

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Draft Socioeconomic Assessment for Automatic Consumer Price Index (CPI) Increase

March 2014

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EXECUTIVE SUMMARY

Rule 320 (Automatic Adjustment Based on Consumer Price Index for Regulation III Fees) allows adjustments of most fee rates in Regulation III (Fees) by the California Consumer Price Index (CPI) annually. The October 29, 2010 SCAQMD Governing Board Resolution requires, by March 15, an assessment of the increase in fee rates based on the previous year's CPI. A socioeconomic analysis was conducted to assess the impacts of such adjustment. Furthermore, the analysis provides background information, historical trends of SCAQMD revenues from various fees and sectoral distributions of these fees. A summary of the analysis and findings is presented below.

In addition, staff is proposing a fee increase of three percent in fiscal year 2014-2015 and three percent in fiscal year 2015-2016 for permit processing and annual operating fees. A socioeconomic assessment analyzing the impact of that fee increase will be available prior to the May 2 Board Meeting.

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| Automatic Consumer Price Index Increase | Pursuant to Rule 320, an across-the-board 1.6-percent increase in fee rates (equivalent to the change in the California CPI from December 2012 to December 2013) will occur on July 1, 2014 unless the Governing Board decides to forego the 1.6-percent increase. |
| Affected Facilities | Nearly all the facilities regulated by the SCAQMD would be affected by the proposed CPI increase. These facilities belong to every sector of the economy. |
| Approach and Findings | <p>The analysis herein examines the impact of the existing Regulation III fees on various industries. The fees examined include emissions fees, permit fees, annual operating fees, toxic hot spot fees, source testing fees, and a portion of Rule 2202 (Mobile Source Emissions Mitigation Programs) fees. The existing fee rates together with the most recent equipment and activity profiles of individual facilities were used to generate facility level fee estimates. These estimates were then aggregated to the industry level.</p> <p>The manufacturing sector is the largest contributor to the SCAQMD emission fees (66 percent), permit fees (39 percent), and annual operating fees (38 percent). Overall, the costs of complying with the current Regulation III rates are very small relative to the industry output (less than 0.01 percent overall).</p> |
| Impact of CPI Increase | The across-the-board 1.6-percent fee rate increase would bring additional revenue of \$1.4 million to the SCAQMD. Based on 2013 emissions and current equipment and activity profiles of individual facilities, the petroleum and coal products manufacturing sector would experience the largest increase in fees (approximately \$0.23 million with about 90 facilities) among all of the sectors, followed by retail trade (approximately \$0.15 million with about 4,130 facilities) and utility (approximately \$0.07 million with about 910 facilities) sectors. |

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| | Relative to the estimated fiscal year 2013-2014 revenue, the projected total revenue for the next fiscal year would decrease by \$5.7 million in spite of the 1.6-percent fee rate increase. |
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INTRODUCTION

The SCAQMD General Fund is comprised of revenues from a number of sources. The majority of SCAQMD revenues are derived from emission fees, annual operating fees, permit processing fees, and a portion of vehicle registration fees collected by the state (mobile sources/clean fuels). Other sources of revenues include Hearing Board fees, source test/analysis fees, transportation program (Rule 2202) fees, reimbursement for work associated with the AB 2588 program (toxic air contaminants), civil penalties/settlements, and other revenues.

Pursuant to Rule 320, an across-the-board 1.6-percent increase in fee rates (equivalent to the change in the California Consumer Price Index (CPI) from December 2012 to December 2013) will occur on July 1, 2014 unless the Governing Board decides to forego the 1.6-percent increase. To examine the impact of such increase on various industry sectors, this report focuses the analysis on emission fees, annual operating fees, permit processing fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees.¹

REVENUE TREND

Table 1 lists historical revenue for two prior fiscal years, estimated revenue for the current fiscal year² (FY) 2013-2014, and projected revenue for FY 2014-2015, by major fee category. Estimated revenue for FY 2013-2014 is calculated based on actual revenue received through February, 2014. Emission fees, annual operating fees, and permit processing fees together represented approximately 60 percent of the SCAQMD's actual total revenues.

Compared to the estimated revenue in FY 2013-2014, a net total revenue decrease of \$5.7 million is expected for FY 2014-2015 in spite of the 1.6-percent fee rate increase. Emission fees are projected to decline in correlation with the decline in emissions reported over previous years, a result of many facilities adopting cleaner technologies. The decline in other revenues projected for FY 2014-15 compared to the FY 2013-14 estimate is mainly attributable to a large unanticipated penalty that was received in FY 2013-14. The last two columns in Table 1 break down the revenue changes by fee category.

¹ Other fees that are also subject to the automatic CPI increase, such as hearing board fees and area source fees, are not examined for the impact by industry. They account for relatively small portions of the total revenue.

² A fiscal year runs from July 1 to June 30. For example, FY 2013-2014 refers to the period of July 1, 2013 to June 30, 2014. In comparison, calendar year (CY) 2014 refers to the period of January 1 to December 31, 2014.

