

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## **Final Socioeconomic Assessment for Automatic Consumer Price Index (CPI) Increase May 2011**

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## **PREFACE**

Since the release of the Revised Draft Socioeconomic Report on March 24, 2011, a revision has been made to update Table 1 for the percentage change in AQMD Revenue. In addition, since the CPI increase does not apply to portable equipment, this exclusion would reduce the \$1.06 million CPI revenue impact by \$4,200.

**EXECUTIVE SUMMARY**

Rule 320 (Automatic Adjustment Based on Consumer Price Index for Regulation III Fees) allows adjustments of most fee rates in Regulation III (Fees) by the California Consumer Price Index (CPI) annually. The October 29, 2010 AQMD Governing Board Resolution requires an assessment of the increase in fee rates based on the previous year's CPI by March 15. A socioeconomic analysis was conducted to assess the impacts of such adjustment. Furthermore, the analysis provides background information, historical trends of AQMD revenue from various fees and sectoral distributions of these fees. A summary of the analysis and findings is presented below.

<b>Automatic Consumer Price Index Increase</b>	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 2009 to December 2010) will occur on July 1, 2011 unless the Governing Board decides to forego the increase.
<b>Affected Facilities</b>	Nearly all the facilities regulated by the AQMD would be affected by the proposed CPI increase. These facilities belong to every sector of the economy.
<b>Historical Analysis</b>	<p>The analysis herein examines the impact of the existing Regulation III fees on various industries. These fees are emissions fees, permit fees, annual operating fees, toxic hot spot fees, source testing fees, and Rule 2202 (Mobile Source Emissions Mitigation Programs) fees. The existing 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 AQMD emission fees, permit fees, and annual operating fees, although the share of this sector in the local economy is on the decline, parallel to the nationwide trend. The costs of complying with the current Regulation III rates are very small relative to the industry output (less than 0.01%).</p>
<b>Impact of CPI Increase</b>	<p>The across-the-board 1.4 percent fee rate increase would increase revenue by \$1.06 million to the AQMD, based on 2009 emissions and current equipment and activity profile of individual facilities.</p> <p>The petroleum and coal products manufacturing sector (NAICS 324) would experience the largest increase in fees (\$215,989 with about 100 facilities) among all of the sectors, followed by retail trade (\$120,172 with about 4,600 facilities) and utility (\$49,268 with about 950 facilities) sectors.</p> <p>Relative to the estimated fiscal year 2010-2011 revenue, the projected total revenue for the next fiscal year would increase by \$0.2 million which includes both the 1.4 percent fee rate increase and the impacts of other changes in revenue (increase or decrease).</p>

## INTRODUCTION

The AQMD General Fund is comprised of revenues from a number of sources. The majority of AQMD revenues are derived from emission fees, annual operating 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 fees, reimbursement for work associated with the AB 2588 program (toxic air contaminants) fees, civil penalties/settlements, and others.

## REVENUE TREND

Table 1 lists historical revenue for two prior fiscal years, estimated revenue for the current fiscal year (FY) 2010-2011, and projected revenue for FY 2011-2012, by major fee category. Estimated revenue for FY 2010-2011 is calculated based on the general ledger as of February 28, 2011. Emission fees, annual operating fees, and permit processing fees together represented approximately 61 percent of the AQMD's actual total revenues.

**Table 1: Actual and Estimated AQMD Revenue**

Revenue Category	FY 2008-2009 Actual*	FY 2009-2010 Actual*	FY 2010-2011 Estimated**	FY 2011-2012 Projected	% Change in Fee Rates	Changes in Revenue (from FY 2010-2011 Estimated)	
						\$	%
						Emission Fees	\$24,826,356
Annual Operating Fees	\$43,285,892	\$41,191,933	\$41,838,611	\$42,408,835	1.4%	\$570,224	1.4%
Permit Processing Fees	\$20,396,188	\$16,316,076	\$14,704,293	\$16,105,832	1.4%	\$1,404,539	9.5%
Mobile Source/Clean Fuels	\$23,333,996	\$22,891,684	\$22,658,505	\$22,261,451	N/A	\$-397,054	-1.8%
Source Test & Lab Analysis	\$579,607	\$486,075	\$600,000	\$600,000	1.4%	\$0	0.0%
Hearing Board Fees	\$436,386	\$327,344	\$230,522	\$309,777	1.4%	\$79,255	34.4%
Transportation Program Fees	\$894,440	\$836,557	\$991,076	\$882,180	1.4%	\$-108,896	-11.0%
Other Revenues***	\$26,658,042	\$26,421,355	\$24,502,095	\$22,492,663	N/A	\$-2,009,432	-8.2%
Total	\$140,410,907	\$128,134,695	\$124,051,478	\$124,294,459		\$246,071	0.2%

\* Audited Financial Statements, 2008-2009 and 2009-2010.

