



Regulation III - Fees

Public Consultation Meeting

March 21, 2023

10:30 a.m.

Zoom Meeting Link:

<https://scaqmd.zoom.us/j/92230929247>

Dial In: +1 (669) 900-6833

Meeting ID: 922 3092 9247



Agenda



Introduction



Annual California Consumer Price Index (CPI) Based Fee Increase



Proposed Amendments with Fee Impacts



Proposed Amendments with Administrative Changes Only



Public Process



Open Discussion



Proposed Amended Regulation III - Fees



Introduction

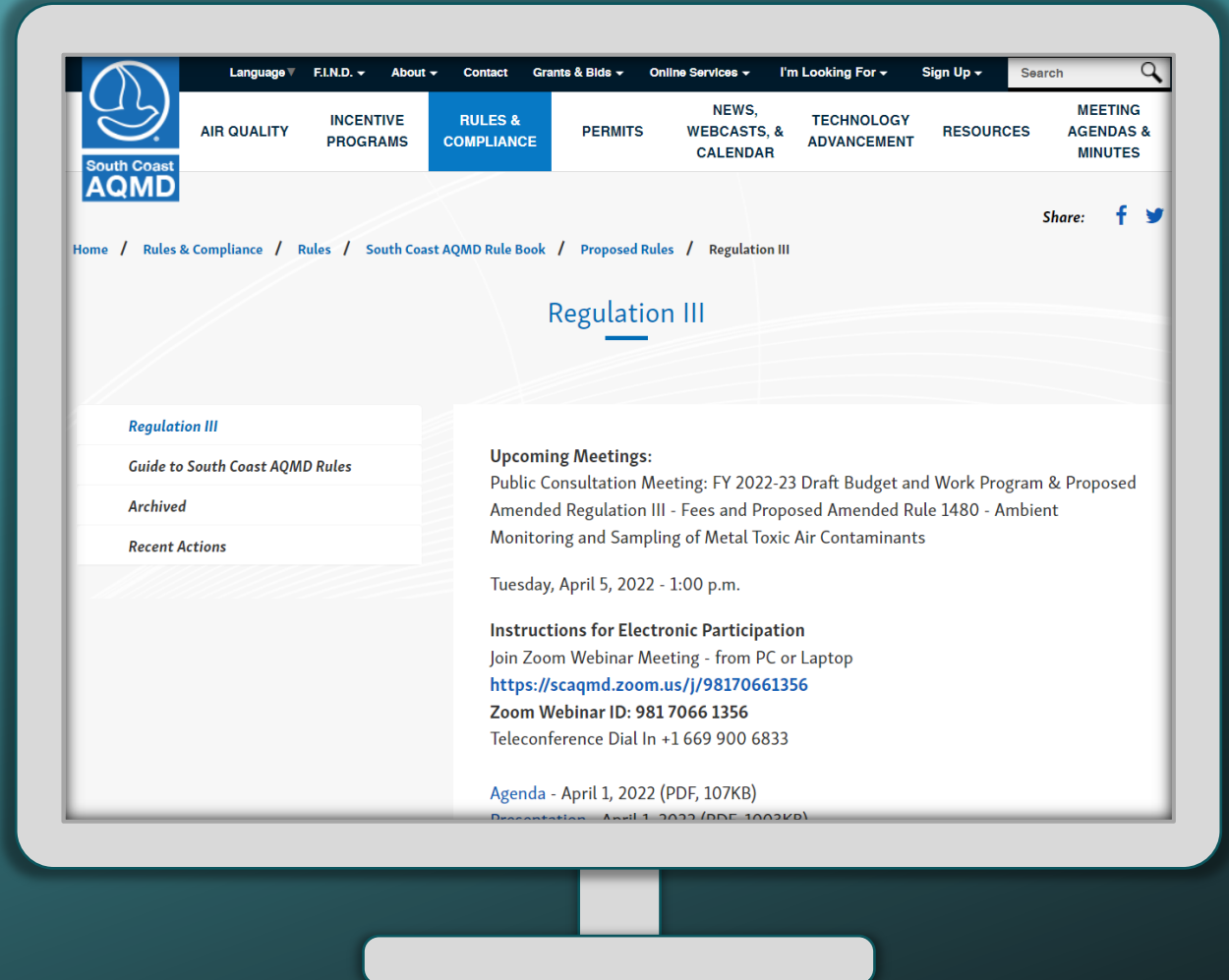


Proposed Regulation III Materials

Materials are available on the
Proposed Rules and Proposed Rule
Amendments Website:

