

FY 2017-18

**Proposed Budget & Work Program
and
Proposed Amended Regulation (PAR)
III - Fees**

Public Consultation Meetings
April 11, 2017 & April 18, 2017



General Fund Budget Summary

(\$ in millions)	FY 2016-17			FY 2017-18
	<u>Budget</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed</u>
Revenue**	\$136.4	\$143.5	\$140.0	\$147.5
Program Cost	<u>\$141.5</u>	<u>\$150.2</u>	<u>\$145.2</u>	<u>\$149.9</u>
Change to Fund Balance	<u>-\$5.1</u>	<u>-\$6.7</u>	<u>-\$5.2</u>	<u>-\$2.4</u>

*Board approved changes through March 2017.

**FY 2017-18 Proposed Revenue Budget includes a projected CPI fee increase of 2.5% with an additional 16% increase for Title V annual operating permit renewal and permit processing fees and an additional 4% for Non-Title V annual operating permit renewal and permit processing fees.

Expenditure Comparison

2016-17 Budget vs. 2017-18 Proposal

(\$ in millions)	FY 2016-17			FY 2017-18
	<u>Adopted</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed</u>
Salaries & Benefits	\$114.8	\$114.9	\$111.7	\$119.9
Services & Supplies	\$25.8	\$31.3	\$29.7	\$28.1
Capital Outlays	<u>\$0.9</u>	<u>\$4.0</u>	<u>\$3.8</u>	<u>\$1.9</u>
Total	<u>\$141.5</u>	<u>\$150.2</u>	<u>\$145.2</u>	<u>\$149.9</u>
Staffing (FTEs)	813	815		825

*Board approved changes through March 2017

FY 2017-18 Proposed Staffing Changes

Monitoring & Analysis

- 1 AQIS II and 1 Lab Tech - STA

Rule Development

- 2 AQ Specialists - PRA

Enforcement

- 2 Senior Enforcement Managers – C&E

Revenue Offset

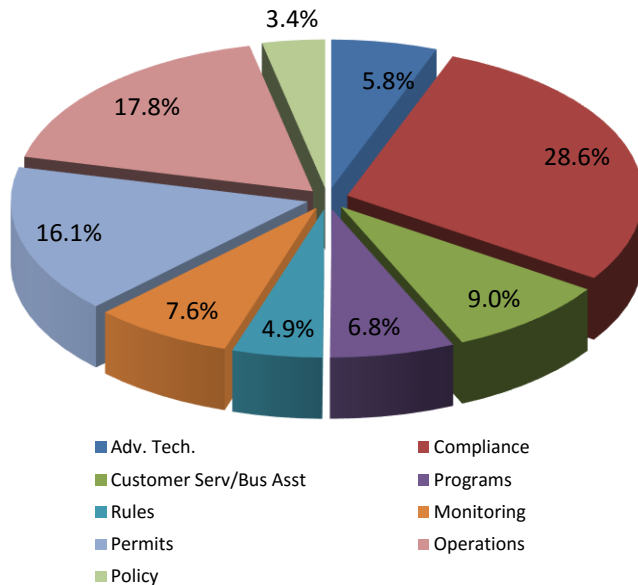
- 1 Secretary and 1 AQ Specialist– STA (Mobile Sources)
- 1 AQ Specialist and 1 AQ Engineer II – PRA (Air Toxics)

Administration Support

- 1 Senior Admin Secretary - Finance
- 1 Director of Communications – LPA
- 0.25 Assistant, Deputy Executive Officer – IM
- Delete 1 Senior Policy Advisor and 1 Senior Admin Secretary - EO

Expenditures by Activity

FY 2017-18 Proposed Budget



Program	Activities
Compliance	Inspections, Investigations, PERP, Arch Coatings
Customer Serv/Bus Asst	Billings Services, Outreach, Public Records
Programs	AQMP, CEQA, Transportation
Rules	Rulemaking, Modeling
Monitoring	PM Sampling, Ambient Network/Air Analysis
Permits	Permit Processing/Services
Operations	Bldg Maint/Systems, Comp Ops, Fin, HR, Purchasing, Training
Policy	Outreach, Legislation, Advisory Groups/Governing Board
Adv.Tech	Mobile Sources/Carl Moyer, Clean Fuels, Prop 1B, MSRC

Revenue & Expenditure Uncertainties

- Federal Funding - EPA Grant Awards
- Penalties/Settlements
- Retirement Cost Increases
- Upcoming Labor Negotiations

