**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

# Draft Socioeconomic Impact Assessment of Proposed Amended Regulation III - Fees

April 2019


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# EXECUTIVE SUMMARY

A socioeconomic analysis was conducted to assess the potential impacts of Proposed Amended Regulation (PAR) III – Fees. This assessment provides analysis of the proposed amendments to Regulation III with fee impacts other than the CPI-based increase. It includes the estimated fee impacts by proposed amendment and by industry. It also includes a macroeconomic impact analysis, which projects how PAR III would impact the regional economy. A summary of the analysis and findings is presented below.

A separate socioeconomic analysis has been conducted to assess the potential impacts of the Rule 320 - Automatic Adjustment of Fees Based on Consumer Price Index (CPI), which was released on March 14, 2019. This CPI-based fee increase adjusts fees for the cost of inflation, thereby holding the real (adjusted for inflation) fee amount constant over time. The regional economic impact analysis included in this assessment is based on the real dollar value of fees, therefore it assumes the implementation of Rule 320 in all years of the analysis horizon.

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| **Proposed Amendment with Fee Impacts** | Fee impacts are estimated for the following proposed amendments:<br>• Increasing Toxic Air Contaminant (TAC) Fees;<br>• Adding a new Rule 1118.1 Notification Fee to Rule 301;<br>• Increasing the PERP enforcement inspection fees;<br>• Increasing and realigning fees in Rule 309 for Plan Inspection Fees with comparable fees in Rule 306;<br>• Adding a renewal fee for Clean Air Solvent (CAS) and Clean Air Choices Cleaner (CACC) certification fees;<br>• Eliminating the fee in Rule 308 for adding/deleting a site from a Multi-site or Geographic Program;<br>• Reducing certain notification fees in Rule 301 Table VI for Asbestos Demolition/Renovation;<br>• Creation of a Fee Cap for Change of Owner/Operator Applications at RECLAIM facilities;<br>• Reducing certain certified copy fees ;<br>• Removing Delek U.S. Holdings, Inc. from the fee table in Rule 301(aa) pertaining to Rule 1180 operating and maintenance fees; and<br>• Eliminating the surcharge fee for certain late AER amendments pertaining to emissions developed from source tests. |
| **Affected Industries** | The industries affected by PAR III vary by proposed amendment. Overall, the proposed amendments would potentially affect every sector of the regional economy. The greatest number of potentially affected facilities are estimated to be in the manufacturing sector (NAICS 31-33), followed by the utilities sector (NAICS 22) and the services sectors (NAICS 54-81). |
| **Estimated Fee Impacts** | Based on the proposed amendments evaluated in this analysis, the overall fee impact of PAR III is estimated to be -\$0.29 million in Fiscal Year (FY) 2019-20, \$1.76 million in FY 2020-21, and \$4.12 million |

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| | in FY 2021-22 and thereafter. The large increases in FY 2020-21 and FY 2021-22 result from the phased implementation the proposed increase in TAC fees, which are estimated to result in $4.42 million of additional fee costs annually.[1]<br><br>The manufacturing sector is estimated to experience the largest fee increase from the proposed amendments, with an increase of about $1.96 million on average over the 2019-2028 time period, representing a 57 percent share of the increase. |
| **Projected Job Impacts of the Estimated Fee Impacts** | A macroeconomic job impact analysis was conducted based on the estimated net impacts in fees paid by the affected industries. This analysis projects an average annual increase of 21 jobs in the four-county region over a ten-year period (2019-2028). The positive job impact is a net result of projected increases in jobs in local government, finance and insurance, and administrative and waste management services, combined with smaller decreases in the manufacturing and construction sectors. |

[1] The TAC proposal is expected to result in a total of $4.9 million in TAC fees collected per fiscal year, a $4.4 million increase over the $0.5 million collected in TAC fees in FY 2017-18. Because of the phased-in nature of that proposal and the fact that the final phase will be implemented in mid-fiscal year 2021-22, the full fiscal impact of the proposal will not occur until FY 2022-23.

## INTRODUCTION

Various fee schedules are specified in Regulation III – Fees to cover the Permitted Source Program, as well as additional fees authorized by the Legislature. In June 2017, the SCAQMD Governing Board approved fee increases for non-Title V facilities necessary to recover reasonable costs of its regulatory programs. It additionally approved fee increases for Title V facilities as a necessary response to a U.S. EPA Title V Program Evaluation Report (2016), which recommended that SCAQMD take measures to cover program funding deficits. The non-Title V increase has been fully implemented. FY 2019-20 represents the final year of the phased in Title V increase.

PAR III – Fees continues these cost recovery efforts with five proposals for new or increased fees. Increased efficiencies at SCAQMD are also reflected in six proposals which seek to eliminate, reduce, or cap fees currently paid. These proposed amendments with fee impacts are in addition to the fee adjustments required by Rule 320 – Automatic Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees. The CPI-only socioeconomic impacts have been analyzed in the Draft Socioeconomic Impact Assessment for Rule 320, released on March 14, 2019 (see: http://www.aqmd.gov/docs/default-source/finance-budgets/fy-2019-20/draft-socioeconomic-assessment-for-automatic-cpi-increase_2019.pdf).

In order to examine the impact of the proposed amendments with fee impacts, this report quantifies the fee impact by each proposed amendment and by the potentially affected industries. The estimated fee impacts by industry are used as inputs into the macroeconomic job impact analysis along with the corresponding increase in SCAQMD spending to estimate the impact on jobs in the region. As noted above, the Rule 320 CPI-based fee adjustments have been examined in a separate assessment. This CPI-based fee increase adjusts fees for the cost of inflation, thereby holding the real (adjusted for inflation) fee amount constant over time. The regional economic impact analysis included in this assessment is based on the real dollar value of fees and therefore assumes the implementation of Rule 320 in all years of the analysis horizon. SCAQMD is required to undertake socioeconomic analyses by California Health and Safety Code (H&SC) Section 40440.8(a) for proposed rules and rule amendments that "will significantly affect air quality or emissions limitations". Although PAR III – Fees does not satisfy this criterion, the analysis herein is presented to provide further information to the Governing Board and stakeholders on the impacts of PAR III.

