

CALIFORNIA  
Small  
Business

**Alliance**

Dedicated to Environmental Progress and Economic Growth

December 13, 2006

Mr. Joe Cassmassi  
Planning & Rules Manager  
South Coast Air Quality Management District  
21865 E. Copley Drive  
Diamond Bar, CA 91765

### COMMENTS ON THE DRAFT 2007 AQMP

Dear Mr. Cassmassi:

As active participants in the Air Quality Management Plan (AQMP) Advisory Group, members of the California Small Business Alliance have been continuously engaged in the development of the plan and the ongoing dialog with other stakeholders representing a cross-section of the community and involved local, state and federal agencies. Now, with the conclusion of the initial round of public workshops involving the draft plan, Alliance members want to take this opportunity to offer our comments at this stage of the development process.

#### **A Fair Share Approach to Clean Air**

As the draft plan correctly states, the quality of the air that Southern Californians breath has improved over the past 30 years. We believe this is due, in large measure, to the planning and persistence by the District and the unwavering commitment by business owners and operators to improve their processes, control emissions, and reduce health risks by investing in viable technological innovations.

Notwithstanding the remarkably progress that has been made by this partnerships of stakeholders Alliance members take notice of some disturbing inequities in this particular plan, specifically with regard to the inequitable commitments being proposed by the four agencies (SCAQMD, CARB, U.S. EPA, and SCAG) for achieving future emissions reductions as a condition of meeting targeted air quality standards.

With each revision to the AQMP, emissions from stationary sources (particularly small businesses) have become less of a factor in solving the overall complex problem of improving air quality in the South Coast Basin. By all accepted calculations it should be common knowledge that timely attainment of federal standards can only be achieved when ALL agencies – not just the SCAQMD – assume their fair share of reducing emissions from the sources under their jurisdiction.

California Autobody  
Association

California Cleaners  
Association

California Film Extruders  
& Converters Association

California Furniture  
Manufacturers Association

California Independant  
Petroleum Association

Construction Industry Air  
Quality Coalition

Korean Drycleaners-Laundry  
Association of Southern California

Metal Finishing  
Association of  
Southern California

Printing Industries  
of California

Screenprinting & Graphic  
Imaging Association  
International

Southern California Rock  
Products Association

Owners and operators of regulated businesses, regardless of their size, are not so naïve as to believe that they will escape additional demands to reduce harmful emissions from the few remaining processes that contribute to the overall problem of air pollution. We have, however, arrived at a juncture where you, as regulators, have an obligation and a responsibility to demand that these other agencies rethink and restate their commitments to reduce emissions from sources under their jurisdiction before this plan is adopted.

#### **Socioeconomic Analysis and Cost Effectiveness Ranking**

Alliance members understand that the California Clean Air Act requires that each plan shall include an assessment of the cost effectiveness of available and proposed control measures and shall contain a list which ranks the control measures from the least cost-effective to the most cost-effective.

No other segment of the community knows better than those who own and operate regulated businesses that the quality of the cleaner air we enjoy today has come at a high price – most likely in the billions of dollars – and was made possible because of the enormous investments in innovative manufacturing processes by those in the business community. And, as it is aptly mentioned in the draft plan, the overall price tag to implement these future control measures is expected to cost many more billions of dollars.

At the December 13<sup>th</sup> meeting of the AQMP Advisory Group, we were given an overview of the Socioeconomic Analysis. When reviewing the list of data sources that the District's staff proposes to use to make its analysis and compile this vital element of the plan, we were astounded to learn that a number of time-honored, reliable, information resources for economic, societal and demographic data were not mentioned and probably not even considered. Some of these resources are as follows:

- UCLA Anderson School (Economic Outlook for California and the Nation)
- Chapman University (Annual Economic Forecast for the U.S., California and Orange County)
- Cal-State Fullerton (Annual Economic Forecasts)
- Los Angeles Economic Development Corporation (Annual Economic Forecasts)
- State of California/Department of Finance

As alternatives to the above, the Advisory Group was presented with this list of data sources that the District's staff proposes to rely upon to compile this most crucial element of the Draft AQMP:

- Dun & Bradstreet
- AQMD Inspectors' Reports
- Web Yellow Page & Web Search
- NAICS/SIC Conversion Table
- 1997 & 2000 NAISC Manual
- Phone Survey

As noted earlier, the cost to businesses to comply with more stringent control measures has grown exponentially over time while their contributions to air pollution and threat to human health has diminished, just as remarkably. Your own studies, and those of other agencies engaged in cleaning the air, clearly show that today's real offenders of the environment are individual consumers, the motoring public, and other sources which, as some will argue, are beyond your jurisdiction to regulate. Yet, this draft plan indicates, unmistakably, that you propose to ask businesses (stationary sources) to bear the burden for repairing the damage caused by these other perpetrators.

Alliance members deplore this kind of inequity and urge you to speak out to the other regulatory agencies, in the spirit of true partnership, and put our air pollution priorities in proper alignment.

