

Mobile Source Certification and Compliance Fee Workshop

On-Road Engines and Vehicles & Phase II GHG

February 21, 2020

9AM

Agenda

- Recap of California's Mobile Sources Categories and Fee Authorities
- CARB Funding Structure
- CARB Mobile Source Certification and Compliance Program costs
- On-Road and GHG P2 EO Categories Application Costs
- SRIA Update
- Next Steps

Recap

Why a new fee?

- Cost increases have out paced original authorized fee (1988)
- Current fee only covers one third of CARB's current on-road certification and compliance program costs.
- Legislature moving towards certification-related agency funding from certification recipients
- Streamline process

HSC 43019

Current On-Road Vehicle/Engine Certification Fee

- Authorized CARB in 1988 to adopt a schedule of fees for the certification of motor vehicles and engines sold in CA to cover the costs of state programs
- Annual fee cap was \$9,679,312 in 2018 (increases yearly by CPI)
- Current procedures located at 13 CCR 1990-1994

HSC 43019

Updated On-Road Vehicle/Engine Certification Fee

- Authority updated in 2019 (AB 85)
- Authorizes CARB to adopt a schedule of fees for the certification of motor vehicles and engines sold in CA to cover the costs of state programs
- Modified authority (HSC 43019):
 - Fee cap removed
 - Reimburse reasonable CARB costs
 - Consumer Price Index (CPI) annual fee increase
 - Fees to be directed to new mobile source certification and compliance fund

HSC 43202.5 and 43202.6

New On-Road Vehicle/Engine Fees

- Authority provided by AB 2381 in 2018
- Requires CARB to enhance its certification, audit, and compliance activities for new motor vehicles to detect defeat devices or other software used to evade emissions testing
- Provides for recovery of costs to implement
 - Capped at \$5,000,000
 - allowed to adjust annually with CPI

HSC 43019.1

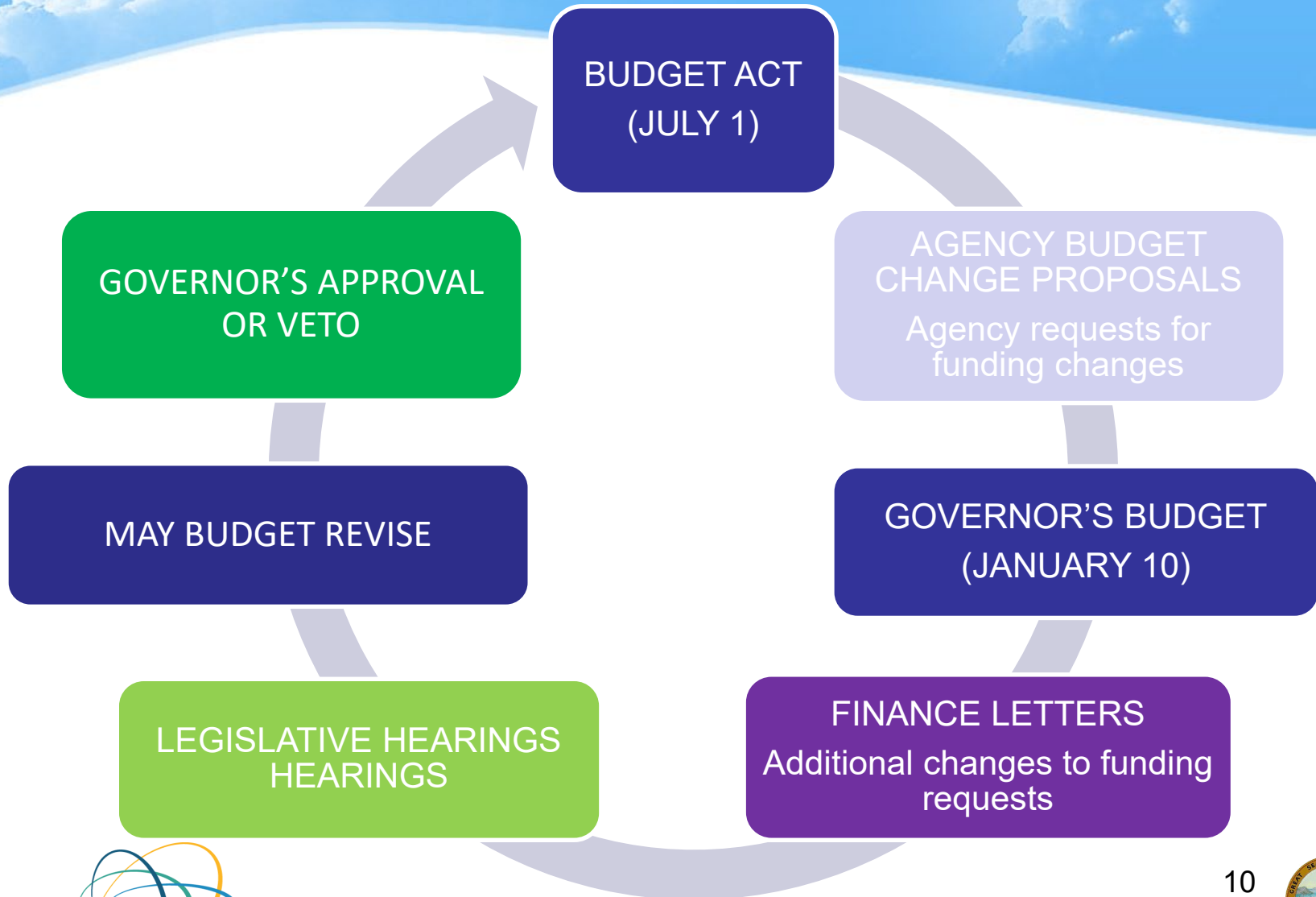
New Off-Road, Aftermarket Parts, Components Fees

