

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Draft Socioeconomic Assessment for Automatic Consumer Price Index (CPI) Increase and the Second Year Phase-In of Fee Increase for Permit Processing and Annual Permit Renewal

March 2015

Executive Officer

Barry R. Wallerstein, D.Env.

Deputy Executive Officer

Planning, Rule Development & Area Sources

Elaine Chang, Dr.P.H.

Assistant Deputy Executive Officer

Planning, Rule Development & Area Sources

Philip Fine, Ph.D.

Author: Elaine Shen, Ph.D., Air Quality Specialist

Technical Assistance: Rezvan Ramezani, Systems & Programming Supervisor
Xin Chen, Systems & Programming Supervisor

Reviewed By: Robert Pease, Program Supervisor
Joe Cassmassi, Planning & Rules Manager
Donna Peterson, Financial Services Manager
Barbara Baird, Chief Deputy Counsel

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GOVERNING BOARD**

Chairman: DR. WILLIAM A. BURKE
Speaker of the Assembly Appointee

Vice Chairman: DENNIS YATES
Mayor, Chino
Cities of San Bernardino County

MEMBERS:

MICHAEL D. ANTONOVICH
Supervisor, Fifth District
County of Los Angeles

BEN BENOIT
Mayor, Wildomar
Cities of Riverside County

JOHN J. BENOIT
Supervisor, Fourth District
County of Riverside

JOE BUSCAINO
Councilmember, 15th District
City of Los Angeles

MICHAEL A. CACCIOTTI
Councilmember, South Pasadena
Cities of Los Angeles County/Eastern Region

JOSEPH K. LYOU, Ph. D.
Governor's Appointee

JUDITH MITCHELL
Councilmember, Rolling Hills Estates
Cities of Los Angeles County/Western Region

SHAWN NELSON
Supervisor, Fourth District
County of Orange

DR. CLARK E. PARKER, SR.
Senate Rules Committee Appointee

MIGUEL A. PULIDO
Mayor, Santa Ana
Cities of Orange County

JANICE RUTHERFORD
Supervisor, Second District
County of San Bernardino

EXECUTIVE OFFICER:

BARRY R. WALLERSTEIN, D.Env.

EXECUTIVE SUMMARY

Rule 320 – Automatic Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees allows adjustments of most fee rates in Regulation III by the California 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. On June 6, 2014, the SCAQMD Governing Board approved, in addition to the CPI adjustment, a six percent increase in permit processing and annual permit renewal fees. The increase is evenly phased in over Fiscal Years 2014-2015 and 2015-2016, to more fully recover costs associated with issuing permits. A socioeconomic analysis was conducted to assess the joint impacts of both fee rate increases. In addition, 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.

Fee Increases	Pursuant to Rule 320, an across-the-board 1.4-percent increase in fee rates (equivalent to the change in the California CPI from December 2013 to December 2014) will occur on July 1, 2015 unless the Governing Board decides to forego the 1.4 percent increase. In addition to the CPI adjustment, Regulation III – Fees was amended on June 6, 2014 to evenly phase in a six percent increase in permit processing and annual permit renewal fees over Fiscal Years 2014-2015 and 2015-2016.
Affected Facilities	Nearly all the facilities regulated by the SCAQMD would be affected by the proposed fee increases. 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 processing fees, annual permit renewal fees, toxic hot spot fees, source testing fees, and a portion of fees under Rule 2202 – On-Road Motor Vehicle Mitigation Options. The current 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 processing fees (36 percent), and annual permit renewal fees (38 percent). Overall, the costs of complying with the current Regulation III rates are very small relative to the region-wide industry output or value-added (less than 0.01 percent).</p>
Impact of Fee Increases	The across-the-board CPI-based fee rate increase, combined with the second year phase-in of fee rate increase for permit processing and annual permit renewal, would bring additional revenue totaling \$2.88 million to the SCAQMD. Based on the fee categories examined in the analysis, the manufacturing sector as a whole would experience the

Impact of Fee Increases (Cont.)	<p>largest increase in fees (approximately \$1.11 million with about 4,000 facilities), followed by the services sector (approximately \$0.53 million with about 11,000 facilities) and the retail trade sector (approximately \$0.39 million with about 4,100 facilities). Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, will face an increase of around \$0.36 million.</p> <p>Relative to the estimated Fiscal Year 2014-2015 revenue, the projected total revenue for the next fiscal year would decrease by \$2.7 million in spite of the 1.4 percent fee rate increase and the second year of the phased-in additional fee rate increase for permit processing and annual permit renewal fees. The decline in revenue is mainly attributable to one-time penalties and transfers from special revenue funds that were received in FY 2014-2015 but are not assumed in FY 2015-2016.</p>
--	--

