

V.

IMPACTS ASSESSMENT

This chapter discusses the potential environmental, economic, and consumer impacts of the proposed Hairspray Credit Program. A section on environmental impacts addresses the potential impacts of credit generation and use and the proposed program's potential impact on the State Implementation Plan for Ozone. A section on economic and consumer impacts addresses the proposed program's potential impact on businesses, consumers, employment, business creation, elimination, and expansion; interstate business competitiveness, and costs, or savings, to any State or local district and school district.

A. ENVIRONMENTAL IMPACTS AND SIP ANALYSIS

Summary

The primary environmental benefit of the proposed program will be a decrease in volatile organic compound emissions from the hairsprays used to generate credits. While the overall environmental impact of the proposed program will be determined by the balance between credit generation and credit use, staff anticipates an overall environmental benefit because more credits are likely to be generated than will be used. Staff has determined that the proposed regulation will have no impact on stratospheric ozone depletion and a negligible impact on global warming.

The use of credits to delay compliance with upcoming standards for other consumer products will, in effect, shift the time the volatile organic hydrocarbon emissions occur and the type of product producing the emissions. Staff have determined that potential impacts of such shifts are minimal for several reasons. First, the likely amount of credits that could potentially be generated represents a relatively small amount of VOC emissions, even if the credits accumulate over time. Second, the market for credits is likely to be spread out over a number of years due to the different effective dates for the upcoming consumer product standards, from January 1, 1999 to January 1, 2005. Thus, it is unlikely that all the credits generated under the proposed program will be used in any one time period. Also, the potential market for credits is spread out over greater than 50 different product categories of diverse types with widespread use throughout California. Thus, significant regional shifts in emissions due to credit use is unlikely. Further, safeguards have been included in the proposed regulation to ensure that emission shifts due to credit use will not result in the emissions of more toxic air contaminants than would otherwise occur, and that such shifts will

not compromise the commitments made in the State Implementation Plan for Ozone.

1. Impacts of Credit Generation

The proposed program will encourage hairspray businesses to produce lower VOC hairsprays before the effective date of the 55 percent VOC standard (June 1, 1999) and will also encourage further VOC reductions below the 55 percent standard up to January 1, 2005.

Generally, staff expects that, to lower the VOC content of hairsprays, manufacturers will pursue one or a combination of several basic reformulation strategies. One strategy is to decrease the VOC content of the hairspray solvent, typically by substituting water for ethanol. This would be the primary strategy for pump products. For aerosol products, the basic strategy requires the use of a more polar propellant: one option, especially for lower-cost, “value brand” products, uses dimethyl ether (DME, also a VOC) to replace less polar hydrocarbon propellants. Although DME is a VOC, it allows for a higher amount of water to be used in a formulation, contributing to a decrease in the overall VOC content of the aerosol product. Another strategy available for aerosol products is to reduce the VOC content of the propellant. One likely option under this strategy, especially for higher-cost, “premium” products, is to substitute hydrofluorocarbon-152a (HFC-152a, which is not a VOC) for all or part of the butane, propane, or other VOCs used as propellants (ARB, 1997a).

In the early phase of the proposed program, when credits are being generated but not used, there will be a decrease in VOC emissions to the atmosphere from hairsprays, resulting in an initial environmental benefit. Subsequently, some credits will be used to offset VOC emissions from hairsprays or other consumer products, while new credits may continue to be generated. The environmental benefits in those years will be determined by the balance between credit generation and credit use. Credits which are held by businesses and never used will produce an environmental benefit.

Staff anticipates that the proposed program will result in an overall environmental benefit because more credits are likely to be generated than will be used. Many businesses using credits will intentionally acquire more credits than they think they will use in order to provide a buffer against incurring penalties. For example, a business using credits to delay compliance with a consumer product standard would probably maintain excess credits in their account in case actual sales of the non-compliant product exceed original expectations. Staff also expects that some companies that generate credits may simply hold on to some of them until the credits expire due to market forces or other factors. For example, a business may not be able to sell all the credits they generate due to the limited market for credits. Also, some businesses may wish to voluntarily retire credits to benefit the environment.

