

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## **Draft Socioeconomic Assessment for Automatic Consumer Price Index (CPI) Increase**

March 2016

### **Acting Executive Officer**

Michael B. O'Kelly

### **Deputy Executive Officer**

#### **Planning, Rule Development & Area Sources**

Philip M. Fine, Ph.D.

### **Assistant Deputy Executive Officer**

#### **Planning, Rule Development & Area Sources**

Jill Whynot

---

**Authors:** Shah Dabirian, Ph.D., Program Supervisor  
Anthony Oliver, Ph.D., Air Quality Specialist

**Technical Assistance:** Rezvan Ramezani, Systems & Programming Supervisor  
Xin Chen, Systems & Programming Supervisor

**Reviewed By:** Joe Cassmassi, Planning & Rules Director  
Barbara Baird, Chief Deputy Counsel  
Donna Peterson, Financial Services Manager  
Tracy Goss, P.E, Planning & Rules Manager  
Elaine Shen, Ph.D., Program Supervisor  
David Ono, Program Supervisor  
Henry Pourzand, Air Quality Specialist

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

**GOVERNING BOARD**

Chairman: DR. WILLIAM A. BURKE  
Speaker of the Assembly Appointee

Vice Chairman: BEN BENOIT  
Councilmember, Wildomar  
Cities of Riverside County

**MEMBERS:**

MICHAEL D. ANTONOVICH  
Supervisor, Fifth District  
County of Los Angeles

JOHN J. BENOIT  
Supervisor, Fourth District  
County of Riverside

JOE BUSCAINO  
Councilmember, 15<sup>th</sup> District  
City of Los Angeles

MICHAEL A. CACCIOTTI  
Councilmember, South Pasadena  
Cities of Los Angeles County/Eastern Region

JOSEPH K. LYOU, Ph. D.  
Governor's Appointee

LARRY MCCALLON  
Mayor, Highland  
Cities of San Bernardino County

JUDITH MITCHELL  
Councilmember, Rolling Hills Estates  
Cities of Los Angeles County/Western Region

SHAWN NELSON  
Supervisor, Fourth District  
County of Orange

DR. CLARK E. PARKER, SR.  
Senate Rules Committee Appointee

DWIGHT ROBINSON  
Councilmember, Lake Forest  
Cities of Orange County

JANICE RUTHERFORD  
Supervisor, Second District  
County of San Bernardino

**ACTING EXECUTIVE OFFICER:**

MICHAEL B. O'KELLY

**EXECUTIVE SUMMARY**

Rule 320 – Automatic Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees requires adjustments of most fee rates in Regulation III by the California CPI annually unless the Governing Board votes to amend the rule to not require the CPI increase or requires a different increase for a given year. The October 29, 2010 SCAQMD Governing Board Resolution requires, by March 15, an assessment of the increase in fee rates based on the previous year’s CPI. A socioeconomic analysis was conducted to assess the impacts of such adjustment. In addition, the analysis provides background information, historical trends of SCAQMD revenues from various fees and sectoral distributions of these fees. A summary of the analysis and findings is presented below.

<b>Fee Increases</b>	Pursuant to Rule 320, an across-the-board 2.4-percent increase in fee rates (equivalent to the change in the California CPI from December 2014 to December 2015) will occur on July 1, 2016 unless the Governing Board decides to forego the 2.4 percent increase.
<b>Affected Facilities</b>	Nearly all the facilities regulated by the SCAQMD would be affected by the proposed fee increases. These facilities belong to every sector of the economy.
<b>Approach and Findings</b>	<p>The analysis herein initially examines the impact of the existing Regulation III fees on various industries. The fees examined include emissions fees, permit processing fees, annual permit renewal fees, toxic hot spot fees, source testing fees, and a portion of fees under Rule 2202 – On-Road Motor Vehicle Mitigation Options. The current 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 SCAQMD emission fees (64 percent), permit processing fees (39 percent), and annual permit renewal fees (37 percent). Overall, the costs of complying with the current Regulation III rates are very small relative to the region-wide industry output or value-added (less than 0.01 percent).</p>
<b>Impact of Fee Increase</b>	The across-the-board CPI-based fee rate increase would bring additional revenue totaling \$1.94 million to the SCAQMD. Based on the fee categories examined in the analysis, the manufacturing sector as a whole would experience the largest increase in fees (approximately \$0.84 million with about 4,000 facilities), followed by the services sector (approximately \$0.35 million with about 11,000 facilities) and the retail trade sector (approximately \$0.24 million with about 4,100 facilities). Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, will experience an increase of around \$0.36 million.

## INTRODUCTION

The SCAQMD General Fund is comprised of revenues from a number of sources. The majority of SCAQMD revenues are derived from emission fees, annual renewal 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 (Rule 2202) fees, reimbursement for work associated with the AB 2588 program (toxic hot spot program), civil penalties/settlements, and other revenues.

Pursuant to Rule 320, an across-the-board 2.4-percent increase in fee rates (equivalent to the change in the California Consumer Price Index (CPI) from December 2014 to December 2015) will occur on July 1, 2016 unless the Governing Board decides to forgo the 2.4-percent increase. For the past five years, the annual increase in fee rates mirroring the CPI were as follows: 2.1% for FY 2010-2011, 1.4% in 2011-2012, 2.4% in 2012-2013, 2% in 2013-2014, 1.6% in 2014-2015, and 1.4% in 2015-2016.