Table 1: Actual and Estimated SCAQMD Revenue

| Revenue Category | FY 2011-2012 Actual* (Thousands) | FY 2012-2013 Actual* (Thousands) | FY 2013-2014 Estimated** (Thousands) | FY 2014-2015 Projected (Thousands) | % Change in Fee Rates | Changes in Revenue | |
|---|--|--|--|--|--------------------------------|------------------------------|--------|
| | | | | | | (from FY 13-14 Estimated) | |
| | | | | | | Thousands | % |
| Emission Fees | \$19,715 | \$20,540 | \$20,319 | \$19,907 | 1.6% | -\$411 | -2.0% |
| Annual Operating Fees | \$41,222 | \$41,935 | \$43,758 | \$44,200 | 1.6% | \$442 | 1.0% |
| Permit Processing Fees | \$15,659 | \$17,211 | \$17,781 | \$17,996 | 1.6% | \$215 | 1.2% |
| Mobile Source/Clean Fuels | \$20,301 | \$19,397 | \$22,470 | \$22,453 | N/A | -\$17 | 0.0% |
| Source Test & Lab Analysis | \$760 | \$791 | \$606 | \$742 | 1.6% | \$136 | 22.4% |
| Hearing Board Fees | \$222 | \$278 | \$336 | \$279 | 1.6% | -\$57 | -16.9% |
| Transportation Program (Rule 2202) Fees | \$849 | \$928 | \$1,043 | \$894 | 1.6% | -\$149 | -14.3% |
| Other Revenues*** | \$25,453 | \$31,852 | \$29,879 | \$24,085 | N/A | -\$5,794 | -19.5% |
| Total | \$124,180 | \$132,932 | \$136,192 | \$130,556 | | -\$5,636 | -4.1% |

(Note: Numbers may not add up due to rounding.)

* Information as reported in the Comprehensive Annual Financial Reports (FYs 2011-12 & 2012-13).

** Estimates are based on actual revenue received through February 2014.

*** Other Revenues include: CARB Subvention; Federal Grants; Interest; Lease Income; Penalties/Settlements; Subscriptions; AB 2588 Reimbursement; Miscellaneous revenues; Portable Equipment Registration Program (PERP); and Area Sources.

HISTORICAL REVENUE ANALYSIS

The following sub-sections examine the distribution of revenues from various fee categories among key industries. The SCAQMD is required to undertake socioeconomic analyses by H&SC Sections 40440.8(a) and (b) for proposed rules and rule amendments that *"will significantly affect air quality or emissions limitations."* The proposed adjustment for Consumer Price index does not satisfy this criterion, so the analysis herein is presented for informational purposes only. It should be noted that this analysis has used the most recent available emission data with existing fee rates and the most recent invoiced amounts to arrive at an estimated picture of current fee revenue by industry. Thus, the figures below may differ slightly from Table 1 because data sources may reflect different time periods.

Emission Fees

Emission fees account for approximately 15 percent of the SCAQMD's estimated total revenue based on actual revenue received through February, 2014 (Table 1). In May 2001, an emissions flat fee was introduced on all facilities with at least one operating permit (excluding equipment in Rule 222—Filing Requirements for Specific Emission Sources Not Requiring a Written Permit Pursuant to Regulation II). The flat fee implemented recommendations by the California State Auditor in 1998, the Revenue Committee established by the Executive Officer in 2000, and the independent consultant for the Fee Structure Study—Thompson, Cobb, Bazilio & Associates, PC (March 1999).

Table 2 shows the estimated revenue by industry for flat emission fee (\$2.4 million) and emissions-based fees (\$16.4 million) that are expected to be collected from more than 20,000 facilities. The former contributes approximately 13 percent of total emission fees collected.

The estimated revenue from emissions-based fees in Table 2 was derived from 2013 emissions and the invoiced amount, or the amount a facility should have paid, in Calendar Year 2013 based on the existing Rule 301 fee rates. These emissions include permitted and non-permitted emissions from the pollutants NO_x, SO_x, VOC, TSP, CO, and specific organic gasses (SPOG) as well as toxic air contaminants listed in Table IV of Rule 301 for facilities required to report their actual emissions each year. Also included were clean fuels fees on stationary sources. The most recent historical emissions (2013) were used because future emissions cannot be accurately projected at the industry level.

The services sector (NAICS 54-81) that is made of a large number of facilities shows the highest share of the flat emission fee, contributing \$0.8 million or 33 percent of the total amount estimated. In comparison, emission-based fees are largely correlated with the size of facilities. The sectors with a high concentration of small businesses, such as the retail trade and service sectors have a much smaller proportion of emissions-based fees than the sectors with a lower concentration of small businesses (e.g., manufacturing).

For example, albeit being the largest contributor to the flat emission fees, the services sector contributes only about six-percent of the total \$16.4 million in revenue from emissions-based fees. Similarly, the retail trade sector (NAICS 44-45, which has many small businesses) is estimated to pay less than 1 percent of the total emission-based fees while this same sector contributes to 16 percent of the flat emission fee.

The largest contributor to emissions-based fees is the manufacturing sector (NAICS 31-33). It accounts for almost half of the facilities that pay into this fee category. Moreover, the sector is estimated to pay \$12 million, or 73 percent of the total emissions-based fee revenue. Within the manufacturing sector, the petroleum and coal industry (NAICS 324) alone contributes \$9.3 million to emissions-based fees, accounting for 78 percent of the sectoral total.