The primary environmental benefit of the proposed program will be improved air quality due to a decrease in VOC emissions. Volatile organic compounds are precursors to the formation of tropospheric, or ground-level, ozone. The magnitude of the VOC reductions

expected from the proposed regulation is difficult to estimate accurately, because it is not known how many businesses will participate in the voluntary program and to what extent their level of participation will be. However, using information, described below, obtained during the development of the recent amendment to the hairspray standard, staff believes that businesses representing up to thirty percent of the hairspray market may potentially participate in the proposed program as generators of credits. Based on this projection of participation, staff presents here a very rough, "ballpark" estimate of possible VOC reductions in the first year and a half of the proposed program.

Staff used information supplied by hairspray businesses (through an ARB phone survey conducted late 1995-early 1996 and through time lines submitted by some manufacturers in 1996) to roughly estimate the dates by which different hairspray businesses might be able to come into compliance with a 55 percent VOC standard (ARB, 1997a). Rough estimates of market shares were made using sales data obtained by ARB staff from a market survey firm in 1996, data supplied by businesses in the 1990 ARB consumer products survey, and published market share data (ibid.). Staff estimated that businesses representing about eight percent of the hairspray market could comply by January, 1998 (when credits can begin to be generated) and those representing about 25 to 30 percent of the market could comply by January, 1999 (six months before the 55 percent standard takes effect).

If all the eligible businesses chose to generate credits for early compliance, businesses representing about eight percent of the market could generate credits during the first year of the program and businesses representing up to about 30 percent of the market could generate credits during the next six months of the program. The 55 percent standard is estimated to reduce statewide emissions of VOCs from hairsprays by about 14 tons per day. Seen in terms of credits, eight percent of the market represents about 1.1 tons per day in emission reductions; this would amount to about 410 tons of credits during the first year of the program. Those businesses complying by January, 1998, plus the businesses reformulating later (up to an additional 22 percent of the market) over the next six months could generate 4.2 tons per day of emission reductions, or 770 tons of credits. Thus, if all eligible companies opted to participate in the program, in the first year and a half of the program about 1,200 tons of emission reductions could potentially be generated.

Emission reductions generated in subsequent years (after 6/1/99), when credits would be issued only to those businesses which over-complied with the 55 percent VOC standard are also difficult to estimate. To provide an idea of what is possible, if a leading business with 20 percent of the market share chose to reformulate all of its products to 50 percent VOC, staff estimates that the business could reduce VOC emissions by about 0.6 tons per day and thus generate about 200 tons of credits during a year.

Stratospheric Ozone Depletion

Staff has determined that the proposed regulation will have no impact on stratospheric

ozone depletion. The existing consumer products regulation prohibits new uses of ozone-depleting compounds and also prohibits increasing the content of ozone depleting compounds in reformulated products. The main compounds of concern in stratospheric ozone depletion are stable halocarbons such as chlorofluorocarbons and 1,1,1-trichloroethane. Those compounds have not been used in hairsprays since the early 1980s and are banned in most products. No potential reformulation strategy reviewed by staff uses ozone-depleting compounds (ARB, 1997a,b).

Global Warming

Staff has determined that the impact of this regulation on global warming is negligible. Carbon dioxide, a major greenhouse gas of concern, may be used in limited quantities by some manufacturers as a component in a propellant mixture used to reformulate aerosol hairsprays. However, most hairspray businesses have indicated that they are considering other options for reducing the VOC content of their products (ARB, 1997a). Further, most carbon dioxide used as a propellant is a recycled by-product of existing processes; thus its use in hairsprays would not increase carbon dioxide emissions above current levels.