<http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules/regulation-iii>

Point your smartphone
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South Coast AQMD

- Local air pollution control agency
 - Largest of the 35 local air agencies in CA and in the U.S.
 - 10,743 square miles
 - 17 million residents

- Responsibilities

- Regulate emissions from stationary sources
- Develop and implement plans to meet national air quality standards
- Permit and inspect about 28,400 affected businesses
- Administer over \$100 million of incentive funding annually





Regulation III - Fees

- Regulation III includes a suite of rules with South Coast AQMD fee rates:
 - Administrative fees for permitting, emissions, plans, analysis, etc.
- Proposed amendments are routinely brought for South Coast AQMD Governing Board consideration with the annual budget
- Amendments typically include:
 - Automatic annual consumer price index (CPI) fee increases
 - Governing Board may choose to forego annual CPI
 - Fee adjustments to ensure costs are recovered appropriately
 - Other administrative changes for clarifications to existing rule language



Proposed Amended Regulation III - Fees



Annual California
Consumer Price
Index (CPI) Based
Fee Increase



CPI and South Coast AQMD

- South Coast AQMD Rule 320 – Automatic Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees
 - Annual California CPI-Based fee increase to cover cost of inflation¹

South Coast AQMD Recent CA CPI Increases

Fiscal Year	% Increase in CA CPI
2017/2018	2.5
2018/2019	3.4
2019/2020	3.5
2020/2021	1.7
2021/2022	2.8
2022/2023	6.5

1. <https://www.dir.ca.gov/oprl/capriceindex.htm>



Annual CPI-Based Fee Increase (Rule 320)

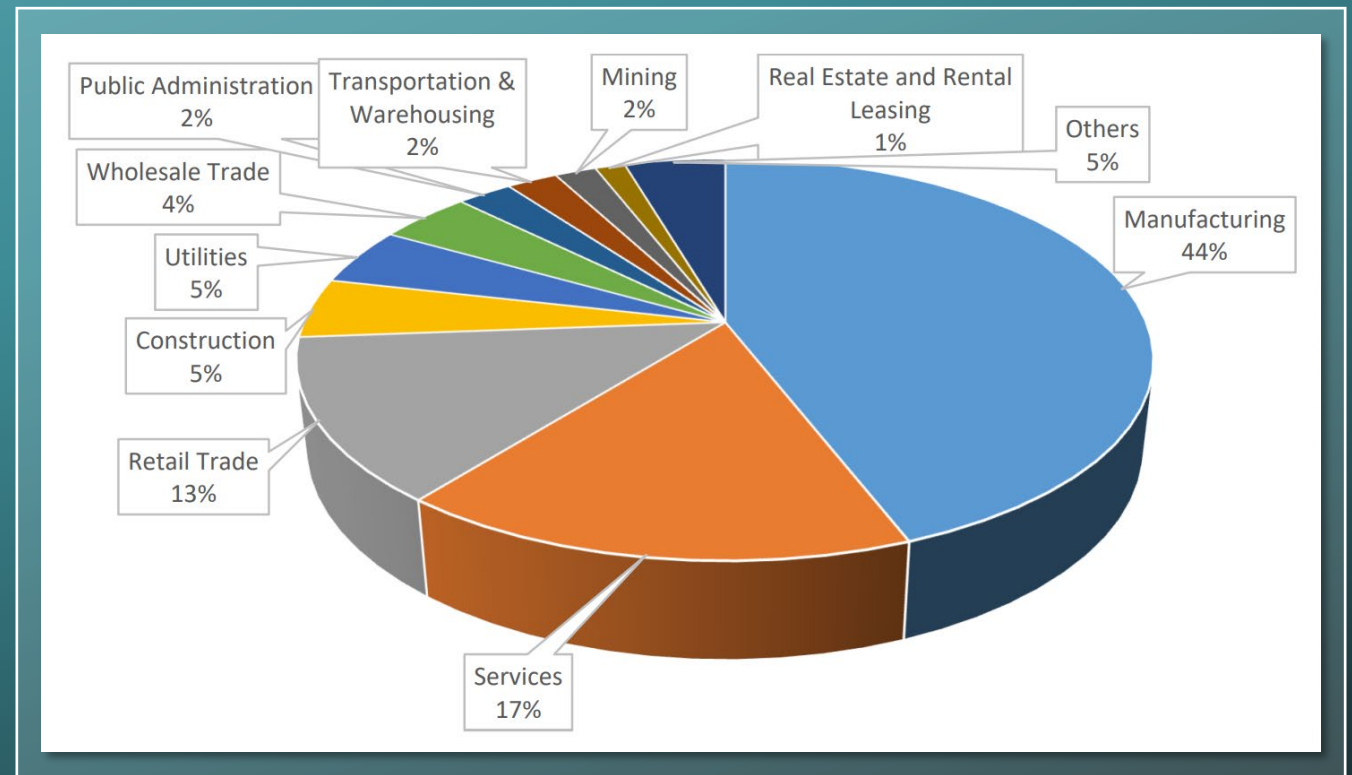
- Fees updated to cover cost of inflation
 - Upcoming automatic adjustment = 5.6%
 - Based on Dec 2021 - Dec 2022 all urban consumer percent change in California CPI
- Applicable to most fee rates in Regulation III
 - Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, and 315
 - Examples of exception:
 - Fee rates set by state law
 - Rule 311 (c) Air Quality Investment Program Fees
 - Rule 316 Fees for Rule 2305
- Potential impacts of the 5.6% fee increase analyzed in the Rule 320
 - Socioeconomic Impact Assessment released March 15, 2023