- Authority provided by SB 854 in 2018
- CARB may adopt a schedule of fees to cover all or a portion of the state board's reasonable costs associated with the certification, audit, and compliance as authorized pursuant to HSC 38560*, 43013 and 43018, and subdivision (h) of Section 27156 of the Vehicle Code.

*Fee authority applies to both criteria and GHG Executive Orders.

CARB Funding Structure

Budget Cycle



Funding Sources for Mobile Source Certification and Compliance Program

- Manual of State Funds

http://www.dof.ca.gov/budget/Manual_State_Funds/Find_a_Fund/

- Current Funding Sources

- Motor Vehicle Account (MVA; Fund 0044)
- Air Pollution Control Fund (APCF; Fund 0115)
- Vehicle Inspection and Repair Fund (VRIF; Fund 0421)

- Future mobile source fees for the certification and compliance program will be placed in a single fund

- Certification and Compliance Fund
- Can only be used for certification, audit, and compliance

CARB Mobile Source Certification and Compliance Program Costs

Mobile Source (MS) Program Executive Order (EO) Categories

EO Number Series	Topic	EO Number Series	Topic
	On-Road Vehicles and Engines		Off-Road Vehicles and Engines (Cont'd)
A	New Cars, Light/Medium/Heavy-Duty Vehicles	U-U	New Small Off-Road Spark - Ignition Engines/Equipment
M	New Street-Use Motorcycles	U-W	New Spark - Ignition Marine Engines/Watercraft
N	New On-Road Heavy-Duty Exempt Engines		Evaporative Components
P	New Federal AB965 Cars & Light-Duty Trucks	G	Portable Fuel Containers (PFCs) Certified For Use In California
	GHG Phase 2	RM	Evaporative components for Spark-ignited Marine Water Craft
A	P2 GHG Vehicle	Q	Small Off-Road Engines - Evaporative Components
AT	GHG Trailer		Aftermarket Parts
AD	GHG Aerodynamic Components	B	Alternative Fuel Retrofit Certification
	Off-Road Vehicles and Engines	C	Experimental Permits
U-G	Electric Golf Carts	D	Aftermarket Part Exemptions
U-L	New Off-Road Large Spark-Ignition (LSI) Engines/Equipment	K	Aftermarket Critical Emission Control Parts for Highway Motorcycles.
U-M	New Emission Compliant ("Green Sticker") Off-Road Motorcycles, All-Terrain/Utility/Sport Vehicles, Sandcars		Retrofits
U-N	New Emission Non—Compliant ("Red Sticker") Off-Road Motorcycles & All-Terrain Vehicles	DE	Verification of Diesel Emission Control Strategies (On/Off Road, SS, Harbor Craft, TRU, RTG) for In-Use Diesel Engine Regulations
U-R	New Off-Road Compression - Ignition Engines	AB	Alternative Control Technologies (e.g. Bonnets) verification/approval for At-Berth regulation

Types of Activities Used to Determine Costs

- Staff labor, operational cost, and equipment to conduct certification activities and audits
 - Review and approval of applications with the issuance of an Executive Order or authorization letter
 - Testing and confirming product in production or before, includes testing for defeat devices
- Staff labor, operational cost, and equipment to conduct compliance activities
 - Warranty and in-use manufacturer reporting requirement
 - In-use and defeat device testing product after sale to meet durability and emission criteria

Does not include costs for regulatory development, research, or enforcement activities

How did we calculate CARB's costs?

- Labor
 - Labor budget values X percentage of staff time working in program
 - Plus management, administrative and IT overhead
 - 26%
- Operating Costs
- Equipment Costs
 - Annual value = 10 year amortization of cost
- Facility Costs
 - Based on square footage of laboratory space

CARB MS Fee Costs (all categories)

Costs	2018*	2022**
Total	\$38.6 M	\$48.5 M
Direct Labor	\$25.8 M	\$29.1 M
Indirect Labor	\$6.7 M	\$7.6 M
Operational Costs	\$3.5 M	\$5.7 M
Equipment Costs	\$1.7 M	\$5.1 M
Facility Costs	\$0.9 M	\$1.1M
PYs	150	163

* 2018 labor costs based on 18/19 FY mid range labor costs and does not include additional PYs for program growth received in 18/19 FY through 21/22 FY funding cycles.

