

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Draft Socioeconomic Report for Adjustment Based on Consumer Price Index for Regulation III – Fees

March 2025

Deputy Executive Officer

Planning, Rule Development, and Implementation
Sarah L. Rees, Ph.D.

Assistant Deputy Executive Officer

Planning, Rule Development, and Implementation
Michael Krause

Planning and Rules Manager

Planning, Rule Development, and Implementation
Barbara Radlein

Author:	Xian-Liang (Tony) Tian, Ph.D., Program Supervisor Chris Yu, Assistant Air Quality Specialist Valerie Rivera, Assistant Air Quality Specialist
Technical Assistance:	Xin Chen, Information Technology Manager John Tu, Systems Analyst
Contributor:	Karen Sandoval, Financial Analyst
Reviewed By:	Erika Chavez, Senior Deputy District Counsel Kalam Cheung, Ph.D., Planning and Rules Manager Sheri Hanizavareh, Principal Deputy District Counsel

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WAYNE NASTRI

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EXECUTIVE SUMMARY

Pursuant to South Coast Air Quality Management District's (South Coast AQMD) Rule 320 – Automatic Adjustment Based on Consumer Price Index for Regulation III Fees and statutory fee authority established in Health and Safety Code Sections 40500.1 and 40510, most fees within Regulation III – Fees will be increased by 3.0 percent, consistent with the change in the California Consumer Price Index (CPI) from December 2023 to December 2024, unless the South Coast AQMD Governing Board decides to forego the increase. The October 29, 2010 South Coast AQMD Governing Board Resolution requires an assessment of the increase in fee rates based on the previous year's CPI by March 15 of every year. A socioeconomic analysis was conducted to assess the impacts of such adjustment.

The analysis provides background information, historical revenue trends, sectoral distributions, and estimated increased fee revenue from the CPI adjustment of South Coast AQMD fees. This report considers applying a 3.0 percent increase in CPI to the collected fees reported generally in Fiscal Year (FY) 2023-2024, but in some cases, in Calendar Year (CY) 2024. The following presents a summary of the analysis and findings.

Fee Increases Pursuant to Rule 320 and the Health and Safety Code, a 3.0 percent increase of most fee rates (equivalent to the change in California CPI from December 2023 to December 2024) will be applied, effective July 1, 2025. Increases made pursuant to Rule 320 are automatic unless the South Coast AQMD Governing Board decides to forego them.

Affected Facilities Nearly all facilities regulated by South Coast AQMD, covering most economic sectors, would be affected by the proposed fee increases.

Approach and Findings The analysis examines the impact of existing Regulation III fees on various industries. The fees examined include emissions fees, permit processing fees, annual permit renewal fees, asbestos fees, architectural coatings fees, source testing fees, toxic hot spot fees, and fees related to the implementation of mobile source programs.

Current fee rates and the most recent equipment and activity profiles of individual facilities were used to generate facility-level fee estimates. These estimates were aggregated to the industry level. The manufacturing sector is the largest contributor to South Coast AQMD's emission fees (64 percent), permit processing fees (40 percent), and annual permit renewal fees (39 percent). Overall, the costs of complying with the current fee rates in Regulation III are small relative to the region-wide industry output or value-added (less than 0.01 percent).

Impacts of Fee Increases Based on the fee categories examined in this analysis and last year's activity levels, the CPI-based fee-rate increase of 3.0 percent is projected to bring additional revenue totaling \$3.64 million to the South Coast AQMD. The manufacturing sector would incur the largest increase in fees (approximately \$1.52 million for about 3,155 facilities), followed by the

services sector (approximately \$0.64 million for about 9,144 facilities) and the retail trade sector (approximately \$0.51 million for about 4,189 facilities). Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, would experience an increase of approximately \$0.70 million.

INTRODUCTION

The South Coast AQMD General Fund consists of revenues from many sources. The majority of South Coast AQMD revenues are derived from emission fees, annual renewal fees, permit processing fees, asbestos fees, architectural coatings 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, fees for implementing mobile source programs such as Rule 2202 – Mobile Source Emissions Mitigation Programs and Rule 2305 – Warehouse Indirect Source Rule - Warehouse Actions and Investments to Reduce Emissions (WAIRE) Program, reimbursement for work associated with the Air Toxics Hot Spots Program in accordance with Assembly Bill (AB) 2588), civil penalties/settlements, and other revenues.