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 renewal 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 1.4-percent increase in fee rates (equivalent to the change in the California Consumer Price Index (CPI) from December 2013 to December 2014) will occur on July 1, 2015 unless the Governing Board decides to forego the 1.4-percent increase. In addition to the CPI adjustment, the SCAQMD Governing Board approved on June 6, 2014 a six percent increase in permit processing and annual permit renewal fees. This increase is evenly phased in over Fiscal Years¹ (FY) 2014-2015 and 2015-2016, to more fully recover costs associated with issuing permits. To examine the impact of both fee rate increases on various industry sectors, this report focuses the analysis on emission fees, permit processing fees, annual permit renewal fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees.² 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. However, they account for relatively small portions of the total revenue.

REVENUE TREND

Table 1 lists historical revenue for two prior fiscal years, estimated revenue for the current FY 2014-2015, and projected revenue for FY 2015-2016, by major fee category. Estimated revenue for FY 2014-2015 is calculated based on actual revenue received through February, 2015. FY 2015-2016 projected revenue is based on forecasts received from each office. Emission fees, permit processing fees, and annual permit renewal fees together represented approximately 58 percent of the SCAQMD's actual total revenues.

Compared to the estimated revenue in FY 2014-2015, a net total revenue decrease of \$2.7 million is expected for FY 2015-2016 in spite of the fee increases. The decline in other revenues projected for FY 2015-16 compared to the FY 2014-15 estimate is attributable to a large unanticipated penalty that was received in FY 2014-15 and transfers in from special revenue funds. The last two columns in Table 1 break down the revenue changes by fee category.

¹ A fiscal year runs from July 1 to June 30. For example, FY 2014-2015 refers to the period of July 1, 2014 to June 30, 2015. In comparison, calendar year (CY) 2015 refers to the period of January 1 to December 31, 2015.

² Employers that are subject to Rule 2202 can choose among various compliance options, including participation in the Air Quality Investment Program (AQIP). The AQIP program fees consist of a registration fee and an investment fee, the latter of which goes to a special revenue account to obtain necessary emissions reduction or air quality benefits and is not part of the General Fund.

Table 1: Actual and Estimated SCAQMD Revenue

Revenue Category	FY 2012-2013 Actual* (Thousands)	FY 2013-2014 Actual* (Thousands)	FY 2014-2015 Estimated** (Thousands)	FY 2015-2016 Projected (Thousands)	% Change in Fee Rates	Changes in Revenue	
						(from FY 14-15 Estimated)	
						Thousands	%
Emission Fees	\$20,540	\$20,472	\$19,075	\$20,597	1.4%	\$1,522	8.0%
Annual renewal Fees	\$41,935	\$42,963	\$45,111	\$47,472	4.4%	\$2,361	5.2%
Permit Processing Fees	\$17,211	\$16,946	\$16,609	\$17,320	4.4%	\$711	4.3%
Mobile Source/Clean Fuels	\$19,397	\$20,776	\$22,677	\$23,524	N/A	\$847	3.7%
Source Test & Lab Analysis	\$791	\$697	\$734	\$767	1.4%	\$33	4.5%
Hearing Board Fees	\$278	\$343	\$277	\$350	1.4%	\$73	26.3%
Transportation Program (Rule 2202) Fees	\$928	\$878	\$984	\$897	1.4%	-\$87	-8.8%
Other Revenues***	\$31,852	\$42,546	\$32,153	\$23,991	N/A	-\$8,162	-25.4%
Total	\$132,932	\$145,621	\$137,620	\$134,917		-\$2,703	-2.0%

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

* Information as reported in the Comprehensive Annual Financial Reports (FYs 2012-13 & 2013-14).

** Estimates are based on actual revenue received through February 2015.

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

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 CPI-based fee adjustment and the phased-in increase for permit processing and annual permit renewal fees do 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 invoiced amounts at the current fee rates 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 accounted for approximately 14 percent of the SCAQMD's estimated total revenue based on actual revenue received through February, 2015 (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 collected or to be collected³ from more than 20,000 facilities for flat emission fee (\$2.46 million) and emissions-based fees (\$17.31 million), the latter of which contributed approximately 88 percent of total emission fees collected. 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 services sector (NAICS 54-81) that is made of almost 7,000 facilities shows the highest share of the flat emission fee, contributing \$0.81 million or 33 percent of the total amount. It is followed by the retail trade sector (NAICS 44-45), with \$0.41 million paid by about 3,500 facilities. In comparison, emission-based fees were mostly collected from larger-sized businesses located within certain industry sectors. Among the 1,115 facilities that were subject to paying emission-based fees, nearly half were manufacturers (NAICS 31-33), and they contributed to 73 percent of the total emission-based fees invoiced in 2014. Within this sector, the petroleum and coal industry (NAICS 324) alone contributes \$10.33 million to emissions-based fees, accounting for 79 percent of the sectoral total.