## PROPOSED RULE AMENDMENTS WITH FEE IMPACTS

1. Increasing Toxic Air Contaminant (TAC) Fees

Staff is proposing to update both the fee structure and increase the fees for toxic emissions paid for by permitted facilities. The current requirements in Rule 301(e)(7) and fee rates in Table IV would be replaced as follows:

1. Any facility that emits Toxic Air Contaminants (TACs) above reporting thresholds in Table IV would pay a new Base Toxics Fee of $78.03 per facility.

2. A Flat Rate Toxics Fee of $78.00, $170.95, and $341.89, starting January 1, 2020, January 1, 2021, and January 1, 2022, respectively, for each piece of permitted and unpermitted equipment and every other reportable toxic air contaminant activity with emissions of any pollutant above the annual thresholds listed in Table IV;
3. A new Cancer-Potency Weighted Fee of $5.00 and $10.00, starting January 1, 2021, and January 1, 2022, respectively, per cancer-potency weighted pound of facility-wide emissions for each pollutant listed in Table IV.

Also, three pollutants currently listed in Table IV would not be subject to the above fees, including ammonia and the ozone depleters, chlorfluorocarbons, and 1,1,1 trichloroethane. The fees for these pollutants would not change (other than regular CPI adjustments), and their fee rates would be moved to Table III. Finally, Diesel Particulate Matter (DPM) would be added as a pollutant that must be reported and for which fees would be paid. Speciated toxics emissions (e.g., benzene) from diesel-fueled internal combustion engines would still be reported along with DPM, but fees would not be paid for those speciated emissions.

The proposed new fee schedule is necessary to recover costs incurred by SCAQMD related to toxic air contaminants. In recent years, SCAQMD's efforts have substantially increased on monitoring, rulemaking, and enforcement of rules for toxic air contaminants currently in the Rule 301 Table IV list. Some notable examples include: the Community Air Toxics Initiative and hexavalent chromium monitoring in the cities of Paramount and Compton, the work on fugitive toxic metal emissions from other facilities such as Exide and others in the metal-working industry, fugitive hydrocarbon emissions from oil production and refining facilities, and significant new work just getting under way with the implementation of AB 617.

The new fee schedule would affect all permitted facilities reporting toxic emissions above the emission threshold listed in Table IV of Rule 301. Potential impacts of the new fee schedule have been estimated based on the level of facility emissions reported in FY 17-18. Taking into consideration the phase-in of the fees, the estimated potential fee impact is an increase of $3,500 in FY 19-20, $2.06 million in FY 20-21, and $4.42 million in FY 21-22 above the $0.53 million paid in TAC fees in 2017.

2. <u>Adding a new Rule 1118.1 Notification Fee to Rule 301</u>

Rule 1118.1 was adopted on January 4, 2019, to control emissions from non-refinery flares. This rule establishes emission limits for NOx and VOC, as well as for CO for new, replaced, or relocated flares, and establishes an industry specific capacity threshold for existing flares. Owners and operators of flares that require a SCAQMD permit at certain non-refinery facilities are required to submit several notifications to the SCAQMD to comply with Rule 1118.1 requirements.

In order to recover costs incurred by SCAQMD to process required notifications, Rule 1118.1 would be subject to the notification fee described in Rule 301(x). The fee for the Rule 1118.1 notification is $65.12 per notification, and is subject to the annual automatic CPI adjustment pursuant to Rule 320. This new fee is necessary to recover the reasonable regulatory costs related to the notification requirements of Rule 1118.1. The fee is identical to the amount charged for Rule 1149, 1166, and 1466 notifications. Moreover, the amount to be charged is necessary to recover the costs to the District for processing the notifications.

Table A1 in the Appendix presents the 82 potentially affected facilities of PR 1118.1 by North American Industry Classification System (NAICS) code. 33 facilities (about 40%) are classified under crude petroleum and natural gas extraction (NAICS 211111), 25 (about 30%) under sewage treatment (NAICS 221320), 15 (about 18%) under solid-waste landfills, and the remaining nine (about 11%) are classified as other industries.

**Table 1:**
**Estimated Number of Rule 1118.1 Notifications Anticipated**

| Notification | Number of Notifications Anticipated | | | |
|---|---|---|---|---|
| | FY 19-20 | FY 20-21 | FY 21-22 | FY 22-23 |
| Notification of annual percent capacity greater than threshold | 25 | 25 | | |
| Notification of intent | | 25 | | |
| Notification of flare throughput reduction | | | 12 | |
| Notification of increments of progress | | | | 12 |
| **Total** | **25** | **50** | **12** | **12** |
| **Estimated Revenue** | **$1,628** | **$3,256** | **$781** | **$781** |

Table 1 above lists the expected number of Rule 1118.1 notifications anticipated. The fee impact of this proposed amendment is estimated based on the expected number of notifications received in years in each fiscal year. The estimated fee impact for affected industries is approximately $1,628 in FY 19-20, $3,256 in FY 20-21, and $781 in FY 21-22 and beyond.

3. Increasing the PERP enforcement inspection fees

The California Air Resources Board (CARB) has established the Statewide Portable Equipment Registration Program (PERP) to facilitate the operation of portable equipment throughout California without having to obtain individual permits from local air districts. Under PERP, the District conducts inspections of that equipment and is authorized to charge fees consistent with amounts determined by CARB. On November 30, 2018, CARB amended the PERP Regulation to increase the uniform fee schedule for all districts enforcing PERP through inspections of registered portable equipment and TSE equipment.

PERP Regulation Section 2461 (g) allows districts to collect fees that do not exceed the fees listed in Section 2461.1 of the PERP Regulation.

In order to recover costs incurred by SCAQMD to inspect portable equipment units and Tactical Support Equipment (TSE) registered in PERP, staff is proposing to amend Rule 301 (w) to increase the TSE and hourly inspection fees. These proposed increases are consistent with the fees recently updated and authorized by CARB in the PERP regulation. The proposed fee increases include inspection fees of $115/hour (with maximum of $590/unit), $90/unit for TSE, and $60/hour additional fee for off-hour inspections.