However, as a result of this regulation, the use of HFC-152a as a propellant is likely to increase earlier than it otherwise would under the 55 percent VOC standard. The global warming potential of HFC-152a is 50 times greater than hydrocarbon propellants and 150 times greater than carbon dioxide (ARB, 1997b). To provide an idea of possible increases of HFC-152a emissions, staff assumes that all aerosol hairsprays (60 percent of the hairspray market) used to generate HERCs replace their propellants with HFC-152a at a 40 percent level (the maximum HFC-152a level listed in published formularies used to represent the likely formulation approaches for meeting the 55 percent standard; ARB, 1997a). Using the estimates of potential credit generation for the first year and a half of the program developed above, staff estimates potential HFC-152a emissions to be about 0.9 tons per day for the first year and up to 3.3 tons per day for the next six months. The 3.3 tons per day is roughly equivalent to 500 tons per day of carbon dioxide in global warming potential. This is an overestimate because HFC-152a is expensive relative to hydrocarbons, so many businesses will choose to use a combination of HFC-152a and hydrocarbons to lessen HFC-152a use, and many other businesses will pursue reformulation options that do not use any HFC-152a. Also, it is likely that not all eligible businesses will participate in the program. This relatively small increase in HFC-152a emissions would have a negligible impact on global warming. By comparison, although it has a smaller global warming potential, nearly 100 million tons per day of carbon dioxide is emitted into the atmosphere from existing processes (ARB, 1997b).

2. Impacts of Credit Use

As discussed earlier, the credits have a number of potential uses. The main use of credits will likely be to delay compliance with upcoming emission limitations on other

consumer products. Consumer product regulations currently are in place for a wide variety of products with compliance dates ranging from January 1, 1999 to January 1, 2005 (ARB, 1997b). Some examples (with the effective date of the upcoming standard in parentheses) are some antiperspirants and deodorants (1/1/99), aerosol coatings (30 product categories; 12/31/99), non-aerosol degreasers (1/1/00), non-aerosol rubber and vinyl protectant (1/1/00), non-selective terrestrial herbicide (1/1/02), floor wax stripper (1/1/02), heavy duty hand cleaner (1/1/05), and multipurpose lubricant (1/1/05). The credits may also be used as a contingency to reconcile shortfalls in an Alternative Control Plan for various consumer products. Additionally, the credits may be used to delay the compliance date for other hairsprays. For example, a manufacturer may receive credits for reformulating an aerosol hairspray and use those credits to delay the compliance date for a pump hairspray. The credits may also be used to mitigate excess emissions that result from the granting of a variance to a hairspray product (after 6/1/99). As discussed above, staff anticipates that more credits will be generated than ultimately will be used.

Temporal Shifts of Emissions Between Credit Generation and Use

Because the credits can only be used after they are generated, there is a time shift between the emission reductions that occur during credit generation and the emissions increases that occur during credit use. Moreover, since credits generally can be used up to five years after they are generated (or several years longer for those businesses that enter the program in its first years; the time period for credit use in all cases ends in 2010), it is possible that multiple years of emission credits can be accumulated and then be used at one time. The impact of credit use would be greatest if the credits are accumulated over time and used all at once during periods when no credits are being generated (i.e., there are emissions increases with no simultaneous emission decreases).

Staff anticipates that the impact of such temporal shifts in emissions will be minimal due to two major factors. First, the likely amount of credits that could potentially be generated represent a relatively small amount of VOC emissions, even if they accumulate over time. For example, based on the rough estimates developed above, it is possible that about 1,200 tons of credits may be generated in the first year and a half of the program. If those credits were used in 2003, 1,200 tons represents approximately 1.8 percent of the total annual consumer product emissions for that year (estimated from 1990 emissions and expected emission reductions due to the implementation of the consumer product regulations; ARB, 1997b). Similarly, businesses that generate credits by over complying with the 55 percent VOC regulation are likely to generate only proportionately small amounts of credits. In the example presented above, a leading hairspray company with 20 percent of the market share reformulating to 50 percent VOC could generate about 200 tons of credits in a year, or 1,000 tons if the credits are allowed to accumulate for five years, a small portion of the total consumer product emissions.