To examine the impact of fee rate increase on various industry sectors, this report focuses the analysis on emission fees, permit processing fees, annual permit renewal fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees.<sup>1</sup> Other fees that are also subject to the automatic CPI increase, such as area source fees and Hearing Board fees. The area source fees include fees collected from architectural coatings category which are paid by the paint manufacturers. The Hearing fees are not examined for the impact by industry. However, they account for relatively small portions of the total revenue.

## REVENUE TREND

Table 1 lists historical revenue for two prior fiscal years<sup>2</sup> (FY), estimated revenue for the current FY 2015-2016, and projected revenue for FY 2016-2017, by major fee category. Estimated revenue for FY 2015-2016 is calculated based on actual revenue received through February, 2016. FY 2016-2017 projected revenue is based on forecasts received from each office. Emission fees, permit processing fees, and annual permit renewal fees together represented approximately 63 percent of the SCAQMD's estimated total FY 2015-2016 revenues.

Compared to the estimated revenue in FY 2015-2016, a net total revenue increase of \$2.38 million is expected for FY 2016-2017.

---

<sup>1</sup> Employers that are subject to Rule 2202 can choose among various compliance options, including participation in the Air Quality Investment Program (AQIP). The AQIP program fees consist of a registration fee and an investment fee, the latter of which goes to a special revenue account to obtain necessary emissions reduction or air quality benefits and is not part of the General Fund.

<sup>2</sup> A fiscal year runs from July 1 to June 30. For example, FY 2015-2016 refers to the period of July 1, 2015 to June 30, 2016. In comparison, calendar year (CY) 2016 refers to the period of January 1 to December 31, 2016.

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

Revenue Category	FY 2013-2014 Actual* (Thousands)	FY 2014-2015 Actual* (Thousands)	FY 2015-2016 Estimated** (Thousands)	FY 2016-2017 Projected (Thousands)	% Change in Fee Rates	Changes in Revenue	
						(from FY 15-16 Estimated)	
						Thousands	%
Emission Fees	\$20,472	\$19,839	\$20,006	\$19,859	2.4%	-\$147	-0.7%
Annual Renewal Fees	\$42,963	\$44,700	\$46,759	\$48,565	2.4%	\$1,806	3.9%
Permit Processing Fees	\$16,945	\$16,669	\$16,079	\$16,771	2.4%	\$692	4.3%
Mobile Source/Clean Fuels	\$20,776	\$20,988	\$23,972	\$23,402	N/A	-\$570	-2.4%
Source Test & Lab Analysis	\$697	\$746	\$576	\$774	2.4%	\$198	34.3%
Hearing Board Fees	\$343	\$532	\$145	\$307	2.4%	\$162	111.9%
Transportation Program (Rule 2202) Fees	\$878	\$845	\$994	\$861	2.4%	-\$133	-13.4%
Other Revenues***	\$42,546	\$33,499	\$23,051	\$23,420	N/A	\$368	1.6%
<b>Total</b>	<b>\$145,620</b>	<b>\$137,818</b>	<b>\$131,582</b>	<b>\$133,960</b>		<b>\$2,378</b>	<b>1.8%</b>

(Note: Numbers may not add up due to rounding.)

\* Information as reported in the Comprehensive Annual Financial Reports (FYs 2013-14 & 2014-15).

\*\* Estimates are based on actual revenue received through February 2016.

\*\*\* Other Revenues include: CARB Subvention; Federal Grants; Interest; Lease Income; Penalties/Settlements; Subscriptions; AB 2588 Reimbursement; Miscellaneous Revenues; Portable Equipment Registration Program (PERP); Area Sources; and Transfers In (from special revenue funds).

## HISTORICAL REVENUE ANALYSIS

The following sub-sections examine the distribution of revenues from various fee categories among key industries. The SCAQMD 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 CPI-based fee adjustment does not satisfy this criterion, but the analysis herein is presented per October 29, 2010 Special Governing Board Resolution related to Rule 320. It should be noted that this analysis has used the most recent invoiced amounts at the current fee rates 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 may reflect different time periods.

### Emission Fees

Emission fees accounted for approximately 15 percent of the SCAQMD's estimated total revenue based on actual revenue received through February, 2016 (Table 1). In May 2001, an emissions flat fee was introduced for 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 collected or to be collected<sup>3</sup> from more than 21,000 facilities for flat emission fees (\$2.54 million, imposed on sources emitting less than the threshold amount of pollutants subject to emission fees) and emissions-based fees (\$16.63 million), the latter of which contributed approximately 87 percent of total emission fees collected. These emissions include permitted and non-permitted emissions from the pollutants NO<sub>x</sub>, SO<sub>x</sub>, VOC, 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. Also included were clean fuels fees for stationary sources.

The services sector (NAICS 54-81) that is made of almost 7,000 facilities shows the highest share of the flat emission fee, contributing \$0.83 million or 33 percent of the total amount. It is followed by the retail trade sector (NAICS 44-45), with \$0.43 million paid by about 3,500 facilities. In comparison, emission-based fees were mostly collected from larger-sized businesses located within certain industry sectors. Among the 946 facilities that were subject to emission-based fees, nearly half were manufacturers (NAICS 31-33), and they contributed 72 percent of the total emission-based fees invoiced in 2015. Within this sector, the petroleum and coal industry (NAICS 324) alone contributes \$9.46 million to emissions-based fees, accounting for 79 percent of the sectoral total.

