

John R. Lawson Rock & Oil, Inc. v. State Air Resources Bd.

Court of Appeal of California, Fifth Appellate District

January 31, 2018, Opinion Filed

F074003

Reporter

20 Cal. App. 5th 77 *; 2018 Cal. App. LEXIS 85 **; 2018 WL 636063

JOHN R. LAWSON ROCK & OIL, INC., et al.,
Plaintiffs and Respondents, v. STATE AIR
RESOURCES BOARD et al., Defendants and
Appellants.

Prior History: [**1] APPEAL from a judgment of
the Superior Court of Fresno County, No.
14CECG01494, Mark Wood Snauffer, Judge.

Core Terms

regulations, fleets, modifications, truck, staff,
emissions, impacts, requirements, changes,
businesses, baseline, amendments, particulate
matter, advisory, initial statement, reductions,
agency's, complied, proposing amendment, fair
argument, comments, issues, Save, air quality, trial
court, costs, environmental impact, Guidelines,
measured, modified

Case Summary

Overview

HOLDINGS: [1]-The State Air Resources Board's
issuance of a public regulatory advisory concerning
its plans to modify current regulations constituted
the approval of a project under CEQA, and because
the required environmental review was incomplete
at the time of the CEQA project approval, the
Board violated CEQA's timing requirement; [2]-
The Board abused its discretion in issuing the
functional equivalent of a negative declaration
because it ignored a fair argument that the project
would impact the environment in the short term,
and it could not rotely apply standards of

significance that did not address that potential
effect once evidence of the risk had been identified;
[3]-In failing to properly respond to the comments
regarding intra-state competition issues, the Board
failed to abide by its obligations under California's
Administrative Procedures Act in either form or
substance.

Outcome

Judgment affirmed.

LexisNexis® Headnotes

Business & Corporate Compliance > ... > Air
Quality > Environmental Law > Air Quality

Environmental Law > Assessment &
Information Access > Environmental
Assessments

Environmental Law > Natural Resources &
Public Lands > National Environmental Policy
Act

**[HNI](#) [↓] Environmental & Natural Resources,
Air Quality**

The State Air Resources Board is not subject to the
full scope of the California Environmental Quality
Act (CEQA). Rather, it utilizes its own regulatory
program when adopting or amending standards for
the protection of ambient air quality. This process
is permitted under the law as a certified regulatory

program. *Pub. Resources Code*, § 21080.5; Cal. Code Regs., tit. 14, §§ 15250-15252. Such programs are exempt from certain procedural aspects of CEQA because they involve the same consideration of environmental issues as is provided by use of environmental impact reports and negative declarations. Certification of a program is effectively a determination that the agency's regulatory program includes procedures for environmental review that are the functional equivalent of CEQA. The practical effect of this exemption is that a state agency acting under a certified regulatory program need not comply with the requirements for preparing initial studies, negative declarations or environmental impact reports. The agency's actions, however, remain subject to other provisions of CEQA.

Business & Corporate Compliance > ... > Air Quality > Environmental Law > Air Quality

Environmental Law > Assessment & Information Access > Environmental Assessments

Environmental Law > Natural Resources & Public Lands > National Environmental Policy Act

[HN2](#) [↓] **Environmental & Natural Resources, Air Quality**

The State Air Resources Board's regulatory program is contained in [Cal. Code Regs., tit. 17, §§ 60005, 60006](#), and [60007](#). These provisions require the preparation of a staff report at least 45 days before the public hearing on a proposed regulation, which report is required to be available for public review and comment. [Cal. Code Regs., tit. 17, § 60005, subd. \(a\)](#). It is the Board's policy to prepare staff reports in a manner consistent with the environmental protection purposes of the Board's regulatory program and with the goals and policies of the California Environmental Quality Act (CEQA). [Cal. Code Regs., tit. 17, § 60005, subd.](#)

(b). The provisions of the regulatory program also address environmental alternatives and responses to comments to the environmental assessment. [Cal. Code Regs., tit. 17, §§ 60006, 60007](#). Although the Board follows slightly different procedures, courts analyze the Board's conduct for compliance with CEQA's policies and legal mandates.

Environmental Law > Assessment & Information Access > Environmental Assessments

Environmental Law > Administrative Proceedings & Litigation > Judicial Review

Environmental Law > Natural Resources & Public Lands > National Environmental Policy Act

[HN3](#) [↓] **Assessment & Information Access, Environmental Assessments**

In reviewing an agency's compliance with the California Environmental Quality Act during the course of its legislative or quasi-legislative actions, a trial court's inquiry during a mandamus proceeding shall extend only to whether there was a prejudicial abuse of discretion, which is established if the agency has not proceeded in a manner required by law or if the determination or decision is not supported by substantial evidence. [Pub. Resources Code, § 21168.5](#). An appellate court applies the same standard when reviewing a substitute environmental document for a certified regulatory program.

Business & Corporate Compliance > ... > Environmental Law > Assessment & Information Access > Environmental Impact Statements

Environmental Law > Assessment & Information Access > Environmental Assessments

Environmental Law > Administrative
Proceedings & Litigation > Judicial Review

[HN5](#) [↓] **Environmental & Natural Resources,
Air Quality**

[HN4](#) [↓] **Environmental & Natural Resources,
Environmental Impact Statements**

In evaluating an environmental impact report (EIR) or substitute environmental document for California Environmental Quality Act (CEQA) compliance, a reviewing court must adjust its scrutiny to the nature of the alleged defect, depending on whether the claim is predominantly one of improper procedure or a dispute over the facts. When the claim is predominantly one of procedure, courts conduct an independent review of the agency's action, but when a challenge is made to a factual finding of the agency, courts will review the record to determine whether the finding is supported by substantial evidence. When the informational requirements of CEQA have not been met, an agency has failed to proceed in a manner required by law and has therefore abused its discretion. In assessing such a claim, courts apply an independent or de novo standard of review to the agency's action. On appeal, an appellate court reviews the agency's action rather than the trial court's ruling, applying the same standard as the trial court. The appellate court therefore resolves the substantive CEQA issues by independently determining whether the administrative record demonstrates any legal error by the agency and whether it contains substantial evidence to support the agency's factual determinations.

Business & Corporate Compliance > ... > Air
Quality > Environmental Law > Air Quality

Environmental Law > Assessment &
Information Access > Environmental
Assessments

Environmental Law > Natural Resources &
Public Lands > National Environmental Policy
Act

Although the State Air Resources Board is not subject to the full extent of California Environmental Quality Act (CEQA) regulations when utilizing its certified regulatory program, it is subject to various CEQA principles relevant to its regulatory actions. One of these principles is the expectation that CEQA documents, and by extension CEQA compliant documents like the Board's staff report, be considered before project approval. Public agencies must not undertake actions concerning the proposed public project that would have a significant adverse effect or limit the choice of alternatives or mitigation measures, before completion of CEQA compliance. [Cal. Code Regs., tit. 14, § 15004, subd. \(b\)](#). The Board is subject to this same timing requirement.

Environmental Law > Assessment &
Information Access > Environmental
Assessments

Environmental Law > Natural Resources &
Public Lands > National Environmental Policy
Act

[HN6](#) [↓] **Assessment & Information Access,
Environmental Assessments**

A project is a broad concept under the California Environmental Quality Act (CEQA) that asks whether certain entities' activities may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. This means that agency action approving or opening the way for a future development can be part of a project and can trigger CEQA even if the action takes place prior to planning or approval of all the specific features of the planned development. This opening the way can trigger CEQA where it constitutes an approval.

Environmental Law > Assessment &
Information Access > Environmental
Assessments

Environmental Law > Natural Resources &
Public Lands > National Environmental Policy
Act

**[HN7](#) [↓] Assessment & Information Access,
Environmental Assessments**

The modification of current regulations may constitute a project under the California Environmental Quality Act.

Environmental Law > Assessment &
Information Access > Environmental
Assessments

Environmental Law > Natural Resources &
Public Lands > National Environmental Policy
Act

**[HN8](#) [↓] Assessment & Information Access,
Environmental Assessments**

An approval under the California Environmental Quality Act is the decision by a public agency that commits the agency to a definite course of action in regard to a project intended to be carried out by any person. *Cal. Code Regs., tit. 14, § 15352, subd. (a)*. Generally speaking, an agency acts to approve a proposed course of action when it makes its earliest firm commitment to it, not when the final or last discretionary approval is made. Approvals under the Act, therefore, are not dependent on final action by the lead agency, but by conduct detrimental to further fair environmental analysis.

Environmental Law > Assessment &
Information Access > Environmental
Assessments

Environmental Law > Natural Resources &
Public Lands > National Environmental Policy

Act

**[HN9](#) [↓] Assessment & Information Access,
Environmental Assessments**

Approval under the California Environmental Quality Act cannot be equated with an agency's mere interest in, or inclination to support, a project, no matter how well defined. The proper test for determining whether a project has been prematurely approved is whether the agency has taken any action that significantly furthered a project in a manner that forecloses alternatives or mitigation measures that would ordinarily be part of the California Environmental Quality Act review of that public project, including the alternative of not going forward with the project. Reviewing courts are instructed to look not only to the terms of the agreement but to the surrounding circumstances when making this determination. These principles equally apply to public regulatory action. While the facts shedding light on the agency's rule-making process will be different from those arising when an agency approves a development agreement, such differences are immaterial to the core issue whether the agency has taken any steps foreclosing alternatives, including that of not going forward, or has otherwise created bureaucratic or financial momentum sufficient to incentivize ignoring environmental concerns.

Environmental Law > Assessment &
Information Access > Environmental
Assessments

Environmental Law > Natural Resources &
Public Lands > National Environmental Policy
Act

**[HN10](#) [↓] Assessment & Information Access,
Environmental Assessments**

A decision to devote available facilities and personnel to selected areas and to abstain from active pursuit of others is a policy or planning

decision at a relatively high internal level. To ignore the impact of such a high level policy decision in analyzing approval under the California Environmental Quality Act (CEQA) would directly contradict the California Supreme Court's guidance to review not only the specific actions taken but also the surrounding circumstances when considering approval of a project. Whether such additional circumstances have any independent impact on the environment or otherwise constitute a project is a true red herring. The sole question under the law is whether some action constituted approval of a CEQA project.

Environmental Law > Natural Resources & Public Lands > National Environmental Policy Act

Environmental Law > Administrative Proceedings & Litigation > Remedies

[HN11](#) **Natural Resources & Public Lands, National Environmental Policy Act**

Directing an agency to void its approval of the project is a typical remedy for a California Environmental Quality Act violation.

Environmental Law > Natural Resources & Public Lands > National Environmental Policy Act

Environmental Law > Administrative Proceedings & Litigation > Remedies

[HN12](#) **Natural Resources & Public Lands, National Environmental Policy Act**

[Pub. Resources Code, § 21168.9](#), controls the court's authority when crafting a remedy for California Environmental Quality Act (CEQA) violations. Under this statute, upon finding a CEQA violation, a court should enter an order that includes (1) a mandate that the decision be voided

in whole or in part, and/or (2) a mandate that the agency take specific action as may be necessary to bring the decision into compliance with CEQA. However, [§ 21168.9, subd. \(c\)](#), provides in part that nothing therein authorizes a court to direct any public agency to exercise its discretion in any particular way. Thus, where no discretion remains for the agency, courts have properly instructed them to prepare an environmental impact report when required. However, where the agency retains discretion on how to proceed under CEQA despite its previous violations, it may exercise that discretion on remand. Thus, courts can order an environmental impact report only where, under the circumstances of that case, the agency lacks discretion to proceed in a different fashion.

Environmental Law > Assessment & Information Access > Environmental Assessments

Environmental Law > Administrative Proceedings & Litigation > Judicial Review

[HN13](#) **Assessment & Information Access, Environmental Assessments**

The baseline determination is an important component of the California Environmental Quality Act (CEQA) process, as it sets the criterion by which the agency determines whether the proposed project has a substantial adverse effect on the environment. An appellate court reviews de novo whether an agency has chosen to rely upon a standard that is consistent with CEQA. Once that standard is set, an agency enjoys the discretion to decide, in the first instance, exactly how the existing physical conditions without the project can most realistically be measured, subject to review, as with all CEQA factual determinations, for support by substantial evidence.

Environmental Law > Assessment & Information Access > Environmental

Assessments

[HN14](#) [↓] Assessment & Information Access, Environmental Assessments

An agency should normally adopt as a baseline the physical environmental conditions in the vicinity of the project, as they exist at the time the environmental analysis is commenced. [Cal. Code Regs., tit. 14, § 15125](#).

Environmental Law > Assessment & Information Access > Environmental Assessments

[HN15](#) [↓] Assessment & Information Access, Environmental Assessments

The impacts of a proposed project are ordinarily to be compared to the actual environmental conditions existing at the time of the California Environmental Quality Act analysis, rather than to allowable conditions defined by a plan or regulatory framework.

Environmental Law > Assessment & Information Access > Environmental Assessments

Environmental Law > Natural Resources & Public Lands > National Environmental Policy Act

[HN16](#) [↓] Assessment & Information Access, Environmental Assessments

The California Environmental Quality Act is not meant to stand as a barrier to appropriate modifications to environmental regulations, whether they tighten or loosen existing regulations, provided the lead agency properly informs the public of the effects of those modifications and no significant environmental impact will arise.

Business & Corporate

Compliance > ... > Environmental Law > Assessment & Information Access > Environmental Impact Statements

Environmental Law > Assessment & Information Access > Environmental Assessments

Environmental Law > Natural Resources & Public Lands > National Environmental Policy Act

[HN17](#) [↓] Environmental & Natural Resources, Environmental Impact Statements

The California Environmental Quality Act (CEQA) excuses the preparation of an environmental impact report and allows the use of a negative declaration when an initial study shows that there is no substantial evidence that the project may have a significant effect on the environment. Thus, one of the critical first steps in CEQA is to determine whether the project may have a significant effect on the environment. [Pub. Resources Code, § 21082.2, subd. \(d\)](#).