The majority of facilities potentially affected by the increase in PERP inspection fees are within the construction sector (NAICS 23), commercial and industrial machinery and equipment rental and leasing (NAICS 5324), and landscaping services (NAICS 561730). Staff estimates that, on average, approximately 30-40 facilities pay PERP inspections fees per year.

The fee impact of this amendment is estimated based on the average fee revenue collected by SCAQMD for PERP inspections. From 2009 to 2017, the SCAQMD collected between $13,044 and $28,420 per year, or $20,696 on average from PERP inspection fees. Given that the new fees represent an approximately 17% increase over current fee rates, staff expects this amendment to result in an annual fiscal impact to affected industries of $3,520.

4. <u>Increasing and realigning fees in Rule 309 for Plan Inspection Fees with comparable fees in Rule 306</u>

Rule 1610 – Old Vehicle Scrapping allows industries to meet their pollution discharge limits by reducing motor vehicle emissions instead of merely controlling their own emissions. This amendment would increase the filing and inspection fees associated with Rule 1610 Scrapping Plans to align with filing and inspection fees currently assessed in Rule 306. Staff is proposing to increase the plan filing verification fee from $146.86 to the corresponding Rule 306 fee of $161.25. In addition, the inspection fee in Rule 309(d) would also be increased from $117.42 to $128.94 per hour to align with the corresponding fee amount in Rule 306(f).

The proposed increase in filing and inspections fees is necessary to recover the cost of staff resources expended in implementation of these plans. Fees for Reg. XVI and XXV plans are being aligned with similar fees assessed in Rule 306 because both follow identical plan verification procedures.

This amendment would affect any facility with an approved scrapping program in place. There are a total of seven potentially affected facilities within the wholesale trade (NAICS 42), retail trade (NAICS 44-45), and professional and technical services (NAICS 54) sectors (see Table A1).

The fee impact of this amendment is estimated based on the average fee revenue collected by the SCAQMD from Rule 1610 filing and inspection fees. The SCAQMD collected $34,180 in FY 16-17 and $34,794 in FY 17-18 or an average of $34,487 per year. Given that the increase in fees represents a 6.1% increase beyond the annual CPI increase, staff expects the amendment to result in an annual fiscal impact to affected industries of approximately $2,100.

5. <u>Adding a renewal fee for Clean Air Solvent (CAS) and Clean Air Choices Cleaner (CACC) certification fees</u>

The Clean Air Solvents (CAS) and Clean Air Choices Cleaners (CACC) Certifications are voluntary programs that issue certificates for clean air solvents and cleaners. Manufacturers can apply for a CAS certification, which is valid for five years and can be renewed upon approval by the SCAQMD. Similarly, manufacturers can apply for a CACC certification, which is valid for three years and can be renewed upon approval by the SCAQMD. Current Rule 301(r) and (s) provide a flat fee covering the laboratory analysis of product samples submitted for testing for certification. These sections do not provide a fee for certificate renewal, however. Instead, facilities currently must pay the larger application fee even though the level of work associated with issuance of a renewal may be substantially lower.

The current fee for the certifications is $1,503.77 per sample, plus an additional fee of $300 for additional analysis required for CACC certification, with time spent on the analysis/certification process in excess of 12 hours assessed at the current CPI-adjusted hourly rate of $135.77 per hour. The flat fee covers costs for the laboratory staff's analysis and review of the submitted sample, but it does not include cost of the certificate. Certificate renewal involves approximately an hour to review the product and subsequently issue a renewed certificate. In keeping with the current fee mechanism laid out for these certifications, the $135.77 per hour rate would address the cost for time spent to issue a renewed certificate.

Facilities involved in these types of operations are best classified as chemical manufactuers (NAICS 327) and chemical and allied products merchant wholesalers (NAICS 4246). The CAS program currently has approximately 100 certified products and 10% are recertified each year. The CACC program currently has approximately 30 certified products and three or less are recertified each year. Historical program data indicate that none of the applicants are facilities located within SCAQMD's jurisdiction. As a result, no annual fiscal impact is anticipated from this amendment.

6. Eliminating <u>the fee in Rule 308 for adding/deleting a site from a Multi-site or Geographic Program</u>

Under Rule 2202, employers with more than 250 employees are required to annually register with the District and implement an emissions reduction program, including but not limited to Employee Commute Reduction Programs (ECRP). Covered facilities with multiple sites pay various submittal and amendment fees set for in Rule 308. On occasion, facilities seek to amend their program strategies with either substantive amendments to the strategies or through the addition or deletion of a work-site from a multi-site or geographic program. Regulated facilities are currently charged a fee of $176.63 when adding or deleting a worksite to a multi-site or geographic program per worksite being added or deleted. Staff is recommending that this fee be removed from Rule 308.

The addition or deletion of a site from a multi-site or geographic program does not result in any significant additional work that would not sufficiently be covered by the initial registration fees. The fee would remain for any substantive amendment of strategies. This change is necessary because charging a separate fee for adding or deleting a worksite from a multi-site program appears to discourage regulated entities from accurately reporting real-time worksite population levels and inaccurate records of sites covered by the plan increases the compliance costs for the District.

Removing the fee provides fee relief to regulated facilities and promotes accurate reporting and does is not expected to have a significant impact on revenue. Less than five regulated entities added or deleted a worksite from their multi-site program in the last fiscal year, so the financial impact of this proposed amendment is assumed to be negligible.

7. Reducing certain notification fees in Rule 301 Table VI for Asbestos Demolition/Renovation

Rule 1403 specifies work practice requirements to limit asbestos emissions from building demolition and renovation activities. Table VI in Rule 301 sets forth the applicable demolition, asbestos, and lead notification fees as well as additional service charge fees. Staff proposes to (1) eliminate fees for revisions for earlier End Dates only; and (2) reduce the Revision to Notification fee ($62.92) to $25.00.