Revenue Comparison

2016-17 Budget vs. 2017-18 Proposal

(\$ in millions)	FY 2016-17			FY 2017-18
	<u>Budget</u>	<u>Amended*</u>	<u>Estimate*</u>	<u>Proposed**</u>
Emission Fees	\$19.9	\$19.9	\$19.0	\$19.5
Annual Renewal Fees	\$48.6	\$48.6	\$48.5	\$53.5
Permit Processing Fees	\$16.8	\$16.8	\$18.8	\$19.7
Area Sources	\$2.5	\$2.5	\$2.5	\$2.2
Mobile Sources	\$25.7	\$28.2	\$26.9	\$28.2
Transportation Programs	\$0.9	\$0.9	\$0.8	\$0.9
Other	<u>\$22.0</u>	<u>\$26.6</u>	<u>\$23.5</u>	<u>\$23.5</u>
Total	<u>\$136.4</u>	<u>\$143.5</u>	<u>\$140.0</u>	<u>\$147.5</u>

*Amended Budget and Estimate include Governing Board approved increases for federal grant revenues and one-time needs.

**FY 2017-18 Proposed Revenue Budget includes a CPI fee adjustment of 2.5%. with an additional 16% increase for Title V annual operating permit renewal and permit processing fees and an additional 4% for Non-Title V annual operating permit renewal and permit processing fees.

FY 2016-17 Estimate and 5 Year Projection

(\$ in millions)	FY 16-17 Estimated	FY 17-18 Projected	FY 18-19 Projected	FY 19-20 Projected	FY 20-21 Projected	FY 21-22 Projected
STAFFING		825.25	825	825	825	825
Revenues *	\$140.0	\$147.5	\$151.5	\$151.1	\$151.6	\$152.8
Program Costs	\$145.2	\$149.9	\$151.5	\$151.5	\$152.1	\$152.8
Change in Fund Balance	-\$5.2	-\$2.4	\$0.0	\$0.0	-\$0.5	\$0.0
UNRESERVED FUND BALANCE (at Year-End)	\$32.0	\$29.6	\$29.6	\$29.6	\$29.1	\$29.1
% of REVENUE	23%	20%	20%	20%	19%	19%
<p>* Includes projected CPI fee increase of 2.5% for FY 2017-18 with an additional 16% for Title V annual operating permit renewal and permit processing fees and an additional 4% for non-Title V annual operating permit renewal and permit processing fees, a projected CPI of 2.6% for FY 2018-19 with an additional 16% for Title V annual operating permit renewal and permit processing fees and an additional 4% for non-Title V annual operating permit renewal and permit processing fees, a CPI of 2.4% for FY 2019-20 and 2.3% for FY 2020-21 and FY 2021-22.</p>						

Regulation III Fees - Background

- Fees seek to recover costs of mandatory services, such as:
 - Permit Processing (new, modification/alteration, new operator, etc.)
 - Compliance Assurance (annual renewals and emissions fees)
 - Hearing Board
 - Source Tests and Lab Analysis
 - Plans
 - Transportation programs
 - Area Sources programs
 - “Toxic Hot Spots” program
- ~ 63% of agency revenues from Regulation III fees

Why Increasing Fees is Necessary

- In spite of streamlining operations, we are still not recovering our costs, including resources required to perform extensive engineering evaluations/activities; reliance on use of fund balance is not sustainable.
 - \$5.9M shortfall projected for FY 2017-18 without proposed fee adjustments.
- Stationary source fees have not kept pace with inflation.
 - Compared to FY 1991-92, fees have increased by about 29%; however when adjusted for inflation, stationary source revenues have decreased by 24% over this same time period.

Proposed Amended Regulation (PAR) III

- Proposed amendments to REG III consist of the following four (4) components:
 - CPI (inflation-based adjustment)
 - Non-Title V permit-related services (partial cost recovery)
 - Title V permit-related services (cost recovery)
 - Administrative (updates with no fiscal impact)
- No increase in emissions fees beyond CPI

Component 1 – CPI Adjustment

- Increase in most fees in Reg III by the 2.5% change in the CY 2016 CPI (inflation-based adjustment)
- Pursuant to Rule 320 – Automatic Adjustment Based on Consumer Price Index for Regulation III - Fees
- Example: Rule 301(j)(6)(A) – Certification of Barbecue Charcoal Igniter Products (min. processing fee/product):

Current Fee (FY 2016-17)	Adjusted Fee (FY 2017-18)
\$640.46	\$656.47

- **Despite CPI adjustment program costs are under-recovered**

Component 2 – Non-Title V Adjustment

- Partially recover Non-Title V operational costs
- Staff’s cost recovery proposal: additional 4% per year increase, above CPI, for each of the next two (2) fiscal years (FYs) for Non-Title V permit related fees
- No increase above CPI for emissions-related fees
- Example: Rule 301(c)(1)(J) – Standard Streamlined Permits application processing fee (non-small business):

Current Fee (FY 2016-17)	Proposed Fee (FY 2017-18)	Proposed Fee (FY 2018-19)
\$811.45	\$865.01	\$899.61

