

DOCKETED

Docket Number:	26-TIRE-01
Project Title:	Tire Efficiency Rulemaking
TN #:	269618
Document Title:	Signed Form 399 Economic_Fiscal Impact Statement
Description:	N/A
Filer:	Spencer Kelley
Organization:	California Energy Commission
Submitter Role:	Commission Staff
Submission Date:	4/24/2026 9:11:16 AM
Docketed Date:	4/24/2026

**ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME California Energy Commission	CONTACT PERSON Kyle Harris	EMAIL ADDRESS kyle.harris@energy.ca.gov	TELEPHONE NUMBER 916-232-8862
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 Replacement Tire Efficiency Program			NOTICE FILE NUMBER Z 26-TIRE-01

A. ESTIMATED PRIVATE SECTOR COST IMPACTS *Include calculations and assumptions in the rulemaking record.*

1. Check the appropriate box(es) below to indicate whether this regulation:

- a. Impacts business and/or employees e. Imposes reporting requirements
 b. Impacts small businesses f. Imposes prescriptive instead of performance
 c. Impacts jobs or occupations g. Impacts individuals
 d. Impacts California competitiveness h. None of the above (Explain below):

*If any box in Items 1 a through g is checked, complete this Economic Impact Statement.**If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.***California Energy Commission**2. The _____ estimates that the economic impact of this regulation (which includes the fiscal impact) is:
(Agency/Department)

- Below \$10 million
 Between \$10 and \$25 million
 Between \$25 and \$50 million
 Over \$50 million *[If the economic impact is over \$50 million, agencies are required to submit a [Standardized Regulatory Impact Assessment](#) as specified in Government Code Section 11346.3(c)]*

3. Enter the total number of businesses impacted: 4,874Describe the types of businesses (Include nonprofits): Tire retailers, car dealerships, tire warehouses, and manufac. admin. offices.Enter the number or percentage of total businesses impacted that are small businesses: 1,7414. Enter the number of businesses that will be created: 0 eliminated: 0Explain: Tire demand is relatively inelastic and the increase in cost will not impact the creation or elimination of businesses.5. Indicate the geographic extent of impacts: Statewide
 Local or regional (List areas): _____6. Enter the number of jobs created: 0 and eliminated: 0Describe the types of jobs or occupations impacted: CEC staff estimate that no jobs will be impacted as the demand for tires is relatively inelastic and tire manufacturing occurs outside of California.7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here? YES NOIf YES, explain briefly: _____

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(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

ECONOMIC IMPACT STATEMENT (CONTINUED)**B. ESTIMATED COSTS** *Include calculations and assumptions in the rulemaking record.*1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ 970 mill. 2028-35a. Initial costs for a small business: \$ 445 Annual ongoing costs: \$ 445 Years: indefiniteb. Initial costs for a typical business: \$ 620 Annual ongoing costs: \$ 620 Years: indefinitec. Initial costs for an individual: \$ 1.50 Annual ongoing costs: \$ 7.00 Years: indefinited. Describe other economic costs that may occur: There are no other costs expected in California.2. If multiple industries are impacted, enter the share of total costs for each industry: Tire retailers 46%, car dealerships 44%, warehouses (big box stores) 10%, tire manufacturing administrative offices (.2%).3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted. \$ 6204. Will this regulation directly impact housing costs? YES NO

If YES, enter the annual dollar cost per housing unit: \$ _____

Number of units: _____

5. Are there comparable Federal regulations? YES NOExplain the need for State regulation given the existence or absence of Federal regulations: Public Resources Code Section 25772 requires that a statewide tire energy efficiency program be implemented to ensure the efficiency of replacement tires in California.

Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ _____

C. ESTIMATED BENEFITS *Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: The proposed regulation is expected to produce net benefits to the health and welfare of California residents, worker safety, and the State's environment by reducing fuel consumption and related CO2 emissions.2. Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?Explain: PRC 25772 requires that the CEC develop a statewide tire energy efficiency program for replacement tires.3. What are the total statewide benefits from this regulation over its lifetime? \$ 7.9 billion 2028-20354. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: Tire demand is relatively inelastic and the increase in cost will not lead to the expansion of businesses currently doing business within California.**D. ALTERNATIVES TO THE REGULATION** *Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: Alternative 1 is the performance standards proposed by CEC staff in a 2023 staff report. Alternative 2 is based on industry recommendations in response to our 2023 report. Alternative 2 has a later implementation date and relaxed performance standards.

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(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

ECONOMIC IMPACT STATEMENT (CONTINUED)

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation: Benefit: \$ 7.9 billion Cost: \$ 970 millionAlternative 1: Benefit: \$ 25.7 billion Cost: \$ 5.5 billionAlternative 2: Benefit: \$ 1.8 billion Cost: \$ 143 million

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives:

The costs and benefits associated with Alternative 1 are calculated across 10 years; the proposed regulation and Alternative 2 is totaled over 8 years.4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? YES NOExplain: The proposed regulations are performance standards for tire efficiency. Developing performance standards was not a consideration for decreasing costs, but rather complying with statute.**E. MAJOR REGULATIONS** *Include calculations and assumptions in the rulemaking record.****California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.***1. Will the estimated costs of this regulation to California business enterprises **exceed \$10 million**? YES NO***If YES, complete E2. and E3
If NO, skip to E4***

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____

Alternative 2: _____

(Attach additional pages for other alternatives)

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 1: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 2: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding \$50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented?

 YES NO*If YES, agencies are required to submit a Standardized Regulatory Impact Assessment (SRIA) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.*

5. Briefly describe the following:

The increase or decrease of investment in the State: Increased investment in the State is unlikely because the majority of research and development for the tire industry and tire manufacturing are located outside of California.The incentive for innovation in products, materials or processes: California's high vehicle registration count is an incentive for tire manufacturers to maintain competition outside the state. EV vehicles have contributed to low-noise tire innovations.The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: Net fuel cost benefits of efficient tires will increase household discretionary spending; reduced emissions will yield social benefits of abated CO2 emissions.

**ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT *Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

a. Funding provided in _____

Budget Act of _____ or Chapter _____, Statutes of _____

b. Funding will be requested in the Governor's Budget Act of _____

Fiscal Year: _____

2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

Check reason(s) this regulation is not reimbursable and provide the appropriate information:

a. Implements the Federal mandate contained in _____

b. Implements the court mandate set forth by the _____ Court.

Case of: _____ vs. _____

c. Implements a mandate of the people of this State expressed in their approval of Proposition No. _____

Date of Election: _____

d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: _____

e. Will be fully financed from the fees, revenue, etc. from: _____

Authorized by Section: _____ of the _____ Code;

f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

3. Annual Savings. (approximate)

§ 3.4 million in net savings over 3 FY

4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

5. No fiscal impact exists. This regulation does not affect any local entity or program.

6. Other. Explain _____

**ECONOMIC AND FISCAL IMPACT STATEMENT
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STD. 399 (Rev. 10/2019)

FISCAL IMPACT STATEMENT (CONTINUED)**B. FISCAL EFFECT ON STATE GOVERNMENT** *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.* 1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

It is anticipated that State agencies will: a. Absorb these additional costs within their existing budgets and resources. b. Increase the currently authorized budget level for the _____ Fiscal Year 2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

 3. No fiscal impact exists. This regulation does not affect any State agency or program. 4. Other. Explain The proposed regulation will create \$968,500 in absorbable costs (e.g., monitoring and enforcement) over 3 FY for the CEC.
Spending on tires will increase for the State, but \$216,000 in net savings will arise due to fuel cost savings over 3 FY.**C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS** *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.* 1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

 2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

 3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program. 4. Other. Explain _____

FISCAL OFFICER SIGNATURE



DATE

January 15, 2026

The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.

AGENCY SECRETARY



DATE

February 24, 2026

Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD. 399.

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER



DATE