Permit Fees and Annual Operating Fees

Permit and annual operating fees by industry are shown in Table 3. Applicants for permits to construct/operate equipment listed in Rule 301 pay a permit processing fee which varies by equipment type. Permit fees also include other charges based on additional time and materials billed for SCAQMD staff time (if specified by the applicable rule), and other fees as required (modeling, Title V fees, CEQA analysis fees, etc.) The fee, except for time and material fees, is paid at the beginning of the permit application process.

Table 2: Estimated Emission Fee Revenue by Industry

| Industry | NAICS | Flat Fee | | | Emission-based Fees | | | Total | |
|---|----------------|---------------|---------------|---------------|---------------------|---------------|-------------|----------------|---------------|
| | | MMS\$ | % | # of Fac.** | MMS\$ | % | # of Fac.** | MMS\$ | % |
| Agriculture, Forestry, Fishing & Hunting | 111-115 | \$0.01 | 0.43% | 91 | \$0.22 | 1.33% | 58 | \$0.23 | 1.21% |
| Mining | 21 | \$0.03 | 1.33% | 279 | \$0.56 | 3.44% | 90 | \$0.60 | 3.17% |
| Oil and Gas Extraction | 211 | \$0.02 | 0.91% | 190 | \$0.38 | 2.34% | 68 | \$0.41 | 2.16% |
| Mining (except oil and gas) | 212-213 | \$0.01 | 0.43% | 89 | \$0.18 | 1.10% | 22 | \$0.19 | 1.01% |
| Construction | 23 | \$0.08 | 3.52% | 734 | \$0.04 | 0.27% | 19 | \$0.13 | 0.69% |
| Manufacturing | 31-33 | \$0.41 | 16.82% | 3,513 | \$12.01 | 73.21% | 507 | \$12.41 | 65.98% |
| Food Manufacturing | 311 | \$0.02 | 0.93% | 197 | \$0.13 | 0.81% | 40 | \$0.16 | 0.83% |
| Wood Products Manufacturing | 321 | \$0.01 | 0.40% | 85 | \$0.01 | 0.05% | 6 | \$0.02 | 0.09% |
| Petroleum and Coal Products Mfg. | 324 | \$0.01 | 0.40% | 83 | \$9.32 | 56.83% | 35 | \$9.33 | 49.59% |
| Chemical Manufacturing | 325 | \$0.04 | 1.51% | 316 | \$0.47 | 2.86% | 49 | \$0.51 | 2.69% |
| Nonmetallic Mineral Product Mfg. | 327 | \$0.03 | 1.04% | 218 | \$0.23 | 1.38% | 26 | \$0.25 | 1.34% |
| Primary & Fabricated Metal Mfg. | 331-332 | \$0.09 | 3.93% | 821 | \$0.58 | 3.53% | 140 | \$0.67 | 3.58% |
| Machinery Manufacturing | 333 | \$0.02 | 0.91% | 191 | \$0.02 | 0.11% | 10 | \$0.04 | 0.22% |
| Computer and Electronic Product Mfg. | 334 | \$0.03 | 1.24% | 259 | \$0.04 | 0.22% | 16 | \$0.07 | 0.35% |
| Electrical Equipment & Appliance Mfg. | 335 | \$0.01 | 0.62% | 129 | \$0.02 | 0.11% | 12 | \$0.03 | 0.18% |
| Motor Vehicle & Trans. Equipment Mfg. | 336 | \$0.03 | 1.10% | 226 | \$0.13 | 0.78% | 33 | \$0.15 | 0.82% |
| Other Manufacturing | Other in 31-33 | \$0.11 | 4.73% | 988 | \$1.07 | 6.53% | 140 | \$1.18 | 6.30% |
| Utilities | 22 | \$0.10 | 4.20% | 877 | \$1.46 | 8.92% | 107 | \$1.56 | 8.32% |
| Transportation & Warehousing | 48-49 | \$0.06 | 2.37% | 496 | \$0.52 | 3.15% | 30 | \$0.57 | 3.05% |
| Information | 51 | \$0.09 | 3.61% | 754 | \$0.02 | 0.15% | 11 | \$0.11 | 0.59% |
| Publishing Industries, Except Internet | 511 | \$0.00 | 0.17% | 35 | \$0.01 | 0.05% | 2 | \$0.01 | 0.06% |
| Motion Picture & Sound Recording | 512 | \$0.01 | 0.28% | 59 | \$0.02 | 0.10% | 9 | \$0.02 | 0.12% |
| Internet Services and data processing | 518,519 | \$0.01 | 0.23% | 47 | \$0.00 | 0.00% | 0 | \$0.01 | 0.03% |
| Other Information | Other in 51 | \$0.07 | 2.93% | 613 | \$0.00 | 0.00% | 0 | \$0.07 | 0.38% |
| Wholesale Trade | 42 | \$0.11 | 4.56% | 956 | \$0.32 | 1.97% | 50 | \$0.43 | 2.31% |
| Retail Trade | 44-45 | \$0.38 | 15.96% | 3,336 | \$0.03 | 0.21% | 21 | \$0.42 | 2.23% |
| Car & Parts Dealers | 441 | \$0.03 | 1.33% | 277 | \$0.01 | 0.04% | 2 | \$0.04 | 0.21% |
| Gas Stations | 447 | \$0.19 | 7.74% | 1,618 | \$0.03 | 0.21% | 11 | \$0.22 | 1.17% |
| Other Retail Trade*** | Other in 44-45 | \$0.17 | 6.90% | 1,441 | (\$0.01) | N/A | 8 | \$0.16 | 0.84% |
| Finance and Insurance | 52 | \$0.03 | 1.32% | 277 | \$0.00 | 0.00% | 3 | \$0.03 | 0.17% |
| Real Estate and Rental Leasing | 53 | \$0.11 | 4.42% | 924 | \$0.03 | 0.16% | 8 | \$0.13 | 0.70% |
| Services | 54-81 | \$0.80 | 33.04% | 6,901 | \$1.02 | 6.19% | 166 | \$1.81 | 9.63% |
| Professional and Technical Services | 54 | \$0.06 | 2.46% | 513 | \$0.01 | 0.03% | 6 | \$0.06 | 0.34% |
| Accommodation | 721 | \$0.02 | 0.89% | 186 | \$0.00 | 0.00% | 1 | \$0.02 | 0.11% |
| Food Services & Drinking Places | 722 | \$0.01 | 0.53% | 111 | \$0.01 | 0.04% | 5 | \$0.02 | 0.11% |
| Automotive Repairs & Maintenance | 8111 | \$0.23 | 9.34% | 1,951 | \$0.00 | 0.00% | 2 | \$0.23 | 1.20% |
| Dry Cleaning & Laundry Services | 8123 | \$0.15 | 6.31% | 1,317 | \$0.00 | 0.00% | 6 | \$0.15 | 0.81% |
| Health Care & Social Assistance | 62 | \$0.08 | 3.18% | 667 | \$0.11 | 0.69% | 53 | \$0.19 | 1.01% |
| Other Services | Other in 54-81 | \$0.25 | 10.33% | 2,156 | \$0.89 | 5.42% | 93 | \$1.14 | 6.05% |
| Public Administration | 92 | \$0.16 | 6.56% | 1,372 | \$0.16 | 0.99% | 23 | \$0.32 | 1.70% |
| Unclassified* | N/A | \$0.04 | 1.84% | 388 | \$0.00 | 0.02% | 3 | \$0.05 | 0.27% |
| Totals | | \$2.41 | 100% | 20,898 | \$16.40 | 100% | 1096 | \$18.81 | 100% |