Permit Processing Fees and Annual Permit Renewal Fees

Permit processing and annual permit renewal 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.

As Table 3 indicates, an estimated total of \$13.11 million from more than 6,000 facilities that applied for permits to construct or operate was invoiced during FY 2013-2014. It should be noted that a facility could apply for multiple permits. As with emission fees, for those facilities classified with NAICS codes, the majority of the permit processing fee revenue came from the manufacturing sector. It contributed \$4.70 million, or 36 percent, of the total revenue in this fee category, followed by the services sector with \$2.88 million (22 percent).

³ Emission-based fees were derived from 2014 emissions and the invoiced amount, or the amount a facility should have paid, in Calendar Year 2014 based on the existing Rule 301 fee rates.

**Table 2: Estimated Emission Fee Revenue
by Industry Sector at Current Fee Rates**

Industry	NAICS	Flat Fee			Emission-based Fees			Total	
		MM\$	%	# of Fac.**	MM\$	%	# of Fac.**	MM\$	%
Agriculture, Forestry, Fishing & Hunting	111-115	\$0.01	0.40%	85	\$0.21	1.22%	45	\$0.22	1.12%
Mining	21	\$0.03	1.31%	273	\$0.60	3.48%	96	\$0.63	3.21%
Oil and Gas Extraction	211	\$0.02	0.87%	182	\$0.30	1.76%	67	\$0.33	1.65%
Mining (except oil and gas)	212-213	\$0.01	0.44%	91	\$0.30	1.72%	29	\$0.31	1.56%
Construction	23	\$0.09	3.62%	759	\$0.03	0.16%	14	\$0.12	0.59%
Manufacturing	31-33	\$0.41	16.44%	3,435	\$12.69	73.30%	510	\$13.10	66.22%
Food Manufacturing	311	\$0.02	0.92%	193	\$0.11	0.66%	45	\$0.14	0.70%
Wood Products Manufacturing	321	\$0.01	0.38%	80	\$0.01	0.04%	6	\$0.02	0.08%
Petroleum and Coal Products Mfg.	324	\$0.01	0.40%	84	\$10.33	59.65%	36	\$10.34	52.26%
Chemical Manufacturing	325	\$0.04	1.51%	315	\$0.23	1.33%	52	\$0.27	1.35%
Nonmetallic Mineral Product Mfg.	327	\$0.03	1.05%	220	\$0.16	0.94%	28	\$0.19	0.95%
Primary & Fabricated Metal Mfg.	331-332	\$0.10	3.90%	815	\$0.69	3.99%	132	\$0.79	3.98%
Machinery Manufacturing	333	\$0.02	0.88%	184	\$0.02	0.14%	9	\$0.05	0.23%
Computer and Electronic Product Mfg.	334	\$0.03	1.21%	251	\$0.04	0.20%	21	\$0.07	0.33%
Electrical Equipment & Appliance Mfg.	335	\$0.01	0.59%	124	\$0.03	0.16%	13	\$0.04	0.22%
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.03	1.08%	226	\$0.14	0.80%	32	\$0.16	0.83%
Other Manufacturing	Other in 31-33	\$0.11	4.51%	943	\$0.93	5.40%	136	\$1.05	5.29%
Utilities	22	\$0.11	4.31%	905	\$1.37	7.93%	108	\$1.48	7.48%
Transportation & Warehousing***	48-49	\$0.06	2.43%	511	\$0.40	2.31%	35	\$0.46	2.32%
Information	51	\$0.09	3.55%	744	\$0.01	0.06%	10	\$0.10	0.50%
Publishing Industries, Except Internet	511	\$0.00	0.14%	30	\$0.00	0.00%	0	\$0.00	0.02%
Motion Picture & Sound Recording	512	\$0.01	0.26%	55	\$0.01	0.06%	8	\$0.02	0.09%
Internet Services and data processing	518,519	\$0.01	0.23%	48	\$0.00	0.00%	1	\$0.01	0.03%
Other Information	Other in 51	\$0.07	2.92%	611	\$0.00	0.00%	1	\$0.07	0.36%
Wholesale Trade	42	\$0.11	4.63%	969	\$0.32	1.83%	47	\$0.43	2.18%
Retail Trade	44-45	\$0.41	16.65%	3,486	\$0.13	0.75%	30	\$0.54	2.73%
Car & Parts Dealers	441	\$0.03	1.31%	275	\$0.01	0.06%	3	\$0.04	0.22%
Gas Stations	447	\$0.19	7.90%	1,653	\$0.06	0.37%	14	\$0.26	1.31%
Other Retail Trade	Other in 44-45	\$0.18	7.44%	1,558	\$0.06	N/A	13	\$0.24	1.21%
Finance and Insurance	52	\$0.03	1.32%	278	\$0.00	0.00%	2	\$0.03	0.17%
Real Estate and Rental Leasing	53	\$0.11	4.51%	944	\$0.01	0.08%	7	\$0.13	0.63%
Services	54-81	\$0.81	32.99%	6,903	\$1.41	8.17%	180	\$2.23	11.26%
Professional and Technical Services	54	\$0.06	2.55%	536	\$0.01	0.07%	15	\$0.07	0.38%
Accommodation	721	\$0.02	0.92%	193	\$0.00	0.00%	1	\$0.02	0.12%
Food Services & Drinking Places	722	\$0.01	0.51%	107	\$0.00	0.02%	2	\$0.02	0.08%
Automotive Repairs & Maintenance	8111	\$0.23	9.19%	1,918	\$0.00	0.01%	1	\$0.23	1.15%
Dry Cleaning & Laundry Services	8123	\$0.15	5.99%	1,255	\$0.00	0.00%	7	\$0.15	0.75%
Health Care & Social Assistance	62	\$0.08	3.28%	685	\$0.10	0.56%	57	\$0.18	0.90%
Other Services	Other in 54-81	\$0.26	10.54%	2,209	\$1.30	7.51%	97	\$1.56	7.89%
Public Administration	92	\$0.16	6.64%	1,390	\$0.12	0.69%	30	\$0.28	1.43%
Unclassified*	N/A	\$0.03	1.19%	249	\$0.00	0.00%	1	\$0.03	0.15%
Totals		\$2.46	100%	20,931	\$17.31	100%	1115	\$19.78	100%