The public officials, who sit on your Governing Board and on the boards of the other stakeholder agencies, must have a clear and unbiased picture of the sources that contribute to the complex problem of air pollution, as well as sensitivity to the near and long-range social and economic implications of the control measures contained in the Draft AQMP. For these reasons, we ask that you seriously consider using some, or all, of the information resources that we previously cited.

**Early Access to the Socioeconomic Analysis and Cost-Effectiveness Ranking**

When discussing the comments that others in the business community plan to make, we learned that some are content to wait for a more detailed numerical analysis of the control measures and the release of the socioeconomic report that will be forthcoming in the next version of the plan. History tells us, however, that these data was available until just prior to the time when the Governing Board was convened to hear earlier versions of the AQMP. This practice had the effect of leaving those of us who wanted to speak on behalf of the business community little time to digest the implications of the data and to coordinate our comments with our constituents. Equally disturbing has been the practice of only allowing a maximum of three minutes to each person wanting to present testimony to the Board on most hearing days.

At the December 13th meeting of the AQMP Advisory Group, the District's staff announced that they hoped to present the final Draft AQMP to the Governing Board on April 20, 2007. We ask and urge you to make every reasonable attempt to make the socioeconomic analysis available to all stakeholders not less than three calendar weeks prior to the date of the April meeting.

**Market Incentive Programs, Facility Modernization, Useful Equipment Life**

When reviewing the Draft AQMP, we appreciated reading the District's staff's commentary on the important role that market incentive programs can play in the fight to achieve clean air. Representatives of the business community have a long history of advocating the use of incentives and flexibility over more harsh, prescriptive, measures to achieve the same results. The Carl Moyer Program is a good example of an incentive program that facilitates the purchase of newer natural gas and diesel trucks.

In earlier meetings of the AQMP Advisory Group, matters like facility modernization and useful life of equipment were discussed to some extent. After reading more on these subjects in Appendix IV-A of the current draft, Alliance members expressed a number of concerns over these proposed control measures.

Our concerns are mostly over the term "useful life," how it is defined, and who will be the defining authority. Will it be the District or those who manufacture the equipment that would fall in this category? And, as is acknowledged in the text of this control measure, "*... older equipment is allowed to remain in operation for many years, provided that the equipment complies with applicable rules for existing equipment.*"

When equipment is properly maintained, accomplishes its purpose and is not cited as dangerous or unsafe by other regulatory agencies, business owners will see no need to go to the expense of replacing it for replacements sake. We are naturally concerned that any attempt to redefine the "useful life" of certain equipment would be arbitrary, at best, and have the potential of imposing severe and unnecessary economic hardship on many small businesses.

In addition, we join others in the business community who have submitted comments on this particular control measure with regard to the potential conflict with this measure and with the developing thinking on climate change regulation. Moreover, we caution the District to review the Best Available Control Technologies determinations particularly those established on combustion equipment.

**Assessing Health Benefits – Recommended Health Effect and Values**

At the December 13th meeting of the AQMP Advisory Group, the members were given a briefing on the methodology used by a District consultant to prepare a report that estimated the health effects from improvements in PM<sub>2.5</sub> and Ozone (O<sub>3</sub>) and also estimated the economic value of those same health effects for the Draft AQMP.

Notwithstanding the group's fascination with the presentation the suggested methodology was met with a noticeable amount of skepticism. Regrettably, a copy of their report, which apparently was submitted to the District on October 16, 2006, was not available for the members to review. Moreover, nothing was said to indicate to the group that we would ever see it.

A number of Advisory Group members, the Small Business Alliance among them, are of the opinion that the presentation on the report in question was so replete with inferences and conjecture as to render it meaningless, misleading, and likely incapable of achieving the purpose for which it was intended.

In one part of their presentation, for example, the consultant attempted to explain how they arrived at a connection between hospital admissions, lost workdays, school absences, and other health-related events and people's exposure to fine particulates (PM<sub>2.5</sub>) and Ozone (O<sub>3</sub>).

While we completely agree that some number of hospital admissions, lost work days and school absence days might be attributed to the effects of exposure to PM<sub>2.5</sub> and O<sub>3</sub>, we disagree with the methodology they used to place values on these incidents and reach whatever conclusions that are purported to be in their report.

It was our understanding, from listening to the presenter, that their methodology relied upon unconfirmed and undiagnosed complaints from would-be patients to hospital admitting staffs, unsubstantiated telephone calls by employees to their employers asking to be excused from work, and presumably, unverified declarations from parents to administration/attendance offices asking that their children be excused from school, as source data for their analysis. We suggest that using data such as this is highly unreliable and hardly a basis on which to form any meaningful judgments about the financial impacts of these two pollutants on our workforce, healthcare and school systems.

In fact, during their presentation, I couldn't help but wonder how many thousands of employees call in "sick" during the time between Thanksgiving and Christmas for no other reason than to get a head start on, or to finish, their holiday shopping?

Another reason for our skepticism over the methodology used by the consultant is contained in a March 2005 report by Harvard University's Civil Rights Project. Contained in their research paper is the following statement: "...In the Los Angeles Unified School District – the state's largest district – only 48 percent of African-American and Latino students who start 9<sup>th</sup> grade graduate four years later." The report goes on to say that "current educational policies" accounts for this phenomena.