Business & Corporate

Compliance > ... > Environmental Law > Assessment & Information Access > Environmental Impact Statements

Environmental Law > Assessment & Information Access > Environmental Assessments

[HN18](#) [↓] Environmental & Natural Resources, Environmental Impact Statements

If there is substantial evidence, in light of the whole record before a lead agency, that a project may have a significant effect on the environment, the agency shall prepare a draft environmental impact report (EIR). [Cal. Code Regs., tit. 14, § 15064, subd. \(a\)](#). An ironclad definition of significant effect is not always possible because the

significance of an activity may vary with the setting. [§ 15064, subd. \(b\)](#). With respect to greenhouse gases, lead agencies should consider the following factors, among others, when assessing the significance of impacts from greenhouse gas emissions on the environment: (1) the extent to which the project may increase or reduce greenhouse gas emissions as compared to the existing environmental setting; (2) whether the project emissions exceed a threshold of significance that the lead agency determines applies to the project; and (3) the extent to which the project complies with regulations or requirements adopted to implement a statewide, regional, or local plan for the reduction or mitigation of greenhouse gas emissions. If there is substantial evidence that the possible effects of a particular project are still cumulatively considerable notwithstanding compliance with the adopted regulations or requirements, an EIR must be prepared for the project. [Cal. Code Regs., tit. 14, § 15064.4, subd. \(b\)](#).

Environmental Law > Assessment &
Information Access > Environmental
Assessments

[HN19](#) [↓] **Assessment & Information Access, Environmental Assessments**

Agencies are encouraged to develop thresholds of significance to use in determining whether a project has significant environmental effects. A threshold of significance is an identifiable quantitative, qualitative or performance level of a particular environmental effect, non-compliance with which means the effect will normally be determined to be significant by the agency and compliance with which means the effect normally will be determined to be less than significant. [Cal. Code Regs., tit. 14, § 15064.7, subd. \(a\)](#).

Business & Corporate
Compliance > ... > Environmental

Law > Assessment & Information
Access > Environmental Impact Statements

Environmental Law > Assessment &
Information Access > Environmental
Assessments

[HN20](#) [↓] **Environmental & Natural Resources, Environmental Impact Statements**

Despite the encouragement to develop thresholds of significance and to consider environmental impacts against certain standards, such comparisons cannot be used to determine automatically whether a given effect will or will not be significant. In each instance, notwithstanding compliance with a pertinent threshold of significance, the agency must still consider any fair argument that a certain environmental effect may be significant. A lead agency cannot avoid finding a potentially significant effect on the environment by rotely applying standards of significance that do not address that potential effect. Thus, if one can point to substantial evidence in the record that a project might constitute a significant effect on the environment notwithstanding the agency's applied standard of significance, then the agency cannot avoid its obligation to prepare an environmental impact report by rotely relying on its standard.

Environmental Law > Assessment &
Information Access > Environmental
Assessments

Environmental Law > Administrative
Proceedings & Litigation > Judicial Review

[HN21](#) [↓] **Assessment & Information Access, Environmental Assessments**

In reviewing an agency's decision to adopt a negative declaration, courts utilize the same fair argument test applied by the agency. The fair argument standard is met if the agency's initial study of the project produces substantial evidence supporting a fair argument that the proposed project

may have a significant adverse effect on the environment. The fair argument standard is a low threshold. An appellate court reviews this issue independently.

Administrative Law > Agency
Rulemaking > Formal Rulemaking

Administrative Law > Agency
Rulemaking > State Proceedings

Administrative Law > Agency
Rulemaking > Notice & Comment
Requirements

[HN22](#) [↓] **Agency Rulemaking, Formal Rulemaking**

California's Administrative Procedures Act provides a procedural vehicle to review proposed regulations or modifications thereto in order to advance meaningful public participation in the adoption of administrative regulations by state agencies and create an administrative record assuring effective judicial review. The Act establishes basic minimal procedural requirements for rulemaking in California. Pursuant to those procedural requirements, agencies must, among other things, (1) give the public notice of the proposed regulatory action, (2) issue a complete text of the proposed regulation with a statement of reasons for it, (3) give interested parties an opportunity to comment on the proposed regulation, (4) respond in writing to public comments, and (5) maintain a file as the record for the rulemaking proceeding.

Administrative Law > Agency
Rulemaking > Formal Rulemaking

Administrative Law > Agency
Rulemaking > State Proceedings

Administrative Law > Agency

Rulemaking > Notice & Comment
Requirements

[HN23](#) [↓] **Agency Rulemaking, Formal Rulemaking**

As part of the initial disclosures required under step two for rulemaking in California under California's Administrative Procedures Act, a rulemaking agency must include facts, evidence, documents, testimony, or other evidence on which the agency relies to support an initial determination that the action will not have a significant adverse economic impact on business. The agency's initial statement is followed by a public comment period, after which, if the agency decides to enact the regulation, it must prepare a final statement of reasons for adopting the proposed rule, which must include an update of the information contained in the initial statement of reasons. This final statement must also include a summary of each objection or recommendation made regarding the specific adoption, amendment, or repeal proposed, together with an explanation of how the proposed action has been changed to accommodate each objection or recommendation, or the reasons for making no change. This aspect of the procedures is referred to as the economic impact assessment requirement.

Administrative Law > Agency
Rulemaking > Formal Rulemaking

Administrative Law > Agency
Rulemaking > State Proceedings

Administrative Law > Agency
Rulemaking > Notice & Comment
Requirements

Administrative Law > Agency
Rulemaking > Rule Application &
Interpretation > Validity

[HN24](#) [↓] **Agency Rulemaking, Formal Rulemaking**

An agency's initial determination that the proposed regulatory action will not have a significant adverse economic impact on business need not be conclusive, and the qualifying adjective "significant" indicates that the agency need not assess or declare all adverse economic impacts anticipated. Similarly, an agency's initial determination of economic impact need not exhaustively examine the subject or involve extensive data collection. The agency is required only to make an initial showing that there was some factual basis for its decision. A regulation will not be invalidated simply because of disagreement over the strict accuracy of cost estimates on which the agency relied to support its initial determination. Once the initial assessment is complete, affected parties may comment on the agency's initial determination and supply additional information relevant to the issue. The agency must respond to the public comments and either change its proposal in response to the comments or explain why it has not.

Administrative Law > Judicial
Review > Standards of Review > De Novo
Standard of Review

Administrative Law > Judicial
Review > Standards of Review > Substantial
Evidence

Administrative Law > Judicial
Review > Reviewability > Questions of Law

[HN25](#) [📄] **Standards of Review, De Novo Standard of Review**

An appellate court reviews an agency's initial determination to determine that the agency has substantially complied with its obligations, and whether it is supported by some substantial evidence. Interpreting the relevant statutes to determine whether the agency has substantially complied with its obligations is a question of law to which an appellate court applies an independent

standard of review.

Administrative Law > Agency
Rulemaking > Formal Rulemaking

Administrative Law > Agency
Rulemaking > State Proceedings

[HN26](#) [📄] **Agency Rulemaking, Formal Rulemaking**

Under the California Administrative Procedures Act's economic analysis requirements, the relevant agency must consider whether the regulation will have a significant statewide adverse economic impact directly affecting business. Nothing in the language of *Gov. Code, §§ 11346.5, 11346.3*, suggests the economic interests relevant to the Act analysis are solely inter-state interests. *Section 11346.5* broadly requires consideration of significant, statewide adverse economic impacts directly affecting business. *§ 11346.5, subd. (a)(8)*. While it then references inter-state impacts, it does so by adding them to the required analysis rather than limiting the analytical scope. Likewise, *§ 11346.3* requires an analysis of several factors that are broadly drafted in a manner which does not suggest solely inter-state impacts, such as the creation of new businesses or the elimination of existing businesses within the state, and the competitive advantages or disadvantages for businesses currently doing business within the state. *§ 11346.3, subd. (c)(1)*.

Headnotes/Syllabus

Summary

[*77] CALIFORNIA OFFICIAL REPORTS
SUMMARY

Plaintiffs, a fleet operator and a related interest group, filed a writ petition against the State Air Resources Board and its executive officer, alleging that modifications adopted by the board in 2014 to a set of regulations known as the "Truck and Bus

Regulation” were improper under both the [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#) and [California's Administrative Procedure Act \(APA; Gov. Code, § 11340 et seq.\)](#). The modifications extended certain deadlines for small fleet operators to comply with the regulations. The trial court ultimately ruled in plaintiffs' favor on both claims. (Superior Court of Fresno County, No. 14CECG01494, Mark Wood Snauffer, Judge.)

The Court of Appeal affirmed the judgment. The court found that the board's issuance of a public regulatory advisory stating that fleet operators could take advantage of the proposed regulatory modifications before they were enacted, and would not be subject to enforcement actions or penalties if those modifications were not enacted, was sufficient conduct to constitute approval of those regulations under [CEQA](#). Because the required environmental review was incomplete at the time of the [CEQA](#) project approval, the board violated [CEQA](#)'s timing requirement. Although the board's early approval required that the court void approval of the contested modifications, the board could continue to pursue those or similar modifications. The board selected an appropriate baseline. Although the board properly determined there would be no substantial impact on the environment under the significance standards it chose to apply, a fair argument existed that the project would impact the environment in the short term. The board's failure to acknowledge and act upon that fair argument violated [CEQA](#). Furthermore, the board could not rotely apply standards of significance that did not address that potential effect once evidence of the risk had been identified. Accordingly, the board abused its discretion in issuing the functional equivalent of a negative declaration. The court concluded that the board's conduct violated the [APA](#). The board was not permitted under the statutory scheme to ignore evidence of impacts to specific segments of businesses already doing business [*78] in California from benefits to other in-state businesses when proceeding under the [APA](#). If the board's proposed regulatory

amendments placed the state's thumb on the scale for one group of in-state businesses over another, it needed to consider that impact. In failing to properly respond to the comments regarding intrastate competition issues, the board failed to abide by its obligations under the [APA](#) in either form or substance. (Opinion by Detjen, J., with Levy, Acting P. J., and Poochigian, J., concurring.)

Headnotes

CALIFORNIA OFFICIAL REPORTS HEADNOTES

[CA\(1\)](#) [↓] (1)

Pollution and Conservation Laws § 1.6— California Environmental Quality Act—State Air Resources Board—Certified Regulatory Program.

The State Air Resources Board is not subject to the full scope of the [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#). Rather, it utilizes its own regulatory program when adopting or amending standards for the protection of ambient air quality. This process is permitted under the law as a certified regulatory program ([Pub. Resources Code, § 21080.5](#); [Cal. Code Regs., tit. 14, §§ 15250–15252](#)). Such programs are exempt from certain procedural aspects of [CEQA](#) because they involve the same consideration of environmental issues as is provided by use of environmental impact reports and negative declarations. Certification of a program is effectively a determination that the agency's regulatory program includes procedures for environmental review that are the functional equivalent of [CEQA](#). The practical effect of this exemption is that a state agency acting under a certified regulatory program need not comply with the requirements for preparing initial studies, negative declarations or environmental impact reports. The agency's actions, however, remain subject to other provisions of [CEQA](#).

[CA\(2\)](#) [↓] (2)**Pollution and Conservation Laws § 4—State Air Resources Board—Proposed Regulations—Procedure—California Environmental Quality Act Compliance.**

The State Air Resources Board's regulatory program is contained in [Cal. Code Regs., tit. 17, §§ 60005, 60006, and 60007](#). These provisions require the preparation of a staff report at least 45 days before the public hearing on a proposed regulation, which report is required to be available for public review and comment ([Cal. Code Regs., tit. 17, § 60005, subd. \(a\)](#)). It is the board's policy to prepare staff reports in a manner consistent with the environmental protection purposes of the board's regulatory program and with the goals and policies of the [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#) ([Cal. Code Regs., tit. 17, § 60005, subd. \(b\)](#)). The [*79] provisions of the regulatory program also address environmental alternatives and responses to comments to the environmental assessment ([Cal. Code Regs., tit. 17, §§ 60006, 60007](#)). Although the board follows slightly different procedures, courts analyze the board's conduct for compliance with [CEQA](#)'s policies and legal mandates.

[CA\(3\)](#) [↓] (3)**Pollution and Conservation Laws § 1.6—California Environmental Quality Act—State Air Resources Board—Regulatory Actions—Environmental Documents—Timing Requirement.**

Although the State Air Resources Board is not subject to the full extent of [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#) regulations when utilizing its certified regulatory program, it is subject to various [CEQA](#) principles relevant to its regulatory actions. One of these principles is the expectation that [CEQA](#) documents, and by extension [CEQA](#) compliant documents like the board's staff report,

be considered before project approval. Public agencies must not undertake actions concerning the proposed public project that would have a significant adverse effect or limit the choice of alternatives or mitigation measures, before completion of [CEQA](#) compliance ([Cal. Code Regs., tit. 14, § 15004, subd. \(b\)](#)). The board is subject to this same timing requirement.

[CA\(4\)](#) [↓] (4)**Pollution and Conservation Laws § 1.6—California Environmental Quality Act—State Air Resources Board—Regulatory Advisory—Timing Requirement—Project Approval.**

The State Air Resources Board's issuance of a regulatory advisory concerning its plans to modify a set of regulations first adopted in 2008, known as the “Truck and Bus Regulation,” constituted the approval of a project under the [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#). Contrary to the framework of the board's arguments, the project was not the advisory, but the proposed regulatory modifications. The board's issuance of a public regulatory advisory stating that fleet operators could take advantage of the proposed regulatory modifications before they were enacted, and would not be subject to enforcement actions or penalties if those modifications were not enacted, was sufficient conduct to constitute approval of those regulations under [CEQA](#). As the required environmental review was incomplete at the time of the [CEQA](#) project approval, the board violated [CEQA](#)'s timing requirement.

[Manaster & Selmi, Cal. Environmental Law & Land Use Practice (2017) ch. 21, § 21.03.]

[CA\(5\)](#) [↓] (5)**Pollution and Conservation Laws § 1.6—California Environmental Quality Act—Project.**

A project is a broad concept under the [*80] [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#) that asks whether certain entities' activities may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. This means that agency action approving or opening the way for a future development can be part of a project and can trigger [CEQA](#) even if the action takes place prior to planning or approval of all the specific features of the planned development. This opening the way can trigger [CEQA](#) where it constitutes an approval.