---

<sup>3</sup> Emission-based fees were derived from 2015 emissions and the invoiced amount, or the amount a facility should have paid, in Calendar Year 2015 based on the existing Rule 301 fee rates.

**Table 2: Estimated Emission Fee Revenue in Millions of Dollars (MMS)  
by Industry Sector at Current Fee Rates**

Industry	NAICS	Flat Fee			Emission-based Fees			Total	
		MMS	%	# of Fac.**	MMS	%	# of Fac.*	MMS	%
<b>Agriculture, Forestry, Fishing &amp; Hunting</b>	<b>111-115</b>	<b>\$0.01</b>	<b>0.38%</b>	<b>80</b>	<b>\$0.15</b>	<b>0.93%</b>	<b>34</b>	<b>\$0.16</b>	<b>0.86%</b>
<b>Mining</b>	<b>21</b>	<b>\$0.03</b>	<b>1.30%</b>	<b>273</b>	<b>\$0.66</b>	<b>3.96%</b>	<b>90</b>	<b>\$0.69</b>	<b>3.61%</b>
Oil and Gas Extraction	211	\$0.02	0.88%	185	\$0.35	2.09%	64	\$0.37	1.93%
Mining (except oil and gas)	212-213	\$0.01	0.42%	88	\$0.31	1.87%	26	\$0.32	1.68%
<b>Construction</b>	<b>23</b>	<b>\$0.09</b>	<b>3.64%</b>	<b>765</b>	<b>\$0.02</b>	<b>0.12%</b>	<b>12</b>	<b>\$0.11</b>	<b>0.59%</b>
<b>Manufacturing</b>	<b>31-33</b>	<b>\$0.41</b>	<b>16.00%</b>	<b>3,370</b>	<b>\$11.92</b>	<b>71.69%</b>	<b>441</b>	<b>\$12.33</b>	<b>64.30%</b>
Food Manufacturing	311	\$0.02	0.92%	195	\$0.09	0.56%	34	\$0.12	0.61%
Wood Products Manufacturing	321	\$0.01	0.37%	77	\$0.01	0.04%	6	\$0.02	0.08%
Petroleum and Coal Products Mfg.	324	\$0.01	0.41%	86	\$9.46	56.91%	34	\$9.47	49.41%
Chemical Manufacturing	325	\$0.04	1.47%	309	\$0.23	1.40%	43	\$0.27	1.41%
Nonmetallic Mineral Product Mfg.	327	\$0.03	1.05%	221	\$0.21	1.29%	32	\$0.24	1.26%
Primary & Fabricated Metal Mfg.	331-332	\$0.10	3.75%	786	\$0.78	4.66%	116	\$0.87	4.54%
Machinery Manufacturing	333	\$0.02	0.86%	182	\$0.02	0.12%	6	\$0.04	0.22%
Computer and Electronic Product Mfg.	334	\$0.03	1.16%	246	\$0.03	0.15%	18	\$0.06	0.29%
Electrical Equipment & Appliance Mfg.	335	\$0.01	0.56%	118	\$0.01	0.09%	7	\$0.03	0.15%
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.03	1.06%	224	\$0.13	0.76%	30	\$0.15	0.80%
Other Manufacturing	Other in 31-33	\$0.11	4.38%	926	\$0.95	5.70%	115	\$1.06	5.53%
<b>Utilities</b>	<b>22</b>	<b>\$0.11</b>	<b>4.28%</b>	<b>903</b>	<b>\$1.43</b>	<b>8.60%</b>	<b>85</b>	<b>\$1.54</b>	<b>8.03%</b>
<b>Transportation &amp; Warehousing***</b>	<b>48-49</b>	<b>\$0.06</b>	<b>2.44%</b>	<b>512</b>	<b>\$0.42</b>	<b>2.51%</b>	<b>31</b>	<b>\$0.48</b>	<b>2.50%</b>
<b>Information</b>	<b>51</b>	<b>\$0.09</b>	<b>3.52%</b>	<b>740</b>	<b>\$0.02</b>	<b>0.12%</b>	<b>8</b>	<b>\$0.11</b>	<b>0.57%</b>
Publishing Industries, Except Internet	511	\$0.00	0.12%	25	\$0.00	0.02%	1	\$0.01	0.03%
Motion Picture & Sound Recording	512	\$0.01	0.28%	58	\$0.02	0.09%	7	\$0.02	0.12%
Internet Services and data processing	518,519	\$0.01	0.23%	49	\$0.00	0.00%	0	\$0.01	0.03%
Other Information	Other in 51	\$0.07	2.89%	608	\$0.00	0.00%	0	\$0.07	0.38%
<b>Wholesale Trade</b>	<b>42</b>	<b>\$0.12</b>	<b>4.62%</b>	<b>975</b>	<b>\$0.36</b>	<b>2.14%</b>	<b>43</b>	<b>\$0.47</b>	<b>2.47%</b>
<b>Retail Trade</b>	<b>44-45</b>	<b>\$0.43</b>	<b>16.75%</b>	<b>3,533</b>	<b>\$0.07</b>	<b>0.40%</b>	<b>22</b>	<b>\$0.49</b>	<b>2.57%</b>
Car & Parts Dealers	441	\$0.03	1.29%	271	\$0.00	0.00%	3	\$0.03	0.17%
Gas Stations	447	\$0.20	7.96%	1,677	\$0.05	0.32%	12	\$0.26	1.33%
Other Retail Trade	Other in 44-45	\$0.19	7.50%	1,585	\$0.01	0.08%	7	\$0.20	1.07%
<b>Finance and Insurance</b>	<b>52</b>	<b>\$0.03</b>	<b>1.32%</b>	<b>277</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>1</b>	<b>\$0.03</b>	<b>0.18%</b>
<b>Real Estate and Rental Leasing</b>	<b>53</b>	<b>\$0.12</b>	<b>4.64%</b>	<b>977</b>	<b>\$0.01</b>	<b>0.04%</b>	<b>4</b>	<b>\$0.12</b>	<b>0.65%</b>
<b>Services</b>	<b>54-81</b>	<b>\$0.83</b>	<b>32.77%</b>	<b>6,894</b>	<b>\$1.47</b>	<b>8.83%</b>	<b>148</b>	<b>\$2.30</b>	<b>12.01%</b>
Professional and Technical Services	54	\$0.07	2.58%	543	\$0.01	0.07%	14	\$0.08	0.41%
Accommodation	721	\$0.02	0.94%	196	\$0.00	0.00%	0	\$0.02	0.12%
Food Services & Drinking Places	722	\$0.01	0.53%	111	\$0.00	0.02%	2	\$0.02	0.09%
Automotive Repairs & Maintenance	8111	\$0.23	9.23%	1,934	\$0.00	0.01%	2	\$0.24	1.23%
Dry Cleaning & Laundry Services	8123	\$0.14	5.59%	1,176	\$0.00	0.01%	3	\$0.14	0.75%
Health Care & Social Assistance	62	\$0.08	3.32%	700	\$0.08	0.45%	46	\$0.16	0.83%
Other Services	Other in 54-81	\$0.27	10.59%	2,234	\$1.37	8.26%	81	\$1.64	8.57%
<b>Public Administration</b>	<b>92</b>	<b>\$0.17</b>	<b>6.74%</b>	<b>1,417</b>	<b>\$0.10</b>	<b>0.62%</b>	<b>23</b>	<b>\$0.27</b>	<b>1.43%</b>
<b>Unclassified*</b>	<b>N/A</b>	<b>\$0.04</b>	<b>1.60%</b>	<b>339</b>	<b>\$0.01</b>	<b>0.05%</b>	<b>4</b>	<b>\$0.05</b>	<b>0.25%</b>
<b>Totals</b>		<b>\$2.54</b>	<b>100.0%</b>	<b>21,055</b>	<b>\$16.63</b>	<b>100%</b>	<b>946</b>	<b>\$19.17</b>	<b>100%</b>