* Facilities with no NAICS codes assigned are categorized as "unclassified."

** Almost all facilities paying emission-based fees also pay the flat fee.

*** Due to refunds issued in CY 2013, revenue from emission-based fees has a negative balance.

As Table 3 indicates, an estimated total of \$14.1 million from 6,624 facilities that applied for permits to construct or operate was invoiced during FY 2012-2013. It should be noted that a facility could apply for multiple permits. The manufacturing sector paid \$5.5 million, or 39 percent of the total permit fee revenue, followed by the services sector at 21 percent. As with emission fees, for those facilities classified with NAICS codes, the majority of the permit processing fee revenue came from the manufacturing sector.

Operating permits must be renewed annually. An annual fee is assessed on the renewed permits to support continuing SCAQMD inspection and compliance activities and other permit related activities. There were a total of 26,958 facilities with operating permits as of March 14, 2014. The revenue from these facilities at the current fee rate is estimated to be \$41.6 million (Table 3). The manufacturing sector has the largest share of annual operating fees, totaling \$15.7 million or 38 percent of the total annual operating fee revenue. The sectors of retail trade and services together would have paid \$15.2 million.

Toxic Hot Spots Fees

AB 2588 toxic hot spots fees were calculated based on risks and priority scores. The most recent invoiced revenue for the FY 2012-2013 was approximately \$1.9 million. The services sector's share of this total was 32 percent, followed by the manufacturing sector (18 percent) and retail trade (18 percent).

Source Testing Fees

The revenue from source testing fees is based on the invoiced source test fees during FY 2012-2013. During this period of time, the source test fee revenue from Rules 304 and 304.1 was \$0.64 million. The manufacturing and service sectors accounted for 65 percent of this revenue.

Rule 2202 Fees

Rule 2202—On-Road Motor Vehicle Mitigation Options—provides employers with three compliance options: (1) the Employee Commute Reduction Program (ECRP); (2) emission reduction strategies (ERS) such as the use of clean fuel vehicles, re-powering of diesel engine marine vessels, and vehicle scrapping; and (3) the Air Quality Investment Program (AQIP). Employers choosing the ECRP option pay a plan review fee to the SCAQMD at the time they file their ECRP Plan. Employers choosing an ERS pay a registration fee. Employers choosing to invest in AQIP pay a registration fee and an investment fee as their AQIP contribution. The latter goes to an escrow account which is not part of the General Fund.

The revenue from Rule 2202 fees herein is based on the invoiced Rule 2202 fees during FY 2012-2013. A total of \$0.86 million was collected from Rule 2202 fees for ECRP, ERS, and AQIP. The services sector accounted for approximately 36 percent (\$0.31 million) of the estimated Rule 2202 fee revenue. Only 15 percent of the revenue (\$0.13 million) came from the manufacturing sector. This reflects that the majority of employment in the four-county economy is in the more labor-intensive services sector.