Socioeconomic Impacts of Existing Fees

- FY 2021-22 fee revenue:
 - Total emission-based fees: \$20.3 million
 - Total permit processing fees and permit renewal fees: \$82.4 million
- Total fees paid by industry is small relative to these industries' regional economic output
 - $\leq 0.01\%$ overall
- CPI adjustment currently estimated to increase revenue by approximately \$5.7 million

FY 2021-2022 Share of All Major Fee Revenue by Sector





Proposed Amended Regulation III - Fees



Proposed Amendments with Fee Impacts



Overview of Proposed Rule Amendments with Fee Impacts



Proposal 1:
Authorize automatic
adjustments to most
fees by CPI



Proposal 2:
Amend Rule 301 and
Rule 306 to increase
permitting fees by 4% to
address the increasing
workload associated
with administering the
permitting program



1. Amend Rule 320

- Rule 320 was established in response to Proposition 26
- Under Health and Safety Code Section 40510(a)(4):
 - Generally only fees in *excess* of CPI require findings of fact
- CPI represents reasonable cost recovery as a result of inflation
- Amend Rule 320 to authorize automatic CPI percent increase adjustments of most fees





Proposed Amended Rule 320

(b) Applicability

Effective July 1 of each calendar year after October 29, 2010, each fee set forth in Regulation III ~~as of October 29, 2010~~ shall be automatically adjusted by the change in the California Consumer Price Index for the preceding calendar year, as defined in Health and Safety Code §40500.1(a).

(c) Exceptions

- (1) The provisions of subdivision (b) shall not apply for any fiscal year for which a rule is adopted for a specific fee or fees or for all fees that provides for a different adjustment or no adjustment. In such a case, subdivision (b) shall again apply for the subsequent years.
- (2) The provisions of subdivision (b) shall not apply to any fee which is charged for a dishonored check, which shall be as set forth by statute, nor to Rule 317, which shall instead be automatically adjusted as stated in Rule 317(d)(2).
- (3) The provisions of subdivision (b) shall not apply to any fee for which the rate is set by state law or a specific Rule that precludes such automatic adjustments.



