

BOARD MEETING DATE: January 10, 2025

AGENDA NO. 11

PROPOSAL: Establish Rule 2305 Penalty Special Revenue Fund

SYNOPSIS: Assembly Bill 98, approved by the Governor on September 29, 2024, requires South Coast AQMD to receive community input on how penalties assessed and collected for violations of the Warehouse Indirect Source Rule (Rule 2305) are spent. This action will establish a special revenue fund to hold penalty funds from Rule 2305 violations received on or after January 1, 2025, including interest earnings from these penalties.

COMMITTEE: Administrative, December 13, 2024; Recommended for Approval

RECOMMENDED ACTIONS:

1. Establish Warehouse Indirect Source Rule (Rule 2305) Penalty Special Revenue Fund (91); and
2. Authorize the Executive Officer to recognize upon receipt penalty funds from Rule 2305 violations received on or after January 1, 2025, including interest earnings from these penalties, into Rule 2305 Penalty Special Revenue Fund (91).

Wayne Natri  
Executive Officer

VW:SR

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**Background**

Assembly Bill 98, approved by the Governor on September 29, 2024, requires South Coast AQMD to establish a process for receiving community input on how penalty funds from Rule 2305 – Warehouse Actions and Investments to Reduce Emissions (WAIRE) violations should be spent. South Coast AQMD must ensure a wide range of community groups are included in this process and that the groups represent the geographic areas where there are high numbers of warehouse facilities. The establishment of a special revenue fund is needed to receive, hold and track the penalty funds upon receipt on or after January 1, 2025.

**Proposal**

This Board action will establish the Rule 2305 Penalty Special Revenue Fund to hold the penalty funds from Rule 2305 violations received on or after January 1, 2025, including any interest earned from these penalties, and authorize the Executive Officer to receive Rule 2305 penalty funds upon receipt.

The penalty funds will be recorded and tracked in Rule 2305 Penalty Special Revenue Fund. Staff will setup a process to receive community input before returning to the Board with any expenditure recommendations. The Board will retain its authority on how to ultimately spend the penalty funds after receiving community input.

**Resource Impacts**

Penalty funds from Rule 2305 violations received on or after January 1, 2025, and the interest earned from these penalties, will be recorded and tracked in Rule 2305 Penalty Special Revenue Fund (91) for future Board-approved actions.