[CA\(6\)](#) [↓] (6)

**Pollution and Conservation Laws § 1.6—
California Environmental Quality Act—Project.**

The modification of current regulations may constitute a project under the [California Environmental Quality Act \(Pub. Resources Code, § 21000 et seq.\)](#).

[CA\(7\)](#) [↓] (7)

**Pollution and Conservation Laws § 1.6—
California Environmental Quality Act—Project—
Approval.**

An approval under the [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#) is the decision by a public agency that commits the agency to a definite course of action in regard to a project intended to be carried out by any person ([Cal. Code Regs., tit. 14, § 15352, subd. \(a\)](#)). Generally speaking, an agency acts to approve a proposed course of action when it makes its earliest firm commitment to it, not when the final or last discretionary approval is made. Approvals under the [CEQA](#), therefore, are not dependent on final action by the lead agency, but by conduct detrimental to further fair environmental analysis.

[CA\(8\)](#) [↓] (8)

**Pollution and Conservation Laws § 1.6—
California Environmental Quality Act—Project—
Approval—Premature—Public Regulatory Action.**

Approval under the [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#) cannot be equated with an agency's mere interest in, or inclination to support, a project, no matter how well defined. The proper test for determining whether a project has been prematurely approved is whether the agency has taken any action that significantly furthered a project in a manner that forecloses alternatives or mitigation measures that would ordinarily be part of the [CEQA](#) review of that public project, including the alternative of not going forward with the project. These principles equally apply to public regulatory action. While the facts shedding light on the agency's rulemaking process will be different from those arising when an agency approves a development agreement, such differences are immaterial to the core issue whether the agency has taken any steps foreclosing alternatives, including that of not going forward, or has otherwise created bureaucratic or financial momentum sufficient to incentivize ignoring environmental concerns.

[CA\(9\)](#) [↓] (9)

**Pollution and Conservation Laws § 1.6—
California Environmental Quality Act—Project—
Approval.**

A decision to devote available facilities and personnel to selected areas and to abstain from active pursuit of others is a policy or planning decision at a relatively high internal level. To ignore the impact of such a high-level policy decision in analyzing approval under the [California Environmental Quality Act \(Pub. Resources Code, § 21000 et seq.\)](#) would directly contradict the California Supreme Court's guidance to review not only the specific actions taken but also the surrounding circumstances when considering

approval of a project. Whether such additional circumstances have any independent impact on the environment or otherwise constitute a project is a true red herring. The sole question under the law is whether some action constituted approval of a project.

[CA\(10\)](#) [↓] (10)

**Pollution and Conservation Laws § 2.9—
California Environmental Quality Act—
Violation—Remedy.**

Directing an agency to void its approval of the project is a typical remedy for a [California Environmental Quality Act \(Pub. Resources Code, § 21000 et seq.\)](#) violation.

[CA\(11\)](#) [↓] (11)

**Pollution and Conservation Laws § 2.9—
California Environmental Quality Act—
Violation—Remedy.**

[Pub. Resources Code, § 21168.9](#), controls the court's authority when crafting a remedy for [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#) violations. Under this statute, upon finding a [CEQA](#) violation, a court should enter an order that includes (1) a mandate that the decision be voided in whole or in part, and/or (2) a mandate that the agency take specific action as may be necessary to bring the decision into compliance with [CEQA](#). However, [§ 21168.9, subd. \(c\)](#), provides in part that nothing therein authorizes a court to direct any public agency to exercise its discretion in any particular way. Thus, where no discretion remains for the agency, courts have properly instructed them to prepare an environmental impact report when required. However, where the agency retains discretion on how to proceed under [CEQA](#) despite its previous violations, it may exercise that discretion on remand. Thus, courts can order an environmental impact report only where, under the circumstances

of that case, the agency lacks discretion to proceed in a different fashion.

[CA\(12\)](#) [↓] (12)

**Pollution and Conservation Laws § 1.6—
California Environmental Quality Act—Baseline.**

An agency should normally adopt as a baseline the physical environmental conditions in the vicinity of the project, as they exist at the time the environmental analysis is commenced ([Cal. Code Regs., tit. 14, § 15125](#)).

[CA\(13\)](#) [↓] (13)

**Pollution and Conservation Laws § 1.6—
California Environmental Quality Act—Project—
Impacts.**

The impacts of a proposed project are ordinarily to be compared to the actual environmental conditions existing at the time of the [California Environmental Quality Act \(Pub. Resources Code, § 21000 et seq.\)](#) analysis, rather than to allowable conditions defined by a plan or regulatory framework.

[CA\(14\)](#) [↓] (14)

**Pollution and Conservation Laws § 1—California
Environmental Quality Act—Modifications to
Environmental Regulations.**

The [California Environmental Quality Act \(Pub. Resources Code, § 21000 et seq.\)](#) is not meant to stand as a barrier to appropriate modifications to environmental regulations, whether they tighten or loosen existing regulations, provided the lead agency properly informs the public of the effects of those modifications and no significant environmental impact will arise.

[CA\(15\)](#) [↓] (15)

**Pollution and Conservation Laws § 2.2—
California Environmental Quality Act—
Environmental Impact Reports—Necessity of
Preparing—Negative Declaration.**

The [California Environmental Quality Act \(Pub. Resources Code, § 21000 et seq.\)](#) excuses the preparation of an environmental impact report and allows the use of a negative declaration when an initial study shows that there is no substantial evidence that the project may have a significant effect on the environment. Thus, one of the critical first steps in the act is to determine whether the project may have a significant effect on the environment ([Pub. Resources Code, § 21082.2, subd. \(d\)](#)).

[CA\(16\)](#) [↓] (16)

**Pollution and Conservation Laws § 2.1—
California Environmental Quality Act—
Environmental Impact Reports—Necessity of
Preparing—Greenhouse Gas Emissions.**

As the California Environmental Quality Act Guidelines ([Cal. Code Regs., tit. 14, § 15000 et seq.](#)) explain, if there is substantial evidence, in light of the whole record before a lead agency, that a project may have a significant effect on the environment, the agency must prepare a draft environmental impact report (EIR) ([Cal. Code Regs., tit. 14, § 15064, subd. \(a\)](#)). An ironclad definition of significant effect is not always possible because the significance of an activity may vary with the setting ([§ 15064, subd. \(b\)](#)). With respect to greenhouse gases, lead agencies should consider the following factors, among others, when assessing the significance of impacts from greenhouse gas emissions on the environment: (1) the extent to which the project may increase or reduce greenhouse gas emissions as compared to the existing environmental setting, (2) whether the project emissions exceed a threshold of significance that the lead agency determines applies to the project, and (3) the extent to which the project complies [*83] with regulations or requirements

adopted to implement a statewide, regional, or local plan for the reduction or mitigation of greenhouse gas emissions. If there is substantial evidence that the possible effects of a particular project are still cumulatively considerable notwithstanding compliance with the adopted regulations or requirements, an EIR must be prepared for the project ([Cal. Code Regs., tit. 14, § 15064.4, subd. \(b\)](#)). More generally, agencies are encouraged to develop thresholds of significance to use in determining whether a project has significant environmental effects. A threshold of significance is an identifiable quantitative, qualitative or performance level of a particular environmental effect, noncompliance with which means the effect will normally be determined to be significant by the agency and compliance with which means the effect normally will be determined to be less than significant ([Cal. Code Regs., tit. 14, § 15064.7, subd. \(a\)](#)).

[CA\(17\)](#) [↓] (17)

**Pollution and Conservation Laws § 2.1—
California Environmental Quality Act—
Environmental Impact Reports—Necessity of
Preparing—Standard of Significance.**

Despite the encouragement to develop thresholds of significance and to consider environmental impacts against certain standards, such comparisons cannot be used to determine automatically whether a given effect will or will not be significant. In each instance, notwithstanding compliance with a pertinent threshold of significance, the agency must still consider any fair argument that a certain environmental effect may be significant. A lead agency cannot avoid finding a potentially significant effect on the environment by rotely applying standards of significance that do not address that potential effect. Thus, if one can point to substantial evidence in the record that a project might constitute a significant effect on the environment notwithstanding the agency's applied standard of significance, then the agency cannot

avoid its obligation to prepare an environmental impact report by rotely relying on its standard.

[CA\(18\)\[↓\]](#) (18)

Administrative Law § 19—Administrative Actions—Rulemaking—Procedural Requirements.

[California's Administrative Procedure Act \(Gov. Code, § 11340 et seq.\)](#) provides a procedural vehicle to review proposed regulations or modifications thereto in order to advance meaningful public participation in the adoption of administrative regulations by state agencies and create an administrative record assuring effective judicial review. The act establishes basic minimal procedural requirements for rulemaking in California. Pursuant to those procedural requirements, agencies must, among other things, (1) give the public notice of the proposed regulatory action; (2) issue a complete text of the proposed regulation with a statement of reasons for it; (3) give interested parties an opportunity to comment on the proposed regulation; (4) respond in writing to public comments; and (5) maintain a file as the record for the [*84] rulemaking proceeding. As part of the initial disclosures required under step two, a rulemaking agency must include facts, evidence, documents, testimony, or other evidence on which the agency relies to support an initial determination that the action will not have a significant adverse economic impact on business. The agency's initial statement is followed by a public comment period, after which, if the agency decides to enact the regulation, it must prepare a final statement of reasons for adopting the proposed rule, which must include an update of the information contained in the initial statement of reasons. This final statement must also include a summary of each objection or recommendation made regarding the specific adoption, amendment, or repeal proposed, together with an explanation of how the proposed action has been changed to accommodate each objection or recommendation, or the reasons for making no change. This aspect of

the procedures is referred to as the economic impact assessment requirement.

[CA\(19\)\[↓\]](#) (19)

Administrative Law § 19—Administrative Actions—Rulemaking—Procedural Requirements—Economic Impact Assessment—Public Comments.

An agency's initial determination that the proposed regulatory action will not have a significant adverse economic impact on business need not be conclusive, and the qualifying adjective “significant” indicates that the agency need not assess or declare all adverse economic impacts anticipated. Similarly, an agency's initial determination of economic impact need not exhaustively examine the subject or involve extensive data collection. The agency is required only to make an initial showing that there was some factual basis for its decision. A regulation will not be invalidated simply because of disagreement over the strict accuracy of cost estimates on which the agency relied to support its initial determination. Once the initial assessment is complete, affected parties may comment on the agency's initial determination and supply additional information relevant to the issue. The agency must respond to the public comments and either change its proposal in response to the comments or explain why it has not.

[CA\(20\)\[↓\]](#) (20)

Administrative Law § 19—Administrative Actions—Rulemaking—Procedural Requirements—Economic Impact Assessment.

Under the [California Administrative Procedure Act's \(Gov. Code, § 11340 et seq.\)](#) economic analysis requirements, the relevant agency must consider whether the regulation will have a significant statewide adverse economic impact directly affecting business. Nothing in the language

of [Gov. Code, §§ 11346.5, 11346.3](#), suggests the economic interests relevant to the analysis under the act are solely interstate interests. [Section 11346.5](#) broadly requires consideration of significant, statewide adverse economic impacts directly affecting business ([§ 11346.5, subd. \(a\)\(8\)](#)). While it then references interstate impacts, it does so by adding them to the [*85] required analysis rather than limiting the analytical scope. Likewise, [§ 11346.3](#) requires an analysis of several factors that are broadly drafted in a manner which does not suggest solely interstate impacts, such as the creation of new businesses or the elimination of existing businesses within the state, and the competitive advantages or disadvantages for businesses currently doing business within the state ([§ 11346.3, subd. \(c\)\(1\)](#)).

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Wanger Jones Helsley, Timothy Jones, John P. Kinsey and Steven K. Vote for Plaintiffs and Respondents.

Dorothy Rothrock; Heather Wallace; and Michael Jacob for California Manufacturers & Technology Association, Automotive Specialty Products Alliance, California Business Properties Association, California Chamber of Commerce, California Independent Oil Marketers Association, California Professional Association of Specialty Contractors, California Retailers Association, Consumer Specialty Products Association, National Elevator Industry, Inc., and Pacific Merchant Shipping Association as Amici Curiae on behalf of Plaintiffs and Respondents.

Judges: Opinion by Detjen, J., with Levy, Acting P. J., and Poochigian, J., concurring.

Opinion by: Detjen, J.

Opinion

DETJEN, J.—

OVERVIEW

This case involves modifications to a set of regulations first adopted in 2008, known as the “Truck and Bus Regulation” (the regulations). In 2014, the State Air Resources [**2] Board (the Board) adopted proposed modifications to the regulations, extending certain deadlines for small fleet operators to comply with the regulations. John R. Lawson Rock & Oil, Inc. (Lawson), a fleet operator that had already incurred financial liability complying with the regulations, along with a related interest group, the California Trucking Association (collectively respondents), filed a writ petition against the Board and Richard Corey in his official capacity as executive officer of the board [*86] (defendants and appellants) alleging the 2014 modifications were improper under both the [California Environmental Quality Act \(CEQA; Pub. Resources Code, § 21000 et seq.\)](#) and [California's Administrative Procedure Act \(APA; Gov. Code, § 11340 et seq.\)](#).

The trial court ultimately ruled in respondents' favor on both claims. With respect to [CEQA](#), the court concluded the Board made several errors, including approving a project prior to the completion of an environmental study, adopting the wrong baseline for its analysis, incorrectly concluding the modifications would have no significant adverse impact on the environment, and improperly applying a piecemeal approach to the environmental review. With respect to the [APA](#), the trial court found [**3] the Board conducted an incomplete economic impact analysis.

For the following reasons we conclude the trial court correctly determined the Board's actions violated [CEQA](#). We find, however, that the violations are narrower than found by the trial court. We further find the Board's conduct violated the [APA](#), voiding the modified regulations. We therefore affirm the trial court's judgment on the

grounds set forth below.