Component 3 - Title V Adjustment

- Based on USEPA’s 9/30/2016 “SCAQMD Title V Operating Permit Program Evaluation Final Report”
- Finding: Title V fees insufficient to recover program costs
- Recommendation: raise fees to cover costs
- Staff’s cost recovery proposal: additional 16% per year increase, above CPI, for each of the next two (2) fiscal years (FYs) for Title V permit-related fees
- No increase above CPI for emissions-related fees
- Example: Rule 301(m)(7) – Title V Permit Revision Fee:

Current Fee (FY 2016-17)	Proposed Fee (FY 2017-18)	Proposed Fee (FY 2018-19)
\$1,021.20	\$1,214.21	\$1,408.48

Component 4 - Admin Updates

- For FY 2017-18 proposed administrative updates to Regulation III – Fees will have no fee impact and include:
 - Deleting obsolete provisions (e.g., FY 2007-08 six month transitional period emissions fee rates)
 - Increasing the grace period for certain fees from 60 to 75 days in Rule 301
 - Correcting or clarifying existing provisions (e.g., the Rule 301(q) fee for optional expedited permit processing already includes a charge for mileage)
 - Recommencing publication of Rule 314(g) fees to 3 decimal places (total fee is paid to the nearest cent)
 - Reformatting the Rule 306(h) plan fees table by Rule number

Estimated Cost Recovery

- **CPI Increase**
 - \$2.2M in FY 2017-18

- **Non-Title V Permit-Related Services**
 - ~ \$2.1M in FY 2017-18
 - ~ \$2.2M in FY 2018-19

- **Title V Permit-Related Services**
 - ~ \$1.5M in FY 2017-18
 - ~ \$1.8M in FY 2018-19

Proposed Fees by Schedule

FY 2017-18 Proposed Permit Processing Fee Increases						
Schedule	FY 2016-17 Fee	2.5% CPI	16% Title V Above CPI	4% Above CPI Non-Title V	FY 17-18 Proposed Fee	Total Fee Increase
A & A1	\$ 1,557.83	\$ 38.95		\$ 63.87	\$ 1,660.65	\$ 102.82
A & A1 - Title V	\$ 1,557.83	\$ 38.95	\$ 255.48		\$ 1,852.26	\$ 294.43
B	\$ 2,482.82	\$ 62.07		\$ 101.80	\$ 2,646.69	\$ 163.87
B - Title V	\$ 2,482.82	\$ 62.07	\$ 407.18		\$ 2,952.07	\$ 469.25
B1 & C	\$ 3,927.10	\$ 98.18		\$ 161.01	\$ 4,186.29	\$ 259.19
B1 & C - Title V	\$ 3,927.10	\$ 98.18	\$ 644.04		\$ 4,669.32	\$ 742.22
D	\$ 5,420.06	\$ 135.50		\$ 222.22	\$ 5,777.78	\$ 357.72
D - Title V	\$ 5,420.06	\$ 135.50	\$ 888.89		\$ 6,444.45	\$ 1,024.39
E	\$ 6,231.43	\$ 155.79		\$ 255.49	\$ 6,642.70	\$ 411.27
E - Title V	\$ 6,231.43	\$ 155.79	\$ 1,021.95		\$ 7,409.17	\$ 1,177.74
F + (T&M)	\$ 15,659.93	\$ 391.50		\$ 642.06	\$ 16,693.49	\$ 1,033.56
F - Title V + (T&M)	\$ 15,659.93	\$ 391.50	\$ 2,568.23		\$ 18,619.66	\$ 2,959.73
G + (T&M)	\$ 18,483.59	\$ 462.09		\$ 757.83	\$ 19,703.51	\$ 1,219.92
G - Title V + (T&M)	\$ 18,483.59	\$ 462.09	\$ 3,031.31		\$ 21,976.99	\$ 3,493.40
H + (T&M)	\$ 28,642.06	\$ 716.05		\$ 1,174.32	\$ 30,532.44	\$ 1,890.38
H - Title V + (T&M)	\$ 28,642.06	\$ 716.05	\$ 4,697.30		\$ 34,055.41	\$ 5,413.35