Eliminating the fee on revisions to notifications for advanced End Dates removes a disincentive for facilities to update notifications for completed asbestos removal and demolition projects, and reduces the costs triggered when an inspector unnecessarily travels to a job that has already been completed.

Staff is also proposing to reduce the fee for revising notifications regarding start dates, quantity, and extended end dates. Originally this fee of $62.92 was determined based on the amount of time SCAQMD office staff required to update paper notifications in the CLASS database. Presently, the information is entered by the notifier via the Rule 1403 Web App rather than SCAQMD office staff. Staff proposes that the fee be reduced to $25, so as to account for the reduced staff time spent reviewing inspection plans affected by revisions to notifications.

The majority of affected facilities are within the remediation services sector (NAICS 562910). Based on the approximately 7,500 revisions filed in 2018, the fee reduction is expected to result in a savings to industry of approximately $303,000 annually.

8. Creation of a fee cap Change of Owner/Operator Applications at RECLAIM facilities

This proposal will reduce fees associated with filing applications for changes of owner/operator at large facilities. Recent implementation of streamlined procedures for processing change of owner/operator applications has made cost recovery possible at lower fees.

Change of owner/operator is an administrative process that requires no engineering evaluation, but creates a new facility ID and new application numbers for every permit transferred to the new owner/operator. For RECLAIM facilities, the current fees associated with this administrative change can be as high as $300,000 due to the absence of a fee cap. The proposed amendment would place a $50,000 cap on change of owner/operator fees for RECLAIM (or RECLAIM/TV) facilities. This proposed cap would potentially benefit the 23 current RECLAIM (or RECLAIM/TV) facilities that have more than 65 permits. Given the high level of uncertainty regarding if and/or when a facility might benefit from the proposed amendment, staff has conservatively assumed that the net fiscal impact to affected industries is $0 even though there are likely to be savings for industry.

9. <u>Reducing certain certified copy fees</u>

Currently, the fees to obtain a certified copy of a permit and the fees to obtain a reissued permit are mentioned in three locations. In Section (f)(1)-(2), flat fees are listed for non-Title V and Title V permits. In (l)(10)-(11), nearly identical fees are listed for RECLAIM facilities (both RECLAIM-only and RECLAIM/TV), but additional per-page fees apply for each page after the first page. In (n)(7)-(8), a single fee is listed for non-RECLAIM facility permits (notably lower than the other fees from sections (f) and (l)), with an additional fee (also lower than in section (l)), for each page after the first page. All Title V permits are facility permits, as are all RECLAIM and RECLAIM/TV permits. This makes the rates in (n)(7)-(8) appear to be in conflict with those in sections (f) and (l).

Staff is proposing to consolidate all certified copy and permit reissue fees and to preserve only the lowest fee rates. By consolidating all certified copy and permit reissue fees in a single section that requires payment at the lowest rate in all three sections, the discrepancy between sections would be eliminated, and future discrepancies would be avoided. The current procedure for printing certified copies or reissued permits has been streamlined and makes the per-page fee no longer necessary.

This proposed amendment would result in a fee reduction for facility permits, however, the current annual number of requests for facility permit copies and reissued facility permits is negligible. As a result, staff has assumed there is no impact on industry fees paid.

10. <u>Removing Delek U.S. Holdings, Inc. from the fee table in Rule 301(aa) pertaining to Rule 1180 operating and maintenance fees</u>

Rule 1180 − Refinery Fenceline And Community Air Monitoring (approved in December 2017), requires affected facilities to pay an annual operating and maintenance (O&M) fee for refinery-related community air monitoring system(s) in communities near these refineries, pursuant Rule 301(aa), when applicable. Petroleum refineries that have a maximum processing capacity less than 40,000 barrels per day are exempt from Rule 1180.

A single facility, Delek U.S. Holdings Inc. (now known as AltAir Fuels) was originally subject to the rule requirements, including the capital cost to establish a refinery-related community monitoring system and applicable annual O&M fees specified in paragraph (aa) of Rule 301. Since the latest amendment of Rule 301 in May 2018, Paramount has voluntarily accepted a permit condition limiting the operator’s throughput of crude oil to no more than 39,500 barrels per day, thus qualifying for the exemption under Rule 1180 requirements. In turn, Paramount is alleviated from paying the cost for a community monitoring system and the corresponding annual O&M fees set-forth in paragraph (aa) of Rule 301. The proposed amendment is expected to result in a fee reduction for a single facility, however, for the sake of this analysis, staff assumed no net impact on fees paid by industry.

11. <u>Eliminating the surcharge fee for certain late AER amendments pertaining to emissions developed from source tests</u>

According to Rule 301(e)(10)(C), if emission fees are paid timely, and if, within one year after the 75th day from the official due date it is determined to be less than 90 percent of the full amount that should have been paid, a 15 percent surcharge should be added, and is calculated based on the difference between the amount actually paid and the amount that should have been paid. According to Rule 301(e)(10)(D), one year and 75 days after the official due date of the AER, any fees due and payable for emissions reported or reportable pursuant to subparagraph Rule 301(e)(8)(C) are assessed fees according to Rule 301 Tables III, IV, and V; and further increased by a penalty of 50 percent.

This amendment would eliminate the surcharge/penalty for emissions developed from source tests, where the source tests were submitted in good faith for approval to the SCAQMD Source Test Unit prior to or at the time the AER was due, but the source tests were not approved before the date surcharges/penalties would be currently assessed. Fees would still be required for any emissions that were underreported related to these source tests pursuant to fee rates discussed in Rule 301(e)(10)(C) and (D).

This amendment is necessary because of delays that sometimes occur in SCAQMD approval of source tests. SCAQMD staff believes surcharges/penalties are not appropriate in circumstances where emissions are reported based on source tests that were promptly submitted to the District, but were not approved by the District until a later date. The proposed amendment would provide fee relief for affected facilities, however for the sake of this cost analysis, staff assumed that the net fee impacts are $0 annually.