FACTUAL AND PROCEDURAL BACKGROUND

In January 2010 a regulatory scheme called the Truck and Bus Regulation, first passed in late 2008, became effective. (See [Cal. Code Regs., tit. 13, § 2025](#).) The regulations are designed to reduce emissions of diesel particulate matter (PM), oxides from nitrogen (NOx), and greenhouse gases from large diesel vehicles. It does so, in part, by requiring vehicle owners to retrofit and upgrade existing vehicles to the equivalent of 2010 or newer model year engines.

Shortly before the regulations became effective, staff notified the Board that the ongoing global recession had substantially reduced overall trucking activity since the regulations were first envisioned, potentially warranting modifications to the expected regulations. The Board responded by delaying some reporting **[**4]** deadlines and requesting proposals for modifications to the regulations. The subsequent proposal resulted in certain modifications to the original regulations that would delay the initial compliance dates by a year and further defer engine replacements by two or more years for most fleets. These changes also eliminated a requirement that certain light trucks utilize a particulate matter filter and provided a 10-year window where only engines 20 years old, or older, would require modernization. The Board notes in its briefing that no legal challenges were filed against these modifications.

[*87]

The Contested Modifications

In October 2013, the Board received a status update on the regulations. In this update, the Board was informed that staff had been working with regulated fleets to meet compliance deadlines. Staff reported that, while “the vast majority of the 260,000 trucks registered in California [that] must

comply with the requirements of the regulation [were] already compliant,” 20,000 trucks still needed a filter, of which nearly 15,000 were in small fleets of three or fewer. Staff identified January 1, 2014, as a critical upcoming milestone “because it’s the first time **[**5]** at least one vehicle for each of these fleets need[s] to become compliant,” while noting that “small fleets typically have least access to capital, creating additional challenges” toward compliance.

As part of this update, staff identified “what [the Board] is doing to assist fleets in transitioning into compliance as we approach the upcoming compliance date.” Staff pointed to several funding programs available to assist fleets with required modifications and noted “[s]taff is also proposing some new regulatory flexibility to be added to the regulation.” As part of this regulatory flexibility, staff indicated it was “proposing to issue a regulatory advisory that would provide fleets that order a [particulate matter] filter or a replacement truck or that are eligible and apply for a grant or a loan to have until July 1, 2014, to complete the steps necessary to come into compliance” and stated “because we are planning to make regulatory changes to provide relief, we believe it is appropriate to provide access to these provisions while staff finalizes them to present to the Board by April 2014.” All these proposals were part of what staff described as “a comprehensive strategy which will help many of **[**6]** [the currently noncompliant] fleets transition into compliant trucks.” Staff explained that, moving forward, “staff will assess the emission and economic impacts of proposed regulatory changes,” and “return to the Board by April 2014 with proposed amendments.” In the meantime, staff noted they would issue a regulatory advisory to allow fleet operators to take advantage of the planned flexibility. Based on this presentation, the Board indicated its staff should examine these changes while some members expressed thanks that flexibility was being built into the regulations.

The Board's Regulatory Advisory

In November 2013, the Board issued the expected regulatory advisory concerning its plans to modify the current regulations. The regulatory advisory described steps the Board “is taking to assist vehicle owners with the transition to the upcoming January 1, 2014, particulate matter ... filter compliance deadline under the Truck and Bus [R]egulation” and expressed its overall goal as providing “additional time for owners to complete their good [*88] faith compliance efforts” and “additional flexibility for many lower use vehicles and vehicles that operate solely in certain areas of the State.” The advisory [*7] explained the Board “will recognize good faith efforts of vehicle owners to comply with the deadline” then in place by ensuring those meeting relevant criteria “will not be subject to enforcement action during the period through July 1, 2014.”

Truck owners were also allowed “to take advantage of the following anticipated regulatory changes for all vehicles” prior to the expected April 2014 hearing at which the matter would be again discussed. Staff outlined these anticipated changes as: (1) reopening the period for vehicles to opt in to the existing low-mileage agricultural vehicle extension; (2) reopening the period for vehicles to opt in to the existing low-mileage construction truck extension; (3) reopening the period for vehicles to opt in to the existing particulate matter phase-in requirements; (4) increasing the thresholds for low-use exemptions; and (5) expanding the definition of “NOx exempt” areas. Staff also explained that the “PM filter requirements for vehicles operated exclusively in the existing and newly proposed ‘NOx exempt’ areas ... will be delayed one year until January 1, 2015.” The advisory further explained that “while ... staff anticipates proposing amendments [*8] similar to these administrative changes at the Board's regularly scheduled April 2014 meeting, the changes will not be finalized until approved by the Board.” However, “[i]n the event that the proposed amendments differ from those identified above and

impact a fleet's ability to comply with the regulation, ... staff will provide fleets that have reported their intent to use these options additional time beyond the Board's April 2014 meeting to come into compliance.”

The Initial Statement of Reasons

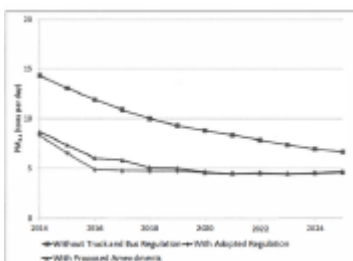
On March 5, 2014, the Board released a staff report, which included its proposed amendments to the truck and bus regulation and its initial statement of reasons for proposed rulemaking (initial statement). The initial statement provided recommendations for modifications in line with those discussed at the October 2013 meeting and, relevant to this appeal, included distinct subsections discussing air quality, the environmental impacts analysis, and the economic impacts analysis and assessment. With respect to the disputed modifications, the initial statement sought to provide relief in areas with cleaner air by delaying the compliance schedule for all vehicles operating solely within certain exempt areas by one year for initial compliance and four [*9] years for final compliance. For small fleets outside of these areas, staff proposed “to defer the compliance requirements for the second and third truck in a small fleet by one year and two years, respectively. ...” No [*89] changes were recommended regarding the first truck “because the January 1, 2014[,] compliance date has passed and many small fleet owners have already complied.”

For fleets that had already complied with the prior particulate matter regulations, staff recommended extending the time they could use existing particulate matter retrofits, extending the use of credits with respect to the use of particulate matter filters, and allowing operators to continue operating if retrofitted particulate matter filters are recalled, all of which generally extended relevant deadlines for complying fleets. The credit program generally allowed trucks fitted with compliant particulate matter filters prior to 2012 to count against other trucks in the fleet that would otherwise need to be

upgraded until the new deadlines were reached. The changes would also delay the point at which trucks outfitted with a particulate matter filter prior to 2014 would have to upgrade their engine to a 2010 **[**10]** model level.

The air quality section of the initial statement identified several reasons why reducing diesel particulate matter and black carbon—“a major constituent of diesel [particulate matter]”—was important nationally and locally, particularly in the South Coast and San Joaquin Valley regions. This section also included updated information about the types of trucks subject to regulation and their use in California. In conjunction with appendix F to the initial statement, the air quality section explained that current pollution estimates now included “up-to-date (2013) fuel sales and use data,” the “latest nationwide truck sales projected in the Annual Energy Outlook,” improved matching of engine and truck model years from prior estimates, and updated information “on how truck owners are actually complying” with the previously passed regulations. The air quality section then provided several charts showing how oxides of nitrogen and particulate matter emissions would decrease from the current levels estimated under the updated methodology and compared those reductions to the estimated reductions if the current regulations were left in place. As one example of how this data was presented, **[**11]** the below chart shows how the current data regarding particulate matter emissions (marked as the “Without Truck and Bus Regulation” line) compares to the data “With Adopted Regulation” and “With Proposed Amendments.”

[*90]



The environmental impact analysis section

disclosed the staff’s opinion “that implementing the proposed amendments to the regulation would not result in an adverse impact on the environment” and explained the staff’s process for making this determination. In discussing air quality benefits under this section, the initial statement noted that “staff projects a temporary delay in some emission benefits in the near term (until 2020) compared to emission benefits that may have been achieved absent the proposed amendments,” but found that impact “minimized by the fact that overall emissions continue to be lower than originally expected due to the continued effects of the economic downturn.” The initial statement then referred to the air quality section for further details. Reaching the heart of its conclusion, the initial statement then explained, “The amendments only change the mid-term timing of clean-up of the truck fleet and, therefore, do not result in any increase in emissions compared to existing **[**12]** environmental conditions. Also, despite the projected near-term delay in some emissions benefits ... emissions ... will continue to drop from today’s levels as a result of the regulation with the proposed amendments and it will ultimately result in the same projected air quality benefits.” In similar language, when discussing “NOx exempt areas,” the initial report stated, “Although emissions would not decline as rapidly, in these regions, trucks that travel in these areas would continue to meet the full requirements of the regulation and both NOx and PM emissions will continue to decline. Since there is no longer a need to substantially decrease NOx emissions in these attainment areas, no adverse impacts to air **[*91]** quality would occur” Ultimately, the section concluded that because “no significant adverse environmental impacts were identified, this environmental analysis does not include a discussion of mitigation measures or environmental alternatives.”

Finally, the economic impacts analysis and assessment section claimed to discuss “the effect of the proposed amendments on individual fleet owners and businesses affected by the regulation.”

It generally concluded that the **[**13]** amendments “would reduce compliance costs for many fleet owners” by allowing “fleet owners more time to make the required upgrades, thereby providing time for used compliant truck prices to naturally decline.” The section then discussed numerous expected costs, including vehicle price and replacement costs, retrofitting particulate matter filter costs, and other similar matters associated with the regulations. Within these analyses, staff considered things such as differences in impact between in-state and out-of-state fleets, differences in impact on high-mileage fleets, and annual operational, maintenance, and reporting costs. The section further considered the specific impact the modifications had on small businesses within California, noting “the proposed amendments would not impose any additional costs on small businesses, and should result in small businesses, many of them small fleets, being able to spread out” their compliance costs. At the same time, the section explained “the [amendments] could have a negative economic impact on retrofit manufacturers and installers,” among others.

As part of the economic analysis, staff completed a standardized regulatory impacts assessment **[**14]** (standardized assessment or SRIA), which was ultimately submitted to the Department of Finance for review and approval. Included within this assessment was a discussion of costs and cost savings arising from the proposed amendments. In its discussion on the costs and cost savings for businesses, staff concluded, “The businesses required to comply are throughout the state of California, while all regulated businesses can benefit from the compliance delays, the businesses that have already complied would not be affected.” The report did not identify any analysis supporting this conclusion. In a later section on macroeconomic impacts, the assessment looked at competitiveness and job impacts in California, among other factors. Here, when discussing competitiveness, the assessment focused on “competitive advantage[s] of businesses outside of California to those in California” and found “no

direct impact on competitiveness.” The report noted that, while some businesses “have indicated that the compliance requirements would negatively impact their ability to achieve the necessary profits to stay in business,” the amendments were designed “to provide the flexibility necessary to ensure these businesses **[**15]** are not eliminated” and the “strategy will be beneficial for California due to a favorable change in the trade balance between California and the rest of the world” With respect to job impacts, the assessment found there would “be no net loss in jobs over the **[*92]** life of the proposed Amendments,” while noting there may be an immediate lower demand for trucks and exhaust retrofit devices, resulting in some job losses for those service providers.

Comments, Responses, and Approvals

Following release of the initial statement, the Board solicited and received public comments on its proposals. These comments included several from Lawson, which raised the issues litigated in this matter.

On April 24, 2014, the Board held another public meeting, at which time it was updated on the status of its proposed modifications. In that presentation, staff recommended adopting the proposed modifications with several nonsubstantive changes requiring a 15-day public comment period under the [APA](#). The Board adopted this recommendation and initially approved the modified regulations by way of resolution 14-3, on April 25, 2014. As part of this approval, the Board approved and released written responses **[**16]** to comments on the environmental impacts analysis related to the modified regulations, rejecting all public criticisms of the document.

When providing the 15-day comment period, and a second 15-day comment period required after additional changes were made that increased compliance times for the second truck in a small fleet, among other matters, the Board noted that staff “has determined that these modifications do

not change implementation of the regulation in any way that alters any of the conclusions of the environmental analysis ... included in the Staff Report released on March 5, 2014,” and that the “modifications do not cause any changes that alter the air quality emissions assessment or otherwise result in any other significant adverse environmental impacts”

Following these comment periods, the Board held another public meeting and received another update on the modifications. The staff update noted the original environmental analysis found no adverse environmental impacts and the 15-day changes did not alter that conclusion. Staff noted additional environmental comments had been received and responded to and recommended reaffirming the Board's finding of no adverse **[**17]** environmental impact and adopting the final regulation order.

On November 20, 2014, the Board issued resolution 14-41, adopting the final regulation order for the modified regulations and the written responses to the environmental and economic comments previously discussed. In line with this action, the Board issued its final statement of reasons for rulemaking, which incorporated the initial statement and provided written responses to all the comments received from the public. Included in these comments **[*93]** were dozens of assertions that the proposed modifications were harmful to fleets that had already complied with the prior regulations. In response to these comments, the Board wrote it “was concerned with small fleets, lower mileage fleets, and fleets in rural areas with cleaner air, all of which arguably continue to be impacted by the recession and are challenged in complying with the regulation. In considering changes, the Board carefully considered various options to find the best balance in providing additional flexibility for such fleets while minimizing the impacts to compliant fleets and retaining the air quality benefits of the regulation. [The Board] recognizes that to those fleets **[**18]** that have already made investments to comply,

providing additional flexibility can be viewed as unfair. However, most of the amendments were structured in a manner that would minimize the impact on such fleet owners that compete in the same markets. The amendments also included changes that reward fleets that have acted early and have already complied.” The Board then pointed to responses to multiple related comments to support this claim. These additional responses included statements suggesting the Board considered the alleged impacts, such as, “The Board determined the amended regulation achieves the appropriate balance in addressing concerns about competitive disadvantage and protecting public health while still meeting air quality obligations.” The Board also suggested it did not make certain changes to avoid significant competitive disadvantage concerns, writing “The Board determined that it was not appropriate to expand the definition [of certain work trucks] to include tractor-trailers because the amendments would no longer meet air quality objectives, and would create competitive disadvantage concerns among most for-hire fleets.”