\*\* February 2011 year-to-date General Ledger.

\*\*\* Includes revenues from CARB subvention, EPA grants, lease income, penalties/settlements, subscriptions, AB 2588 fees, miscellaneous fees, and Area Sources (beginning in FY 2009-2010).

The number of permit applications processed by the AQMD is expected to increase in FY 2011-2012 due to the anticipated economic recovery and removal of a moratorium on permits. Projected revenue in FY 2011-2012 is slightly higher than the previous fiscal year reflecting the projected increase in number of facilities holding permits, an increase in permit applications, and a 1.4 percent across-the-board increase in fee rates. Compared to the estimated revenue in FY 2010-2011, a revenue increase of \$0.2 million is expected for FY 2011-2012 from which \$1.06 million is related to 1.4 percent fee rate increase and the remaining \$0.64 million is due to the impacts of other changes in

revenue (increase or decrease). The last two columns in Table 1 show the revenue impact by fee category with the proposed 1.4 percent fee rate increase.

## HISTORICAL REVENUE ANALYSIS

The following sub-sections examine the distribution of revenues from various fee categories among key industries. The AQMD 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 adjustment for Consumer Price index (CPI) does 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 recently available emission data with existing fee rates and the most recent invoiced amounts 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 reflect different time periods.

### Emission Fees

Emission fees account for approximately 17 percent of the AQMD's total revenue. 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 for flat emission fees (\$2.6 million) and emissions-based fees (\$17.5 million) by industry. The former contributes approximately 13 percent of total emission fees collected.

The estimated revenue from emission-based fees in Table 2 reflects what a facility should have paid based on the existing Rule 301 fee rates and 2009 emissions. These emissions include permitted and non-permitted emissions from the pollutants NO<sub>x</sub>, SO<sub>x</sub>, ROG, 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. These facilities also pay the flat fee for emissions less than the reporting thresholds in Rule 301. Also included were clean fuels fees on stationary sources. The most recent historical emissions (2009) were used because future emissions cannot be accurately projected at the industry level.

The services sector that is made of a large number of facilities shows the highest share of the flat emission fee. The manufacturing sector (NAICS 31-33) contributes approximately \$13.5 million emissions-based fees, representing 77 percent of the total emissions-based fee revenue. The petroleum and coal industry (NAICS 324) contributes \$10.4 million (77 percent of the revenue in the manufacturing sector). The remaining manufacturing sectors contribute 23 percent of the emissions-based fee revenue in the manufacturing sector.