## SUMMARY OF FEE IMPACTS OF PAR III

Of the 11 proposed amendments with fee impacts, five are estimated to result in fee increases, and for one of those five proposals, there are no impacts to facilities within the SCAQMD's jurisdiction. Six of the proposals are expected to result in fee savings for facilities. The fee impacts by proposed amendment are shown in Table 2 for FY 2018-19, FY 2019-20, FY 2020-21 and thereafter, and an annual average over 2019-2028. The average annual fee impact shown in Table 2 considers the cost over a 10-year period used for the analysis in this assessment. The annual average fee impacts over the 10-year horizon allows for comparison of the fee impacts of proposed amendments over a period of time by accounting for fees that may vary over time or are zero for certain years. The fee impacts in total are estimated be -$0.29 million in FY 2019-20, $1.76 million in FY 2020-21, and $4.12 million in FY 2021-22 and beyond. The Update Air Toxic Contaminant (TAC) Fees amendment is the proposed amendment with the greatest fee impact. Other proposed amendments result in small fee impacts relative to the TAC fee increase.

**Table 2:**
**Estimated Fee Impacts by Proposed Amendment**

| | **Annual Fee Impact** | | | |
|---|---|---|---|---|
| **Proposed Amendment** | **FY2019-2020** | **FY2020-2021** | **FY 2021-2022 and thereafter** | **Average Annual[1] (2019-2028)** |
| 1. Increasing Toxic Air Contaminant (TAC) Fees | $3,572 | $2,055,836 | $4,417,564 | $3,739,992 |
| 2. Adding a new Rule 1118.1 Notification Fee to Rule 301 | $0 | $1,600 | $3,200 | $2,720 |
| 3. Increasing the PERP enforcement inspection fees | $3,520 | $3,520 | $3,520 | $3,520 |
| 4. Increasing and realigning fees in Rule 309 for Plan Inspection Fees with comparable fees in Rule 306 | $2,100 | $2,100 | $2,100 | $2,100 |
| 5. Adding a renewal fee for Clean Air Solvent (CAS) and Clean Air Choices Cleaner (CACC) certification fees | $0 | $0 | $0 | $0 |
| 6. Removing the fee in Rule 308 for adding/deleting a site from a Multi-site or Geographic Program | $0 | $0 | $0 | $0 |
| 7. Reducing certain notification fees in Rule 301 Table VI for Asbestos Demolition/Renovation | -$303,000 | -$303,000 | -$303,000 | -$303,000 |
| 8. Creation of a fee cap Change of Owner/Operator Applications at RECLAIM facilities | $0 | $0 | $0 | $0 |
| 9. Reducing certain certified copy fees | $0 | $0 | $0 | $0 |
| 10. Removing Delek U.S. Holdings, Inc. from the fee table in Rule 301(aa) pertaining to Rule 1180 operating and maintenance fees | $0 | $0 | $0 | $0 |
| 11. Removing surcharge fee for certain late AER amendments pertaining to emissions developed from source tests | $0 | $0 | $0 | $0 |
| **Total** | **-$293,808** | **$1,760,056** | **$4,123,384** | **$3,445,332** |

[1] This is the average of annual fee impacts over a ten year horizon. It accounts for fees that may vary over time or are zero for certain years.
[2] This proposed amendment is expected to result in a net fee reduction for affected facilities, but is conservatively assumed to have no fee impact here for purposes of analysis.

As discussed in the previous section, the fee impacts from PAR III are estimated to be incurred by all industries within the regional economy. Table 3 shows the distribution of these fee impacts by industry, by fiscal year and on average annually over a 10-year horizon. The manufacturing sector as a whole would incur the largest fee impacts with a decrease in fees of $10,100 in FY 2019-20, and an increase in fee costs of $1.09 million in FY 2020-2021 and $2.31 million in FY 2021-22 and thereafter, which comprises a 57% share of the average fee impacts of PAR III. Within the manufacturing sector the petroleum and coal products manufacturing industry (NAICS 324) will incur a 57% share of the fee impacts, primarily as a result of the toxicity-weighted emissions fees that will be incurred by facilities in this industry.

## MACROECONOMIC IMPACTS ON THE REGIONAL ECONOMY

The REMI model (PI+ v2.2) was used to assess the total socioeconomic impacts of PAR III fee increases and the corresponding SCAQMD revenue increase. It links the economic activities in the counties of Los Angeles, Orange, Riverside, and San Bernardino, and for each county, it is comprised of five interrelated blocks: (1) output and demand, (2) labor and capital, (3) population and labor force, (4) wages, prices and costs, and (5) market shares.[2]

The assessment herein was performed relative to a baseline scenario where none of the PAR III fee increases are implemented. PAR III would create a policy scenario under which the affected facilities would incur a reduction in annual costs of $0.29 million in FY 2019-20, followed by an increase in annual costs of $1.76 million in FY 2020-21 and $4.12 million in FY 2021-22 and following years (Table 2). As these fee increases are recommended for cost recovery purposes of mostly-mandated existing and future activities, the baseline scenario represents a situation where SCAQMD is not able to fully cover its costs and is in a deficit situation. For purposes of the macroeconomic impact analysis, the estimated fee increase was converted from FY to calendar year and was analyzed for a 10-year period from 2019 to 2028, where the highest level of fee increase is realized by 2021 and is held constant for the subsequent years in the analysis horizon. The macroeconomic impact analysis is based on the real dollar value of fees, therefore it assumes the implementation of Rule 320 in all years of the analysis horizon.

The impact of the proposed new fees and fee rate increases was simulated with the REMI model using estimates of the fee increase, along with the corresponding increase in SCAQMD revenue. The estimated increase in fees by industry (Table 3) were input into the REMI model as an increase in production cost for the affected industries. The resulting increase in SCAQMD revenue was input in the REMI model as an increase in local government spending, distributed by the proportion of population in each of the four counties. This modeling approach assumes a balanced government budget, where an increase in revenue, relative to the baseline scenario, must be equivalent to an increase in government spending.[3]

[2] Within each county, producers are made up of 66 private non-farm industries, three government sectors, and a farm sector. Trade flows are captured between sectors as well as across the four counties and the rest of U.S. Market shares of industries are dependent upon their product prices, access to production inputs, and local infrastructure. The demographic/migration component has 160 age/gender/race/ethnicity cohorts and captures population changes in births, deaths, and migration. (For details, please refer to REMI online documentation at http://www.remi.com/products/pi.)