Pursuant to Rule 320, most fees within Regulation III will be increased by 3.0 percent, consistent with the change in the California Consumer Price Index (CPI) from December 2023 to December 2024. This increase is being sought pursuant to South Coast AQMD Rule 320 and its statutory fee authority established in Health and Safety Code Sections 40050.1 and 40510. In addition, Rule 320 authorizes an automatic fee increase, consistent with the CPI, unless the South Coast AQMD Governing Board decides to forego the increase.¹ The annual increase in fee rates for the past five fiscal years (FY) and the upcoming FY are as follows: 2.8 percent in 2020-2021, 1.7 percent in 2021-2022,² 6.5 percent in 2022-2023, 5.6 percent in 2023-2024, 3.5 percent in 2024-25, and 3.0 percent in 2025-2026.

To examine the impact of a fee rate increase on various industries, this report focuses on emission fees, permit processing fees, annual permit renewal fees, air toxics hot spots fees, source test fees, asbestos fees, architectural coatings fees, Rule 2305 reporting fees, and a portion of Rule 2202 fees.³ Other fees subject to the automatic CPI increase are area source fees and Hearing Board fees, which account for a relatively small portion of South Coast AQMD total annual revenue.

South Coast AQMD is required to conduct socioeconomic analyses for proposed rules and rule amendments which “...will significantly affect air quality or emissions limitations....” Although the proposed CPI-based fee adjustment does not impact air quality, the South Coast AQMD Governing Board directed staff to prepare a socioeconomic analysis of the impacts of an automatic adjustment in a given year.⁴

¹ A fiscal year runs from July 1 to June 30. For example, FY 2023-2024 refers to July 1, 2023 to June 30, 2024. In comparison, calendar year 2024 refers to January 1, 2024 to December 31, 2024.

² Due to concerns regarding the global and financial impacts of the COVID-19 pandemic, the South Coast AQMD Governing Board voted on May 1, 2020, for a one-time credit to fee payers encompassing the 2.8 percent increase in CPI for FY 2020-2021. Therefore, the Rule 320 report distributed on March 15, 2021 considered a 4.5 percent increase in CPI, which included the 2.8 and 1.7 percent increases for FYs 2020-2021 and 2021-2022, respectively.

³ All Rule 2202 fees are subject to annual CPI adjustment except for Air Quality Investment Program (AQIP) fees (Rule 311 (c)) and service charges for returned checks (Rule 308 (i)). AQIP fees are administered into a restricted fund and not in the South Coast AQMD general fund.

⁴ Health and Safety Code Sections 40440.8 and 40728.5; October 29, 2010 Special Governing Board Resolution; Minutes of the October 29, 2010 Special Governing Board Meeting (amending the Resolution)

REVENUE TREND

Table 1 lists historical revenue for two prior FYs, estimated revenue for the current FY 2024-2025, and projected revenue for FY 2025-2026 by major fee category. Estimated revenue for FY 2024-2025 is based on actual revenue received through February 2025. FY 2025-2026 projected revenue is based on forecasts estimated by various South Coast AQMD operational units. Emission fees, permit processing fees, and annual permit renewal fees together represent approximately 58 percent of South Coast AQMD's estimated total FY 2024-2025 revenue.

Compared to the estimated revenue in FY 2024-2025, a net total revenue increase of \$4.6 million is projected for FY 2025-2026. This increase reflects the impact of the CPI-based fee rate increase, changes in state funding, phase-in of amended or new fees, and the forecasted changes in activity levels. The estimated revenue impact due to the CPI increase for FY 2025-2026 is estimated separately in Table 7.