Second, the market for credits is likely to be spread out over a number of years due to

the different effective dates for the upcoming consumer product standards, from January 1, 1999 to January 1, 2005. Thus, it is unlikely that all the credits generated under the proposed program will be used in any one time period. Moreover, the market for credits is limited in magnitude during years in which accumulated credits might be used. Staff estimates indicate that if credits were used to delay compliance for all consumer product regulations that take effect in 2000 (an unlikely possibility), the credits would displace less than about two percent of the total consumer product emissions for that year. Similarly, the potential credit market for delaying compliance with consumer product regulations represents less than five percent and less than six percent of total consumer product emissions for 2002 and 2005, respectively.

Spatial Shifts in Emissions Between Credit Generation and Use

If there is a substantial regional difference between the use of hairsprays which generate credits and consumer products for which credits are being used, it is possible that VOC emissions may be shifted regionally. Staff anticipate that a significant spatial shift in VOC emissions due to credit use is highly unlikely. Consumer products are area sources which, as individual units, make insignificant local impacts on air quality, but collectively make a significant regional impact due to their large volume of use, roughly in proportion to a region's population. While individual products will have different use patterns than hairspray (for example, the same people may not use both hairspray and heavy-duty hand cleaner), staff expects that overall regional use of various consumer products largely follows population levels. Moreover, the potential market for credits is spread out over greater than 50 different product categories of diverse types that have widespread use throughout California. The potential credit market for even the largest individual product category comprises less than two percent of the total consumer product emissions in a given year, making significant spatial shifts in emissions very unlikely.

Shifts in Emissions of Toxic Air Contaminants

Although hairsprays do not contain Toxic Air Contaminants (TACs), it is possible that credits could be used to delay compliance with upcoming consumer product regulations for some products which do contain TACs. Some VOCs commonly used as solvents in consumer products, such as xylene and toluene, have been identified as TACs. By virtue of the fact that they are VOCs, levels of such TACs are expected to be reduced when manufacturers reformulate products to comply with upcoming VOC limits imposed by the consumer product regulations (ARB, 1997b). Of concern is the possibility that, if credits are used to delay compliance for products which use such TACs, the VOC reductions used to generate the credits (non-TACs) will effectively be replaced by increases in TAC emissions. This concern is related to "environmental justice" concerns; it is important to ensure that the use of credits does not unfairly shift the impacts of air pollution to some groups of people. In this case, the concern is the possibility that people who use certain consumer products may be exposed to more toxic air contaminants as a result of the hairspray credit program. While staff anticipates that the magnitude of such possible shifts would be small, a safeguard has been

included in the proposed regulation to prevent their occurrence. This safeguard requires the Executive Officer to deny the use of credits if it is determined that their use would result in more TAC emissions than would otherwise occur. Emissions of TACs which have been specifically exempted from the VOC definition (i.e., methylene chloride and perchloroethylene) are not expected to be affected by the proposed

program. (Please note that TACs include all compounds listed as federal hazardous air pollutants (HAPs). Any revision to the HAPs list will be reflected in the TAC list as per Health and Safety Code section 39657(b).)

3. Impacts on the State Implementation Plan for Ozone

The State Implementation Plan for Ozone (SIP) commits to an overall 85 percent reduction in consumer product emissions of VOCs from 1990 levels by 2010. (See Chapter II, section 1.b., for a brief description of the consumer products element of the SIP.) The proposed program contains several features designed to preserve those commitments. One feature requires that all credits generated under the program expire on or before 2010, ensuring that all planned VOC reductions occur by that date. Several safeguards are also included to ensure that credit use does not interfere with SIP commitments. The Executive Officer will conduct an annual analysis of the Hairspray Credit Program and report triennially to the U.S. EPA as part of ARB's milestone compliance demonstration for the SIP. If the Executive Officer finds any shortfalls in the amount of emission reductions committed to in the SIP due to the Hairspray Credit Program, (s)he can take specific actions. The Executive Officer can deny applications for credit use until the shortfall is reconciled, and can propose amending the program to further restrict the use of credits or to set aside a portion of credits to compensate for shortfalls.