Table 2: Estimated Emission Fee Revenue by Industry

Industry	NAICS	Flat Fee			Emission-based Fees**			Total	
		MMS\$	%	# of Fac.**	MMS\$	%	# of Fac.	MMS\$	%
<b>Agriculture, Forestry, Fishing &amp; Hunting</b>	<b>111</b>	<b>\$0.01</b>	<b>0.5%</b>	<b>119</b>	<b>\$0.23</b>	<b>1.3%</b>	<b>65</b>	<b>\$0.24</b>	<b>1.20%</b>
<b>Mining</b>	<b>21</b>	<b>\$0.04</b>	<b>1.5%</b>	<b>375</b>	<b>\$0.47</b>	<b>2.7%</b>	<b>97</b>	<b>\$0.51</b>	<b>2.51%</b>
Oil & Gas Extraction	211	\$0.03	1.1%	258	<b>\$0.30</b>	1.7%	71	<b>\$0.33</b>	1.64%
Mining (except oil and gas)	212	\$0.01	0.5%	117	\$0.16	0.9%	26	\$0.18	0.87%
<b>Construction</b>	<b>23</b>	<b>\$0.10</b>	<b>3.8%</b>	<b>938</b>	<b>\$0.04</b>	<b>0.2%</b>	<b>30</b>	<b>\$0.14</b>	<b>0.70%</b>
<b>Manufacturing</b>	<b>31-33</b>	<b>\$0.46</b>	<b>17.4%</b>	<b>4,209</b>	<b>\$13.49</b>	<b>76.9%</b>	<b>561</b>	<b>\$13.95</b>	<b>69.18%</b>
Food Mfg.	311	\$0.03	1.0%	236	\$0.18	1.0%	43	\$0.20	1.01%
Wood Products Mfg.	321	\$0.01	0.5%	116	\$0.00	0.0%	10	\$0.02	0.08%
Petroleum & Coal Products Mfg.	324	\$0.01	0.4%	106	\$10.37	59.1%	42	\$10.38	51.50%
Chemical Mfg.	325	\$0.04	1.4%	348	\$0.57	3.2%	58	\$0.60	3.00%
Nonmetallic Mineral Product Mfg.	327	\$0.03	1.1%	260	\$0.52	3.0%	29	\$0.55	2.73%
Primary & Fabricated Metal Mfg.	331-332	\$0.10	4.0%	961	\$0.61	3.5%	137	\$0.72	3.55%
Machinery Mfg.	333	\$0.02	0.9%	225	\$0.01	0.1%	9	\$0.04	0.17%
Computer & Electronic Product Mfg.	334	\$0.03	1.2%	284	\$0.03	0.1%	17	\$0.06	0.28%
Electrical Equip. & Appliance Mfg.	335	\$0.01	0.6%	134	\$0.01	0.0%	13	\$0.02	0.11%
Motor Vehicle & Transp. Equip. Mfg.	336	\$0.03	1.1%	269	\$0.11	0.6%	38	\$0.14	0.70%
Other Manufacturing	312-339	\$0.14	5.3%	1,270	\$1.08	6.2%	164	\$1.22	6.06%
<b>Utilities</b>	<b>22</b>	<b>\$0.10</b>	<b>3.8%</b>	<b>914</b>	<b>\$1.30</b>	<b>7.4%</b>	<b>121</b>	<b>\$1.40</b>	<b>6.95%</b>
<b>Transportation &amp; Warehousing</b>	<b>48-49</b>	<b>\$0.06</b>	<b>2.2%</b>	<b>531</b>	<b>\$0.50</b>	<b>2.9%</b>	<b>37</b>	<b>\$0.56</b>	<b>2.77%</b>
<b>Information</b>	<b>51</b>	<b>\$0.09</b>	<b>3.6%</b>	<b>862</b>	<b>\$0.02</b>	<b>0.1%</b>	<b>14</b>	<b>\$0.11</b>	<b>0.57%</b>
Publishing Industries, Except Internet	511	\$0.00	0.2%	40	\$0.00	0.0%	4	\$0.01	0.04%
Motion Picture & Sound Recording	512	\$0.01	0.4%	91	\$0.02	0.1%	9	\$0.03	0.12%
Internet Services	516,518	\$0.00	0.2%	41	\$0.00	0.0%	0	\$0.00	0.02%
Other Information	Other in 51	\$0.07	2.9%	690	\$0.00	0.0%	1	\$0.08	0.38%
<b>Wholesale Trade</b>	<b>42</b>	<b>\$0.11</b>	<b>4.4%</b>	<b>1,059</b>	<b>\$0.43</b>	<b>2.5%</b>	<b>60</b>	<b>\$0.54</b>	<b>2.70%</b>
<b>Retail Trade</b>	<b>44-45</b>	<b>\$0.45</b>	<b>17.2%</b>	<b>4,157</b>	<b>\$0.09</b>	<b>0.5%</b>	<b>16</b>	<b>\$0.54</b>	<b>2.68%</b>
Car & Parts Dealers	441	\$0.04	1.4%	335	\$0.00	0.0%	2	\$0.04	0.19%
Gas Stations	447	\$0.25	9.5%	2,286	\$0.00	0.0%	3	\$0.25	1.23%
Other Retail Trade	Other in 44-45	\$0.17	6.3%	1,536	\$0.09	0.5%	11	\$0.25	1.25%
<b>Finance &amp; Insurance</b>	<b>52</b>	<b>\$0.03</b>	<b>1.1%</b>	<b>269</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>3</b>	<b>\$0.03</b>	<b>0.15%</b>
<b>Real Estate and Rental Leasing</b>	<b>53</b>	<b>\$0.11</b>	<b>4.1%</b>	<b>1,010</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>5</b>	<b>\$0.11</b>	<b>0.55%</b>
<b>Services</b>	<b>54-81</b>	<b>\$0.85</b>	<b>32.6%</b>	<b>7,892</b>	<b>\$0.85</b>	<b>4.8%</b>	<b>169</b>	<b>\$1.70</b>	<b>8.45%</b>
Professional & Technical Services	54	\$0.07	2.6%	636	\$0.01	0.1%	12	\$0.08	0.40%
Accommodation	721	\$0.02	0.8%	195	\$0.00	0.0%	2	\$0.02	0.11%
Food Services & Drinking Places	722	\$0.01	0.5%	113	\$0.00	0.0%	3	\$0.02	0.08%
Automotive Repairs & Maintenance	8111	\$0.26	9.9%	2,402	\$0.00	0.0%	1	\$0.26	1.30%
Dry Cleaning & Laundry Services	8123	\$0.18	6.9%	1,675	\$0.00	0.0%	1	\$0.18	0.91%
Health Care & Social Services	62	\$0.07	2.6%	628	\$0.09	0.5%	47	\$0.16	0.81%
Other Services	Other in 54-81	\$0.24	9.2%	2,243	\$0.74	4.2%	105	\$0.98	4.85%
<b>Public Administration</b>	<b>92</b>	<b>\$0.15</b>	<b>5.6%</b>	<b>1,389</b>	<b>\$0.11</b>	<b>0.6%</b>	<b>27</b>	<b>\$0.26</b>	<b>1.28%</b>
<b>Unclassified*</b>		<b>\$0.06</b>	<b>2.2%</b>	<b>587</b>	<b>\$0.01</b>	<b>0.0%</b>	<b>9</b>	<b>\$0.06</b>	<b>0.32%</b>
<b>Totals</b>		<b>\$2.62</b>	<b>100%</b>	<b>24,311</b>	<b>\$17.54</b>	<b>100.0%</b>	<b>1,218</b>	<b>\$20.16</b>	<b>100.0%</b>