Table 3: Estimated Permit & Annual Operating Fee Revenue by Industry at Current Fee Rates

| Industry | NAICS | Permit Fees ¹ | | | Annual Operating Fees ² | | |
|---|----------------|--------------------------|----------------|--------------|------------------------------------|----------------|---------------|
| | | MM\$ | % | # of Fac. | MM\$ | % | # of Fac. |
| Agriculture, Forestry, Fishing & Hunting | 111-115 | \$0.05 | 0.33% | 46 | \$0.09 | 0.21% | 144 |
| Mining | 21 | \$0.36 | 2.52% | 74 | \$1.27 | 3.05% | 373 |
| Oil and Gas Extraction | 211 | \$0.26 | 1.82% | 52 | \$0.93 | 2.23% | 262 |
| Mining (except oil and gas) | 212-213 | \$0.10 | 0.71% | 22 | \$0.34 | 0.82% | 111 |
| Construction | 23 | \$0.38 | 2.67% | 263 | \$1.01 | 2.43% | 934 |
| Manufacturing | 31-33 | \$5.47 | 38.80% | 906 | \$15.72 | 37.77% | 3,988 |
| Food Manufacturing | 311 | \$0.41 | 2.89% | 99 | \$1.24 | 2.98% | 232 |
| Wood Products Manufacturing | 321 | \$0.02 | 0.13% | 8 | \$0.08 | 0.19% | 100 |
| Petroleum and Coal Products Mfg. | 324 | \$0.91 | 6.46% | 42 | \$3.77 | 9.07% | 89 |
| Chemical Manufacturing | 325 | \$0.77 | 5.44% | 108 | \$1.82 | 4.37% | 367 |
| Nonmetallic Mineral Product Mfg. | 327 | \$0.24 | 1.68% | 53 | \$1.32 | 3.17% | 252 |
| Primary & Fabricated Metal Mfg. | 331-332 | \$0.93 | 6.59% | 164 | \$3.03 | 7.27% | 905 |
| Machinery Manufacturing | 333 | \$0.11 | 0.75% | 26 | \$0.34 | 0.81% | 217 |
| Computer and Electronic Product Mfg. | 334 | \$0.42 | 2.96% | 85 | \$0.64 | 1.54% | 291 |
| Electrical Equipment & Appliance Mfg. | 335 | \$0.18 | 1.28% | 35 | \$0.36 | 0.87% | 140 |
| Motor Vehicle & Trans. Equipment Mfg. | 336 | \$0.43 | 3.03% | 58 | \$0.81 | 1.94% | 257 |
| Other Manufacturing | Other in 31-33 | \$1.07 | 7.58% | 228 | \$2.31 | 5.55% | 1,138 |
| Utilities | 22 | \$0.96 | 6.84% | 136 | \$1.74 | 4.18% | 910 |
| Transportation & Warehousing | 48-49 | \$0.35 | 2.46% | 133 | \$0.92 | 2.22% | 553 |
| Information | 51 | \$0.23 | 1.60% | 144 | \$0.49 | 1.19% | 836 |
| Publishing Industries, Except Internet | 511 | \$0.02 | 0.14% | 12 | \$0.06 | 0.14% | 42 |
| Motion Picture & Sound Recording | 512 | \$0.06 | 0.40% | 24 | \$0.13 | 0.32% | 83 |
| Internet Services and data processing | 518,519 | \$0.01 | 0.07% | 20 | \$0.04 | 0.09% | 50 |
| Other Information | Other in 51 | \$0.14 | 0.99% | 88 | \$0.27 | 0.64% | 661 |
| Wholesale Trade | 42 | \$1.00 | 7.07% | 386 | \$2.43 | 5.85% | 1,125 |
| Retail Trade | 44-45 | \$1.27 | 9.02% | 1,853 | \$7.41 | 17.80% | 4,134 |
| Car & Parts Dealers | 441 | \$0.10 | 0.71% | 48 | \$0.20 | 0.48% | 321 |
| Gas Stations | 447 | \$0.42 | 2.97% | 318 | \$5.25 | 12.62% | 2,011 |
| Other Retail Trade | Other in 44-45 | \$0.75 | 5.34% | 1,487 | \$1.96 | 4.70% | 1,802 |
| Finance and Insurance | 52 | \$0.09 | 0.63% | 122 | \$0.26 | 0.62% | 327 |
| Real Estate and Rental Leasing | 53 | \$0.22 | 1.58% | 295 | \$0.77 | 1.85% | 1,074 |
| Services | 54-81 | \$3.02 | 21.43% | 1,754 | \$7.76 | 18.65% | 10,525 |
| Professional and Technical Services | 54 | \$0.69 | 4.86% | 238 | \$0.91 | 2.18% | 679 |
| Accommodation | 721 | \$0.06 | 0.44% | 74 | \$0.19 | 0.47% | 260 |
| Food Services & Drinking Places | 722 | \$0.05 | 0.38% | 148 | \$0.56 | 1.34% | 2,445 |
| Automotive Repairs & Maintenance | 8111 | \$0.33 | 2.35% | 283 | \$1.39 | 3.35% | 2,282 |
| Dry Cleaning & Laundry Services | 8123 | \$0.10 | 0.70% | 116 | \$0.55 | 1.33% | 1,494 |
| Health Care & Social Assistance | 62 | \$0.45 | 3.19% | 239 | \$0.91 | 2.19% | 731 |
| Other Services | Other in 54-81 | \$1.34 | 9.51% | 656 | \$3.24 | 7.79% | 2,634 |
| Public Administration | 92 | \$0.32 | 2.30% | 199 | \$0.98 | 2.36% | 1,468 |
| Unclassified* | N/A | \$0.39 | 2.76% | 313 | \$0.76 | 1.83% | 567 |
| Totals | | \$14.10 | 100.00% | 6,624 | \$41.61 | 100.00% | 26,958 |