B. ECONOMIC IMPACTS ANALYSIS

1. Summary of Economic Impacts

Overall, staff expects that most hairspray manufacturers would benefit from the proposed hairspray program. The program provides hairspray manufacturers with an alternative compliance option in which they can choose to participate. No business, thus, is expected to participate unless it finds that its participation would have positive impacts. Staff anticipates that the greater flexibility afforded by the program would result in innovation and cost savings. As a result, staff expects that the program would bring about an overall reduction in costs of compliance to businesses affected by the existing consumer products regulations. The extent of this reduction, of course, depends upon the level of participation by affected businesses in the program.

Staff also anticipates that the proposed program would have overall positive impacts on California employment, business competitiveness, and business status. Since the program is designed to award innovation, hairspray manufacturers which choose to participate are expected to experience lower compliance costs. The cost savings, whether they are kept by affected businesses or passed on to consumers in the form of lower prices, would result in an improvement in California business competitiveness and an expansion of output and employment in the affected industries and other industries. However, staff recognizes that some small

businesses may not be able to take advantage of the flexibility afforded by the program as effectively as large businesses, resulting in a potential deterioration of their relative competitive position in the market place.

2. Legal Requirements Applicable to the Economic Impacts Analysis

Section 11346.3 of the Government Code requires State agencies to assess the potential for adverse economic and cost impacts of proposed regulations on California business enterprises and individuals when proposing to adopt or amend any administrative requirement. The assessment shall include a consideration of the impact of the proposed regulation on California jobs, business expansion, elimination or creation, and the ability of California businesses to compete with businesses in other states.

Also, State agencies are required to estimate the cost or savings to any State or local agency and school district in accordance with instructions adopted by the Department of Finance. The estimate shall include nondiscretionary costs or savings to local agencies and the cost or savings in federal funding to the State.

3. Findings

The following discussion provides the basis for staff's findings. The discussion is separated into the identification or analysis of (1) the potential impacts of the proposed program on businesses, (2) the potential impacts on consumers, (3) the potential impacts on employment, (4) the potential impacts on business creation, elimination, and expansion, (5) the potential impacts on interstate business competitiveness, and (6) the cost or savings to any State or local agency and school district.

a. Potential Impact On Business

Affected Businesses

Any business involved in manufacturing or marketing of hairspray products can potentially be affected by the proposed program. Also, affected are businesses that are subject to the requirements of the existing ARB consumer products regulations. Overall, there are three types of businesses that can be affected: (1) businesses that directly participate in the proposed program, (2) non-participating businesses that compete in the market with businesses participating in the proposed program, and (3) businesses that supply raw materials or equipment to businesses that directly participate in the proposed program. However, the focus of this analysis will be on those businesses which are directly affected by the proposed program.

Businesses that may directly participate in the proposed program include (1) manufacturers or marketers of products subject to applicable VOC standards effective

January 1, 1999, or after, (2) hairspray manufacturers or marketers required to mitigate excess emissions from hairspray products manufactured under a variance from the applicable VOC standard, and (3) businesses operating under Alternative Control Plans approved by the Executive Officer that have excess emissions ("a shortfall") at the end of a compliance period. Staff estimates that roughly 800 to 1000 consumer product manufacturers or marketers in the United States, approximately 200 of which are located in California, may be directly affected by the proposed program. Of these consumer products manufacturers or marketers, seventy-eight manufacture or market hairspray products. These businesses produce and market a wide selection of hairspray products including 266 aerosol and 362 pump products. Thirty-three of these businesses, which are primarily medium-sized or small-sized businesses, are located in California (ARB, 1997a). These California businesses control about 17 percent of the California market for hairspray products.