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

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

The sectors with a high concentration of small businesses, such as the retail trade and service sectors have a much smaller proportion of emission-based fees than the sectors with a lower concentration of small businesses (e.g., manufacturing). For example, out of the total \$17.5 million in revenue from emissions-based fees, the share of the retail trade sector (which has many small businesses) is estimated to be only \$0.09 million relative to \$13.5 million from the entire manufacturing sector. Similarly, the estimated emission-based fee revenue from the service sector (NAICS 54-81) is \$0.85 million, approximately 5 percent of all emissions revenue.

#### Permit Fees and Annual Operating Fees

Permit and annual operating 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 AQMD staff time (if specified by the applicable rule), and other fees as required (modeling, Title V fees, CEQA analysis fees, etc.) The fee is paid at the beginning of the permit application process.

As Table 3 indicates, an estimated total of \$13 million from 7,301 facilities that applied for permits to construct or operate was invoiced from January 1, 2010 through December 31, 2010. It should be noted that a facility could apply for multiple permits. The manufacturing sector paid \$5.2 million, or 40 percent of the total permit fee revenue invoiced. As with emission fees, for those facilities classified with NAICS codes, the majority of the permit processing fee revenue came from the manufacturing sector.

Operating permits must be renewed annually. An annual fee is assessed on the renewed permits to support continuing AQMD inspection and compliance activities and other permit related activities. There were a total of 26,379 facilities with operating permits as of March 1, 2011. The revenue from these facilities at the current fee rate is estimated to be \$40 million (Table 3). The manufacturing sector has the largest share of annual operating fees, totaling \$15.1 million or 37.8 percent of the total annual operating fees.

#### Toxic Hot Spots Fees

AB 2588 toxic hot spots fees were calculated, based on risks and priority scores for the FY 2009 (July 1, 2008 to June 30, 2009). The most recent invoiced revenue for the FY 2009-2010 was approximately \$1.3 million. The services sector's (NAICS 54-81) share of this total was 32 percent, followed by the retail trade sector (30 percent), and the manufacturing sector (26 percent).

#### Source Testing Fees

The revenue from source testing fees herein is based on the invoiced source test fees from January 1 to December 31, 2010. During this period of time, the source test fee revenue from Rules 304 and 304.1 was \$476,691. The manufacturing and utility sectors (NAICS 31-33 and 22) accounted for 71 percent of this revenue.