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

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

\*\*\* The emission-based fees reported here do not include a refund issued in CY 2015 and associated with an original invoice dated year 2002.

Permit Processing Fees and Annual Permit Renewal Fees

Permit processing and annual permit renewal 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 and size. Permit fees also include other charges based on additional time and materials billed for SCAQMD staff time (if specified by the applicable rule), and other fees as required (modeling, Title V fees, CEQA analysis fees, etc.) The fee, except for time and material fees, is paid at the beginning of the permit application process.

As Table 3 indicates, an estimated total of \$13.42 million from more than 5,000 facilities that applied for permits to construct or operate was invoiced during FY 2014-2015. It should be noted that a facility could apply for multiple permits. As with emission fees, for those facilities classified with NAICS codes, the majority of the permit processing fee revenue came from the manufacturing sector. It contributed \$5.18 million, or 39 percent, of the total revenue in this fee category, followed by the services sector with \$2.45 million (18 percent).

Operating permits must be renewed annually. An annual fee is assessed on the renewed permits to support continuing SCAQMD inspection and compliance activities and other permit related activities. Approximately, 27,000 facilities held operating permits as of February 23, 2016. The revenue from these facilities at the current fee rate is estimated to be \$44.64 million (Table 3). The manufacturing sector, with nearly 4,000 facilities, was the largest contributor, paying \$16.48 million or 37 percent of the total annual renewal fee revenue. The sector of retail trade with about 4,000 facilities paid about \$8 million and the service sector with about 11,000 facilities paid about \$8.6 million, respectively.

Area Source Fees (Architectural Coatings)

Rule 314 – Fees for Architectural Coatings, was adopted on June 6, 2008 requiring manufacturers to pay fees, as well as report sales and emissions of architectural coatings to the SCAQMD. The rule affects about 200 architectural coatings manufacturers. Beginning in 2009 and each subsequent calendar year, Rule 314 requires architectural coatings manufacturers to report to SCAQMD the total annual quantity (in gallons) and emissions of each of their architectural products distributed or sold into or within the SCAQMD for use in the SCAQMD, during the previous calendar year. Fees are assessed on the manufacturers' reported annual quantity of architectural coatings as well as the cumulative VOC emissions from the reported annual quantity of coatings. Data collected from the manufacturers also provides SCAQMD with an annual emissions inventory that is used for planning purposes. All fees collected from architectural coating sales in FY 2014/2015 pursuant to Rule 314 were about \$2.6 million which is around 2 percent of the SCAQMD's total revenue for that FY. These fees are collected from paint manufacturers who are classified under the chemical manufacturing sector (NAICS 325). The \$2.6 million fees collected from architectural coatings represent about 0.01 percent of the chemical manufacturing industry's economic output<sup>4</sup>.

---

<sup>4</sup> Please refer to "The Share of Major Revenue Sources by Industry" for more details.