The Present Proceedings

On May 23, 2014, respondents **[**19]** filed their initial petition for a writ of mandate and complaint for declaratory and injunctive relief based on the Board's conduct to that point. The petition and complaint was amended in July 2014 and faced a quick demurrer on the grounds that the regulatory proceedings were not complete. On December 23, 2014, after the Board issued its final approval, respondents filed a second amended petition and complaint, which remains the operative pleading in this case.

The trial court held hearings on September 18 and October 16, 2015, before issuing its final statement of decision on June 7, 2016. The trial court first concluded the Board engaged in post hoc environmental review by approving amendments before the environmental review process was complete. The court reasoned the Board began

carrying out and implementing the proposed amendments as early as November 2013, and the Board's April 25, 2014, approval was also premature given that additional environmental review remained. The court next found the Board should have prepared the [*94] functional equivalent of an environmental impact report (EIR), rather than adopt the proposed equivalent of a negative declaration, because a fair argument [**20] existed in the record that the amendments would have a significant effect on the environment. The court found substantial evidence showed potential increases in oxides of nitrogen, particulate matter, and greenhouse gases. In addition to these findings, the court also concluded the Board adopted an incorrect baseline for determining impacts on the environment because it did not utilize as a baseline measurement, "what would obtain under the unmodified 2010 Amendments" and instead used "the current conditions obtaining due to lack of enforcement of the 2010 Amendments." The court rejected the notion that a negative declaration could be utilized in the future in light of the fact "the criteria pollutant emissions caused by the Amendments vastly exceed[ed] the thresholds of significance" for oxides of nitrogen and particulate matter. Finally, the court found the Board had also violated the [APA](#) by utilizing a materially deficient economic impact analysis. The court found that, despite numerous comments on the issue of competitive impacts on compliant fleets, "there is no analysis in either the SRIA or the Fiscal Statement of the impacts to compl[ia]nt trucking companies being undercut in the market by non-compliant [**21] trucking companies due to the Amendments."

Based on these findings, the trial court granted respondents' writ petition, voided the Board's approval of the 2014 amendments to the regulations and certification of the environmental documents related to the 2014 amendments, and issued a peremptory writ of mandamus to the Board ordering it "to comply with [CEQA](#) and the [APA](#) before taking any further action to approve,

implement or enforce the 2014 Amendments." The court denied respondents' request for declaratory relief and awarded respondents their fees and costs.

This appeal timely followed.

DISCUSSION

Alleged [CEQA](#) Violations

The underlying writ petition includes multiple allegations of error under [CEQA](#). Although we need not reach every allegation, our ultimate finding of [CEQA](#) error requires us to consider several alleged errors in order to ensure future compliance with [CEQA](#) should the Board continue to pursue modifications to the current regulations. Accordingly, we begin by identifying some basic [CEQA](#) principles, before analyzing those alleged errors.

[CEQA](#) and the Board's Regulatory Program

[HNI](#)[↑] [CA\(D\)](#)[↑] (1) The Board is not subject to the full scope of [CEQA](#). Rather, it utilizes its own regulatory [**22] program when adopting or amending standards for the [*95] protection of ambient air quality. This process is permitted under the law as a certified regulatory program. (See *Pub. Resources Code*, § 21080.5; *Cal. Code Regs.*, tit. 14, §§ 15250–15252.) Such programs are exempt from certain procedural aspects of [CEQA](#) because "they involve 'the same consideration of environmental issues as is provided by use of EIRs and negative declarations.'" (*POET, LLC v. State Air Resources Bd.* (2013) 218 Cal.App.4th 681, 709 [160 Cal. Rptr. 3d 69] (*POET I.*)) Certification of a program is effectively a determination that the agency's regulatory program includes procedures for environmental review that are the functional equivalent of [CEQA](#). (*Californians for Alternatives to Toxics v. Department of Pesticide Regulation* (2006) 136 Cal.App.4th 1049, 1059 [39 Cal. Rptr. 3d 393].) "The practical effect of this exemption is

that a state agency acting under a certified regulatory program need not comply with the requirements for preparing initial studies, negative declarations or EIR's. [Citations.] The agency's actions, however, remain subject to other provisions of CEQA.” (*POET I, supra, 218 Cal.App.4th at p. 710.*)

HN2^[↑] **CA(2)**^[↑] (2) The Board's “regulatory program is contained in sections 60005, 60006 and 60007 of title 17 of the California Code of Regulations. These provisions require the preparation of a staff report at least 45 days before the public hearing on a proposed regulation, which report is required to be available for public review and comment. (Cal. Code Regs., tit. 17, § 60005, subd. (a).) It is [the Board's] ****23** policy ‘to prepare staff reports in a manner consistent with the environmental protection purposes of [the Board's] regulatory program and with the goals and policies of [CEQA].’ (Cal. Code Regs., tit. 17, § 60005, subd. (b).) The provisions of the regulatory program also address environmental alternatives and responses to comments to the environmental assessment. (Cal. Code Regs., tit. 17, §§ 60006, 60007.)” (*POET I, supra, 218 Cal.App.4th at p. 710.*)

Although the Board follows slightly different procedures, we analyze the Board's conduct for compliance with CEQA's policies and legal mandates. (*POET I, supra, 218 Cal.App.4th at p. 711.*)

General Standards of Review

HN3^[↑] In reviewing an agency's compliance with CEQA during the course of its legislative or quasi-legislative actions, the trial court's inquiry during a mandamus proceeding “shall extend only to whether there was a prejudicial abuse of discretion,” which is established “if the agency has not proceeded in a manner required by law or if the determination or decision is not supported by substantial evidence.” (*Vineyard Area Citizens for*

Responsible Growth, Inc. v. City of Rancho Cordova (2007) 40 Cal.4th 412, 426 [53 Cal. Rptr. 3d 821, 150 P.3d 709] (*Vineyard*), quoting Pub. Resources Code, [*96] § 21168.5.) We apply the same standard when reviewing a substitute environmental document for a certified regulatory program. (*POET I, supra, 218 Cal.App.4th at pp. 712–713; California Sportfishing Protection Alliance v. State Water Resources Control Bd.* (2008) 160 Cal.App.4th 1625, 1644 [73 Cal. Rptr. 3d 560] (*California Sportfishing*).)

HN4^[↑] “In evaluating an EIR [or substitute environmental document] for CEQA compliance, ... a reviewing court must adjust ****24** its scrutiny to the nature of the alleged defect, depending on whether the claim is predominantly one of improper procedure or a dispute over the facts.” (*Vineyard, supra, 40 Cal.4th at p. 435.*) When the claim is predominantly one of procedure, courts conduct an independent review of the agency's action, but when a challenge is made to a factual finding of the agency, we will review the record to determine whether the finding is supported by substantial evidence. (*POET I, supra, 218 Cal.App.4th at p. 713.*) When the informational requirements of CEQA have not been met, an agency has failed to proceed in a manner required by law and has therefore abused its discretion. (*California Sportfishing, supra, 160 Cal.App.4th at p. 1644.*) In assessing such a claim, courts apply an independent or de novo standard of review to the agency's action. (*Communities for a Better Environment v. City of Richmond* (2010) 184 Cal.App.4th 70, 83 [108 Cal. Rptr. 3d 478].)

On appeal, we review the agency's action rather than the trial court's ruling, applying the same standard as the trial court. (*Vineyard, supra, 40 Cal.4th at p. 427.*) “We therefore resolve the substantive CEQA issues ... by independently determining whether the administrative record demonstrates any legal error by the [agency] and whether it contains substantial evidence to support the [agency's] factual determinations.” (*Ibid.*)

The Board's Approval of the Modifications

[HNS](#) [CA\(3\)](#) (3) Although the Board is not subject to the full extent **[**25]** of [CEQA](#) regulations when utilizing its certified regulatory program, it is subject to various [CEQA](#) principles relevant to its regulatory actions. One of these principles is the expectation that [CEQA](#) documents, and by extension [CEQA](#) compliant documents like the Board's staff report, “be considered *before project approval*.” ([POET I, supra, 218 Cal.App.4th at p. 716.](#)) As explained in the [CEQA guidelines](#), “public agencies shall not undertake actions concerning the proposed public project that would have a significant adverse effect or limit the choice of alternatives or mitigation measures, before completion of [CEQA](#) compliance.” ([CEQA Guidelines](#),¹ [§ 15004, subd. \(b\)](#); **[*97]** see *Laurel Heights Improvement Assn. v. Regents of University of California* (1988) 47 Cal.3d 376, 394 [253 Cal.Rptr. 426, 764 P.2d 278] [“A fundamental purpose of an EIR is to provide decision makers with information they can use in deciding *whether* to approve a proposed project, not to inform them of the environmental effects of projects that they have already approved. If postapproval environmental review were allowed, EIR's would likely become nothing more than *post hoc* rationalizations to support action already taken.”].) The Board is subject to this same timing requirement. ([POET I, supra, 218 Cal.App.4th at p. 717](#) [“[W]e conclude that certified regulatory programs, while exempt from certain requirements of [CEQA](#), are not exempt from the timing requirement **[**26]** in [Guidelines section 15004](#).”].)

The parties dispute whether the Board satisfied this timing requirement. According to respondents, the Board took two distinct steps that committed it to a definite course of action with respect to the

proposed modifications. First, respondents contend the Board violated [CEQA](#) when its staff issued regulatory advisory 13-28 in November 2013. Respondents argue the Board necessarily limited its choice of alternatives or mitigation measures and committed itself to a definite course of action on the modifications when it issued an advisory telling fleet owners they could “report and *take advantage of* applicable anticipated regulatory changes.” Second, respondents see a [CEQA](#) violation at the time the Board first approved the amendments at the April 25, 2014, meeting. Respondents posit that the Board's [CEQA](#) review was not complete, according to regulatory rules, until the Board filed a notice of decision, which did not occur until November 2014, and that the approval in April 2014 included language demonstrating the environmental review was ongoing.

The Board disagrees. With respect to its conduct in issuing the regulatory advisory, the Board argues the advisory itself **[**27]** was not a project and did not bind the Board to adopting the proposed amendments or preclude consideration of alternatives. Rather, the Board states that it “was simply allowing vehicle owners an opportunity to report their intent to use amended provisions if they became available and be eligible for some delay in enforcement, if they reported that intent,” conduct the Board contends is perfectly acceptable given its inherent discretion “to determine where, when, and how to utilize its enforcement resources.” It further suggests any error at this stage is “moot and irrelevant because by the time the writ petition was filed, [the Board] did in fact conduct the full [CEQA](#) review of the proposed regulatory modifications.” On the matter of its April 2014 approval, the Board's position is that it met all [CEQA](#) requirements prior to the April 2014 approval and that respondents are mistaking routine boilerplate language in its notice of approval for an admission that further environmental review was applicable. **[*98]** The Board asserts no further [CEQA](#) analysis was required after that point and further meetings were held only to comply with

¹“[CEQA Guidelines](#)” refers to the regulations that implement [CEQA](#) and are set forth in California Code of Regulations, title 14, section 15000 et seq.

certain requirements of the [APA](#).

[**28] *The Board Violated [CEQA](#) by Approving a Project Too Early*

[CA\(4\)](#)^[↑] (4) We begin with analyzing the Board's conduct when issuing the regulatory advisory. We ultimately find this action constituted the approval of a project under [CEQA](#). Contrary to the framework of the Board's arguments, the project in this instance was not the advisory, but the proposed regulatory modifications. The Board's issuance of a public regulatory advisory stating that fleet operators could take advantage of the proposed regulatory modifications before they were enacted, and would not be subject to enforcement actions or penalties if those modifications were not enacted, is sufficient conduct to constitute approval of those regulations under [CEQA](#). As the required environmental review was incomplete at the time of the [CEQA](#) project approval, the Board violated [CEQA](#)'s timing requirement.

[HN6](#)^[↑] [CA\(5\)](#)^[↑] (5) A project is a broad concept under [CEQA](#) that asks whether certain entities' activities “may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.” (*Friends of the Sierra Railroad v. Tuolumne Park & Recreation Dist.* (2007) 147 Cal.App.4th 643, 653 [54 Cal. Rptr. 3d 500].) Analogous to this case, “[t]his means that agency action approving or opening the way for a future development can be part of a project and can trigger [**29] [CEQA](#) even if the action takes place prior to planning or approval of all the specific features of the planned development.” (*Id. at p. 654.*) This “opening the way” can trigger [CEQA](#) where it constitutes an approval.

[CA\(6\)](#)^[↑] (6) Although we agree with the Board that issuing the regulatory advisory itself did not constitute a project, this does not end our inquiry. [HN7](#)^[↑] The modification of current regulations may constitute a project. ([POET, LLC v. State Air](#)

[Resources Bd. \(2017\) 12 Cal.App.5th 52, 73–74 \[218 Cal. Rptr. 3d 681\]](#) (*POET II*.)

Prior to issuing the regulatory advisory, staff identified proposed modifications to the current framework of the regulations, modifications it called a comprehensive compliance strategy. The Board and its staff then indicated their intent not to prosecute those that failed to comply with the current controlling regulations if they identified their intent to comply with the expected proposal. The potential modifications were sufficiently detailed to allow staff to indicate they would quickly present modifications based on their presented outline to the Board and could rely on that outline as a basis for choosing not to enforce the present regulations. Such a plan is certainly [**99] detailed enough to constitute a project which cannot be approved without [CEQA](#) compliance. [**30] (See *Save Tara v. City of West Hollywood* (2008) 45 Cal.4th 116, 130 [84 Cal. Rptr. 3d 614, 194 P.3d 344] (*Save Tara*) [noting an EIR may not “be delayed beyond the time when it can, as a practical matter, serve its intended function of informing and guiding decision makers”].) Thus, under [CEQA](#)'s timing requirement, we must consider whether the Board improperly approved this project prior to the completion of the required environmental analysis.