Table 1: Actual and Estimated South Coast AQMD Revenue

Revenue Category	FY 2022-2023 Actual* (Thousands)	FY 2023-2024 Actual* (Thousands)	FY 2024-2025 Estimated** (Thousands)	FY 2025-2026 Projected (Thousands)	Changes in Revenue	
					(from FY 2025-2026 Projected to FY 2024-2025 Estimated)	
					Thousands	%
Emissions Fees	\$21,668	\$21,380	\$21,192	\$22,039	\$847	4.0%
Annual Renewal Fees (w/o PERP)	\$70,165	\$75,123	\$80,571	\$87,094	\$6,524	8.1%
Permit Processing Fees	\$17,885	\$19,195	\$20,872	\$21,009	\$137	0.7%
Mobile Sources/Clean Fuels	\$28,672	\$30,136	\$33,343	\$34,659	\$1,316	3.9%
Sources Test & Lab Analysis	\$728	\$431	\$615	\$634	\$18	3.0%
Hearing Board Fees	\$322	\$818	\$790	\$601	- \$189	-24.0%
Transportation Program (Rule 2202) Fees	\$637	\$1,095	\$876	\$932	\$56	6.4%
Other Revenue***	\$50,935	\$56,405	\$54,792	\$50,671	- \$4,120	-7.5%
Total	\$191,012	\$204,583	\$213,050	\$217,639	\$4,588	2.2%

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

* Information as reported in the Annual Comprehensive Financial Reports (FYs 2022-2023 and 2023-2024).

** Estimates are based on actual revenue received through February 2025.

*** Other Revenues include: CARB subvention; state and federal grants; interest; lease income; penalties/settlements; subscriptions; AB 2588 reimbursement; miscellaneous revenues; CARB 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 revenue from various fee categories among key industries for either FY 2023-2024 or calendar year (CY) 2024. This analysis applied the most recent invoiced amounts at the current fee rates to arrive at an estimate of the current fee revenue by industry. Thus, the revenue may differ slightly from Table 1 because data sources may reflect different time periods.

Annual Operating Emissions Fees

For FY 2024-2025, emission fees account for approximately 10 percent of South Coast AQMD's estimated total revenue (Table 1). In May 2001, a flat annual operating emission fee was introduced for all facilities with at least one operating permit (Rule 301 (e)(4)).⁵ The flat annual operating emission 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 (March 1999).

Table 2 shows the estimated revenue collected or to be collected from 20,569 facilities for flat annual operating emission fees (\$3.29 million) and other annual operating emission fees from 709 facilities (\$17.20 million).⁶ The latter category of fees contributed approximately 84 percent of the total emission fees collected.⁷ These emissions include permitted and non-permitted emissions of nitrogen oxides (NOx), sulfur oxides (SOx), volatile organic compounds (VOC), particulate matter (PM), carbon monoxide (CO), specific organic gases, and toxic air contaminants for facilities required to report actual emissions each year.⁸

6,431 facilities in the service sector (NAICS 54-81) collectively contributed \$1.03 million, or 31 percent of the total flat annual operating emission fee revenue, which is the highest share across all industry sectors. The retail trade sector (NAICS 44-45) had the second highest share of the total flat annual operating emission fee revenue, with \$0.60 million, or 18 percent of the total flat annual operating emission fees paid by 3,723 facilities.

In comparison, other annual operating emission fees were mostly collected from larger businesses within certain industries. Among the 709 facilities subject to annual operating emission fees, 40 percent were manufacturers (NAICS 31-33), which contributed \$12.69 million, or 74 percent, of these fees invoiced in 2024. Out of the \$12.69 million fee payments, 82 percent, or \$10.46 million, was paid by the petroleum and coal industry (NAICS 324). This industry alone contributed 51 percent of total emission-based fees.

⁵ Excluding equipment subject to Rule 222—Filing Requirements for Specific Emission Sources Not Requiring a Written Permit Pursuant to Regulation II.

⁶ Other annual operating emission fees include non-RECLAIM emission fees (Rule 301 (e)(2)), RECLAIM emission fees (Rule 301 (l)(9)), toxic air contaminant (TAC) fees (Rule 301 (e)(7)), and clean fuels fees (Rule 301 (e)(6)).

⁷ Emission-based fees were derived from CY 2024 invoices, or the amount a facility should have paid in CY 2024 based on existing applicable Rule 301 fee rates.

⁸ Toxic air contaminants are listed in Table IV of Rule 301.