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

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

*** The emission-based fees reported here do not include a refund issued in CY 2014 and associated with an original invoice dated year 2002.

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. Around 27,000 facilities held operating permits as of March 12, 2015. The revenue from these facilities at the current fee rate is estimated to be \$42.12 million (Table 3). The manufacturing sector, with nearly 4,000 facilities, was the largest contributor, paying \$15.83 million or 38 percent of the total annual renewal fee revenue. The sectors of retail trade and services together had almost 15,000 facilities and paid a total of \$15.71 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 2013-2014 was approximately \$1.95 million. The services sector's share of this total was 32 percent, followed by retail trade (18 percent) and manufacturing (18 percent).

Source Testing Fees

The revenue from source testing fees is based on the invoiced source test fees during FY 2013-2014. During this period of time, the source test fee revenue from Rules 304 and 304.1 was \$0.54 million. The manufacturing sector accounted for 67 percent of this revenue, followed by services (11 percent) and utilities (7 percent).

Rule 2202 Fees

Rule 2202 – On-Road Motor Vehicle Mitigation Options applies to employers with 250 or more employees in the SCAQMD region. It 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 a special revenue 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 2013-2014. A total of \$0.85 million was collected from Rule 2202 fees for ECRP, ERS, and AQIP. The services sector accounted for approximately 36 percent of the estimated Rule 2202 fee revenue. Unlike most of other fee categories, only 15 percent of the revenue came from the manufacturing sector.

Table 3: Estimated Permit Processing & Annual Permit Renewal Fee Revenue by Industry Sector at Current Fee Rates