[3] This increase in revenue and equivalent increase in spending is relative to the baseline scenario, where SCAQMD is not fully recovering cost and is in a deficit situation.

## Table 3:
## Fee Impact of the PAR III by Industry

| Industry | NAICS | Fee Impact of PAR III | | | | |
|---|---|---|---|---|---|---|
| | | FY 2019-2020 | FY 2020-2021 | FY 2021-2022 and thereafter | Average Annual (2019-2028) | Share of Fee Impact |
| **Agriculture, Forestry, Fishing & Hunting** | **111-115** | **$2,581** | **$5,715** | **$10,877** | **$9,531** | **0.3%** |
| **Mining** | **21** | **$11,210** | **$71,285** | **$157,876** | **$134,550** | **3.9%** |
| Oil and Gas Extraction | 211 | $5,256 | $48,312 | $111,957 | $94,923 | 2.8% |
| Mining (except oil and gas) | 212-213 | $5,954 | $22,973 | $45,919 | $39,628 | 1.2% |
| **Construction** | **23** | **$2,951** | **$10,887** | **$22,334** | **$19,251** | **0.6%** |
| **Manufacturing** | **31-33** | **-$10,069** | **$1,085,208** | **$2,311,353** | **$1,956,596** | **56.8%** |
| Food Manufacturing | 311 | $1,124 | $2,040 | $3,268 | $2,931 | 0.1% |
| Wood Products Manufacturing | 321 | $134 | $490 | $1,079 | $926 | 0.0% |
| Petroleum and Coal Products Mfg. | 324 | -$49,644 | $611,036 | $1,341,750 | $1,129,540 | 32.8% |
| Chemical Manufacturing | 325 | $2,854 | $121,840 | $244,881 | $208,374 | 6.0% |
| Nonmetallic Mineral Product Mfg. | 327 | $7,077 | $36,468 | $72,489 | $62,345 | 1.8% |
| Primary Metal Mfg. | 331 | $3,017 | $91,598 | $189,381 | $160,967 | 4.7% |
| Fabricated Metal Mfg. | 332 | $12,865 | $103,464 | $215,043 | $183,667 | 5.3% |
| Machinery Manufacturing | 333 | $384 | $49,310 | $99,094 | $84,244 | 2.4% |
| Computer and Electronic Product Mfg. | 334 | $3,838 | $19,679 | $39,342 | $33,825 | 1.0% |
| Electrical Equipment & Appliance Mfg. | 335 | $2,799 | $5,843 | $11,226 | $9,845 | 0.3% |
| Motor Vehicle & Trans. Equipment Mfg. | 336 | $4,590 | $24,233 | $49,024 | $42,101 | 1.2% |
| Other Manufacturing | 312-339 | $893 | $19,208 | $44,775 | $37,830 | 1.1% |
| **Utilities** | **22** | **-$45,145** | **$318,630** | **$712,744** | **$597,544** | **17.3%** |
| **Transportation & Warehousing** | **48-49** | **$4,891** | **$94,396** | **$209,871** | **$177,826** | **5.2%** |
| **Information** | **51** | **$4,369** | **$15,450** | **$31,289** | **$27,013** | **0.8%** |
| Publishing Industries, Except Internet | 511 | $156 | $164 | $172 | $169 | 0.0% |
| Motion Picture & Sound Recording | 512 | $4,213 | $15,287 | $31,118 | $26,844 | 0.8% |
| Internet Services and data processing | 518, 519 | $0 | $0 | $0 | $0 | 0.0% |
| **Wholesale Trade** | **42** | **$11,652** | **$45,991** | **$97,332** | **$83,630** | **2.4%** |
| **Retail Trade** | **44-45** | **$6,447** | **$39,687** | **$90,785** | **$77,242** | **2.2%** |
| **Finance and Insurance** | **52** | **$151** | **$245** | **$417** | **$374** | **0.0%** |
| **Real Estate and Rental Leasing** | **53** | **$1,777** | **$2,281** | **$3,020** | **$2,822** | **0.1%** |
| **Services** | **54-81** | **-$289,800** | **$16,830** | **$361,364** | **$261,494** | **7.6%** |
| Professional and Technical Services | 54 | $843 | $16,424 | $36,138 | $30,337 | 0.9% |
| Administrative and Support Services | 561 | -$93 | $3,807 | $8,487 | $7,161 | 0.2% |
| Waste Mgmt. and Remediation Services | 562 | -$305,422 | -$151,392 | $8,488 | -$38,891 | -1.1% |
| Educational Services | 61 | $2,093 | $45,887 | $98,572 | $83,656 | 2.4% |
| Health Care & Social Assistance | 62 | $7,937 | $82,318 | $170,659 | $145,553 | 4.2% |
| Accommodation | 721 | $234 | $475 | $794 | $706 | 0.0% |
| Food Services & Drinking Places | 722 | $229 | $344 | $537 | $487 | 0.0% |
| Other Services | Other 54-81 | $4,379 | $18,967 | $37,689 | $32,485 | 0.9% |
| **Public Administration** | **92** | **$1,119** | **$18,695** | **$42,199** | **$35,741** | **1.0%** |
| **Unclassified*** | **N/A** | **$4,059** | **$34,754** | **$71,922** | **$61,419** | **1.8%** |
| **Totals** | | **-$293,808** | **$1,760,056** | **$4,123,384** | **$3,445,032** | **100.0%** |

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

### Employment

Based on these inputs into the REMI model, the macroeconomic impacts of the estimated fee increases on the regional economy were simulated. The total effect on jobs consists of the effect on the directly affected sectors combined with the indirect and induced effects, which result as increased industry costs and government spending cascade through the regional economy. The overall PAR III fee increases are projected to lead to a net gain of 21 jobs on average per year above the baseline scenario job forecast from 2019 to 2028 (Table 4). The net gain of jobs is a result of a gain in jobs from increased SCAQMD spending and foregone jobs in the industries most affected by the proposed fee increases.