Table 2: Estimated Emission Fee Revenue by Industry (MMS)

Industry	NAICS	Flat Fee ¹			Emission-based Fees ²			Total	
		MMS	%	# of Fac. ³	MMS	%	# of Fac.	MMS	%
Agriculture, Forestry, Fishing & Hunting	11	\$0.01	0.40%	82	\$0.08	0.49%	13	\$0.10	0.48%
Mining	21	\$0.03	0.79%	163	\$0.38	2.21%	53	\$0.41	1.99%
Oil and Gas Extraction	211	\$0.01	0.40%	82	\$0.11	0.64%	27	\$0.12	0.60%
Mining (except oil and gas)	212-213	\$0.01	0.39%	81	\$0.27	1.57%	26	\$0.28	1.38%
Construction	23	\$0.11	3.39%	696	\$0.05	0.31%	10	\$0.16	0.80%
Manufacturing	31-33	\$0.44	13.25%	2,723	\$12.69	73.77%	287	\$13.13	64.04%
Food Manufacturing	311	\$0.03	0.81%	167	\$0.12	0.68%	21	\$0.14	0.70%
Wood Products Manufacturing	321	\$0.01	0.26%	54	\$0.01	0.07%	3	\$0.02	0.10%
Petroleum and Coal Products Mfg.	324	\$0.02	0.55%	112	\$10.46	60.78%	41	\$10.47	51.10%
Chemical Manufacturing	325	\$0.05	1.38%	284	\$0.29	1.69%	32	\$0.34	1.64%
Nonmetallic Mineral Product Mfg.	327	\$0.03	0.88%	181	\$0.29	1.69%	29	\$0.32	1.56%
Primary & Fabricated Metal Mfg.	331-332	\$0.10	3.08%	633	\$0.58	3.35%	58	\$0.68	3.31%
Machinery Manufacturing	333	\$0.02	0.69%	142	\$0.04	0.23%	3	\$0.06	0.31%
Computer and Electronic Product Mfg.	334	\$0.03	0.93%	192	\$0.05	0.31%	12	\$0.08	0.41%
Electrical Equipment & Appliance Mfg.	335	\$0.02	0.48%	98	\$0.01	0.07%	5	\$0.03	0.13%
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.03	0.83%	172	\$0.12	0.71%	26	\$0.15	0.73%
Other Manufacturing	312-339	\$0.11	3.34%	688	\$0.72	4.19%	57	\$0.83	4.05%
Utilities	22	\$0.19	5.72%	1,180	\$1.15	6.66%	71	\$1.33	6.51%
Transportation & Warehousing	48-49	\$0.09	2.81%	578	\$0.52	3.02%	24	\$0.61	2.99%
Information	51	\$0.10	2.90%	596	\$0.06	0.37%	8	\$0.16	0.77%
Publishing Industries, Except Internet	511	\$0.00	0.07%	15	\$0.00	0.00%	0	\$0.00	0.01%
Motion Picture & Sound Recording	512	\$0.01	0.32%	66	\$0.06	0.33%	6	\$0.07	0.33%
Internet Services and data processing	518,519	\$0.01	0.21%	44	\$0.01	0.03%	1	\$0.01	0.06%
Other Information	Other in 51	\$0.08	2.29%	471	\$0.00	0.00%	1	\$0.08	0.37%
Wholesale Trade	42	\$0.15	4.42%	912	\$0.35	2.03%	34	\$0.50	2.42%
Retail Trade	44-45	\$0.60	18.11%	3,723	\$0.29	1.71%	67	\$0.89	4.35%
Car & Parts Dealers	441	\$0.04	1.21%	249	\$0.00	0.01%	1	\$0.04	0.20%
Gas Stations	447	\$0.30	9.10%	1,870	\$0.15	0.87%	26	\$0.45	2.19%
Other Retail Trade	Other in 44-45	\$0.26	7.80%	1,604	\$0.14	0.83%	40	\$0.40	1.95%
Finance and Insurance	52	\$0.04	1.28%	263	\$0.00	0.00%	0	\$0.04	0.21%
Real Estate and Rental Leasing	53	\$0.16	4.85%	997	\$0.01	0.07%	4	\$0.17	0.84%
Services	54-81	\$1.03	31.27%	6,431	\$1.31	7.62%	110	\$2.34	11.42%
Professional and Technical Services	54	\$0.09	2.80%	577	\$0.04	0.26%	9	\$0.14	0.67%
Accommodation	721	\$0.04	1.12%	231	\$0.02	0.09%	1	\$0.05	0.26%
Food Services & Drinking Places	722	\$0.02	0.61%	126	\$0.01	0.03%	2	\$0.03	0.12%
Automotive Repairs & Maintenance	8111	\$0.29	8.70%	1,790	\$0.00	0.01%	1	\$0.29	1.41%
Dry Cleaning & Laundry Services	8123	\$0.11	3.42%	703	\$0.00	0.00%	2	\$0.11	0.55%
Health Care & Social Assistance	62	\$0.11	3.43%	705	\$0.32	1.87%	38	\$0.43	2.12%
Other Services	Other in 54-81	\$0.37	11.18%	2,299	\$0.92	5.36%	57	\$1.29	6.29%
Public Administration	92	\$0.26	7.99%	1,642	\$0.29	1.66%	23	\$0.55	2.68%
Unclassified⁴	N/A	\$0.09	2.82%	583	\$0.01	0.08%	5	\$0.11	0.52%
Totals		\$3.29	100%	20,569	\$17.20	100%	709	\$20.50	100%