Industry	NAICS	Permit Processing Fees ¹			Annual Permit Renewal Fees ²		
		MM\$	%	# of Fac.	MM\$	%	# of Fac.
Agriculture, Forestry, Fishing & Hunting	111-115	\$0.03	0.25%	28	\$0.08	0.20%	132
Mining	21	\$0.46	3.53%	100	\$1.24	2.94%	370
Oil and Gas Extraction	211	\$0.34	2.61%	75	\$0.88	2.09%	261
Mining (except oil and gas)	212-213	\$0.12	0.92%	25	\$0.36	0.84%	109
Construction	23	\$0.40	3.07%	262	\$1.07	2.54%	959
Manufacturing	31-33	\$4.70	35.90%	768	\$15.83	37.58%	3,904
Food Manufacturing	311	\$0.47	3.60%	78	\$1.30	3.08%	234
Wood Products Manufacturing	321	\$0.06	0.45%	8	\$0.08	0.19%	96
Petroleum and Coal Products Mfg.	324	\$1.00	7.62%	34	\$3.86	9.17%	90
Chemical Manufacturing	325	\$0.64	4.86%	104	\$1.80	4.28%	349
Nonmetallic Mineral Product Mfg.	327	\$0.18	1.39%	41	\$1.29	3.07%	238
Primary & Fabricated Metal Mfg.	331-332	\$0.79	6.03%	137	\$2.99	7.11%	904
Machinery Manufacturing	333	\$0.08	0.64%	32	\$0.33	0.79%	208
Computer and Electronic Product Mfg.	334	\$0.20	1.55%	77	\$0.67	1.60%	289
Electrical Equipment & Appliance Mfg.	335	\$0.19	1.45%	16	\$0.42	0.99%	138
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.36	2.71%	50	\$0.81	1.91%	253
Other Manufacturing	Other in 31-33	\$0.73	5.59%	191	\$2.27	5.40%	1,105
Utilities	22	\$0.90	6.85%	189	\$1.76	4.17%	933
Transportation & Warehousing	48-49	\$0.48	3.67%	149	\$0.99	2.35%	578
Information	51	\$0.24	1.85%	298	\$0.50	1.20%	830
Publishing Industries, Except Internet	511	\$0.03	0.24%	5	\$0.05	0.13%	40
Motion Picture & Sound Recording	512	\$0.06	0.48%	28	\$0.14	0.32%	79
Internet Services and data processing	518,519	\$0.04	0.27%	35	\$0.04	0.09%	53
Other Information	Other in 51	\$0.11	0.86%	230	\$0.28	0.66%	658
Wholesale Trade	42	\$0.83	6.32%	246	\$2.39	5.67%	1,170
Retail Trade	44-45	\$0.88	6.73%	1,188	\$7.60	18.03%	4,124
Car & Parts Dealers	441	\$0.11	0.81%	55	\$0.20	0.47%	320
Gas Stations	447	\$0.28	2.15%	238	\$5.30	12.59%	1,970
Other Retail Trade	Other in 44-45	\$0.50	3.78%	895	\$2.09	4.97%	1,834
Finance and Insurance	52	\$0.08	0.59%	88	\$0.27	0.65%	337
Real Estate and Rental Leasing	53	\$0.37	2.82%	331	\$0.83	1.96%	1,107
Services	54-81	\$2.88	22.01%	1,830	\$8.11	19.26%	10,630
Professional and Technical Services	54	\$0.66	5.03%	259	\$1.00	2.36%	717
Accommodation	721	\$0.06	0.44%	60	\$0.19	0.45%	260
Food Services & Drinking Places	722	\$0.09	0.70%	147	\$0.55	1.30%	2,443
Automotive Repairs & Maintenance	8111	\$0.36	2.73%	258	\$1.44	3.41%	2,274
Dry Cleaning & Laundry Services	8123	\$0.07	0.57%	95	\$0.55	1.30%	1,442
Health Care & Social Assistance	62	\$0.36	2.77%	190	\$0.96	2.27%	777
Other Services	Other in 54-81	\$1.28	9.78%	821	\$3.44	8.16%	2,717
Public Administration	92	\$0.43	3.28%	295	\$1.00	2.39%	1,502
Unclassified*	N/A	\$0.41	3.12%	253	\$0.45	1.07%	349
Totals		\$13.11	100.00%	6,025	\$42.12	100.00%	26,925

¹ Based on permit applications in FY 2013-2014.

² Based on permits held on March 12, 2014.

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

Share of Major Revenue Sources by Industry

Approximately 61 percent of the SCAQMD's FY 2014-2015 estimated revenue comes from the following major revenue categories: emission fees, permit processing fees, annual permit renewal 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 relative to each industry's total (gross) output and value-added to evaluate affordability for the industries in the SCAQMD.⁴ Value added is derived by subtracting an industry's output by the cost of its intermediate inputs (excluding labor), thus reflecting to a certain degree an industry's profit margin. Collectively, revenue from these fees is estimated to amount to approximately \$78.34 million, based on invoiced amounts at the current fee rates.

As shown in Table 4, the amount of fees paid by each industry is relatively small compared to that industry's regional output or value-added. This is the case with industries which are predominantly comprised of small businesses, such as retail trade. But it is also the case for industries predominately comprised of large businesses, such as petroleum and coal products manufacturers, which mainly comprises refineries.

The petroleum and coal products manufacturing industry paid a total of \$15.33 million in various fees, which represented nine hundredths of one percent of the sector's output and less than half a percent of the sector's value-added. Other industries that also paid among the highest amount of fees relative to their outputs or value-added were the pipeline transportation industry (NAICS 486), the mining industry (NAICS 212), and the nonmetallic mineral product manufacturing industry (NAICS 327). Overall, major SCAQMD fee revenue, as a whole, represented less than one-hundredth of one percent of the aggregate industry output or value-added in the four-county region.

