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

September 9, 2020

Dear Mr. Oliver:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for the Proposed Amendments to the Small Off-Road Engine Exhaust and Evaporative Emission Regulations, as required in California Code of Regulations, Title 1, Section 200(a)(1) for major regulations. Proposed text of the regulations was not submitted; hence, comments are based solely on the SRIA and other publicly available information.

The proposed regulation requires manufacturers of small off-road engines, such as lawn mowers, leaf blowers, and chainsaws, to reduce exhaust emissions of new products sold in California by between 40 and 90 percent of 2020 levels starting in 2023, and requires all new products sold to be zero-emission starting in 2028. The proposed regulation helps California meet its federal and state emissions targets by improving air quality, leading to health benefits estimated at $7.8 billion through 2040. Health benefits and emissions reductions are not quantified on an annual basis for all years. Incremental costs to switch to zero emission vary widely between different types of equipment. For home equipment, costs range from being 3 percent or $5 more expensive per unit for trimmers and brush cutters to 150 percent or $1,200 more expensive per unit for generator sets. Professional equipment ranges between being 33 percent or $990 cheaper per unit for snow blowers to 1,461 percent or $18,250 more expensive per unit for pressure washers. On aggregate, California households and businesses are estimated to spend $246 million more in equipment costs in 2023, and $571 million more in 2028. Beside health benefits, zero emission equipment also provides savings to owners through lower maintenance and fuel costs which will total $883 million in 2028. Higher equipment costs will increase state and local sales tax revenue by $21 million and $24 million, respectively, in 2028. However, lower use of gasoline powered equipment will result in reductions in gas tax revenue—by $72 million to state government and by $10 million to local governments in 2028.

Finance generally concurs with the methodology used to estimate impacts of the proposed regulations, with two exceptions. First, the SRIA must be modified to include benefits—such as avoided health costs and emissions reductions—on an annual basis. Second, given that cost increases differ widely by type of equipment, the SRIA should include a cost and benefit breakdown analysis for each of the nine regulated product categories identified by CARB to identify impacts on representative individuals and businesses that use the equipment. The SRIA does so for certain types of businesses, such as for one-person landscaping businesses, which are projected to incur an upfront cost of $1,300 to replace a lawnmower, leaf blower, hedge trimmer, chainsaw and string trimmer with zero emission equipment, and to save $1,800 per year due to reduced maintenance and operational costs. These discussions are helpful and should be extended to cover typical users of all types of equipment. CARB should then discuss any differential impact on individuals and businesses. For instance, the upfront costs of $1,300 to a one-person landscaping businesses are about 1 percent of their average yearly revenue. However, a business that uses a pressure washer will incur an incremental upfront cost of $18,250, which is about 5 percent of the annual revenue for home and dwelling service businesses with less than 20 employees. Therefore, businesses with low operating cash and savings might not be able to purchase the new equipment and might be driven out of business.

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