¹ Flat annual operating emission fees based on FY 2023-2024 (07/01/2023-06/30/2024).² Other emission fees based on CY 2024 (01/01/2024 - 12/31/2024).³ Almost all facilities paying emission-based fees also pay the flat fee⁴ Facilities with no NAICS codes assigned are categorized as "unclassified."

Permit Processing and Annual Permit Renewal Fees

Permit processing and annual permit renewal fees by industry are shown in Table 3. Applicants seeking permits to construct/operate for 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 South Coast AQMD staff time (if specified by the applicable rule), and other fees as required such as special permit processing fees for providing assistance with conducting California Environmental Quality Act (CEQA) analyses, air quality analyses, health risk assessments, and issuing public notices (Rule 301 (j) and (v)), and Regulation XXX – Title V fees, etc. The permit processing fee, except for time and material fees and any applicable special permit processing fees, is paid at the beginning of the permit application process. Differences between permit processing fee amounts in Table 1 and Table 3 reflect application fees being collected at time of application, however, they are recognized as revenues when a majority of permit work is complete.

Table 3 indicates an estimated total of \$15.04 million from 3,752 facilities that applied for permits to construct or operate was invoiced during FY 2023-2024. Facilities can apply for multiple permits. As with emission fees, most permit processing fee revenue came from the manufacturing sector, which contributed \$5.97 million, or 40 percent of permit processing fee revenue. The services sector paid the second most of permit processing fees with \$2.95 million, or 20 percent of permit processing fee revenue.

Operating permits must be renewed annually. An annual fee is assessed on the renewed permits to support continuing South Coast AQMD inspection and compliance activities and other permit related activities. As seen in Table 3, 25,280 facilities held operating permits in FY 2023-2024. By February 19, 2025, these facilities are estimated to have paid \$73.57 million for FY 2023-2024. The manufacturing sector was the largest contributor paying \$28.79 million, or 39 percent of total annual permit renewal fee revenue, across 3,155 facilities. The retail trade sector paid about \$13.94 million, or 19 percent of total annual permit renewal fee revenue, across 4,189 facilities, while the service sector paid about \$12.42 million, or 17 percent of total annual permit renewal fee revenue, across 9,144 facilities.

Rule 1180 Refinery Related Community Air Monitoring System Annual Operating and Maintenance Fees

Rule 301 (aa) establishes an annual fee for operating and maintaining the refinery-related community air monitoring systems by South Coast AQMD for all large petroleum refineries in the South Coast Air Basin, as required by Rule 1180 and Health and Safety Code Section 42705.6. Rule 1180 affects facilities in the petroleum and coal industry (NAICS 324). In CY 2024, about \$4.68 million was collected by South Coast AQMD. This fee revenue is included in the “Annual Permit Renewal Fees” category of Table 3 for NAICS 324.