¹ Based on permit applications in FY 2012-2013.

² Based on permits held on March 7, 2014.

* Facilities with no NAICS codes assigned are categorized as "unclassified."

Share of Major Revenue Sources by Industry

Approximately 60 percent of the SCAQMD's FY 2013-2014 estimated revenue comes from the following major revenue categories: emission fees, annual operating fees, permit processing fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees. Table 4 shows the percentage of fees from these categories in each industry's total output, a surrogate of affordability for the industries in the SCAQMD.³ Collectively, revenue from these fees is estimated to amount to \$78 million, based on 2013 emissions, existing emission fee rates, and invoiced amounts for other fee categories.

As shown in Table 4, the amount of fees paid by each industry is relatively small compared to that industry's regional output. This is the case with industries which are predominantly comprised of small businesses, such as retail trade (NAICS 44-45), and automotive and repair (NAICS 811). But it is also the case for industries predominately comprised of large businesses, such as refineries (NAICS 324) and utilities (NAICS 22).

The petroleum product sector, mainly refineries, paid \$14.2 million in various fees, which represents five hundredths of one percent of the sector's output. Fees paid by the pipeline transportation sector represent fourteen hundredths of one percent of the total output. Fees for the utilities sector represent approximately three hundredths of one percent of its output. Overall, major SCAQMD fee revenue, as a whole, represents less than one-hundredth of one percent of the four county output.

Table 4: Share of Major Revenue by Industry

| Industry Sector | NAICS | MM\$ | % of Total Fees | % of Total Output |
|---|-----------|--------|-----------------|-------------------|
| Farm (Agricultural Products) | 111-112 | \$0.32 | 0.40% | 0.01% |
| Agriculture & Forestry support activities | 115 | \$0.05 | 0.07% | 0.02% |
| Oil & Gas Extraction | 211 | \$1.62 | 2.07% | 0.02% |
| Mining (except oil and gas) | 212 | \$0.46 | 0.58% | 0.10% |
| Support Activities for Mining | 213 | \$0.19 | 0.24% | 0.02% |
| Utilities | 22 | \$4.51 | 5.79% | 0.03% |
| Construction | 23 | \$1.56 | 2.00% | 0.00% |
| Wood Products Mfg. | 321 | \$0.12 | 0.15% | 0.01% |
| Nonmetallic Mineral Product Mfg. | 327 | \$1.82 | 2.33% | 0.05% |
| Primary Metal Mfg. | 331 | \$1.51 | 1.94% | 0.02% |
| Fabricated Metal Product Mfg. | 332 | \$3.35 | 4.30% | 0.02% |
| Machinery Manufacturing | 333 | \$0.50 | 0.64% | 0.01% |
| Computer & Electronic Product Mfg. | 334 | \$1.17 | 1.50% | 0.00% |
| Electrical Equipment & Appliance Mfg. | 335 | \$0.61 | 0.78% | 0.01% |
| Motor Vehicle Mfg. | 3361-3363 | \$0.34 | 0.43% | 0.00% |
| Transport Equip. Mfg. Excl. Motor Veh. | 3364-3369 | \$1.12 | 1.44% | 0.00% |
| Furniture & Related Product Mfg. | 337 | \$0.37 | 0.47% | 0.01% |
| Miscellaneous Mfg. | 339 | \$0.69 | 0.88% | 0.00% |
| Food Mfg. | 311 | \$1.84 | 2.37% | 0.01% |
| Beverage and Tobacco Product Mfg. | 312 | \$0.53 | 0.68% | 0.01% |

³The year 2011 output in 2005 dollars was used and converted to 2013 dollars. The conversion used the California Consumer Price Index Calendar Year Averages from the California Department of Industrial Relations (Retrieved January 23, 2014 http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Price.htm).