**Table 3: Estimated Permit Processing & Annual Permit Renewal Fee Revenue by Industry Sector at Current Fee Rates in Millions of Dollars (\$MM)**

Industry	NAICS	Permit Processing Fees <sup>1</sup>			Annual Permit Renewal Fees <sup>2</sup>		
		MMS	%	# of Fac.	MMS	%	# of Fac.
<b>Agriculture, Forestry, Fishing &amp; Hunting</b>	<b>111-115</b>	<b>\$0.03</b>	<b>0.23%</b>	<b>19</b>	<b>\$0.14</b>	<b>0.31%</b>	<b>117</b>
<b>Mining</b>	<b>21</b>	<b>\$0.25</b>	<b>1.89%</b>	<b>54</b>	<b>\$1.36</b>	<b>3.05%</b>	<b>359</b>
Oil and Gas Extraction	211	\$0.18	1.36%	37	\$0.99	2.21%	253
Mining (except oil and gas)	212-213	\$0.07	0.53%	17	\$0.37	0.84%	106
<b>Construction</b>	<b>23</b>	<b>\$0.33</b>	<b>2.48%</b>	<b>175</b>	<b>\$1.14</b>	<b>2.56%</b>	<b>973</b>
<b>Manufacturing</b>	<b>31-33</b>	<b>\$5.18</b>	<b>38.58%</b>	<b>658</b>	<b>\$16.48</b>	<b>36.93%</b>	<b>3,826</b>
Food Manufacturing	311	\$0.44	3.31%	73	\$1.33	2.99%	227
Wood Products Manufacturing	321	\$0.01	0.08%	5	\$0.08	0.18%	93
Petroleum and Coal Products Mfg.	324	\$1.45	10.81%	33	\$4.07	9.13%	90
Chemical Manufacturing	325	\$0.49	3.66%	66	\$1.82	4.08%	349
Nonmetallic Mineral Product Mfg.	327	\$0.14	1.05%	26	\$1.35	3.02%	234
Primary & Fabricated Metal Mfg.	331-332	\$0.94	7.00%	148	\$3.21	7.20%	884
Machinery Manufacturing	333	\$0.11	0.84%	28	\$0.34	0.75%	204
Computer and Electronic Product Mfg.	334	\$0.21	1.58%	48	\$0.69	1.54%	290
Electrical Equipment & Appliance Mfg.	335	\$0.19	1.42%	24	\$0.43	0.96%	132
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.34	2.56%	36	\$0.84	1.88%	248
Other Manufacturing	Other in 31-33	\$0.84	6.26%	171	\$2.32	5.20%	1,075
<b>Utilities</b>	<b>22</b>	<b>\$0.55</b>	<b>4.07%</b>	<b>103</b>	<b>\$1.84</b>	<b>4.13%</b>	<b>934</b>
<b>Transportation &amp; Warehousing</b>	<b>48-49</b>	<b>\$0.30</b>	<b>2.20%</b>	<b>104</b>	<b>\$1.10</b>	<b>2.47%</b>	<b>583</b>
<b>Information</b>	<b>51</b>	<b>\$0.19</b>	<b>1.38%</b>	<b>99</b>	<b>\$0.52</b>	<b>1.15%</b>	<b>818</b>
Publishing Industries, Except Internet	511	\$0.00	0.02%	3	\$0.05	0.11%	36
Motion Picture & Sound Recording	512	\$0.04	0.32%	16	\$0.12	0.28%	75
Internet Services and data processing	518,519	\$0.02	0.13%	18	\$0.04	0.10%	52
Other Information	Other in 51	\$0.12	0.91%	62	\$0.30	0.67%	655
<b>Wholesale Trade</b>	<b>42</b>	<b>\$0.63</b>	<b>4.67%</b>	<b>194</b>	<b>\$2.53</b>	<b>5.66%</b>	<b>1,172</b>
<b>Retail Trade</b>	<b>44-45</b>	<b>\$0.94</b>	<b>6.99%</b>	<b>843</b>	<b>\$8.04</b>	<b>18.00%</b>	<b>4,057</b>
Car & Parts Dealers	441	\$0.10	0.78%	38	\$0.22	0.49%	313
Gas Stations	447	\$0.41	3.07%	287	\$5.59	12.53%	1,902
Other Retail Trade	Other in 44-45	\$0.42	3.14%	518	\$2.23	4.99%	1,842
<b>Finance and Insurance</b>	<b>52</b>	<b>\$0.07</b>	<b>0.52%</b>	<b>64</b>	<b>\$0.29</b>	<b>0.65%</b>	<b>345</b>
<b>Real Estate and Rental Leasing</b>	<b>53</b>	<b>\$0.23</b>	<b>1.74%</b>	<b>188</b>	<b>\$0.92</b>	<b>2.07%</b>	<b>1,125</b>
<b>Services</b>	<b>54-81</b>	<b>\$2.45</b>	<b>18.24%</b>	<b>1272</b>	<b>\$8.59</b>	<b>19.25%</b>	<b>10,526</b>
Professional and Technical Services	54	\$0.54	4.00%	192	\$1.07	2.40%	711
Accommodation	721	\$0.08	0.58%	44	\$0.20	0.46%	257
Food Services & Drinking Places	722	\$0.07	0.49%	167	\$0.58	1.31%	2,405
Automotive Repairs & Maintenance	8111	\$0.29	2.16%	189	\$1.53	3.44%	2,246
Dry Cleaning & Laundry Services	8123	\$0.06	0.45%	78	\$0.55	1.24%	1,388
Health Care & Social Assistance	62	\$0.35	2.58%	150	\$1.00	2.25%	784
Other Services	Other in 54-81	\$1.07	7.99%	452	\$3.64	8.16%	2,735
<b>Public Administration</b>	<b>92</b>	<b>\$0.40</b>	<b>2.96%</b>	<b>207</b>	<b>\$1.07</b>	<b>2.40%</b>	<b>1,518</b>
<b>Unclassified*</b>	<b>N/A</b>	<b>\$1.89</b>	<b>14.05%</b>	<b>1,072</b>	<b>\$0.60</b>	<b>1.36%</b>	<b>486</b>
<b>Totals</b>		<b>\$13.42</b>	<b>100%</b>	<b>5,052</b>	<b>\$44.64</b>	<b>100%</b>	<b>26,839</b>