**Table 3: Estimated Permit & Annual Operating Fee Revenue by Industry – Current Fee Rates**

Industry	NAICS	Permit Fees <sup>1</sup>			Annual Operating Fees <sup>2</sup>		
		MM\$	%	# of Fac.	MM\$	%	# of Fac.
<b>Agricul., Forestry ,Fishing &amp; Hunting</b>	<b>111</b>	<b>\$0.01</b>	<b>0.1%</b>	<b>13</b>	<b>\$0.07</b>	<b>0.2%</b>	<b>112</b>
<b>Mining</b>	<b>21</b>	<b>\$0.24</b>	<b>1.9%</b>	<b>67</b>	<b>\$1.25</b>	<b>3.1%</b>	<b>385</b>
Oil & Gas Extraction	211	\$0.18	1.4%	46	\$0.82	2.1%	274
Mining (except oil and gas)	212	\$0.07	0.5%	21	\$0.43	1.1%	111
<b>Construction</b>	<b>23</b>	<b>\$0.16</b>	<b>1.2%</b>	<b>150</b>	<b>\$0.96</b>	<b>2.4%</b>	<b>850</b>
<b>Manufacturing</b>	<b>31-33</b>	<b>\$5.21</b>	<b>40.2%</b>	<b>819</b>	<b>\$15.11</b>	<b>37.8%</b>	<b>3761</b>
Food Mfg.	311	\$0.38	3.0%	64	\$1.14	2.9%	229
Wood Products Mfg.	321	\$0.01	0.1%	7	\$0.08	0.2%	96
Petroleum & Coal Products Mfg.	324	\$1.15	8.9%	40	\$3.78	9.5%	94
Chemical Mfg.	325	\$0.71	5.5%	118	\$1.71	4.3%	326
Nonmetallic Mineral Product Mfg.	327	\$0.19	1.4%	51	\$1.26	3.2%	234
Primary & Fabricated Metal Mfg.	331-332	\$0.81	6.2%	183	\$2.83	7.1%	885
Machinery Mfg.	333	\$0.10	0.7%	23	\$0.33	0.8%	207
Computer & Electronic Product Mfg.	334	\$0.36	2.8%	67	\$0.56	1.4%	260
Electrical Equip. & Appliance Mfg.	335	\$0.08	0.7%	16	\$0.36	0.9%	120
Motor Vehicle & Transp. Equip. Mfg.	336	\$0.36	2.8%	54	\$0.79	2.0%	222
Other Manufacturing	312-339	\$1.06	8.2%	196	\$2.26	5.6%	1088
<b>Utilities</b>	<b>22</b>	<b>\$0.48</b>	<b>3.7%</b>	<b>156</b>	<b>\$1.58</b>	<b>4.0%</b>	<b>905</b>
<b>Transportation &amp; Warehousing</b>	<b>48-49</b>	<b>\$0.24</b>	<b>1.9%</b>	<b>103</b>	<b>\$0.93</b>	<b>2.3%</b>	<b>498</b>
<b>Information</b>	<b>51</b>	<b>\$0.09</b>	<b>0.7%</b>	<b>211</b>	<b>\$0.50</b>	<b>1.3%</b>	<b>840</b>
Publishing Industries, Except Interent	511	\$0.02	0.2%	13	\$0.05	0.1%	41
Motion Pict. & Sound Recrd Indus.	512	\$0.03	0.2%	19	\$0.17	0.4%	87
Internet Services	516,518	\$0.01	0.1%	22	\$0.02	0.1%	39
Other Information	Other in 51	\$0.03	0.2%	157	\$0.25	0.6%	673
<b>Wholesale Trade</b>	<b>42</b>	<b>\$0.38</b>	<b>2.9%</b>	<b>137</b>	<b>\$2.21</b>	<b>5.5%</b>	<b>926</b>
<b>Retail Trade</b>	<b>44-45</b>	<b>\$0.69</b>	<b>5.3%</b>	<b>790</b>	<b>\$6.89</b>	<b>17.2%</b>	<b>3837</b>
Car & Parts Dealers	441	\$0.05	0.4%	23	\$0.17	0.4%	272
Gas Stations	447	\$0.38	2.9%	239	\$5.19	13.0%	2070
Other Retail Trade	Other in 44-45	\$0.26	2.0%	528	\$1.53	3.8%	1495
<b>Finance &amp; Insurance</b>	<b>52</b>	<b>\$0.03</b>	<b>0.2%</b>	<b>62</b>	<b>\$0.20</b>	<b>0.5%</b>	<b>247</b>
<b>Real Estate and Rental Leasing</b>	<b>53</b>	<b>\$0.14</b>	<b>1.1%</b>	<b>176</b>	<b>\$0.71</b>	<b>1.8%</b>	<b>939</b>
<b>Services</b>	<b>54-81</b>	<b>\$1.44</b>	<b>11.1%</b>	<b>1,103</b>	<b>\$6.71</b>	<b>16.8%</b>	<b>9523</b>
Professional & Technical Svcs.	54	\$0.16	1.2%	106	\$0.73	1.8%	549
Accommodation	721	\$0.04	0.3%	50	\$0.18	0.4%	238
Food Services & Drinking Places	722	\$0.01	0.1%	36	\$0.49	1.2%	2310
Automotive Repairs & Maintenance	8111	\$0.16	1.3%	140	\$1.22	3.0%	2074
Dry Cleaning & Laundry Services	8123	\$0.05	0.4%	101	\$0.55	1.4%	1510
Health Care & Social Services	62	\$0.28	2.2%	159	\$0.73	1.8%	611
Other Services	Other in 54-81	\$0.73	5.7%	511	\$2.81	7.0%	2231
<b>Public Administration</b>	<b>92</b>	<b>\$0.27</b>	<b>2.0%</b>	<b>205</b>	<b>\$0.83</b>	<b>2.1%</b>	<b>1344</b>
<b>Unclassified*</b>		<b>\$3.59</b>	<b>27.7%</b>	<b>3,309</b>	<b>\$2.05</b>	<b>5.1%</b>	<b>2212</b>
<b>Totals</b>		<b>\$12.97</b>	<b>100.00%</b>	<b>7,301</b>	<b>\$39.99</b>	<b>100.00%</b>	<b>26,379</b>