Table 4: Share of Major Revenue by Industry (Continued)

| Industry Sector | NAICS | MM\$ | % of Total Fees | % of Total Output |
|--|--------------|----------------|-----------------|-------------------|
| Textile & Textile Product Mills | 313-314 | \$0.49 | 0.63% | 0.02% |
| Apparel, Leather & Allied Product Mfg. | 315-316 | \$0.06 | 0.07% | 0.00% |
| Paper Mfg. | 322 | \$0.58 | 0.74% | 0.01% |
| Printing & Related Support Activities | 323 | \$0.69 | 0.89% | 0.01% |
| Petroleum and Coal Products Mfg. | 324 | \$14.18 | 18.19% | 0.05% |
| Chemical Mfg. | 325 | \$3.15 | 4.04% | 0.02% |
| Plastics and Rubber Products Mfg. | 326 | \$1.31 | 1.68% | 0.01% |
| Wholesale Trade | 42 | \$3.99 | 5.12% | 0.00% |
| Retail Trade | 44-45 | \$9.57 | 12.27% | 0.01% |
| Air Transportation | 481 | \$0.05 | 0.06% | 0.00% |
| Rail Transportation | 482 | \$0.01 | 0.01% | 0.00% |
| Water Transportation | 483 | \$0.01 | 0.01% | 0.00% |
| Truck Transportation | 484 | \$0.15 | 0.19% | 0.00% |
| Couriers & Messengers | 491-492 | \$0.04 | 0.05% | 0.00% |
| Transit & Ground passenger Transportation | 485 | \$0.10 | 0.13% | 0.01% |
| Pipeline Transportation | 486 | \$0.83 | 1.07% | 0.14% |
| Scenic & Sightseeing Transportation | 487-488 | \$0.49 | 0.63% | 0.01% |
| Warehousing & Storage | 493 | \$0.26 | 0.33% | 0.01% |
| Publishing Industries, Except Internet | 511 | \$0.10 | 0.13% | 0.00% |
| Motion Picture & Sound Recording Industries | 512 | \$0.23 | 0.30% | 0.00% |
| Internet Services & Data Processing | 518-519 | \$0.07 | 0.08% | 0.00% |
| Broadcasting, Except Internet | 515 | \$0.13 | 0.17% | 0.00% |
| Telecommunications | 517 | \$0.43 | 0.55% | 0.00% |
| Monetary Authorities | 521-522, 525 | \$0.20 | 0.25% | 0.00% |
| Securities, Commodity Contracts, Investments | 523 | \$0.17 | 0.22% | 0.00% |
| Insurance Carriers & Related Activities | 524 | \$0.10 | 0.13% | 0.00% |
| Real Estate | 531 | \$0.98 | 1.26% | 0.00% |
| Rental & Leasing Services | 532-533 | \$0.24 | 0.31% | 0.00% |
| Professional and Technical Services | 54 | \$1.73 | 2.22% | 0.00% |
| Management of Companies & Enterprises | 55 | \$0.05 | 0.07% | 0.00% |
| Administrative & Support Services | 561 | \$1.44 | 1.84% | 0.00% |
| Waste Management & Remediation Services | 562 | \$1.81 | 2.32% | 0.05% |
| Education Services | 61 | \$1.17 | 1.51% | 0.01% |
| Ambulatory Health Care Services | 621 | \$0.52 | 0.67% | 0.00% |
| Hospitals | 622 | \$0.97 | 1.24% | 0.00% |
| Nursing & Residential Care Facilities | 623 | \$0.14 | 0.18% | 0.00% |
| Social Assistance | 624 | \$0.13 | 0.17% | 0.00% |
| Performing Arts & Spectator Sports | 711 | \$0.07 | 0.08% | 0.00% |
| Museums, Historical Sites, Zoos, and Parks | 712 | \$0.05 | 0.06% | 0.01% |
| Amusement, Gambling, and Recreation | 713 | \$0.37 | 0.47% | 0.01% |
| Accommodation | 721 | \$0.33 | 0.43% | 0.00% |
| Food Services & Drinking Places | 722 | \$0.65 | 0.83% | 0.00% |
| Repair & Maintenance | 811 | \$2.66 | 3.42% | 0.03% |
| Personal & Laundry Services | 812 | \$1.24 | 1.59% | 0.02% |
| Membership Associations and Organizations | 813 | \$0.27 | 0.35% | 0.00% |
| Government | 92 | \$1.84 | 2.36% | 0.00% |
| Unclassified* | N/A | \$1.25 | 1.61% | |
| Totals | | \$77.94 | 100.00% | < 0.01% |

*Facilities with no NAICS codes assigned are categorized as "unclassified."

REVENUE IMPACTS OF PROPOSED FEE RATE INCREASE BY INDUSTRY

Rule 320 allows annual adjustment of most fee rates in Regulation III by an amount equal to the change in CPI, which is 1.6-percent for the period of December 2012 to December 2013. Such fee rate increase is expected to increase total SCAQMD revenue by approximately \$1.4 million compared to what would have been paid in the event that the 1.6-percent CPI increase is not implemented.

Table 5 examines the major fee categories that are subject to the CPI-based rate increase and shows the distribution of these fee changes across affected industries. The fees examined include emission fees, annual operating fees, permit processing fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees. Revenues for these fee categories are expected to increase by approximately \$1.25 million, compared to the \$78 million that would have been collected based on 2013 emissions data and current equipment and activity profiles of individual facilities.

The petroleum and coal products manufacturing sector (NAICS 324) would experience the largest increase in fees (approximately \$0.23 million with about 90 facilities) among all of the sectors, followed by retail trade (approximately \$0.15 million with about 4,130 facilities) and utility (approximately \$0.07 million with about 910 facilities) sectors.