2. Amend Rule 301 and Rule 306 Permit Application and Processing

- South Coast AQMD Permitting Program
 - Fees assessed under Regulation III
- Starting in 2022, the permit application inventory has increased
 - The inventory is currently 4,680 pending applications
- To assist with the increased pending inventory, a number of measures have been implemented including:
 - Staff resource sharing across teams and divisions,
 - Temporary assignments of recent retirees,
 - Hiring external contractors,
 - Staff working out of class assignments,
 - Ongoing engineer recruitment,
 - Ongoing promotional efforts at all levels,
 - Streamlining of permits, and
 - Additional technical and development training



Increasing Pending Applications

- Reasons for Increasing Pending Applications
 - Recently adopted/amended rules implementing Best Available Retrofit Control technology (BARCT) requirements in Assembly Bill 617 and 2016 Air Quality Management Plan (AQMP)
 - Compliance timeframes 2022-2031
 - Increasing number of permit applications (11% from 2021 to 2022)
 - Increasing complexity of permits
 - A high turnover from recent retirement and attrition
- Workload is expected to further increase in the coming years
 - Further implementation of BARCT rules
 - Further development of toxics rules
 - Further rule development to achieve attainment with the National Ambient Air Quality Standards (NAAQS) as outlined in the 2022 AQMP





Permit Related Fee Adjustment

- Additional Resources Needed to Address Increasing Workload
 - In anticipation of future implementation of BARCT rules, staff has estimated additional 14 full-time equivalent staff are needed to process permits in a timely and efficient manner
 - The fee impact is estimated to be about \$3.3 million per year which translates to a 4% fee increase of permit processing fees, annual renewal fees, and plan fees
 - Fee increase to be phased in over the next two fiscal years (2% in fiscal year 2023-24 and 2% in fiscal year 2024-25)
 - The fee increases are necessary to provide specific regulatory cost recovery for the additional resources needed to implement rule requirements through issuance and implementation of permits



Proposed Amended Rules 301 and 306 for Permit Processing Fees

Impacted Permit Processing Fees

Rule	Description
301 (c)(1)(A)(i)	Permit Processing Fee
301 (c)(1)(A)(ii)	Permits for Relocation
301 (c)(1)(C)(i)	Fee for Failing to Obtain a Permit
301 (c)(1)(D)	Small Business Fees
301 (c)(1)(E)	Fees for Permit Processing for Identical Equipment and Processing of Applications for Short Term Emission Reduction Credits
301 (c)(1)(I)	Standard Streamlined Permits
301 (c)(2)	Fee for Change of Owner/Operator or Additional Operator
301 (c)(3)	Change of Operating Condition, Alteration/Modification/Addition
301 (c)(4)	Fee for Evaluation of Applications for Emission Reductions
301 (c)(5)	Fees for Retirement of Short Term Emission Reduction Credits for Transfer into Rule 2202, and for ERCs Transfer Out of Rule 2202
301 (c)(6)(A)	Application Cancellation Fee
301 (g)	Reinstating Expired Applications or Permits; Surcharge
301 (j)(4)	Payment for Public Notice
301 (j)(7)	Fees for Inter-basin, Inter-district, or Interpellant Transfers of ERCs
301 (I)(3)	Facility Permit Fees (RECLAIM)
301 (I)(4)	Facility Permit Amendment (RECLAIM)
301 (I)(5)	Change of Operating Condition
301 (I)(6)	Fee for Change of Owner/Operator
301 (I)(8)	Transaction Registration Fee (RECLAIM)
301 (I)(10)	Breakdown Emission Report valuation Fee (RECLAIM)
301 (I)(12)	Mitigation of Non-Tradeable Allocation Credits (RECLAIM)
301 (I)(13)	Evaluation Fee to Increase an Annual Allocation (RECLAIM)
301 (I)(14)	Facility Permit Reissuance Fee for Facilities Exiting RECLAIM (RECLAIM)
301 (I)(15)	Optional Conversion of Transitioned RECLAIM Facility Permit (RECLAIM)
301 (m)(3)(A)	Permit Processing Fees for Existing Facilities with Existing District Permits Applying for an Initial Title V Permit (Title V)
301 (m)(3)(B)	Permit Processing Fees for Existing Facilities with Existing District Permits Applying for a Final Title V Permit (Title V)
301 (m)(3)(D)	New Title V Facility Permit to Construct