Overall Impacts

The proposed program is most likely to have beneficial impacts on most affected businesses. The program neither imposes nor eliminates any requirements for businesses affected by the 55 percent VOC standard for hairspray products. Rather, it provides an alternative compliance option in which businesses can choose to participate. Hairspray manufacturers which are able to over comply with the 55 percent VOC standard or meet the standard earlier than the required compliance deadline can apply and receive Hairspray Emission Reduction Credits (HERCs). These credits could then be used to delay compliance with VOC standards for existing consumer products or be transferred to other parties. The incentives provided by the program tend to encourage businesses to reduce emissions and to develop innovative solutions to the emission reduction requirements.

The program would also provide flexibility to other businesses that are subject to the requirements of the existing ARB consumer products regulations. These businesses would have the option to use HERCs to delay compliance with upcoming standards. Businesses are unlikely to take advantage of this option unless they expect positive impacts. In fact, the program has been developed in response to the industry's request for greater compliance flexibility. Such flexibility tends to reduce the regulatory burden on businesses.

Potential Impact on Small Business

Although most consumer products manufacturers would benefit from the proposed Hairspray Credit Program, it is possible that some small businesses would be adversely affected by the proposed program. This is because the program is designed to reward businesses which exceed the compliance requirements. Because of their greater financial resources and product diversity, large businesses with multiple products may benefit more from the proposed program than would small, or one-product, businesses. One possible scenario is that a large business participating in the proposed program may have several candidate hairspray products which can be reformulated to generate surplus emission

reductions for credits and this business is likely to have other consumer products for which it may use the credits as an alternative method for complying with applicable VOC standards. This increased flexibility available to the large business may allow it to lower its compliance costs to a greater degree than competing small businesses. If the large business is then able to pass some of the compliance cost savings to consumers in the form of lower prices, the small businesses would face increased competition from the resulting price differential.

A second conceivable scenario is that a business with multiple products would enter the proposed program for the specific purpose of maintaining or expanding its market share of a particular product. The business would use the credits as an alternative method for a product to comply with an applicable VOC standard. The business then may retain, or expand, its market share of the product by promoting the product as one that retains desirable performance characteristics of "the familiar, reliable product" while complying with "clean air standards." In either of these scenarios, the small business, if it is unable to match the price cuts introduced by the large business or keep a familiar product in its product lines, could be faced with a loss of market share and reduced profitability. In some extreme cases, some marginal businesses could even be forced out of business.

The available public information (ARB, 1994), however, indicates that the above scenarios are not likely to occur. This is because consumer products markets are very fragmented. In almost every product category, there are a few dominant firms which control a significant portion of the market. But the rest of the market is controlled by a large number of small- and medium-sized firms. Of seventy-eight manufacturers and fillers of hairspray products in the United States, for example, seven manufacturers control 79 percent of the market. The rest of the market is controlled by the other 71 manufacturers and fillers (ARB, 1997). These small- and medium-sized manufacturers have been able to compete in the market because they fill a special niche in the market and rely on factors such as brand loyalty and environmental friendliness. Factors not based on price would allow firms to create a captive market where consumers prefer their particular brand over competing brands. Consumers in these captive markets are willing to pay premium prices for these products. For these reasons, staff believes the potential cost differential between one- and multiple-product firms, which might result from the proposed program, would not necessarily cause extreme hardship on small or one-product firms. In cases where small businesses are adversely affected by the applicable requirements of the proposed program, the small businesses may apply for a variance.