Table 4: Share of Major Revenue by Detailed Industry

Industry Sector	NAICS	MMS\$	% of Total Fees	% of Total Output	% of Total Value-Added
Farm (Agricultural Products)	111-112	\$0.30	0.38%	0.00%	0.01%
Agriculture & Forestry support activities	115	\$0.05	0.06%	0.02%	0.02%
Oil & Gas Extraction	211	\$1.57	2.00%	0.01%	0.02%
Mining (except oil and gas)	212	\$0.60	0.77%	0.08%	0.13%
Support Activities for Mining	213	\$0.19	0.25%	0.02%	0.05%
Utilities	22	\$4.27	5.45%	0.04%	0.04%
Construction	23	\$1.63	2.09%	0.00%	0.01%
Wood Products Mfg.	321	\$0.15	0.20%	0.01%	0.02%
Nonmetallic Mineral Product Mfg.	327	\$1.68	2.15%	0.06%	0.15%
Primary Metal Mfg.	331	\$1.36	1.74%	0.01%	0.08%
Fabricated Metal Product Mfg.	332	\$3.47	4.43%	0.02%	0.05%
Machinery Manufacturing	333	\$0.48	0.61%	0.00%	0.01%
Computer & Electronic Product Mfg.	334	\$0.98	1.26%	0.00%	0.01%
Electrical Equipment & Appliance Mfg.	335	\$0.71	0.90%	0.02%	0.03%

⁴ The year 2012 output and value-added in current dollars were used and converted to 2014 dollars. The data by detailed industry were compiled by Regional Economic Modeling, Inc. (REMI), and the dollar conversion used the California Consumer Price Index Calendar Year Averages from the California Department of Industrial Relations (Retrieved March 5, 2014 http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Price.htm).

Table 4: Share of Major Revenue by Detailed Industry (Cont.)

Industry Sector	NAICS	MMS	% of Total Fees	% of Total Output	% of Total Value-Added
Motor Vehicle Mfg.	3361-3363	\$0.30	0.38%	0.00%	0.02%
Transport Equip. Mfg. Excl. Motor Veh.	3364-3369	\$1.10	1.40%	0.01%	0.01%
Furniture & Related Product Mfg.	337	\$0.33	0.42%	0.01%	0.02%
Miscellaneous Mfg.	339	\$0.58	0.74%	0.00%	0.01%
Food Mfg.	311	\$1.94	2.48%	0.01%	0.04%
Beverage and Tobacco Product Mfg.	312	\$0.40	0.51%	0.00%	0.01%
Textile & Textile Product Mills	313-314	\$0.46	0.59%	0.02%	0.05%
Apparel, Leather & Allied Product Mfg.	315-316	\$0.05	0.06%	0.00%	0.00%
Paper Mfg.	322	\$0.54	0.69%	0.01%	0.03%
Printing & Related Support Activities	323	\$0.57	0.72%	0.01%	0.03%
Petroleum and Coal Products Mfg.	324	\$15.33	19.57%	0.09%	0.38%
Chemical Mfg.	325	\$2.76	3.52%	0.01%	0.03%
Plastics and Rubber Products Mfg.	326	\$1.28	1.63%	0.01%	0.04%
Wholesale Trade	42	\$3.78	4.82%	0.00%	0.01%
Retail Trade	44-45	\$9.49	12.12%	0.01%	0.02%
Air Transportation	481	\$0.05	0.07%	0.00%	0.00%
Rail Transportation	482	\$0.02	0.03%	0.00%	0.00%
Water Transportation	483	\$0.01	0.01%	0.00%	0.00%
Truck Transportation	484	\$0.10	0.13%	0.00%	0.00%
Couriers & Messengers	491-492	\$0.03	0.04%	0.00%	0.00%
Transit & Ground passenger Transportation	485	\$0.12	0.16%	0.01%	0.01%
Pipeline Transportation	486	\$0.79	1.00%	0.15%	0.18%
Scenic & Sightseeing Transportation	487-488	\$0.59	0.76%	0.01%	0.01%
Warehousing & Storage	493	\$0.31	0.40%	0.01%	0.01%
Publishing Industries, Except Internet	511	\$0.10	0.13%	0.00%	0.00%
Motion Picture & Sound Recording Industries	512	\$0.23	0.30%	0.00%	0.00%
Internet Services & Data Processing	518-519	\$0.09	0.12%	0.00%	0.00%
Broadcasting, Except Internet	515	\$0.11	0.14%	0.00%	0.00%
Telecommunications	517	\$0.43	0.56%	0.00%	0.00%
Monetary Authorities	521-522, 525	\$0.17	0.22%	0.00%	0.00%
Securities, Commodity Contracts, Investments	523	\$0.20	0.25%	0.00%	0.00%
Insurance Carriers & Related Activities	524	\$0.10	0.12%	0.00%	0.00%
Real Estate	531	\$1.12	1.43%	0.00%	0.00%
Rental & Leasing Services	532-533	\$0.31	0.40%	0.00%	0.00%
Professional and Technical Services	54	\$1.80	2.30%	0.00%	0.00%
Management of Companies & Enterprises	55	\$0.04	0.05%	0.00%	0.00%
Administrative & Support Services	561	\$1.78	2.27%	0.00%	0.01%
Waste Management & Remediation Services	562	\$1.90	2.43%	0.04%	0.06%
Education Services	61	\$1.16	1.49%	0.01%	0.01%
Ambulatory Health Care Services	621	\$0.59	0.75%	0.00%	0.00%
Hospitals	622	\$0.88	1.12%	0.00%	0.01%
Nursing & Residential Care Facilities	623	\$0.15	0.19%	0.00%	0.00%
Social Assistance	624	\$0.10	0.13%	0.00%	0.00%
Performing Arts & Spectator Sports	711	\$0.10	0.12%	0.00%	0.00%
Museums, Historical Sites, Zoos, and Parks	712	\$0.05	0.06%	0.00%	0.01%
Amusement, Gambling, and Recreation	713	\$0.52	0.66%	0.01%	0.01%
Accommodation	721	\$0.32	0.41%	0.00%	0.00%
Food Services & Drinking Places	722	\$0.68	0.86%	0.00%	0.00%
Repair & Maintenance	811	\$2.69	3.44%	0.03%	0.04%
Personal & Laundry Services	812	\$1.16	1.48%	0.01%	0.02%
Membership Associations and Organizations	813	\$0.30	0.38%	0.00%	0.01%
Government	92	\$1.96	2.50%	0.00%	0.00%
Unclassified*	N/A	\$0.92	1.17%		
Totals		\$78.34	100.00%	0.005%	0.009%

