help California meet federal clean air requirements, as well as state emissions targets gradually over time. This proposed regulation is expected to be implemented in 2024 and requires all new medium-and heavy-duty vehicle sales to be zero-emission by 2040, and phases-in new vehicle purchase requirements to be 100 percent zero-emission by 2027 for all state and local public fleets, by 2035 for drayage trucks, and between 2035 to 2042 for federal fleets and private fleets with more than 50 vehicles or \$50 million in annual revenue. Estimated total costs are \$254 million in the first year and average \$3.4 billion annually through 2050, and include incremental vehicle prices, sales and excise tax, infrastructure investment and upgrades. Estimated total savings, which include lower costs of fuel, less costly maintenance, and lower registration fees for zero-emission vehicles (ZEV), is \$76 million in the first year and average \$3.9 billion annually through 2050. The regulations are also expected to reduce emissions, generating health benefits valued at \$11 million in the first year and an average of \$2.3 billion annually through 2050. State and local impacts include incremental vehicle costs and savings for new ZEVs purchased, increased sales tax revenue, and a reduction in gasoline tax revenue and vehicle registration fees.

Finance generally concurs with the methodology used to estimate impacts of the proposed regulations, with the following exception: The SRIA must include comprehensive estimates of disparate impacts, including on identifiable government entities if some state and local government entities own a larger share of the government fleets and are therefore expected to bear a disproportionate share of the

government ownership costs. The SRIA currently reports statewide costs for state and local government but does not discuss fleet costs for disproportionately impacted agencies. Similarly, the SRIA assumes that the purchase requirements of the proposed regulation will complement the sales requirements of the existing Advanced Clean Trucks (ACT) regulation, yet also states that the ACT is expected to result in proportionately fewer zero-emission tractors relative to lighter vehicle classes and that the proposed regulation places higher requirements on heavier vehicle classes, especially tractors. Such differences in timing between the regulations may hinder compliance of fleets that utilize heavier vehicle classes. The SRIA should include a sensitivity analysis to show how impacts may vary if the ACT and the proposed regulations take longer to harmonize, or justify the current assumption that the fleets will be able to purchase the required zero-emission vehicles as produced under the ACT.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment if a SRIA is required. 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
Chief Economist

cc: Ms. Dee Dee Myers, 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