b. Potential Impact on Consumers

The potential impact of the proposed program on consumers depends partly on whether the affected firms pass the cost savings to consumers. In the short term, the proposed program is unlikely to cause a major change in prices of affected consumer products. Over the long term, however, staff anticipates that the proposed program would lower the

compliance costs for businesses because of increased flexibility and induced innovations. Therefore, staff believes that the proposed program will benefit consumers in the long run because competitive forces would compel businesses to pass on at least part of their cost savings to consumers, either through improved products or lower prices.

c. Potential Impact On Employment

The proposed program is not expected to cause a noticeable change in California employment. According to the California Employment Development Department, California employment in the consumer products industry was 35,300 in 1993, representing less than two percent of total manufacturing jobs in California. However, the proposed program would only affect a fraction of these jobs because only a portion of products manufactured by the consumer products industry is subject to the requirements of the ARB consumer products regulations.

In the long run, staff expects that the proposed program would provide cost savings to the consumer products industry. The cost savings, whether they are kept by affected businesses or passed on to consumers in the form of lower prices, would eventually result in creation of new jobs in the affected industry or other industries. Additional jobs may also be created in the industry that would handle the trading of credits.

d. Potential Impact On Business Creation, Elimination, and Expansion

The proposed program is expected to have no significant impact on business creation, elimination, and expansion. Since the proposed program allows businesses greater flexibility to meet the VOC standards for their products, it is most likely to induce cost savings, thereby improving their profit margins. The increase in profit margins tends to induce existing businesses to expand or new businesses to enter. The proposed program may also result in the creation of new businesses to handle the trading of HERCs.

The proposed program may, however, potentially increase the level of competition for some products, resulting in the possible elimination of some businesses. This may happen if some large firms decide to expand the market share for their products which meet the VOC standards in order to sell their products which do not meet the standards. In this case, marginal businesses may find it difficult to compete with the larger businesses. Although the sum total of products produced for California will stay the same, the products may be manufactured by fewer businesses.

e. Potential Impact On California Business Competitiveness

The proposed program would have a minimal impact, if any, on the ability of California businesses to compete with businesses in other states. Since participation in the

program is voluntary, a California business would only choose to participate if it expected a positive impact. In addition, the proposed program would not provide an advantage or disadvantage for California businesses over businesses in other states because it affects all consumer products sold in California, regardless of where they are manufactured.

Nonetheless, the proposed program may have an adverse impact on the competitive position of some small, marginal businesses in California in cases where the small businesses do not have the product diversity or resources which are comparable to their larger competitors. In such cases, as stated above, the impact can be mitigated under the variance provision of the consumer products regulations.

f. Analysis of Potential Impacts to California State or Local Agencies

Staff has not identified any State or local agency in California that is likely to be affected by the proposed program. There is only one State agency, the California Prison Industry Authority (PIA) which manufactures products, general purpose degreasers, subject to the Phase III standards (ARB, 1997b). However, discussions with PIA staff indicate that these products already comply with the applicable standard. Therefore, the PIA will have no need to use credits as an alternative method to complying with the applicable standard. Based on these facts, staff determined that the proposed program will not create costs or savings, as defined in Government Code section 11346.5(a)(6), to any State agency or in federal funding to the State, costs or mandate any local agency or school district whether or not reimbursable by the State pursuant to Part 7 (commencing with section 17500), Division 4, Title 2 of the Government Code, or other nondiscretionary savings to local agencies.

4. Overall Conclusions

Overall, most affected businesses will benefit from the proposed program. The proposed program imposes no additional costs to businesses to comply with applicable VOC standards. Rather, it provides businesses with greater flexibility to meet applicable standards, thereby inducing innovations and cost savings. The proposed program may put some small, or one-product, businesses at a competitive disadvantage relative to large businesses. However, staff believes, for reasons stated, the potential cost differential which might result from the proposed program would not necessarily cause extreme hardship on small businesses. Since the proposed program is expected to result in cost savings, staff anticipates an overall, positive impact on California employment, business creation, elimination or expansion, and business competitiveness in California.

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