<sup>1</sup> Based on permit applications in FY 2014-2015.<sup>2</sup> Based on permits held on February 23, 2015.

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

Toxic Hot Spots Fees

AB 2588 toxic hot spots fees were calculated based on risks and priority scores. The most recent invoiced revenue for the FY 2014-2015 was approximately \$2.06 million. The services sector's share of this total was 32 percent, followed by retail trade (18 percent) and manufacturing (18 percent).

Source Testing Fees

The revenue from source testing fees is based on the invoiced source test fees during FY 2014-2015. During this period of time, the source test fee revenue from Rules 304 and 304.1 was \$0.51 million. The manufacturing sector accounted for 60 percent of this revenue, followed by services (11 percent) and utilities (10 percent).

Rule 2202 Fees

Rule 2202 – On-Road Motor Vehicle Mitigation Options applies to employers with 250 or more employees in the SCAQMD region. It 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 SCAQMD 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. The investment fee portion goes to a special revenue account which is not part of the General Fund.

The revenue from Rule 2202 fees herein is based on the invoiced Rule 2202 fees during FY 2014-2015. A total of \$0.84 million was collected from Rule 2202 fees for ECRP, ERS, and AQIP. The services sector accounted for approximately 35 percent of the estimated Rule 2202 fee revenue. Unlike most of other fee categories, only 15 percent of the revenue came from the manufacturing sector.

### Share of Major Revenue Sources by Industry

Approximately 62 percent of the SCAQMD's FY 2015-2016 estimated revenue comes from the following major revenue categories: emission fees, permit processing fees, annual permit renewal 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 relative to each industry's total (gross) output and value-added to evaluate them relative to different economic measures of industries in the SCAQMD.<sup>5</sup> Value-added is a measure of compensation of employees, production taxes less subsidies, and gross operating surplus; thus to a certain degree reflects each industry's profit margin. Collectively, revenue from these fees is estimated to amount to approximately \$81 million, based on invoiced amounts at the current fee rates.

As shown in Table 4, the amount of fees paid by each industry is relatively small compared to that industry's regional output or value-added. This is the case with industries which are predominantly comprised of small businesses, such as retail trade. But it is also the case for industries predominately comprised of large businesses, such as petroleum and coal products manufacturers, which is mainly refineries.

The petroleum and coal products manufacturing industry (NAICS 324) paid a total of \$15.33 million in various fees, which represented nine hundredths of one percent of the sector's output and less than half a percent of the sector's value-added. Other industries that also paid among the highest amount of fees relative to their outputs or value-added were the pipeline transportation industry (NAICS 486), the mining industry (NAICS 212), and the nonmetallic mineral product manufacturing industry (NAICS 327). Overall, major SCAQMD fee revenue, as a whole, represented less than one-hundredth of one percent of the aggregate industry output or value-added in the four-county region.

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

Industry Sector	NAICS	MMS\$	% of Total Fees	% of Total Output	% of Total Value-Added
Farm (Agricultural Products)	111-112	\$0.31	0.38%	0.00%	0.01%
Agriculture & Forestry support activities	115	\$0.07	0.08%	0.03%	0.04%
Oil & Gas Extraction	211	\$1.57	1.94%	0.01%	0.02%
Mining (except oil and gas)	212	\$0.59	0.73%	0.08%	0.14%
Support Activities for Mining	213	\$0.18	0.22%	0.02%	0.05%
Utilities	22	\$4.17	5.15%	0.03%	0.04%
Construction	23	\$1.64	2.03%	0.00%	0.01%
Wood Products Mfg.	321	\$0.11	0.14%	0.00%	0.01%
Nonmetallic Mineral Product Mfg.	327	\$1.74	2.15%	0.06%	0.15%
Primary Metal Mfg.	331	\$1.56	1.93%	0.02%	0.10%
Fabricated Metal Product Mfg.	332	\$3.71	4.58%	0.02%	0.05%
Machinery Manufacturing	333	\$0.51	0.63%	0.00%	0.01%
Computer & Electronic Product Mfg.	334	\$1.00	1.24%	0.00%	0.00%
Electrical Equipment & Appliance Mfg.	335	\$0.69	0.85%	0.02%	0.03%

<sup>5</sup> The year 2013 output and value-added in current dollars were used and converted to 2015 dollars. The data by detailed industry were compiled by Regional Economic Modeling, Inc. (REMI), and the dollar conversion used the California Consumer Price Index Calendar Year Averages from the California Department of Industrial Relations (Retrieved February 23, 2016) [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 Detailed Industry (Cont.)**