SUMMARY

The above analysis provides background information on SCAQMD revenue and summarizes the economic impact of the automatic consumer price index (Rule 320) increase on facilities regulated by SCAQMD. The amount of SCAQMD fees paid by each industry is small relative to the industry's economic output (less than 0.01 percent overall). SCAQMD revenues are expected to increase by \$1.4 million resulting from the across-the-board 1.6-percent fee rate increase. In spite of the fee rate increase, the projected revenue for FY 2014-2015 as a whole would decrease by \$5.7 million from a year ago.

Table 5
Revenue Impact of the Fee Rate Increase by Industry

| Industry Sector | NAICS | Revenue Change |
|---|-----------|----------------|
| Farm (Agricultural Products) | 111-112 | \$5,045 |
| Agriculture & Forestry support activities | 115 | \$821 |
| Oil & Gas Extraction | 211 | \$25,843 |
| Mining (except oil and gas) | 212 | \$7,289 |
| Support Activities for Mining | 213 | \$2,987 |
| Utilities | 22 | \$72,145 |
| Construction | 23 | \$24,979 |
| Wood Products Mfg. | 321 | \$1,894 |
| Nonmetallic Mineral Product Mfg. | 327 | \$29,068 |
| Primary Metal Mfg. | 331 | \$24,143 |
| Fabricated Metal Product Mfg. | 332 | \$53,583 |
| Machinery Manufacturing | 333 | \$8,042 |
| Computer & Electronic Product Mfg. | 334 | \$18,719 |
| Electrical Equipment & Appliance Mfg. | 335 | \$9,703 |
| Motor Vehicle Mfg. | 3361-3363 | \$5,394 |
| Transport Equip. Mfg. Excl. Motor Veh. | 3364-3369 | \$17,941 |
| Furniture & Related Product Mfg. | 337 | \$5,896 |
| Miscellaneous Mfg. | 339 | \$11,035 |
| Food Mfg. | 311 | \$29,500 |
| Beverage and Tobacco Product Mfg. | 312 | \$8,421 |
| Textile & Textile Product Mills | 313-314 | \$7,808 |
| Apparel, Leather & Allied Product Mfg. | 315-316 | \$909 |
| Paper Mfg. | 322 | \$9,200 |
| Printing & Related Support Activities | 323 | \$11,116 |
| Petroleum and Coal Products Mfg. | 324 | \$226,883 |
| Chemical Mfg. | 325 | \$50,332 |
| Plastics and Rubber Products Mfg. | 326 | \$20,930 |
| Wholesale Trade | 42 | \$63,879 |
| Retail Trade | 44-45 | \$153,049 |
| Air Transportation | 481 | \$722 |
| Rail Transportation | 482 | \$133 |
| Water Transportation | 483 | \$163 |
| Truck Transportation | 484 | \$2,339 |
| Couriers & Messengers | 491-492 | \$600 |
| Transit & Ground passenger Transportation | 485 | \$1,603 |
| Pipeline Transportation | 486 | \$13,341 |

**Table 5 – Revenue Impact of the Fee Rate Increase by Industry
(Continued)**

| Industry Sector | NAICS | Revenue Change |
|--|--------------|--------------------|
| Scenic & Sightseeing Transportation | 487-488 | \$7,801 |
| Warehousing & Storage | 493 | \$4,122 |
| Publishing Industries, Except Internet | 511 | \$1,573 |
| Motion Picture & Sound Recording Industries | 512 | \$3,686 |
| Internet Services & Data Processing | 518-519 | \$1,052 |
| Broadcasting, Except Internet | 515 | \$2,088 |
| Telecommunications | 517 | \$6,894 |
| Monetary Authorities | 521-522, 525 | \$3,171 |
| Securities, Commodity Contracts, Investments | 523 | \$2,758 |
| Insurance Carriers & Related Activities | 524 | \$1,604 |
| Real Estate | 531 | \$15,732 |
| Rental & Leasing Services | 532-533 | \$3,836 |
| Professional and Technical Services | 54 | \$27,688 |
| Management of Companies & Enterprises | 55 | \$846 |
| Administrative & Support Services | 561 | \$22,986 |
| Waste Management & Remediation Services | 562 | \$28,913 |
| Education Services | 61 | \$18,777 |
| Ambulatory Health Care Services | 621 | \$8,353 |
| Hospitals | 622 | \$15,503 |
| Nursing & Residential Care Facilities | 623 | \$2,306 |
| Social Assistance | 624 | \$2,118 |
| Performing Arts & Spectator Sports | 711 | \$1,049 |
| Museums, Historical Sites, Zoos, and Parks | 712 | \$748 |
| Amusement, Gambling, and Recreation | 713 | \$5,892 |
| Accommodation | 721 | \$5,316 |
| Food Services & Drinking Places | 722 | \$10,404 |
| Repair & Maintenance | 811 | \$42,629 |
| Personal & Laundry Services | 812 | \$19,831 |
| Membership Associations and Organizations | 813 | \$4,341 |
| Government | 92 | \$29,465 |
| Unclassified* | N/A | \$20,072 |
| Totals | | \$1,247,010 |

*Facilities with no NAICS codes assigned are categorized as “unclassified.”

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