[CA\(7\)](#)^[↑] (7) While the Board contends no project approval could exist prior to the formal approval from the Board, this is not correct. [HN8](#)^[↑] An approval under [CEQA](#) is “the decision by a public agency which commits the agency to a definite course of action in regard to a project intended to be carried out by any person.” ([CEQA Guidelines, § 15352, subd. \(a\).](#)) “Generally speaking, an agency acts to approve a proposed course of action when it makes its earliest firm commitment to it, not when the final or last discretionary approval is made.” (*North Coast Rivers Alliance v. Westlands Water Dist.* (2014) 227 Cal.App.4th 832, 859 [174 Cal. Rptr. 3d 229], italics omitted.) Approvals under [CEQA](#), therefore, are not dependent on “final” action by the lead agency, but by conduct

detrimental to further fair environmental analysis.

Our Supreme Court provided an extensive analysis of this principle with respect to public/private development agreements in *Save Tara*. In that case, the city council for West **[**31]** Hollywood entered into a development agreement that was contingent on later [CEQA](#) review and other regulatory approvals. (*Save Tara, supra, 45 Cal.4th at pp. 123–124.*) The court found this agreement violated [CEQA](#)'s timing requirement, noting in its analysis that the agreement included a loan not conditioned on [CEQA](#) compliance, that the city had made several statements suggesting it was committed to the project (*Save Tara, supra, at pp. 140–142*), and that the “[c]ity [had] proceeded with tenant relocation on the assumption the property would be redeveloped as in the proposed project” (*id. at p. 142*).

[CA\(8\)](#)**[↑]** **(8)** In its discussion regarding the general principles of [CEQA](#)'s timing requirement, the Supreme Court explicitly rejected the city's argument that approval could not occur until the relevant agency entered into an unconditional agreement irrevocably vesting development rights. (*Save Tara, supra, 45 Cal.4th at p. 134.*) In language pertinent to this case, the court noted it had previously found approval “even though further discretionary governmental decisions would be needed before any environmental change could occur” (*ibid.*) and explained that limiting approval to unconditional agreements would ignore situations where bureaucratic and financial momentum had built irresistibly behind a proposed project, creating a strong **[**32]** incentive to ignore environmental concerns. (*Id. at p. 135.*) Notably, however, the court also **[*100]** rejected the idea that any agreement, conditional or not, would constitute approval, stating specifically that [HN9](#)**[↑]** approval “cannot be equated with the agency's mere interest in, or inclination to support, a project, no matter how well defined.” (*Id. at p. 136.*) Balancing these positions, the court concluded the proper test for determining whether a project had been prematurely approved was

whether the agency had taken any action that significantly furthered a project ““in a manner that forecloses alternatives or mitigation measures that would ordinarily be part of [CEQA](#) review of that public project,”” including “the alternative of not going forward with the project.” (*Id. at pp. 138–139.*) The court instructed reviewing courts to look “not only to the terms of the agreement but to the surrounding circumstances” when making this determination. (*Id. at p. 139.*)

The core principles set forth in *Save Tara* equally apply to public regulatory action, such as the proposed amendments at issue here. ([POET I, supra, 218 Cal.App.4th at p. 719.](#)) While the facts shedding light on the agency's rulemaking process will be different from those arising when an agency approves a development agreement, such differences **[**33]** are immaterial to the core issue whether the agency has taken any steps foreclosing alternatives, including that of not going forward, or has otherwise created bureaucratic or financial momentum sufficient to incentivize ignoring environmental concerns.

Under that standard, we conclude the Board did take action that significantly furthered the proposed regulations in a manner that foreclosed the alternative of not modifying the regulations. As the Board notes in its briefing, it was updated on issues regarding full implementation of the existing regulations in October 2013. At that time it was informed compliance was required by January 1, 2014, and that many small fleets were facing economic challenges in meeting this deadline. In response to this information, the Board directed its staff to propose modifications to the regulations. While such conduct certainly built momentum behind a change to the regulations, such momentum was well in line with *Save Tara*'s reminder that agencies may express interest in or even inclination toward proposed projects.

However, shortly after providing those instructions, staff responded, in November 2013, with draft modifications and an advisory to the **[**34]** public

regarding the proposal. While the advisory informed the public that further action by the Board was necessary to implement any changes, and warned that the Board and staff may propose amendments, it expressly stated that, should modifications occur that “impact a fleet's ability to comply with the regulation, [the Board's] staff will provide fleets that have reported their intent to use these options additional time beyond the Board's April 2014 meeting to come into compliance.” Thus, at the point of the November 2013 [*101] advisory, the Board, through its staff's statements, had confirmed it intended to change the current regulations and that it would not prosecute any fleet operator that failed to comply with those 2014 regulations between January 1, 2014, and the April 2014 board meeting. In related public comments, members of the Board were already expressing their gratitude for the forthcoming “flexibility” to the regulations.

We conclude such conduct qualifies as approval of the modified regulations under CEQA. While the Board had previously expressed an inclination to modify the regulations, its advisory made clear that, at some level, changes were coming. It thus put substantial [**35] momentum behind supporting the changes offered by staff, as written, even if it retained a stated authority to modify those recommendations. This momentum was further buttressed by an express and public confirmation that the regulations as currently drafted would not be enforced. This expression of intent wholly precluded any potential “not going forward” option, as even if the Board found a reason not to make changes it would have already delayed implementation of the regulations as written by at least four months, thereby ensuring that at least some reduction in environmental impact under the pending regulations would not occur.

The Board argues that such a conclusion cannot stand because the Board was merely exercising its well-settled powers of prosecutorial discretion with respect to regulatory enforcement. Noting there is no case law on record suggesting the Board's

“exercise of its prosecutorial discretion is constrained by CEQA,” the Board argues there “is no evidence in the record that this temporary forbearance was likely to have any impact on the environment or otherwise constituted a project under CEQA.” This argument is fundamentally flawed. Our conclusion in this matter [**36] does not add new limits to the Board's exercise of prosecutorial discretion, rather it enforces the limits CEQA places on all Board actions that approve projects under that overarching law. This is no different than occurred in *Save Tara*, where the agency was utilizing its uncontested authority to enter into contracts but did so in a manner that improperly approved a project under CEQA. (*Save Tara, supra, 45 Cal.4th at p. 140.*) It is, likewise, no different from how the board prematurely approved the low carbon fuel standard in *POET I* even though the board-approved modifications were subject to further comment and potential change. (*POET I, supra, 218 Cal.App.4th at pp. 722–726.*) In all such cases, there is no curtailment to the agency's ability to use a power generally. Rather, the law requires the agency to consider when it can properly use that power such that it does not purposefully or inadvertently sidestep the mandatory provisions of CEQA.

CA(9)[↑] (9) As the Board cited in its own briefing, HN10[↑] “[a] decision to devote available facilities and personnel to selected areas and to abstain from active [*102] pursuit of others is a policy or planning decision at a relatively high internal level.” (*Roseville Community Hosp. v. State of California (1977) 74 Cal.App.3d 583, 590 [141 Cal. Rptr. 593].*) To ignore the impact of such a high-level policy decision in analyzing approval under [**37] CEQA would directly contradict our Supreme Court's guidance in *Save Tara* to review not only the specific actions taken but also the surrounding circumstances when considering approval of a project. (*Save Tara, supra, 45 Cal.4th at p. 139.*) Whether such additional circumstances have any independent impact on the environment or otherwise constitute a project is a true red herring. The sole question under the law is whether some

action constituted approval of a [CEQA](#) project. The project here is the ultimate modification of the regulations. Thus, the only relevant question is whether the Board took meaningful steps in support of that project, thereby foreclosing alternatives. As noted above, in this case we conclude such steps were taken prior to the Board conducting its environmental analysis, violating [CEQA](#).²

Remedy for Early Approval

[HN11](#)^[↑] [CA\(10\)](#)^[↑] (10) “Directing an agency to void its approval of the project is a typical remedy ... for a [CEQA](#) violation.” (*POET I, supra, 218 Cal.App.4th at p. 759.*) This is what the mandate issued by the trial court ordered, along with a direction that the Board “comply with [CEQA](#) and the [APA](#) before taking any further action to approve, implement or enforce the 2014 Amendments.” The parties do not dispute that affirming the trial court [**38] supports voiding the approval of the modifications under [CEQA](#). However, the Board raised as an issue whether it would be required to prepare the functional equivalent of an EIR under the trial court's final statement of decision.

We conclude that, to the extent the trial court intended to specifically order the preparation of the functional equivalent of an EIR, it erred. We note, however, that the court's actual judgment imposes no direct requirement to do so. We consider this issue, however, based on the parties' competing interpretations.

[HN12](#)^[↑] [CA\(11\)](#)^[↑] (11) [Public Resources Code section 21168.9](#) controls the court's authority when crafting a remedy for [CEQA](#) violations. (*Berkeley Hillside Preservation v. City of Berkeley (2015) 60*

Cal.4th 1086, 1121 [184 Cal. Rptr. 3d 643, 343 P.3d 834] (Berkeley Hillside Preservation).) Under this statute, upon finding a [CEQA](#) violation, “a court should enter an order that includes (1) a mandate that the decision be voided in whole or in part, and/or (2) a mandate that the [*103] agency ‘take specific action as may be necessary to bring the ... decision into compliance with’ [CEQA](#).” (*Berkeley Hillside Preservation, supra, at p. 1121.*) However, “[subdivision \(c\) of \[Public Resources Code\] section 21168.9](#) provides in part that ‘[n]othing in this section authorizes a court to direct any public agency to exercise its discretion in any particular way.’” (*Id. at p. 1122.*) Thus, where no discretion remains for the agency, courts have properly [**39] instructed them to prepare an EIR when required. (*Id. at p. 1121; see Save Tara, supra, 45 Cal.4th at p. 143.*) However, where the agency retains discretion on how to proceed under [CEQA](#) despite its previous violations, it may exercise that discretion on remand. (*Berkeley Hillside Preservation, supra, 60 Cal.4th at p. 1122.*) Thus, courts can order an EIR only where, under the circumstances of that case, the agency lacks discretion to proceed in a different fashion. (*Ibid.*)

In this case, we do not believe the Board lacks discretion to act in compliance with [CEQA](#) without generating the functional equivalent of an EIR.³ As the Board notes, it may choose to revert to the prior regulatory scheme, effectively choosing the no project option. In addition, in light of its analysis of the errors identified below, it remains possible the Board could issue something similar to a mitigated negative declaration or could modify the regulations in a manner that avoids the environmental impacts identified by respondents.

²Having concluded the Board improperly approved this [CEQA](#) project at the time it issued its regulatory advisory, we do not further consider whether its actions on April 25, 2014, also prematurely approved the modifications. Further, we need not reach whether improper piecemeal review occurred, as the initial approval was improper standing alone.

³We accept the Board's concession that it is obligated to proceed to the functional equivalent of an EIR if it “decided to re-adopt the amendments without any modifications using the exact same record.” Moreover, in light of the errors identified below, we do not agree that the Board's later approval of the modifications permits us to overlook any other errors in this case. (See [POET I, supra, 218 Cal.App.4th at pp. 759–760.](#))

The trial court's judgment accounts for this possibility, simply directing the Board to comply with [CEQA](#) and the [APA](#) as it exercises its discretion moving forward. We affirm that understanding of the judgment.

The Board's Choice of a Baseline

Although the Board's early approval requires that we void **[**40]** approval of the contested modifications, as we have noted the Board may continue to pursue those or similar modifications. As such, we turn to the actual environmental analysis completed to determine whether it ultimately complied with [CEQA](#). In this review, the parties first dispute whether the Board adopted a baseline determination of the environmental conditions absent the proposed project that is consistent with [CEQA](#).

Standards of Review and Applicable Law

[HN13](#)^[↑] The baseline determination is an important component of the [CEQA](#) process, as it sets the criterion by which the agency determines whether the **[*104]** proposed project has a substantial adverse effect on the environment. ([POET II, supra, 12 Cal.App.5th at p. 78.](#)) We review de novo whether an agency has chosen to rely upon a standard that is consistent with [CEQA](#). (*Communities for a Better Environment v. South Coast Air Quality Management Dist. (2010) 48 Cal.4th 310, 319 [106 Cal. Rptr. 3d 502, 226 P.3d 985] (Communities); Center for Biological Diversity v. Department of Fish & Wildlife (2015) 62 Cal.4th 204, 219 [195 Cal. Rptr. 3d 247, 361 P.3d 342] (Center for Biological Diversity).*) Once that standard is set, “an agency enjoys the discretion to decide, in the first instance, exactly how the existing physical conditions without the project can most realistically be measured, subject to review, as with all [CEQA](#) factual determinations, for support by substantial evidence.” (*Communities, supra, 48 Cal.4th at p. 328; see Neighbors for*

Smart Rail v. Exposition Metro Line Construction Authority (2013) 57 Cal.4th 439, 449 [160 Cal. Rptr. 3d 1, 304 P.3d 499] (Neighbors).)

The Board Selected an Appropriate Baseline

[CA\(12\)](#)^[↑] **(12)** The arguments presented **[**41]** on appeal walk a tightrope between the two standards of review noted above. Both parties agree, consistent with the case law, [HN14](#)^[↑] the Board should normally adopt as a baseline “the physical environmental conditions in the vicinity of the project, as they exist ... at the time the environmental analysis is commenced” ([CEQA Guidelines, § 15125](#); see *Communities, supra, 48 Cal.4th at p. 321* [“[T]he impacts of a proposed project are ordinarily to be compared to the actual environmental conditions existing at the time of [CEQA](#) analysis, rather than to allowable conditions defined by a plan or regulatory framework.”].) However, according to respondents, the Board “did not employ this standard to its environmental analysis” because it “created a fictional universe in which the Existing Regulations did not exist,” measuring the current environment without regard to expected reductions in future pollution based on the existing regulations.

Regardless of where the arguments fall specifically, we do not agree with respondents that the Board either adopted a baseline that was inconsistent with [CEQA](#) or erroneously measured the existing conditions by excluding future expected declines. Rather, we conclude the Board was within its discretion to adopt a baseline **[**42]** calculation that measured the current environment without further reducing figures based on regulations that should have taken effect during the course of the analysis.