**Table 4:**
**Projected Job Impacts of Proposed Fee Rate Increases by Sector**

| Sector | NAICS | Jobs | | | Average Annual (2019-2028) | | |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2024 | 2028 | Jobs | Baseline Jobs | % Change |
| Mining, Oil and Gas Extraction | 21 | 0 | -2 | -2 | -1 | 24,093 | -0.0058% |
| Utilities | 22 | 0 | -1 | -1 | -1 | 21,209 | -0.0033% |
| Construction | 23 | 2 | -4 | -4 | -2 | 488,175 | -0.0005% |
| Manufacturing | 33 | 0 | -5 | -6 | -4 | 631,905 | -0.0006% |
| Wholesale Trade | 42 | 0 | -1 | -1 | -1 | 492,205 | -0.0001% |
| Retail Trade | 44-45 | 0 | -2 | -3 | -2 | 1,006,162 | -0.0002% |
| Transportation and Warehousing | 48-49 | 0 | -1 | -1 | 0 | 491,491 | -0.0001% |
| Information | 51 | 0 | 0 | -1 | 0 | 343,789 | -0.0001% |
| Finance and Insurance | 52 | 1 | 0 | 0 | 1 | 514,823 | 0.0001% |
| Real Estate and Rental and Leasing | 53 | 1 | 0 | 0 | 0 | 609,284 | 0.0000% |
| Professional, Scientific, and Technical Services | 54 | 1 | 0 | -2 | 0 | 876,610 | 0.0000% |
| Management of Companies and Enterprises | 55 | 0 | -1 | -1 | -1 | 118,986 | -0.0004% |
| Administrative and Waste Management Services | 56 | 1 | 0 | -1 | 0 | 800,069 | 0.0000% |
| Educational Services | 61 | 0 | 0 | -1 | 0 | 262,009 | 0.0000% |
| Health Care and Social Assistance | 62 | 1 | 0 | -1 | 0 | 1,367,207 | 0.0000% |
| Accommodation and Food Services | 72 | 1 | 1 | 0 | 1 | 811,398 | 0.0001% |
| State and Local Government | 92 | 17 | 37 | 34 | 31 | 918,977 | 0.0034% |
| All Other Industries | N/A | 3 | 1 | 0 | 0 | 1,290,479 | 0.0000% |
| **Total** | | **28** | **22** | **9** | **21** | **11,068,869** | 0.0005% |

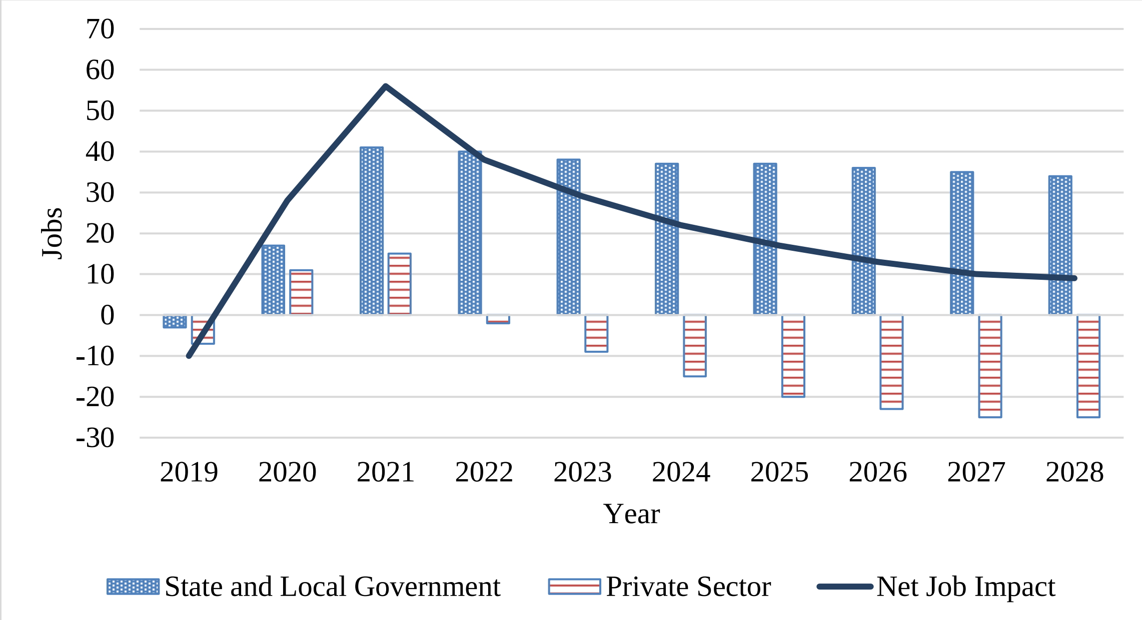
The foregone jobs are most concentrated in the manufacturing sector with four jobs foregone followed by the construction sector with two jobs foregone. These jobs foregone either occur in industries most significantly affected by the fee increase or industries which are significant intermediate suppliers to the affected industries. The jobs gained from the increase in SCAQMD spending are most highly concentrated in the local government sector, which includes SCAQMD and all other local government agencies in the region, along with gains in industries servicing the local government sector, such as finance and insurance and professional, scientific, and technical services.

It should be noted that, as the baseline scenario represents a deficit situation for SCAQMD, direct job gains estimated for the local government sector include potentially prevented staffing reductions, which may occur if the deficit situation continues at SCAQMD. At the same time, the sector's direct job gains may also include new positions added to perform new and/or expanded program functions to meet recently adopted SCAQMD rules and state mandates. However, the potential employment impact pertinent to SCAQMD is not specifically considered in this job impact analysis due to modeling constraints.[4] Overall, these changes in jobs are very small relative to the size of the regional economy (11.1 million payroll and self-employment jobs), representing an increase of approximately 0.0005 percent.