*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 1.4 percent for the period of December 2013 to December 2014. At the same time, the second year phase-in of the six percent fee rate increase, approved by the SCAQMD Governing Board on June 6, 2014, for permit processing and annual permit renewal fees will further elevate the fee rates for these two fee categories in addition to the CPI adjustment. The fee rate increases are expected to increase total SCAQMD revenue by approximately \$2.88 million compared to the hypothetical scenario where neither increases are implemented.

Table 5 shows the distribution of these fee changes across the affected industries. The fees examined include emission fees, permit processing fees, annual permit renewal 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 about \$1.66 million in the event that the 1.4-percent CPI increase is not implemented and only the second year phase-in is in place for permit processing and annual permit renewal fees. If the CPI-based fee rate increase is also implemented, revenues are expected to rise by approximately \$2.78 million,⁵ an overall increase of 3.54 percent compared to the \$78.34 million that would have been collected based on invoiced amounts at the current fee rates.

The manufacturing sector as a whole would experience the largest increase in fees (approximately \$1.11 million with about 4,000 facilities), followed by the services sector (approximately \$0.53 million with about 11,000 facilities) and the retail trade sector (approximately \$0.39 million with about 4,100 facilities). Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, will face an increase of around \$0.36 million. In the mean time, percent increases in fees would be the highest for those sectors that paid more into permit processing and annual permit renewal than into other fee categories. Both construction and retail trade sectors would face an overall fee increase of more than 4 percent, compared to the 3.54-percent fee increase for all sectors combined.

SUMMARY

The above analysis provides background information on SCAQMD revenue and summarizes the economic impact on facilities regulated by SCAQMD of the automatic consumer price index (Rule 320) increase and the second year phase-in of six percent increase for permit processing and annual permit renewal fees. SCAQMD revenues are expected to increase by \$2.88 million as a result of both fee rate increases. Overall, the fee rate changes would represent an average of 3.54-percent increase in fee payments collected from all industry sectors. However, the amount of SCAQMD fees paid by each industry remained small relative to the industry's economic output or value-added (less than 0.01 percent overall).

⁵ The amount accounts for 96 percent of \$2.88 million, the estimated increase of total SCAQMD revenue due to the fee rate increases.

In spite of the fee rate increases, the projected revenue for FY 2015-2016 as a whole would decrease by \$2.7 million from a year ago. The decline in revenue is mainly attributable to one-time penalties and transfers from special revenue funds that were received in FY 2014-2015 but are not assumed in FY 2015-2016.