Rule	Description
301 (m)(3)(E)	Existing Title V Facility Permit Due to Modification
301(m)(4)	Permit Revision Fee (Title V)
301(m)(5)	Renewal Fees (Title V)
301(m)(7)	Public Hearing Fees (Title V)
301 (n)(3)	Facility Permit Revision
301 (n)(5)	Fee for Change of Operator (Facility Permit)
301 (u)(1)	Initial Filing Fee (Non-permitted Emission Sources Subject to Rule 222)
301 (u)(2)	Change of Owner/Operator or Location (Non-permitted Emission Sources Subject to Rule 222)
301 (v)(1)	Fees for Expedited Processing Requests (Non-Title V Maximum Added Base Cap Fee and Title V Maximum Added Base Cap Fee)
301 Table Fee Rate-A (Schedules A – H) - Summary Permit Fee Rates	Permit Processing, Change of Conditions, Alteration/Modification
301 Table Fee Rate-B (Schedule I)	Summary of ERC Processing Rates
301 Table Fee Rate-C	Summary of Permit Fee Rates Change of Operator
301 Table VII	Facility Permit Fees
306 (c)	Plan Filing Fee
306 (d)	Plan Evaluation Fee
306 (e)	Duplicate Plan Fee
306 (f)	Inspection Fee (Plans)
306 (g)	Change of Condition Fee (Plans)
306 (i)(1)	Plan Filing and Plan Evaluation Fees
306 (I)	Plan Application Cancellation Fee
306 (m)	Protocol/Report Evaluation Fees
306 (q)	Optional Expedited Protocol/Report Evaluation Processing Fee
306 (r)(1)	Regulation XXVII – Fees for Rule 2701
306 (r)(2)	Regulation XXVII – Fees for Rule 2702



Proposed Amended Rules 301 and 306 for Annual Renewal Fees

Impacted Annual Renewal Fees

Rule	Description
301 (d)(2)	Annual Operating Fees
301 (d)(4)	Renewal of Temporary Permit to Operate New Equipment
301 (d)(5)	Renewal of Temporary Permit to Operate Existing Equipment
301 (l)(7)(B)	Annual Operating Permit Renewal Fee
301 (l)(8)	Transaction Registration Fee (RECLAIM)
301 (m)(5)	Renewal Fees (Title V)
301 (u)(3)	Annual Renewal Fee (Non-permitted Emission Sources Subject to Rule 222)
306 (h)	Annual Review/Renewal Fee (Plans)



Proposed Amended Regulation III - Fees



Proposed
Amendments with
Administrative
Changes Only



Proposed Rule Amendments with No Fee Impacts and/or Administrative Changes



Proposal 1:
Several administrative changes to Rule 307.1 to improve consistency with other rules and rule legibility



Proposal 2:
Clarify Rule 306 fee a Metal Recycling or Metal Shredding Facility is required to pay when submitting or updating the registration form



Proposal 3:
Clarify existing rule language on refunds associated with application cancellations and relocate rule language from Rule 313 to Rule 301



Proposal 4:
Clarify the Annual Emission Reporting threshold values in Rule 301



1. Proposed Amendments to Rule 307.1

- Amendments include several administrative changes throughout Rule 307.1 to improve consistency with other rules and rule legibility:
 - Changing SCAQMD to South Coast AQMD
 - Correcting capitalization
 - Spacing and alignment





2. Proposed Amended Rule 306

- Rule 1460 – Control of Particulate Emissions from Metal Recycling and Shredding Operations subdivision (k) already requires a Metal Recycling or Metal Shredding Facility to pay a Rule 306 plan filing fee when submitting or updating the registration form
- This proposal would update Rule 306 to include the Rule 1460 fee for clarification

(i) Payment of Fees

(1) Plan Filing and Plan Evaluation Fees

In addition to payment of the filing fee pursuant to subdivision (c), the initial payment for plan evaluation fees shall be as shown in the table below in this subparagraph and paid at the time of filing. The adjustment to plan evaluation fees will be determined at the time a plan is approved or rejected and may include additional fees based upon actual review and work time billed at a rate pursuant to subdivision (d). Notification of the amount due or refund will be provided to the applicant, and any additional fees due to the adjustment to plan evaluation fees will be billed following project completion.

