

Fiscal Estimate Narratives

DNR 4/28/2008

LRB Number	07-3660/1	Introduction Number	AB-0970	Estimate Type	Original
Description Motor vehicle emissions limitations for greenhouse gases and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

Summary: The bill directs the Department to promulgate rules specifying emissions limitations for motor vehicles that are identical to the California greenhouse gas (GHG) exhaust emissions standards for passenger cars, light-duty trucks, and medium-duty vehicles. The rules would not apply before the EPA grants a waiver for the California standards.

Fiscal Effect: The Department assumes that it would adopt the 2004 California GHG fleet average emission standards, which become effective in California with the 2009 car models. The standards are subject to a federal waiver which is currently being litigated. The California Air Resources Board (CARB) estimated a 22% GHG emission reduction for 2012 models and 30% reduction for 2016 models. CARB estimated that the price increase of vehicles would be ~ \$300 for 2012 models and ~ \$1000 for 2016 models. CARB predicts that with better fuel economy, the fuel savings will far exceed the vehicle price increase. E.g., CARB estimated that for the vehicle purchaser, monthly payment for a new vehicle would increase by \$7 for 2012 models and \$20 for 2016 models, but would be offset by monthly fuel cost savings of \$31 for 2012 models and \$40 for 2016 models (based on \$1.74/gallon of gasoline). The Department assumes that the savings would be significantly higher with current fuel prices (i.e. \$3.60 per gallon).

The cost estimates presented above are based on the differential between the 2004 CARB motor vehicle standards and the "49 state" car standards in effect at that time. However, in December 2007, the President signed a bill increasing the corporate average fuel economy (CAFÉ) standards nationally. Therefore, the Department expects the cost differential between 49 state cars and California cars to be smaller, but the fuel economy savings should be smaller as well. (CARB contends that its regulations are more effective in reducing GHG emissions than the new federal CAFÉ standards, which are aimed at reducing the nation's fuel consumption.)

Additionally, CARB estimates that the California GHG standards yield a better fuel efficiency than the new federal CAFÉ standards - roughly 44 miles/gallon in 2020 for the California vehicle fleet as compared to the new CAFÉ standard of 35 miles/gallon. While there are no reliable estimates for the cost differential between the California standards and the new 49 state cars, the Department assumes that the cost differential would continue to be offset by the fuel economy savings, especially with gasoline prices approaching \$3.60/gallon. The Department assumes that fuel economy savings to state and local government fleet operations may in turn be offset to some extent by lower gas tax revenue resulting from greater fuel economy.

In summary, based largely on CARB's analysis, the Department assumes that adopting the California standards would result in a net savings to state and local governments primarily through greater fuel economy for government owned vehicles; however, the Department cannot reliably calculate the savings at this time and has therefore listed the state and local fiscal effects as "indeterminate."

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Motor vehicle emissions limitations for greenhouse gases and granting rule-making authority			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): None			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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