Industry Sector	NAICS	MMS	% of Total Fees	% of Total Output	% of Total Value-Added
Motor Vehicle Mfg.	3361-3363	\$0.34	0.42%	0.00%	0.03%
Transport Equip. Mfg. Excl. Motor Veh.	3364-3369	\$1.08	1.33%	0.01%	0.01%
Furniture & Related Product Mfg.	337	\$0.33	0.41%	0.01%	0.02%
Miscellaneous Mfg.	339	\$0.61	0.75%	0.00%	0.01%
Food Mfg.	311	\$1.94	2.40%	0.01%	0.04%
Beverage and Tobacco Product Mfg.	312	\$0.48	0.59%	0.00%	0.01%
Textile & Textile Product Mills	313-314	\$0.42	0.52%	0.02%	0.04%
Apparel, Leather & Allied Product Mfg.	315-316	\$0.06	0.07%	0.00%	0.00%
Paper Mfg.	322	\$0.45	0.56%	0.01%	0.03%
Printing & Related Support Activities	323	\$0.63	0.77%	0.01%	0.03%
Petroleum and Coal Products Mfg.	324	\$15.17	18.73%	0.09%	0.39%
Chemical Mfg.	325	\$2.64	3.25%	0.01%	0.03%
Plastics and Rubber Products Mfg.	326	\$1.44	1.78%	0.02%	0.04%
Wholesale Trade	42	\$3.78	4.67%	0.00%	0.01%
Retail Trade	44-45	\$9.96	12.30%	0.01%	0.02%
Air Transportation	481	\$0.03	0.04%	0.00%	0.00%
Rail Transportation	482	\$0.01	0.02%	0.00%	0.00%
Water Transportation	483	\$0.01	0.01%	0.00%	0.00%
Truck Transportation	484	\$0.13	0.16%	0.00%	0.00%
Couriers & Messengers	491-492	\$0.04	0.04%	0.00%	0.00%
Transit & Ground passenger Transportation	485	\$0.10	0.13%	0.01%	0.01%
Pipeline Transportation	486	\$0.80	0.99%	0.11%	0.14%
Scenic & Sightseeing Transportation	487-488	\$0.60	0.74%	0.01%	0.01%
Warehousing & Storage	493	\$0.29	0.36%	0.01%	0.01%
Publishing Industries, Except Internet	511	\$0.07	0.08%	0.00%	0.00%
Motion Picture & Sound Recording Industries	512	\$0.21	0.26%	0.00%	0.00%
Internet Services & Data Processing	518-519	\$0.08	0.10%	0.00%	0.00%
Broadcasting, Except Internet	515	\$0.17	0.21%	0.00%	0.00%
Telecommunications	517	\$0.41	0.51%	0.00%	0.00%
Monetary Authorities	521-522, 525	\$0.18	0.22%	0.00%	0.00%
Securities, Commodity Contracts, Investments	523	\$0.19	0.24%	0.00%	0.00%
Insurance Carriers & Related Activities	524	\$0.10	0.12%	0.00%	0.00%
Real Estate	531	\$1.14	1.41%	0.00%	0.00%
Rental & Leasing Services	532-533	\$0.25	0.31%	0.00%	0.00%
Professional and Technical Services	54	\$1.76	2.17%	0.00%	0.00%
Management of Companies & Enterprises	55	\$0.04	0.05%	0.00%	0.00%
Administrative & Support Services	561	\$2.15	2.66%	0.01%	0.01%
Waste Management & Remediation Services	562	\$1.80	2.22%	0.04%	0.07%
Education Services	61	\$1.15	1.42%	0.01%	0.01%
Ambulatory Health Care Services	621	\$0.53	0.65%	0.00%	0.00%
Hospitals	622	\$0.89	1.10%	0.00%	0.01%
Nursing & Residential Care Facilities	623	\$0.16	0.19%	0.00%	0.00%
Social Assistance	624	\$0.16	0.19%	0.00%	0.00%
Performing Arts & Spectator Sports	711	\$0.08	0.10%	0.00%	0.00%
Museums, Historical Sites, Zoos, and Parks	712	\$0.03	0.04%	0.00%	0.01%
Amusement, Gambling, and Recreation	713	\$0.40	0.49%	0.00%	0.01%
Accommodation	721	\$0.36	0.44%	0.00%	0.01%
Food Services & Drinking Places	722	\$0.69	0.85%	0.00%	0.00%
Repair & Maintenance	811	\$2.74	3.38%	0.03%	0.03%
Personal & Laundry Services	812	\$1.17	1.44%	0.01%	0.02%
Membership Associations and Organizations	813	\$0.29	0.36%	0.00%	0.01%
Government	92	\$2.00	2.47%	0.00%	0.00%
Unclassified*	N/A	\$2.61	3.23%		
<b>Totals</b>		<b>\$81.01</b>	<b>100.00%</b>	<b>0.005%</b>	<b>0.009%</b>

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

## **REVENUE IMPACTS OF PROPOSED FEE RATE INCREASE BY INDUSTRY**

Rule 320 requires annual adjustment of most fee rates in Regulation III by an amount equal to the change in CPI, which is 2.4 percent for the period of December 2014 to December 2015 unless the Board decides in a rule making hearing to forgo the CPI increase. Based on the 2014 emissions and current equipment and activity profile of individual facilities, the fee rate increases are expected to increase total SCAQMD revenue by approximately \$1.94 million compared to what would have been paid in the event that the 2.4 percent CPI increase is not implemented.