<sup>1</sup>Based on permit applications in calendar year 2010.<sup>2</sup>Based on permits held on March 1, 2011.

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

Rule 2202 Fees

Rule 2202—On-Road Motor Vehicle Mitigation Options—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 AQMD 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 an escrow account which is not part of the General Fund.

The revenue from Rule 2202 fees herein is based on the invoiced Rule 2202 fees from January 1 through December, 2010. Revenue of \$753,407 was collected from Rule 2202 fees for ECRP, ERS, and AQIP. The services sector accounted for approximately 34 percent (\$255,269) of the estimated Rule 2202 fee revenue. Only 13 percent of the revenue (\$98,665) came from the manufacturing sector. This reflects the trend that the majority of employment in the four-county economy is in the more labor-intensive services sector.

Share of Major Revenue Sources by Industry

Approximately 61 percent of the AQMD's FY 2010-2011 estimated revenue comes from the following major revenue categories: emission fees, annual operating fees, permit processing 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 in each industry's total output, a surrogate of affordability for the industries in the District.<sup>1</sup> Collectively, revenue from these fees is estimated to amount to \$75.6 million, based on 2009 emissions, existing emission fee rates, and invoiced amounts for other fee categories.

As shown in Table 4, the amount of fees paid by each industrial sector is relatively small compared to that industry's regional output. This is especially the case with industries which are predominantly comprised of small businesses, such as retail trade (NAICS 44-45), and automotive and repair (NAICS 811). This is also the case for industries predominately comprised of large businesses, such as refineries (NAICS 324) and utilities (NAICS 22).

The petroleum product sector, mainly refineries, paid \$15.4 million in various fees, which represents ninth hundredths of one percent of the sector's output. Fees paid by the pipeline transportation sector represent fourteen hundredths of one percent of the total output. Fees for the utilities sector represent approximately two hundredths of one percent of its output. Overall, major AQMD fee revenue, as a whole, represents one-hundredth of one percent of the four county output.

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<sup>1</sup>The year 2009 output in 2005 dollars was used. The Consumer Price Index from the California Department of Industrial Relations was used to convert revenue by industry from 2009 to 2005 dollars (Retrieved March 2, 2011 [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Price.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Price.htm)).