Figure 1 illustrates the net change in jobs over the 2019-2028 time period. Following modest number of jobs forgone in the first year, REMI projects 28 job gains in the second year and increasing to 56 jobs gained in the third year due to the increased state and local government spending. Following 2021, the net job gains will diminish, as jobs foregone in the affected industries increase and local government job decrease.

[4] As common in economic modelling, each economic sector is represented by the average behavior of all entities belonging to that sector. Therefore the REMI model's representation of an average local government agency will not precisely predict any specific staffing changes, timing of changes, nor specific labor costs of SCAQMD.

**Figure 1:**
**Job Impacts of the Proposed Amendments by Year**




## CONCLUSION

Based on the proposed amendments, the fee impact of PAR III is estimated to be -$0.29 million in FY 2019-20, $1.76 million in FY 2020-21, and $4.12 million in FY 2021-22 and thereafter. The manufacturing sector is estimated to incur the greatest increases in fees, followed by the utilities sector. Based on the estimated fee increases by industry and the corresponding increases in SCAQMD revenue, the macroeconomic job impact of the estimated fee increase was simulated. The job impact analysis projects a net gain in jobs over the 2019-2028 period relative to the baseline scenario, resulting primarily from prevented job losses and job gains in local government and jobs foregone in manufacturing and construction. Ultimately, the projected job impact is very small relative to the regional economy, representing an increase of approximately 0.0005 percent.

# APPENDIX

**Table A1:**
**Estimated Number of Affected Facilities by Proposed Amendment**

| Industry | NAICS | Proposed Amendment | | | | | |
|---|---|---|---|---|---|---|---|
| | | TAC Fee Increase | 306/309 Fee Realignment | 1403 Fee Reductions | PERP Fee Increase | Change of Owner/Operator Fee Cap | 1118.1 Notification Fees |
| **Agriculture, Forestry, Fishing & Hunting** | **111-115** | **33** | **0** | **0** | **0** | **0** | **0** |
| **Mining** | **21** | **89** | **0** | **0** | **0** | **2** | **34** |
| Oil and Gas Extraction | 211 | 60 | 0 | 0 | 0 | 1 | 33 |
| Mining (except oil and gas) | 212-213 | 29 | 0 | 0 | 0 | 1 | 1 |
| **Construction** | **23** | **23** | **0** | **0** | **20** | **0** | **0** |
| **Manufacturing** | **31-33** | **643** | **0** | **0** | **0** | **14** | **4** |
| Food Manufacturing | 311 | 38 | 0 | 0 | 0 | 0 | 2 |
| Wood Products Manufacturing | 321 | 6 | 0 | 0 | 0 | 0 | 0 |
| Petroleum and Coal Products Mfg. | 324 | 39 | 0 | 0 | 0 | 6 | 0 |
| Chemical Manufacturing | 325 | 59 | 0 | 0 | 0 | 1 | 0 |
| Nonmetallic Mineral Product Mfg. | 327 | 37 | 0 | 0 | 0 | 0 | 0 |
| Primary Metal Mfg. | 331 | 46 | 0 | 0 | 0 | 2 | 0 |
| Fabricated Metal Mfg. | 332 | 157 | 0 | 0 | 0 | 2 | 0 |
| Machinery Manufacturing | 333 | 13 | 0 | 0 | 0 | 0 | 0 |
| Computer and Electronic Product Mfg. | 334 | 24 | 0 | 0 | 0 | 0 | 0 |
| Electrical Equipment & Appliance Mfg. | 335 | 19 | 0 | 0 | 0 | 0 | 0 |
| Motor Vehicle & Trans. Equipment Mfg. | 336 | 44 | 0 | 0 | 0 | 2 | 0 |
| Other Manufacturing | 312-339 | 205 | 0 | 0 | 0 | 1 | 2 |
| **Utilities** | **22** | **123** | **0** | **0** | **0** | **0** | **26** |
| **Transportation & Warehousing** | **48-49** | **46** | **0** | **0** | **0** | **2** | **0** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Information** | **51** | **11** | **0** | **0** | **0** | **0** | **0** |
| Publishing Industries, Except Internet | 511 | 2 | 0 | 0 | 0 | 0 | 0 |
| Motion Picture & Sound Recording | 512 | 8 | 0 | 0 | 0 | 0 | 0 |
| Internet Services and data processing | 518, 519 | 1 | 0 | 0 | 0 | 0 | 0 |
| **Wholesale Trade** | **42** | **65** | **4** | **0** | **0** | **1** | **0** |
| **Retail Trade** | **44-45** | **105** | **1** | **0** | **0** | **2** | **1** |
| **Finance and Insurance** | **52** | **2** | **0** | **0** | **0** | **0** | **0** |
| **Real Estate and Rental Leasing** | **53** | **9** | **0** | **0** | **10** | **0** | **0** |
| **Services** | **54-81** | **307** | **2** | **178** | **10** | **1** | **17** |
| Professional and Technical Services | 54 | 24 | 1 | 0 | 0 | 0 | 0 |
| Administrative and support services | 561 | 20 | 0 | 0 | 10 | 0 | 0 |
| Waste management and remediation services | 562 | 41 | 0 | 178 | 0 | 0 | 17 |
| Educational Services | 61 | 22 | 0 | 0 | 0 | 0 | 0 |
| Health Care & Social Assistance | 62 | 52 | 0 | 0 | 0 | 0 | 0 |
| Accommodation | 721 | 2 | 0 | 0 | 0 | 0 | 0 |
| Food Services & Drinking Places | 722 | 2 | 0 | 0 | 0 | 0 | 0 |
| Other Services | Other 54-81 | 144 | 1 | 0 | 0 | 1 | 0 |
| **Public Administration** | **92** | **30** | **0** | **0** | **0** | **1** | **0** |
| **Unclassified*** | **N/A** | **33** | **0** | **0** | **0** | **0** | **0** |
| **Totals** | | **1519** | **7** | **178** | **40** | **23** | **82** |

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