Table 5 shows the distribution of these fee changes across the affected industries. It includes the majority subset of the fees subject to the CPI-based rate increase. They include emission fees, permit processing fees, annual permit renewal fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees. Revenues for these fee categories are expected to increase by about \$1.94 million.

The manufacturing sector as a whole would experience the largest increase in fees (approximately \$0.84 million with about 4,000 facilities), followed by the services sector (approximately \$0.35 million with about 11,000 facilities), the retail trade sector (approximately \$0.24 million with about 4,100 facilities), and the remaining sectors accounting for \$0.51 million. Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, will face an increase of around \$0.36 million, or 19% of the overall increase.

### **SUMMARY**

The above analysis provides background information on SCAQMD revenue and summarizes the economic impact on facilities regulated by SCAQMD of the automatic consumer price index (Rule 320) increase. SCAQMD revenues are expected to increase by \$1.94 million as a result of this fee rate increase. However, the amount of SCAQMD fees paid by each industry remained small relative to the industry's economic output or value-added (less than 0.01 percent overall).

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

Industry	NAICS	Revenue Change Due to 2.4% CPI Adjustment	Percent of total CPI Increase
<b>Agriculture, Forestry, Fishing &amp; Hunting</b>	<b>111-115</b>	<b>\$9,013</b>	0.46%
<b>Mining</b>	<b>21</b>	<b>\$56,121</b>	2.89%
Oil and Gas Extraction	211	\$37,670	1.94%
Mining (except oil and gas)	212-213	\$18,451	0.95%
<b>Construction</b>	<b>23</b>	<b>\$39,405</b>	2.03%
<b>Manufacturing</b>	<b>31-33</b>	<b>\$837,681</b>	43.09%
Food Manufacturing	311	\$46,599	2.40%
Wood Products Manufacturing	321	\$2,695	0.14%
Petroleum and Coal Products Mfg.	324	\$364,074	18.73%
Chemical Manufacturing	325	\$63,279	3.25%
Nonmetallic Mineral Product Mfg.	327	\$41,768	2.15%
Primary & Fabricated Metal Mfg.	331-332	\$126,496	6.51%
Machinery Manufacturing	333	\$12,187	0.63%
Computer and Electronic Product Mfg.	334	\$24,068	1.24%
Electrical Equipment & Appliance Mfg.	335	\$16,481	0.85%
Motor Vehicle & Trans. Equipment Mfg.	336	\$34,034	1.75%
Other Manufacturing	Other in 31-33	\$106,001	5.45%
<b>Utilities</b>	<b>22</b>	<b>\$100,152</b>	5.15%
<b>Transportation &amp; Warehousing</b>	<b>48-49</b>	<b>\$48,404</b>	2.49%
<b>Information</b>	<b>51</b>	<b>\$22,438</b>	1.15%
Publishing Industries, Except Internet	511	\$1,612	0.08%
Motion Picture & Sound Recording	512	\$5,017	0.26%
Internet Services and data processing	518,519	\$1,944	0.10%
Other Information	Other in 51	\$13,865	0.71%
<b>Wholesale Trade</b>	<b>42</b>	<b>\$90,819</b>	4.67%
<b>Retail Trade</b>	<b>44-45</b>	<b>\$239,130</b>	12.30%
Car & Parts Dealers	441	\$9,264	0.48%
Gas Stations	447	\$155,509	8.00%
Other Retail Trade	Other in 44-45	\$74,358	3.82%
<b>Finance and Insurance</b>	<b>52</b>	<b>\$11,365</b>	0.58%
<b>Real Estate and Rental Leasing</b>	<b>53</b>	<b>\$33,447</b>	1.72%
<b>Services</b>	<b>54-81</b>	<b>\$345,460</b>	17.77%
Professional and Technical Services	54	\$42,285	2.17%
Accommodation	721	\$8,551	0.44%
Food Services & Drinking Places	722	\$16,504	0.85%
Automotive Repairs & Maintenance	8111	\$55,389	2.85%
Dry Cleaning & Laundry Services	8123	\$20,374	1.05%
Health Care & Social Assistance	62	\$41,651	2.14%
Other Services	Other in 54-81	\$160,706	8.27%
<b>Public Administration</b>	<b>92</b>	<b>\$48,014</b>	2.47%
<b>Unclassified*</b>	<b>N/A</b>	<b>\$62,727</b>	3.23%
<b>Totals</b>		<b>\$1,944,177</b>	100.00%

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

**REFERENCES**

California Consumer Price Index. Retrieved February 23, 2016 from [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Price.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Price.htm)

California State Auditor, Bureau of State Audits. SCAQMD: The District Should Establish a More Equitable Emission Fee Structure and Process Permits More Promptly. July 1998.

Regional Economic Modeling Inc. (REMI). Policy Insight® for the South Coast Area (70 sector model). Version 1.7.1, 2015.

South Coast Air Quality Management District. Comprehensive Annual Financial Report. Diamond Bar, California: South Coast Air Quality Management District, 2014.

South Coast Air Quality Management District. Comprehensive Annual Financial Report. Diamond Bar, California: South Coast Air Quality Management District, 2015.

Thompson, Cobb, Bazilio & Associates. SCAQMD Fee Structure Study. March 1999.