**Table 4: Share of Major Revenue by Industry**

Industry	NAICS	MM\$	% of Total Fees	% of Output
Farm	111-112	\$0.28	0.38%	0.00%
Forestry & Logging; Fish, Hunt, & Trapping	113-114	\$0.00	0.00%	0.00%
Agric. & Forestry support act., Other	115	\$0.03	0.04%	0.01%
Oil and gas extraction	211	\$1.35	1.78%	0.02%
Mining	212	\$0.40	0.53%	0.08%
Support Activities for Mining	213	\$0.29	0.38%	0.05%
Utilities	22	\$3.52	4.66%	0.02%
Construction	23	\$1.28	1.70%	0.00%
Wood Product Mfg.	321	\$0.11	0.14%	0.00%
Nonmetallic Mineral Prod. Mfg.	327	\$2.01	2.66%	0.05%
Primary Metal Mfg.	331	\$1.64	2.18%	0.03%
Fabricated Metal Product Mfg.	332	\$2.95	3.90%	0.02%
Machinery Mfg.	333	\$0.48	0.63%	0.01%
Computer & Electronic Product Mfg.	334	\$1.01	1.33%	0.00%
Electrical Equip. & Appliance Mfg.	335	\$0.49	0.64%	0.01%
Motor Vehicle Mfg.	3361-3363	\$0.33	0.44%	0.00%
Transp. Equip. Mfg.,Exc. Motor Vehicles	3364-3369	\$1.01	1.34%	0.01%
Furniture & Related Product Mfg.	337	\$0.38	0.50%	0.01%
Miscellaneous Manufacturing	339	\$0.64	0.84%	0.00%
Food Manufacturing	311	\$1.76	2.33%	0.01%
Beverage & Tobacco Product Mfg.	312	\$0.49	0.65%	0.01%
Textile Mills	313	\$0.24	0.32%	0.02%
Textile Product Mills	314	\$0.16	0.21%	0.02%
Apparel Manufacturing	315	\$0.07	0.09%	0.00%
Leather & Allied Product Mfg.	316	\$0.01	0.01%	0.00%
Paper Manufacturing	322	\$0.58	0.77%	0.01%
Printing & Related Support Activities	323	\$0.71	0.94%	0.01%
Petroleum & Coal Products Mfg.	324	\$15.44	20.43%	0.09%
Chemical Manufacturing	325	\$3.09	4.09%	0.02%
Plastics & Rubber Products Mfg.	326	\$1.38	1.83%	0.01%
Wholesale Trade	42	\$3.21	4.24%	0.00%
Retail Trade	44-45	\$8.59	11.37%	0.01%
Air Transportation	481	\$0.05	0.07%	0.00%
Rail Transportation	482	\$0.02	0.03%	0.00%
Water Transportation	483	\$0.01	0.02%	0.00%
Truck Transp;Postal Svcs.,Cours & Msgrs	484,491-492	\$0.10	0.14%	0.00%
Transit & Ground Passenger Transp.	485	\$0.09	0.12%	0.00%
Pipeline Transportation	486	\$0.88	1.16%	0.14%
Scenic & Sightsng Transp.;Support Activities	487-488	\$0.39	0.52%	0.00%
Warehousing and Storage	493	\$0.26	0.35%	0.01%
Publishing Industries, Except Internet	511	\$0.09	0.12%	0.00%

**Table 4: Share of Major Revenue by Industry (Continued)**

Industry	NAICS	MM\$	% of Total Fees	% of Output
Motion Picture & Sound Recordng Indus.	512	\$0.24	0.32%	0.00%
Internet & Data Proc.;Other Info. Srvs.	516,518,519	\$0.05	0.06%	0.00%
Broadcasting, Exc. Internet; Telecomm.	515,517	\$0.36	0.48%	0.00%
Monetary Auth;Credit Intermed & Rel Act	521,522,525	\$0.14	0.18%	0.00%
Securities,Commodity Conctr., Invest.	523	\$0.08	0.11%	0.00%
Insurance Carriers & Related Actv.	524	\$0.07	0.10%	0.00%
Real Estate	531	\$0.74	0.98%	0.00%
Rental & Leasing Services	532,533	\$0.24	0.32%	0.00%
Professional & Technical Services	54	\$1.00	1.32%	0.00%
Mgmt. of Companies & Enterprises	55	\$0.02	0.03%	0.00%
Administrative & Support Services	561	\$0.92	1.21%	0.00%
Waste Mgmt. & Remediation Srvs.	562	\$1.61	2.13%	0.04%
Educational Services	61	\$1.01	1.33%	0.01%
Ambulatory Health Care Services	621	\$0.33	0.44%	0.00%
Hospitals	622	\$0.81	1.08%	0.00%
Nursing & Residential Care Facilities	623	\$0.07	0.10%	0.00%
Social Assistance	624	\$0.08	0.10%	0.00%
Performing Arts & Spectator Sports	711	\$0.07	0.09%	0.00%
Museums, Historical Sites, Zoos & Parks	712	\$0.03	0.04%	0.01%
Amusement, Gambling & Recreation	713	\$0.30	0.40%	0.01%
Accommodation	721	\$0.26	0.35%	0.00%
Food Services & Drinking Places	722	\$0.53	0.70%	0.00%
Repair & Maintenance	811	\$2.17	2.87%	0.02%
Personal & laundry Services	812	\$1.11	1.47%	0.01%
Membership Assoc. & Organizations	813	\$0.24	0.32%	0.00%
Private Households	814	\$0.00	0.00%	0.00%
Government	92	\$1.42	1.88%	0.00%
Unclassified	NA	\$5.84	7.73%	N/A
TOTAL		\$75.59	100.00%	0.01%

## 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 2009 to December 2010. Based on the 2009 emissions and current equipment and activity profile of individual facilities, the 1.4 percent fee rate increase is expected to increase AQMD revenue by approximately \$1.06 million compared to what would have been paid in the event that the 1.4 percent CPI increase is not implemented.<sup>2</sup> The distribution of these fee changes across affected industries is shown in Table 5.