Table 5
Revenue Impact of the Fee Rate Increase by Industry Sector

Industry	NAICS	Revenue Change due to Second Year Phase-in for Permit Processing and Annual Permit Renewal Fees	Percent Change	Revenue Change due to Second Year Phase-in for Permit Processing and Annual Permit Renewal Fees and Across-the-Board CPI Increase	Percent Change
Agriculture, Forestry, Fishing & Hunting	111-115	\$3,481	1.02%	\$8,318	2.43%
Mining	21	\$50,980	2.16%	\$84,763	3.59%
Oil and Gas Extraction	211	\$36,682	2.34%	\$59,159	3.77%
Mining (except oil and gas)	212-213	\$14,298	1.80%	\$25,604	3.23%
Construction	23	\$44,183	2.70%	\$67,688	4.14%
Manufacturing	31-33	\$615,974	1.79%	\$1,107,193	3.21%
Food Manufacturing	311	\$53,063	2.74%	\$80,958	4.17%
Wood Products Manufacturing	321	\$4,126	2.66%	\$6,353	4.10%
Petroleum and Coal Products Mfg.	324	\$145,868	0.95%	\$362,550	2.36%
Chemical Manufacturing	325	\$73,159	2.65%	\$112,776	4.09%
Nonmetallic Mineral Product Mfg.	327	\$44,281	2.63%	\$68,479	4.07%
Primary & Fabricated Metal Mfg.	331-332	\$113,492	2.35%	\$182,691	3.78%
Machinery Manufacturing	333	\$12,441	2.61%	\$19,285	4.05%
Computer and Electronic Product Mfg.	334	\$26,307	2.67%	\$40,445	4.11%
Electrical Equipment & Appliance Mfg.	335	\$18,188	2.58%	\$28,320	4.01%
Motor Vehicle & Trans. Equipment Mfg.	336	\$34,835	2.49%	\$54,887	3.93%
Other Manufacturing	Other in 31-33	\$90,214	2.14%	\$150,449	3.57%
Utilities	22	\$79,583	1.86%	\$140,482	3.29%
Transportation & Warehousing	48-49	\$44,108	2.17%	\$73,118	3.61%
Information	51	\$22,423	2.32%	\$36,294	3.75%
Publishing Industries, Except Internet	511	\$2,558	2.60%	\$3,969	4.04%
Motion Picture & Sound Recording	512	\$5,926	2.55%	\$9,262	3.99%
Internet Services and data processing	518,519	\$2,228	2.37%	\$3,577	3.80%
Other Information	Other in 51	\$11,710	2.15%	\$19,485	3.58%
Wholesale Trade	42	\$96,567	2.56%	\$150,783	3.99%
Retail Trade	44-45	\$254,315	2.68%	\$390,764	4.12%
Car & Parts Dealers	441	\$9,138	2.43%	\$14,533	3.86%
Gas Stations	447	\$167,551	2.77%	\$254,714	4.20%
Other Retail Trade	Other in 44-45	\$77,626	2.54%	\$121,517	3.97%
Finance and Insurance	52	\$10,533	2.24%	\$17,252	3.67%
Real Estate and Rental Leasing	53	\$35,885	2.50%	\$56,446	3.94%
Services	54-81	\$329,915	2.32%	\$533,570	3.75%
Professional and Technical Services	54	\$49,617	2.75%	\$75,570	4.19%
Accommodation	721	\$7,370	2.30%	\$11,959	3.73%
Food Services & Drinking Places	722	\$19,204	2.84%	\$28,929	4.28%
Automotive Repairs & Maintenance	8111	\$53,807	2.38%	\$86,238	3.81%
Dry Cleaning & Laundry Services	8123	\$18,664	2.15%	\$31,071	3.58%
Health Care & Social Assistance	62	\$39,628	2.31%	\$64,171	3.75%
Other Services	Other in 54-81	\$141,625	2.15%	\$235,632	3.58%
Public Administration	92	\$43,032	2.19%	\$71,090	3.62%
Unclassified*	N/A	\$25,832	2.81%	\$39,069	4.25%
Totals		\$1,656,809	2.11%	\$2,776,830	3.54%

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

REFERENCES

California Consumer Price Index. Retrieved March 5, 2015 from http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Price.htm

California State Auditor, Bureau of State Audits. SCAQMD: The District Should Establish a More Equitable Emission Fee Structure and Process Permits More Promptly. July 1998.

Regional Economic Modeling Inc. (REMI). Policy Insight® for the South Coast Area (70 sector model). Version 1.6.7.

South Coast Air Quality Management District. Comprehensive Annual Financial Report. Diamond Bar, California: South Coast Air Quality Management District, 2013.

South Coast Air Quality Management District. Comprehensive Annual Financial Report. Diamond Bar, California: South Coast Air Quality Management District, 2014.

Thompson, Cobb, Bazilio & Associates. SCAQMD Fee Structure Study. March 1999.