[CA\(13\)](#)^[↑] **(13)** *Communities* provides strong support for our conclusion. Like our case, *Communities* involved an agency issuing a negative declaration. However, in that case, the declaration arose because the baseline chosen for the project was the operation of certain boilers at their full

permitted operational levels, despite the fact simultaneous maximum operation was not a realistic [*105] description of the existing conditions at the time. (*Communities, supra*, 48 Cal.4th at p. 322.) As we noted above, the Supreme Court explained “that [HN15](#)[↑] the impacts of a proposed project are ordinarily to be compared to the actual environmental conditions existing at the time of [CEQA](#) analysis, rather than to allowable conditions defined by a plan or regulatory framework.” (*Id.* at p. 321, italics added.) This was so because “[a]n approach using hypothetical allowable conditions as the baseline results in ‘illusory’ comparisons that ‘can only mislead the public as to the reality of the impacts and subvert full consideration of the actual environmental impacts,’ a result at direct odds with [CEQA](#)'s intent.” (*Id.* at p. 322.)

[CA\(14\)](#)[↑] (14) In line [**43] with *Communities*, the administrative record in this case demonstrates that full compliance with the existing regulatory standards would also create an illusory comparison. The record basis for proposing a delay in the regulatory mandates was the recognized fact that limitations in credit and capital had left many small fleet operators unable to comply with the standards as written. There were many who had not yet complied and it takes no unrealistic inference to recognize that future emissions estimates based on full compliance would mislead the public as to the effectiveness of the current regulations. Indeed, the natural unevenness in implementation and enforcement of regulations means regulatory expectations based on full compliance are rarely likely to accurately identify the current environmental conditions relating to those regulations. Nor should such predictions be used. [HN16](#)[↑] [CEQA](#) is not meant to stand as a barrier to appropriate modifications to environmental regulations, whether they tighten or loosen existing regulations, provided the lead agency properly informs the public of the effects of those modifications and no significant environmental impact will arise. (See *Neighbors, supra*, 57 Cal.4th at p. 453 [noting [**44] the primary

purpose an EIR is to provide “‘public agencies and the public in general with detailed information about the effect which a proposed project is likely to have on the environment’”].) Respondents' insistence that current existing conditions must account for those trucks that should comply with regulations in the future, but as of yet have not, suffers from the same flaw as the decision in *Communities* to rely on permitted standards that have not been utilized previously, differing only in whether the decision artificially inflates or deflates the appropriate baseline. Both metrics assume future potential conditions rather than evaluate the actual current environmental conditions.

Although respondents seek to distinguish *Communities* in the context of this argument, they do so by arguing the trial court “found that the “‘existing conditions” included the [Existing Regulations], and the emissions reductions that could be expected from enforcement of that regulation.”” This argument adds no weight to respondents' position. We do not review the trial court's action, nor do we defer to the trial court's findings in these matters. (*Center for Biological Diversity, supra*, 62 Cal.4th at p. 215 [“In determining whether [*106] there has been an abuse [**45] of discretion, we review the agency's action, not the trial court's decision.”].) As our analysis of *Communities* shows, existing conditions do not properly include expected regulatory reductions. Including such predictions in the baseline adds a potential for gamesmanship and misdirection to the analysis and creates a scenario whereby the relevant conditions are no longer statically defined or tied to the existing circumstances at the beginning of the review.

Likewise, we find substantial evidence supports the Board's decision to measure current existing conditions without reference to future expected reductions based on existing regulations. As a matter of logic, future expected reductions are not inherently relevant to a measurement of existing conditions in the same way that constantly fluctuating conditions, such as existed in

Communities, supra, 48 Cal.4th at pages 327–328, would be to ensuring decision makers are provided adequate information on the project's impacts. Thus, the Board was within its discretion to determine reliance on such factors when measuring the baseline was not proper. Moreover, the record before us demonstrates that these expected reductions were already in jeopardy due to financial costs associated with **[**46]** upgrading existing vehicles not in compliance and the continued issues with availability of capital for small fleets following the global recession. The Board was considering alternatives to the regulations based on this evidence and we conclude such information constitutes substantial evidence supporting the Board's decision to measure based exclusively on current outputs.

Ultimately, we take no issue with respondents' statement that “[p]lainly, the ‘existing environmental conditions’ include applicable laws and regulations,” but such a recitation does not prove the error respondents pursue. By adopting as a baseline the current environmental conditions, the Board did take into account the applicable laws and regulations as they had affected the environment to that point in time. Indeed, the initial report noted in appendix F the many ways the Board updated its analysis to determine the most current environmental conditions. That the Board properly exercised its discretion when not adjusting its baseline to include speculative future reductions based on expected implementations under those laws and regulations does not mean those laws and regulations were retroactively excluded from the Board's **[**47]** baseline analysis. We find no error in this methodology.

Possibility the Project Will Substantially Impact the Environment

Having determined the Board adopted a proper baseline, we next consider whether respondents produced any evidence supporting a fair argument that the project would have a substantial impact on

the environment. In doing so, we take up respondents' related argument concerning how [CEQA Guidelines, **\[*107\]** section 15125, subdivision \(e\)](#) impacts the Board's decision not to consider a temporary increase in pollutants significant. Although we conclude the Board properly determined there would be no substantial impact on the environment under the significance standards it chose to apply, we find a fair argument exists that the project will impact the environment in the short term. We further recognize the Board may not rotely apply standards of significance that do not address that potential effect once evidence of the risk has been identified. Accordingly, we conclude the Board abused its discretion in issuing the functional equivalent of a negative declaration.

The parties' dispute with respect to this issue centers on the criteria relied upon by the Board to assess whether any alleged impacts on the environment **[**48]** from modifying the regulation are significant. According to the Board, the modifications had no substantial impact under two different analyses. First, when measured against the current output of pollutants, the Board found that implementing the amendments would result in a continual decrease in pollutant output. Thus, at no point would the regulations result in an absolute increase in pollutants. Second, when compared to California's long-term air pollution reduction plans, the Board found implementation of the amendments resulted in a slower projected decrease in pollutants but that this slower pace would have no impact on California's ability to meet its 2023 emission goals. Respondents do not directly attack these findings. Rather, respondents contend a fair argument exists that three types of pollutants, oxides of nitrogen, particulate matter, and greenhouse gases, will increase in the short term over the measurements that would have existed had the original regulations remained in place. Respondents claim these increases are significant, both at a local and statewide level.

Standard of Review and Applicable Law

[HN17](#)^[↑] [CA\(15\)](#)^[↑] (15) “[CEQA](#) excuses the preparation of an EIR and allows the use of a negative **[**49]** declaration when an initial study shows that there is no substantial evidence that the project may have a significant effect on the environment.” (*Rominger v. County of Colusa* (2014) 229 Cal.App.4th 690, 713 [177 Cal. Rptr. 3d 677] (*Rominger*)). Thus, one of the critical first steps in [CEQA](#) “is to determine whether the project may have a significant effect on the environment.” (*Protect the Historic Amador Waterways v. Amador Water Agency* (2004) 116 Cal.App.4th 1099, 1106 [11 Cal. Rptr. 3d 104] (*Amador Waterways*)); see [Pub. Resources Code, § 21082.2, subd. \(d\)](#).)

[CA\(16\)](#)^[↑] (16) As the [CEQA Guidelines](#) explain, [HN18](#)^[↑] if “there is substantial evidence, in light of the whole record before a lead agency, that a project may have a significant effect on the environment, the agency shall prepare a draft EIR.” ([CEQA Guidelines, § 15064, subd. \(a\)](#).) “An ironclad definition of significant **[*108]** effect is not always possible because the significance of an activity may vary with the setting.” (*Id., subd. (b)*.) With respect to greenhouse gases, lead agencies “should consider the following factors, among others, when assessing the significance of impacts from greenhouse gas emissions on the environment: **[¶]** (1) The extent to which the project may increase or reduce greenhouse gas emissions as compared to the existing environmental setting; **[¶]** (2) Whether the project emissions exceed a threshold of significance that the lead agency determines applies to the project[;] **[¶]** (3) The extent **[**50]** to which the project complies with regulations or requirements adopted to implement a statewide, regional, or local plan for the reduction or mitigation of greenhouse gas emissions. ... If there is substantial evidence that the possible effects of a particular project are still cumulatively considerable notwithstanding compliance with the adopted regulations or requirements, an EIR must be prepared for the project.” ([CEQA Guidelines, § 15064.4, subd. \(b\)](#).) More generally, [HN19](#)^[↑] agencies are encouraged to develop thresholds of

significance to use in determining whether a project has significant environmental effects. “A threshold of significance is an identifiable quantitative, qualitative or performance level of a particular environmental effect, non-compliance with which means the effect will normally be determined to be significant by the agency and compliance with which means the effect normally will be determined to be less than significant.” ([CEQA Guidelines, § 15064.7, subd. \(a\)](#).)

[HN20](#)^[↑] [CA\(17\)](#)^[↑] (17) Despite the encouragement to develop thresholds of significance and to consider environmental impacts against certain standards, such comparisons “cannot be used to determine automatically whether a given effect will or will not be significant. ... In each **[**51]** instance, notwithstanding compliance with a pertinent threshold of significance, the agency must still consider any fair argument that a certain environmental effect may be significant.” (*Amador Waterways, supra*, 116 Cal.App.4th at pp. 1108–1109.) In other words, “[a] lead agency cannot avoid finding a potentially significant effect on the environment by rotely applying standards of significance that do not address that potential effect.” (*Rominger, supra*, 229 Cal.App.4th at p. 717.) Thus, if one can point to substantial evidence in the record that a project might constitute a significant effect on the environment notwithstanding the agency's applied standard of significance, then the agency cannot avoid its obligation to prepare an EIR by rotely relying on its standard. (*Ibid.*)

[HN21](#)^[↑] In reviewing an agency's decision to adopt a negative declaration, courts utilize the same fair argument test applied by the agency. (*Rominger, supra*, 229 Cal.App.4th at p. 713.) “The fair argument standard is met if the agency's initial study of the project produces *substantial evidence supporting a fair argument that the proposed project may have a significant adverse effect on the environment.*” (*Citizens for the Restoration of L Street v. City of Fresno* (2014) 229 Cal.App.4th 340, 364 [177 Cal. Rptr. 3d 96].) “The fair **[*109]**

argument standard is a low threshold.” (*Ibid.*) We review this issue independently. (*Rominger, supra, 229 Cal.App.4th at p. 713.*)

The Board Ignored a Fair Argument in This Case

In challenging [**52] the Board's decision in this case, respondents needed “to “demonstrate by citation to the record the existence of substantial evidence supporting a fair argument of significant environmental impact.”” (*Rominger, supra, 229 Cal.App.4th at p. 727.*) With respect to oxides of nitrogen, particulate matter, and greenhouse gases, respondents point to specific data in the initial statement showing that each would increase across California under the amended regulations when compared to the then-existing regulations. Respondents further point to evidence the increases identified are significant on a statewide basis and with respect to specific geographical areas.⁴

The Board does not directly tackle these alleged increases in its briefing.⁵ Rather, in its opening brief, the Board recognizes that it found emissions are projected to decline at a slower pace between 2015 and 2017, with the overall decrease being nearly identical by 2018. It then concedes, “this comparison *could* show the potential for a lower

⁴For oxides of nitrogen, respondents point to evidence the change will increase emissions by five tons per day in 2014 and 21 tons per day in 2017. Respondents compare these figures to the significance standard of 10 tons per year for projects in the San Joaquin Valley and claim they would constitute over 2 percent of statewide on-road mobile sources of emissions in 2017. For particulate matter, respondents compare a 1.1-ton-per-day increase in 2017 with the 15-ton-per-year significance standard in the San Joaquin Valley and claim the increase could account for 1.4 percent of statewide on-road motor vehicle emissions. For greenhouse gases, respondents focus on black carbon emissions and argue the short-term increase identified is nearly 1 percent of the statewide daily greenhouse gas inventory.

⁵The initial statement does seem to consider a five-ton-per-day increase in oxides of nitrogen in 2017 within the San Joaquin Valley, concluding “emissions would remain at or below the level that would provide for attainment by 2017” resulting in “no expected impact on 1-hour ozone SIP [State Implementation Plan] for the San Joaquin Valley.” The statement seems to also consider black carbon impacts. However, the Board makes no argument these analyses correspond to respondents' positions or otherwise supports the Board's conduct.

rate of reductions, and thus, an unrealized emissions benefit,” before, without citation to the record, arguing “the emissions reductions as projected in 2010 were no longer valid and reliable to use as a baseline in 2014.” In reply, [**53] it further attempts to tie its baseline determination to the significance issue by arguing that “in erroneously finding [the Board] used the incorrect baseline, the trial court improperly found a ‘fair argument.’” (Boldface & some capitalization omitted.) Ultimately, the Board's argument is that the evidence supports the Board's “finding of no significant impacts because the 2014 amendments result in the [**110] same emissions reductions in 2023 allowing California to meet its State Implementation Plan, which is the primary objective of the Truck and Bus Regulation.”

As noted above, the Board cannot simply rely on its settled baseline determination and factors of significance in the face of substantial evidence the project might have a significant impact on the environment. (*Rominger, supra, 229 Cal.App.4th at p. 717.*) While the Board could reasonably rely on either the direct reduction in emissions or the ultimate compliance with California's air pollution reduction goals when conducting its initial study (see *Center for Biological Diversity, supra, 62 Cal.4th at p. 223*), its reliance on these significance standards did not alleviate it from its obligation to proceed further if respondents identified evidence in the record suggesting the project may significantly impact the environment under [**54] different standards.

Here, we find respondents did just that. Although respondents raise the issue in the context of determining a proper baseline, they correctly note that under the [CEQA Guidelines](#) the Board is obligated to discuss “inconsistencies between the proposed project and applicable general plans, specific plans and regional plans,” including the state implementation plan (reflecting the state's long-term air pollution reduction goals) and plans for the reduction of greenhouse gas emissions in any EIR's generated. ([CEQA Guidelines, § 15125](#),

subd. (d).) In its initial statement, the Board provides information regarding such a comparison, although it finds no inconsistency in the long term. It is this same evidence that respondents cite to for their “fair argument.” While the Board may disagree with the conclusions drawn by respondents regarding the short- to medium-term impacts, the evidence is sufficient to require the Board to make that disagreement public through the equivalent of an EIR, where such a comparison is generally required. (See *Neighbors*, *supra*, 57 Cal.4th at p. 455 [“Though we might rationally choose to endure short- or medium-term hardship for a long-term, permanent benefit, deciding to make that tradeoff requires some [**55] knowledge about the severity and duration of the near-term hardship.”].) The Board's failure to acknowledge and act upon this fair argument violated CEQA.