FY 2017-18 Proposed Annual Renewal Fee Increases						
Schedule	FY 16-17 Fee	2.5% CPI	16% Title V Above CPI	4% Above CPI Non-Title V	FY 17-18 Proposed Fee	Total Fee Increase
A1	\$ 177.09	\$ 4.43		\$ 7.26	\$ 188.78	\$ 11.69
A1-Title V	\$ 177.09	\$ 4.43	\$ 29.05		\$ 210.57	\$ 33.48
A, B, & B1	\$ 354.86	\$ 8.87		\$ 14.55	\$ 378.28	\$ 23.42
A, B, & B1 - Title V	\$ 354.86	\$ 8.87	\$ 58.21		\$ 421.94	\$ 67.08
C & D	\$ 1,270.97	\$ 31.77		\$ 52.11	\$ 1,354.85	\$ 83.88
C & D - Title V	\$ 1,270.97	\$ 31.77	\$ 208.49		\$ 1,511.23	\$ 240.26
E,F,G, & H	\$ 3,051.76	\$ 76.29		\$ 125.12	\$ 3,253.18	\$ 201.42
E,F,G, & H - Title V	\$ 3,051.76	\$ 76.29	\$ 500.60		\$ 3,628.66	\$ 576.90
Title V - Flat Fee	\$ 514.49	\$ 12.86	\$ 84.40		\$ 611.75	\$ 97.26
R461	\$ 104.91	\$ 2.62		\$ 4.30	\$ 111.83	\$ 6.92

Socioeconomic Assessment

- Staff annually prepares a socioeconomic assessment of the automatic across-the-board CPI fee increase, which was posted on March 15*
- An additional socioeconomic assessment was prepared for the overall PAR III fee increases (CPI & beyond CPI), and was posted to SCAQMD's website on April 7th. It examines:
 - Current SCAQMD fee amounts by industry (FY 2015-16)
 - Estimated fee increase amounts by industry (FY 2017-18 & FY 2018-19)
 - Macroeconomic job impact analysis of estimated fee increases (using the REMI model)

*See Draft Socioeconomic Assessment of Automatic CPI Fee Increase (March 2017), available at <http://www.aqmd.gov/home/about/finance>

Estimated Fee Increases by Industry

Industry	NAICS	FY 17-18		FY 18-19	
		Revenue Change Due to CPI and PAR III Fee Increases	Share of Increase	Revenue Change Due to PAR III Fee Increases*	Share of Increase
Mining, Oil and Gas Extraction	21	\$139,008	2.3%	\$224,064	2.1%
Construction	23	\$115,713	1.9%	\$185,540	1.8%
Utilities	22	\$449,269	7.4%	\$841,919	8.0%
Manufacturing	31-33	\$2,796,371	45.9%	\$4,930,315	46.9%
Petroleum and Coal Products Mfg.	324	\$1,137,008	18.6%	\$2,033,638	19.4%
Primary & Fabricated Metal Mfg.	331-332	\$446,896	7.3%	\$791,437	7.5%
Wholesale Trade	42	\$308,153	5.1%	\$534,289	5.1%
Retail Trade	44-45	\$642,019	10.5%	\$1,037,493	9.9%
Transportation & Warehousing	48-49	\$203,697	3.3%	\$381,364	3.6%
Services	54-81	\$1,040,461	17.1%	\$1,720,820	16.4%
All Others	11, 51-53	\$402,293	6.6%	\$651,428	6.2%
Totals		\$6,096,986	100%	\$10,507,232	100%

*Estimated without 2017 CPI increase, which is not yet known

Projected Job Impacts by Industry

Industry	NAICS	Jobs		Average Annual (2018-2022)		
		2018	2022	Jobs	Baseline Jobs	% Change
Mining, Oil and Gas Extraction	21	0	-2	-1	28,873	-0.004%
Utilities	22	0	-1	0	20,552	-0.002%
Construction	23	0	-7	-4	478,583	-0.001%
Manufacturing	33	-3	-11	-8	654,698	-0.001%
Petroleum and coal products Mfg.	324	0	0	0	5,063	-0.004%
Primary & Fabricated Metal Mfg.	331-332	0	-2	-1	50,567	-0.001%
Wholesale Trade	42	0	-2	-1	58,922	-0.004%
Retail Trade	44-45	-4	-10	-8	67,360	-0.015%
Transportation and Warehousing	48-49	0	-2	-1	61,763	-0.003%
Services	54-81	14	-3	6	5,222,528	0.000%
All Others	11, 51-53	4	0	2	1,453,912	0.000%
State and Local Government	92	62	73	73	1,028,791	0.007%
Total		72	35	58	10,738,798	0.001%

Summary of Key Dates

FY 2017-18 Draft Budget & Work Program

Date	Action
January 20	Budget Advisory Committee Meeting
March 15	Socioeconomic Report made available to public
April 6	Budget Advisory Committee Meeting
April 11 & 18	Public Consultation Meetings: Proposed Draft Budget/Proposed Amended Regulation (PAR) III - Fees
April 15	Budget Advisory Committee Recommendations, Public Comments & SCAQMD Responses pursuant to Rule 320 due to Governing Board
April 21	Board Workshop: Proposed Draft Budget/PAR III - Fees
April 25	Final due date for Budget Advisory Committee Recommendations & Public Comments on proposed fee increases and administrative amendments
June 2	Public Hearing; Budget, PAR III - Fees Approval