A – Rule 403 and 461 Plans and Rule 1166 Various Location Plans	Non-Title V	Title V
FY 2019-20 and thereafter	\$179.52	\$224.97
B – Rule 444, 1133, and 1415 , and 1460 Plans	See Rule 306 (c)	See Rule 306 (c)
C – All Other Plans, including Rule 1166 Fixed Site Plans	Non-Title V	Title V
FY 2019-20 and thereafter	\$628.36	\$787.39



3. Proposed Amended Rule 301 – Refunds for Application Cancellations

- Rule 313 currently includes refunds for application cancellations
- This proposal would move these requirements to Rule 301

(c) Fees for Permit Processing

(6) Refunds

- (A) If an application for a permit to construct is canceled, permit processing fees, less the application cancellation fee, will be refunded if the permit evaluation has not been initiated by the District. The application cancellation fee will be \$249.06.
- (B) Any fee paid to the District to process a permit application or equipment registration shall be refunded upon finding by the Executive Officer that the District erroneously requested filing of the application or registration. The cancellation fee required in subparagraph (c)(6)(A) shall not apply when the application was filed based on an erroneous District request.
- (C) If a facility or equipment is operated in violation of District Rules or Regulations during any portion of the time period for which the fee was assessed, there shall be no refund if the application is cancelled.
- (D) Applications filed for a Permit to Operate for equipment which has been operating without a required District permit will not receive a refund if the application is cancelled.



Updates to Refunds for Application Cancellations

- Minor amendments to:
 - Remove obsolete language
 - Improve clarity

Rule language is not presented as it will appear in the rule and has been modified to demonstrate amendments.

(6) Refunds

- (A) If an application for a permit to construct is canceled, permit processing fees, less the application cancellation fee, will be refunded if the permit evaluation has not been initiated by the District. The application cancellation fee will be \$263.01, ~~or the permit fee set forth in the Summary Permit Fee Rates tables in Rule 301, whichever is less.~~
- (B) Any fee paid to the District ~~pursuant~~ to process a permit application, ~~or equipment registration, or plan~~ shall be refunded upon finding by the Executive Officer that the District erroneously requested filing of the application, ~~or registration, or plan~~. The cancellation fee required in paragraph ~~(h)(1)(c)(6)(A)~~ shall not apply when the application ~~for a permit to construct~~ was filed based on an erroneous District request.
- (C) If a facility or equipment is operated in violation of District Rules or Regulations during any portion of the time period for which the fee was assessed, there shall be no refund ~~if the application is cancelled.~~
- (D) Applications filed for a Permit to Operate for equipment which has been operating without a required District permit will not receive a refund ~~if the application is cancelled.~~



4. Rule 301 Annual Emission Fees

- Table III lists the emission fee rate per ton of air contaminant emissions
- Adding equal signs in the table to be consistent with existing rule
- Updates in Table III to improve rule clarity when an emission value is equivalent to a threshold value

TABLE III –EMISSION FEES

Annual Emissions	≥1 (lb/year)	≥200 (lb/year)	≥4 – ≤25 (ton/year)	>25 – ≤75 (ton/year)	>75 - <100 (ton/year)	≥100 (ton/year)
Organic Gases* (\$/ton)		-	\$720.43	\$1,169.70	\$1,750.91	\$1,750.91
Specific Organics** (\$/ton)		-	\$128.88	\$204.22	\$306.31	\$306.31
Nitrogen Oxides (\$/ton)		-	\$421.47	\$669.49	\$1,008.29	\$1,008.29
Sulfur Oxides (\$/ton)		-	\$499.69	\$807.78	\$1,212.77	\$1,212.77
Carbon Monoxide (\$/ton)		-	-	-	-	\$8.61
Particulate Matter (\$/ton)		-	\$550.89	\$892.66	\$1,336.55	\$1,336.55
Ammonia (\$/lb)		\$0.04	\$0.04	\$0.04	\$0.04	\$0.04
Chlorofluorocarbons (\$/lb)	\$0.47	\$0.47	\$0.47	\$0.47	\$0.47	\$0.47
1,1,1-trichloroethane (\$/lb)	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06

* Excluding methane, and exempt compounds as defined in Rule 102, and specific organic gases as specified in paragraph defined in subdivision (b) of this rule.

** See specific organic gases as defined in subdivision (b) of this rule.



Proposed Amended Regulation III - Fees



Public Process



Next Steps



Public Hearing
- May 5, 2023



Public Consultation #2 on Proposed Budget and Work Program and PAR III - April 11, 2023



Administrative Committee Governing Board Budget Study Session - April 7, 2023



Budget Advisory Committee Meeting
- April 5, 2023



Written Comments Due
- April 18, 2023 ¹

1: April 6, 2023 for CPI-based fee increase to be incorporated into the Rule 320 report required by the Governing Board



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Proposed Amended Regulation III - Fees



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Discussion



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