Contentions Under the APA

Although we find the modified regulations cannot stand under CEQA, the parties also dispute whether the Board properly complied with the APA's provisions regarding the need to assess certain potential adverse economic impacts arising from the modifications. The trial court found the Board did not proceed according to the APA's requirements in conducting its analysis and responding to community comments. We reach this issue because proper compliance with the APA will be required should the Board further pursue [**111] regulatory modifications. On this point, we received amicus curiae briefing from a coalition of 10 business and industry organizations interested in the proper application of the APA's economic impact analysis requirements.⁶

⁶Amici curiae have requested we take judicial notice of certain legislative documents reflecting the intent and purpose behind enacting the APA. The Board opposed taking notice of these documents and we deferred ruling on the request. Because we do not ultimately rely on the contested documents, we deny the motion as moot.

Relevant APA Principles

CA(18)[↑] (18) Born from a perception that “there existed too many regulations imposing greater than necessary burdens on the state and particularly upon small businesses,” HN22[↑] the APA provides a procedural vehicle to review proposed regulations or modifications thereto in order to “advance [**56] “meaningful public participation in the adoption of administrative regulations by state agencies” and create “an administrative record assuring effective judicial review.”” (*Western States Petroleum Assn. v. Board of Equalization* (2013) 57 Cal.4th 401, 425, 424 [159 Cal. Rptr. 3d 702, 304 P.3d 188] (*Western States*).) In other words, the APA establishes basic minimal procedural requirements for rulemaking in California. (POET I, *supra*, 218 Cal.App.4th at p. 743.) “Pursuant to those procedural requirements, agencies must, among other things, (1) give the public notice of the proposed regulatory action; (2) issue a complete text of the proposed regulation with a statement of reasons for it; (3) give interested parties an opportunity to comment on the proposed regulation; (4) respond in writing to public comments; and (5) maintain a file as the record for the rulemaking proceeding.” (*Id.* at pp. 743–744.)

HN23[↑] As part of the initial disclosures required under step two, a rulemaking agency “must include ‘[f]acts, evidence, documents, testimony, or other evidence on which the agency relies to support an initial determination that the action will not have a significant adverse economic impact on business.’” (*Western States*, *supra*, 57 Cal.4th at p. 425.) The agency's initial statement is followed by a public comment period, after which, “if the agency decides to enact the regulation, it must prepare a ‘final statement of reasons’ [**57] for adopting the proposed rule, which must include ‘[a]n update of the information contained in the initial statement of reasons.’” (*Id.* at p. 426.) This final statement “must also include ‘[a] summary of each objection or recommendation made regarding the specific adoption, amendment, or repeal proposed, together

with an explanation of how the proposed action has been changed to accommodate each objection or recommendation, or the reasons for making no change.” (*Ibid.*) This aspect of the procedures is referred to as the economic impact assessment requirement. (*Id.* at p. 425.)

Looking at this requirement more granularly, under [Government Code section 11346.5, subdivision \(a\)\(8\)](#), “If a state agency, in adopting, amending, [*112] or repealing any administrative regulation, makes an initial determination that the action will not have a significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states, it shall make a declaration to that effect in the notice of proposed action.” Similarly, under [Government Code section 11346.3, subdivision \(a\)](#), “A state agency proposing to adopt, amend, or repeal any administrative regulation shall assess the potential for adverse economic impact on California business enterprises and individuals, [**58] avoiding the imposition of unnecessary or unreasonable regulations or reporting, recordkeeping, or compliance requirements.” [Section 11346.3](#) requires the agency to “prepare a standardized regulatory impact analysis,” that “shall address” several factors including the “creation or elimination of jobs within the state,” the “creation of new businesses or the elimination of existing businesses within the state,” and the “competitive advantages or disadvantages for businesses currently doing business within the state.” (*Id.*, [subd. \(c\)\(1\)](#).)

[HN24](#)^[↑] [CA\(19\)](#)^[↑] (19) An agency's initial determination “need not be conclusive, and the qualifying adjective “significant” indicates that the agency need not assess or declare *all* adverse economic impact[s] anticipated.” (*Western States*, *supra*, 57 Cal.4th at p. 428.) Similarly, “an agency's initial determination of economic impact need not exhaustively examine the subject or involve extensive data collection. The agency is required only to ‘make an initial showing that there

was some factual basis for [its] decision.’” (*Id.* at p. 429.) Indeed, “a regulation will not be invalidated simply because of disagreement over the strict accuracy of cost estimates on which the agency relied to support its initial determination.” (*Ibid.*) Once the initial [**59] assessment is complete, “affected parties may comment on the agency's initial determination and supply additional information relevant to the issue.” (*Ibid.*) The agency “must respond to the public comments and either change its proposal in response to the comments or explain why it has not.” (*Ibid.*)

Standard of Review

[HN25](#)^[↑] We review the Board's “initial determination to determine that the [Board] has substantially complied with its obligations, and whether it is supported by some substantial evidence.” (*California Assn. of Medical Products Suppliers v. Maxwell-Jolly* (2011) 199 Cal.App.4th 286, 307 [131 Cal. Rptr. 3d 692].) Interpreting the relevant statutes to determine whether the Board has substantially complied with its obligations is a question of law to which we apply an independent standard of review. ([POET I, supra, 218 Cal.App.4th at p. 748](#).)

In its briefing, the Board argues “[t]he standard of review for a purely procedural [APA](#) claim is not precisely clear” and, relying primarily on *Yamaha* [*113] *Corp. of America v. State Bd. of Equalization* (1998) 19 Cal.4th 1 [78 Cal. Rptr. 2d 1, 960 P.2d 1031] (*Yamaha*), argues its conduct fell within its regulatory and rulemaking authority and thus is subject to a deferential review where we accord the Board's decisions great weight and respect. Although there are circumstances where such a standard of review is applicable to the Board's conduct, it is not in review of [APA](#) procedural compliance issues. Indeed, we held [**60] so definitively in [POET I, supra, 218 Cal.App.4th at pages 747–748](#), where we rejected this same argument and reliance on *Yamaha*. Contrary to the Board's arguments in response to

amici curiae, *POET I* is not distinguishable simply because it dealt specifically with rules relating to maintaining the record file during rulemaking. As we noted in *POET I*, the procedures set forth in chapter 3.5, article 5 of the [APA](#), which include not only the rulemaking file requirements but all the contested provisions in this case, govern “the adoption and amendment of regulations by state agencies” and “establish[] ‘basic minimum procedural requirements’ for rulemaking,” the violation of which may result in the regulation being declared invalid. (*POET I, supra, 218 Cal.App.4th at pp. 743–744.*) Our conclusion in *POET I*, that we independently review and interpret the procedural requirements of the [APA](#), controls.

We further note this conclusion comports with our Supreme Court's precedent in *Tidewater Marine Western, Inc. v. Bradshaw* (1996) 14 Cal.4th 557, 576–577 [59 Cal. Rptr. 2d 186, 927 P.2d 296], and *Armistead v. State Personnel Board* (1978) 22 Cal.3d 198, 204–205 [149 Cal. Rptr. 1, 583 P.2d 744]. Both of those cases explained that an agency's decision to include non-[APA](#) compliant interpretations of legal principles in its regulations will not result in additional deference to the agency. Here, the Board claims its economic analysis resulted from its interpretation of how the [APA](#)'s analytical process [**61] should be conducted—i.e., that the Board need only consider whether California companies will be harmed vis-à-vis competition with out-of-state companies. Although the Board attempts to rely on an approval of its economic analysis from the Department of Finance to claim its interpretation of the [APA](#) was proper, it points to no formal regulation supporting its interpretation and, as respondents point out, the record itself provides no indication the Board's interpretation was even conveyed to the Department of Finance when it reviewed the Board's work. Even if within the realm of the Board's authority, which our conclusion in *POET I* demonstrates is not the case, such unstated and undeveloped interpretations do not comply with the [APA](#) and are entitled to no deference. (*Tidewater Marine Western, Inc. v. Bradshaw, supra, 14*

Cal.4th at p. 576 [“[T]o give weight to [an improperly adopted regulation] in a controversy that pits [the agency] against an individual member of exactly that class the [APA](#) sought to protect ... would permit an agency to flout the [APA](#) by penalizing those who were entitled to notice and opportunity to be heard but received neither.”].) [**114] Ultimately, review here is not fundamentally different from any other set of laws under which the Board [**62] must operate when engaged in its rulemaking activities, including [CEQA](#).

The Board's Conduct Violated the [APA](#)

[CA\(20\)](#)[↑] (20) As detailed above, [HN26](#)[↑] under the [APA](#)'s economic analysis requirements, the relevant agency must consider whether the regulation will have a significant statewide adverse economic impact directly affecting business. The Board's argument in support of its economic analysis under this standard centers on accepting the premise that the Board “interpreted this provision as requiring an analysis of the competitiveness of the whole California trucking industry relative to the industry outside the state.” The Board contends it had no obligation under the [APA](#) to extend its analysis further, in part because the evidence offered of harm to certain trucking fleets was “speculative, and expressed the general sentiment that the truck fleets that had already complied would be at a financial disadvantage as compared to the truck fleets that had not yet complied.”

We do not agree with the Board that the economic impact analysis requirements are so narrowly drawn. Nothing in the language of the relevant statutes suggests the economic interests relevant to the [APA](#) analysis are solely interstate interests. [**63] [Government Code section 11346.5](#) broadly requires consideration of “significant, statewide adverse economic impact[s] directly affecting business.” (*Id., subd. (a)(8).*) While it then references interstate impacts, it does

so by adding them to the required analysis rather than limiting the analytical scope. (*Ibid.* [“including the ability of California businesses to compete with businesses in other states”].) Likewise, [Government Code section 11346.3](#) requires an analysis of several factors that are broadly drafted in a manner which does not suggest solely interstate impacts, such as the “creation of new businesses or the elimination of existing businesses within the state,” and the “competitive advantages or disadvantages for businesses currently doing business within the state.” (*Id.*, *subd. (c)(1)*.) This later provision strongly suggests the Board must look at each type of business subject to the relevant proposals and consider whether those proposals will advantage or disadvantage that particular type, despite the source of those impacts being advantages the regulations bring to other in-state businesses. Finally, the [APA](#)'s general purpose of relieving stress on small businesses subject to unnecessary regulation further supports a broad reading of the **[**64]** required analysis. The desire to relieve burdens on small businesses necessarily entails a consideration of how those small businesses are impacted by regulations relative to larger in-state businesses that will not feel the impact of such regulations at the same scale. We further conclude the Board was not permitted under the statutory scheme to ignore evidence of **[*115]** impacts to specific segments of businesses already doing business in California when proceeding under the [APA](#). If the Board's proposed regulatory amendments placed the state's thumb on the scale for one group of in-state businesses over another, it needed to consider that impact.

Notably, the Board's discussions in the relevant documents appear to recognize this requirement, despite its current arguments on appeal. When discussing expected changes in costs for particulate matter filter upgrades for heavier trucks, the initial statement explained “[l]ong-haul trucking fleets that are based in California or outside California do not compete in the same markets as vocational trucks and are affected differently because of their business model and type of truck used.” Likewise,

the initial **[**65]** statement, when discussing changes in costs for long-haul fleets, explained there may be potential differences in impact between large and small fleets, “fleet owners that have acted early or have downsized, and owners that cannot afford to comply.” The initial statement also included a separate discussion of impacts on small businesses and took the time to recognize, although not analyze, the fact that there needed to be a balancing between the needs of compliant and noncompliant fleets.

We further recognize that evidence of in-state effects between compliant and noncompliant fleets was presented to the Board in the form of testimonials provided by impacted businesses. These testimonials informed the Board that significant expenditures had been required to comply with the previous compliance deadlines, that noncompliant fleets without those additional expenses were therefore able to undercut compliant fleets on pricing, and that providing additional time for those noncompliant fleets to meet the relevant standards under the modified regulations could result in substantial harm to some of those businesses, including bankruptcy. Such evidence is not mere speculation and in similar **[**66]** contexts, specific testimonial evidence from the public has been readily identified as substantial evidence supporting the need for a response. (See *Architectural Heritage Assn. v. County of Monterey* (2004) 122 Cal.App.4th 1095, 1117–1118 [19 Cal. Rptr. 3d 469] [discussing relevant evidence in [CEQA](#) fair argument context to include public testimony].) Accordingly, regardless of whether the Board was aware of such impacts at the time it made its initial report, it was made aware of them through the proper procedural mechanism of public comment and, as such, had an obligation to respond under the [APA](#). (See *Western States, supra*, 57 Cal.4th at p. 429 [explaining that, upon provision of proper comments from public, agency “must respond to the public comments and either change its proposal in response to the comments or explain why it has not”].)

The Board's responses to this evidence were insufficient under the [APA](#). Although the Board appeared to respond to the comments received, its [*116] responses were not supported by any record evidence. For example, the Board alleged that it had considered issues of fairness and structured provisions in the modifications accordingly. Yet it argues the exact opposite on appeal—that it did not consider intrastate competition—and we have been pointed to no analysis in the administrative record showing the Board [**67] actually analyzed such impacts and acted in light of these concerns. As the [APA](#) requires the Board to explain why it chose not to make changes in the face of substantial evidence of impacts, unsupported assertions the evidence—neither actually collected nor reviewed by staff—was considered in drafting the regulations simply cannot satisfy the [APA](#). In failing to properly respond to the comments regarding intrastate competition issues, the Board failed to abide by its obligations under the [APA](#) in either form or substance.

DISPOSITION

The judgment is affirmed. Costs on appeal are awarded to respondents.

Levy, Acting P. J., and Poochigian, J., concurred.