The petroleum and coal products manufacturing sector (NAICS 324) would experience the largest increase in fees (\$215,989 with about 100 facilities) among all of the sectors,

<sup>2</sup>The CPI increase does not apply to portable equipment. The calculation of \$1.06 million revenue impact herein includes portable equipment. However, exclusion of portable equipment would reduce the revenue impact only by \$4,200.

followed by retail trade (\$120,172 with about 4,600 facilities) and utility (\$49,268 with about 950 facilities) sectors.

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

Industry	NAICS	Revenue Change
Farm	111-112	\$3,980
Agric. & Forestry support act., Other	115	\$465
Oil and gas extraction	211	\$18,842
Mining	212	\$5,559
Support Activities for Mining	213	\$4,016
Utilities	22	\$49,268
Construction	23	\$17,953
Wood Product Mfg.	321	\$1,502
Nonmetallic Mineral Prod. Mfg.	327	\$28,147
Primary Metal Mfg.	331	\$23,002
Fabricated Metal Product Mfg.	332	\$41,261
Machinery Mfg.	333	\$6,705
Computer & Electronic Product Mfg.	334	\$14,113
Electrical Equip. & Appliance Mfg.	335	\$6,794
Motor Vehicle Mfg.	3361-3363	\$4,620
Transp. Equip. Mfg.,Exc. Motor Vehicles	3364-3369	\$14,142
Furniture & Related Product Mfg.	337	\$5,298
Miscellaneous Manufacturing	339	\$8,911
Food Manufacturing	311	\$24,618
Beverage & Tobacco Product Mfg.	312	\$6,886
Textile Mills	313	\$3,341
Textile Product Mills	314	\$2,189
Apparel Manufacturing	315	\$934
Leather & Allied Product Mfg.	316	\$158
Paper Manufacturing	322	\$8,161
Printing & Related Support Activities	323	\$9,964
Petroleum & Coal Products Mfg.	324	\$215,989
Chemical Manufacturing	325	\$43,279
Plastics & Rubber Products Mfg.	326	\$19,352
Wholesale Trade	42	\$44,842
Retail Trade	44-45	\$120,172
Air Transportation	481	\$734
Rail Transportation	482	\$269
Water Transportation	483	\$162
Truck Transp;Postal Svcs.,Cours & Msgrs	484,491-492	\$1,430
Transit & Ground Passenger Transp.	485	\$1,237
Pipeline Transportation	486	\$12,269
Scenic & Sightsng Transp.;Support.	487-488	\$3,656

**Table 5 – Revenue Impact of the Fee Rate Increase by Industry  
(Continued)**

Industry	NAICS	Revenue Change
Warehousing and Storage	493	\$3,656
Publishing Industries, Except Internet	511	\$1,277
Motion Picture & Sound Recording Indus.	512	\$3,382
Internet & Data Proc.;Other Info. Srvs.	516,518,519	\$647
Broadcasting, Exc. Internet; Telecomm.	515,517	\$5,072
Monetary Auth;Credit Intermed & Rel Act	521,522,525	\$1,951
Securities,Commodity Contract., Invest.	523	\$1,144
Insurance Carriers & Related Actv.	524	\$1,030
Real Estate	531	\$10,346
Rental & Leasing Services	532,533	\$3,358
Professional & Technical Services	54	\$14,004
Mgmt. of Companies & Enterprises	55	\$285
Administrative & Support Services	561	\$12,834
Waste Mgmt. & Remediation Srvs.	562	\$22,562
Educational Services	61	\$14,106
Ambulatory Health Care Services	621	\$4,602
Hospitals	622	\$11,368
Nursing & Residential Care Facilities	623	\$1,028
Social Assistance	624	\$1,093
Performing Arts & Spectator Sports	711	\$956
Museums, Historical Sites, Zoos & Parks	712	\$386
Amusement, Gambling & Recreation	713	\$4,227
Accommodation	721	\$3,701
Food Services & Drinking Places	722	\$7,447
Repair & Maintenance	811	\$30,381
Personal & laundry Services	812	\$15,514
Membership Assoc. & Organizations	813	\$3,351
Government	92	\$19,845
Unclassified	NA	\$81,733
<b>Total</b>		<b>\$1,057,353</b>

**SUMMARY**

The above analysis provides background information on AQMD revenue and summarizes the economic impact of the automatic consumer price index (Rule 320) increase on facilities regulated by AQMD. The amount of AQMD fees paid by each industry is small relative to the industry's economic output. AQMD revenues are expected to increase by \$1.06 million resulting from the across-the-board 1.4 percent fee rate increase, compared to the \$75.6 million that would have been collected based upon 2009 emissions data and the equipment and activity profile of individual facilities. Relative to the estimated FY 2010-2011 revenue, the projected revenue for the next FY would increase by \$0.2 million.

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