** 2021-2022 labor costs based on 19/20 mid range labor costs and includes additional PYs for program growth. In addition, the increase in operational and equipment costs for the expanded services provided by the Riverside laboratory.

On-Road and GHG P2 Category Application Costs

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M	New Street-Use Motorcycles	U-W	New Spark - Ignition Marine Engines/Watercraft
N	New On-Road Heavy-Duty Exempt Engines		Evaporative Components
P	New Federal AB965 Cars & Light-Duty Trucks	G	Portable Fuel Containers (PFCs) Certified For Use In California
	GHG Phase 2	RM	Evaporative components for Spark-ignited Marine Water Craft
A	P2 GHG Vehicle	Q	Small Off-Road Engines - Evaporative Components
AT	GHG Trailer		Aftermarket Parts
AD	GHG Aerodynamic Components	B	Alternative Fuel Retrofit Certification
	Off-Road Vehicles and Engines	C	Experimental Permits
U-G	Electric Golf Carts	D	Aftermarket Part Exemptions
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CARB Application Costs by EO Series

EO Series	Application				
	New (100%)	Carry-over (25%)	Partial Carry-over (50%)	Low CA Production MFG	
				Cost (75%)	Production limit
A/P: LD On-Road Vehicles	\$46,509	\$11,627	\$23,254	\$34,882	4,500
A: HD Engines	\$118,970	\$29,743	\$59,485	\$89,228	301
A: HD Evap Vehicle	\$14,555	\$3,639	\$7,278	\$10,916	TBD
M: Motorcycle	\$17,447	\$4,362	\$8,724	\$13,085	300

CARB Application Costs by EO Series

EO Series	Application				
	New (100%)	Carry-over (25%)	Partial Carry-over (50%)	Low CA Production MFG	
				Cost (75%)	Production limit
A: HD GHG Vehicle	\$17,539	\$4,385	TBD	\$13,154	TBD
AT/AD: GHG Trailer and Aero	\$3,936	\$984	TBD	\$2,952	TBD
N: HD Exempt Engines	\$98	-	-	-	-
Fuel Fired Heaters	\$293	-	-	-	-

Additional Considerations to Set Fee Levels

- Modified authority (HSC 43019):
 - Fee cap removed
 - Reimburse reasonable CARB costs
 - Consumer Price Index (CPI) annual fee increase
 - Fees to be directed to new mobile source certification and compliance fund
- CARB may adopt a schedule of fees **to cover all or a portion of the state board's reasonable costs** associated with the certification, audit, and compliance as authorized pursuant to HSC 38560*, 43013 and 43018, and subdivision (h) of Section 27156 of the Vehicle Code.

Standardized Regulatory Impact Assessment (SRIA)

- Regulatory cost analysis
 - Fee schedule
 - Model cost inputs
- Business information (CA Small business)
- Regulatory alternative analysis
- Production/sales for 2018, projected through 2031

Alternatives

- No lower cost alternatives
- By sales which requires reporting
- By program activity requiring multiple fees which requires additional CARB resources/costs
- Other?

California Production/Sales Trends by On-Road and GHG P2 EO Category

EO Number Series	Topic	Source	2018-2031 Trends
	On-Road Vehicles and Engines		
A	New Cars, Light/Medium/Heavy-Duty Vehicles	EMFAC2017	Increase
M	New Street-Use Motorcycles	EMFAC2017	increase
N	New On-Road Heavy-Duty Exempt Engines		static
P	New Federal AB965 Cars & Light-Duty Trucks	Implementation of regulation	static
	GHG Phase 2		
A	P2 GHG Vehicle	Implementation of regulation	Increase
AT	GHG Trailer	Implementation of regulation	increase
AD	GHG Aerodynamic Components	Implementation of regulation	increase

Next Steps

Information Requests

Please provide your feedback by March 14th

- Regulatory cost
 - Fee schedule
 - Model cost inputs
- Business information
 - will handle as confidential if requested. Subject to limitation under the California Public Records Act
- Regulatory alternatives
- Any other information to help CARB understand impacts on manufacturers/businesses

Timeline

- First Workshop (April 30, 2019)
- Second Workshop (November 21, 2019)
- Third Workshop (February 21, 2020)
- Fourth Workshop (Second Quarter, 2020)
- Additional workshops or work groups, if needed
- Board Hearing date (Fall, 2020)

Stay Informed

GovDelivery (List serve)

Sign on, search for name of topic “Mobile Source Certification and Compliance Fee Regulation,” check box, and hit the submit button (at bottom of page)

<https://public.govdelivery.com/accounts/CARB/subscriber/new>

Workshop notices and information

<https://ww2.arb.ca.gov/mobile-source-certification-and-compliance-fee-regulation-meetings-workshops>

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Questions?