Certainly, student absenteeism accounts for some part of this disturbing statistic on the dropout rate for high school students in the region. How much of it can legitimately be laid at the doorstep of exposure to PM<sub>2.5</sub> and O<sub>3</sub> over a typical four-year period of time, is problematic, at best. At worst, any attempt to assign a monetary value to these two pollutants would be unreliable and misleading.

**Economic Valuation Approach – Enjoyment of Life and Activities**

According to the same consultant, another goal of the Health Benefit Assessment of the Draft AQMP was to assess *“how much better off the population is with the improvement in air quality.”* Again, while not having the opportunity to review the report, the presentation we received was unambiguous in that it said: *“health effects affect welfare in two ways: 1) financial (cost of illness) and 2) enjoyment of life and activities.”* According to the presentation, *“studies of willingness to pay estimate how much income or expenditure people are willing to trade for a change in probability of a health effect.”*

We have no reason to dispute the consultant’s assertion that some individuals aspire for a better life, better health and more improvements in air quality. But, when an attempt is made to estimate how much income or expenditure people are willing to trade for a change in probability of a health effect in a region as vast and diverse as Southern California, based solely on input from a small control group of respondents, it causes us to question the reliability of the data obtained and apparently used in their report.

At this point, we believe it is appropriate to mention a recent article in the San Jose Mercury News that reported on studies by demographers from the State of California Department of Finance, and others. These studies revealed that more people are leaving California for other states than are arriving from the rest of the country. Furthermore, the article mentions that this unprecedented phenomenon is happening in what they describe as a good economy.

According to the article, between 2004 and 2005, the migration flow into California from the other 49 states started flowing the other way. These same studies also indicate that this particular kind of outflow will continue for the foreseeable future.

Unlike the tens of thousands who left Silicon Valley following the technology bust earlier this decade, the new migration is about the quest for something besides a job: a better quality of life at a lower cost of living.

The article goes on to say quote a history professor at the University of Southern California (USC) who specializes in the state’s history as saying: *‘What California was in the 1960s and 1970s -- a place of growth and expansion -- that California formula has been taken to so many other places’ in the Sunbelt. ”*

According to the article, Internal Revenue Service data show that the most common destinations for departing Californians in recent years are five Western states -- Arizona, Nevada, Texas, Washington and Oregon.

Another aspect of the article, that Alliance members find intriguing, is a finding by a demographer with the Public Policy Institute of California, which revealed that the flow of Latinos out of California is fueling a Latino Diaspora across the United States. This movement, which began in the mid-1990s, has grown into a full-fledged phenomenon, populating places such as the Northeast, Midwest and South, where Mexican-Americans only recently have lived in significant numbers. His analysis of census data shows that between 2000 and 2005, about 320,000 more Latinos left California than arrived from other states.

The article goes on to report that: *“in addition to Latinos, whites and African-Americans also are migrating out of California. Those leaving (according to this same demographer) tend to have higher incomes and be older than those arriving from other states. The only ethnic group to have more people move into California than leave are Asians.”*

The article emphasizes that housing is key to the problem as nearly half of California's homeowners spend more than 30 percent of their income on housing -- significantly higher than in any other state, 2005 census data shows.

According to a professor of urban planning and demography at USC, "*families just can't make it in the housing market. Low-income families are being priced out of rentals, and middle-income families are being priced out of homeownership, and we don't know where they are going.*" Housing costs, including property taxes, also influence people who are more affluent.

It is no secret that in California, and particularly in the southern part of the state, that manufacturing has suffered greatly from over regulation, conflicting regulations, insensitivity, indifference, and outright neglect by elected and appointed officials as political parties engaged in their endless struggle for power and superiority. This is especially true in the small business sector.

Many companies that once belonged to the trade associations that make up the Alliance no longer exist. Also lost are the high paying jobs with benefits that used to be available to working and middle class families of all races. These jobs once provided education, experience, opportunity, and a chance for home ownership, to the many of the same people and their families, who now find it necessary to leave the state in search for a better life that is more affordable.

Low paying employment at an escalating number of retail emporiums, part-time "McJobs" at ever-expanding fast-food outlets, and a host of other dead-end jobs seems to be the most predictable future for ordinary working class people who used to rely on manufacturing as a pathway to a better life and economic freedom.

From the information provided, we concluded that a significant number of our residents -- mostly minorities -- who don't have the education to compete for higher wage jobs, and can't afford the escalating prices of housing, still aspire to have a better life. Contrary to claims by your consultant that people are willing to pay for change, we believe that it is more of a forced decision because, in large part, manufacturing jobs -- traditionally a stepping stone to higher wage employment -- has been removed from their list of options. Simply put, if they can't make it here, they'll go somewhere else. Nowhere in the referenced document does it suggest that anything other than ones economic situation and outlook is the reason behind this migration out of state.

In closing, I want to express my sincere appreciation, and that of the other members of the California Small Business, for inviting me to serve on the AQMP Advisory Group. And, thank you for the opportunity to comment on the draft 2007 AQMP.

Sincerely,

  
Bill La Marr  
Executive Director

Cc: Elaine Chang  
Laki Tisopulos