Table 3: Estimated Permit Processing and Annual Renewal Fee Revenue by Industry (MMS)

Industry	NAICS	Permit Processing Fees ¹			Annual Permit Renewal Fees ²		
		MMS	%	# of Fac.	MMS	%	# of Fac.
Agriculture, Forestry, Fishing & Hunting	11	\$0.03	0.23%	11	\$0.12	0.16%	103
Mining	21	\$0.25	1.67%	23	\$1.41	1.91%	208
Oil and Gas Extraction	211	\$0.10	0.65%	13	\$0.89	1.21%	112
Mining (except oil and gas)	212-213	\$0.15	1.03%	10	\$0.51	0.70%	96
Construction	23	\$0.41	2.71%	105	\$1.90	2.59%	919
Manufacturing	31-33	\$5.97	39.70%	451	\$28.79	39.13%	3,155
Food Manufacturing	311	\$0.38	2.54%	39	\$1.70	2.31%	202
Wood Products Manufacturing	321	\$0.01	0.06%	3	\$0.08	0.11%	64
Petroleum and Coal Products Mfg.	324	\$0.89	5.92%	38	\$12.12	16.48%	152
Chemical Manufacturing	325	\$0.65	4.32%	56	\$2.60	3.54%	318
Nonmetallic Mineral Product Mfg.	327	\$0.12	0.82%	17	\$1.49	2.02%	195
Primary & Fabricated Metal Mfg.	331-332	\$1.63	10.86%	97	\$4.63	6.29%	708
Machinery Manufacturing	333	\$0.08	0.53%	8	\$0.46	0.63%	162
Computer and Electronic Product Mfg.	334	\$0.39	2.60%	44	\$1.01	1.37%	213
Electrical Equipment & Appliance Mfg.	335	\$0.10	0.64%	15	\$0.50	0.67%	122
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.57	3.81%	42	\$1.23	1.68%	201
Other Manufacturing	312-339	\$1.14	7.60%	92	\$2.96	4.03%	818
Utilities	22	\$0.89	5.92%	108	\$3.25	4.42%	1,227
Transportation & Warehousing	48-49	\$0.33	2.20%	89	\$1.87	2.55%	641
Information	51	\$0.21	1.37%	206	\$0.66	0.90%	688
Publishing Industries, Except Internet	511	\$0.00	0.00%	3	\$0.03	0.05%	20
Motion Picture & Sound Recording	512	\$0.04	0.25%	14	\$0.19	0.26%	79
Internet Services and data processing	518,519	\$0.01	0.03%	16	\$0.07	0.09%	49
Other Information	Other in 51	\$0.16	1.09%	173	\$0.37	0.50%	540
Wholesale Trade	42	\$0.67	4.44%	96	\$3.90	5.30%	1,031
Retail Trade	44-45	\$1.38	9.17%	880	\$13.94	18.95%	4,189
Car & Parts Dealers	441	\$0.06	0.39%	24	\$0.33	0.45%	282
Gas Stations	447	\$0.61	4.03%	167	\$9.44	12.84%	1,943
Other Retail Trade	Other in 44-45	\$0.71	4.75%	689	\$4.17	5.67%	1,964
Finance and Insurance	52	\$0.12	0.81%	81	\$0.43	0.58%	320
Real Estate and Rental Leasing	53	\$0.27	1.79%	117	\$1.31	1.78%	1,127
Services	54-81	\$2.95	19.62%	869	\$12.42	16.89%	9,144
Professional and Technical Services	54	\$0.55	3.68%	129	\$1.92	2.61%	769
Accommodation	721	\$0.08	0.56%	29	\$0.34	0.46%	274
Food Services & Drinking Places	722	\$0.07	0.44%	75	\$0.67	0.92%	1,786
Automotive Repairs & Maintenance	8111	\$0.41	2.72%	149	\$1.97	2.67%	2,025
Dry Cleaning & Laundry Services	8123	\$0.08	0.51%	54	\$0.50	0.68%	775
Health Care & Social Assistance	62	\$0.34	2.23%	95	\$1.50	2.04%	803
Other Services	Other in 54-81	\$1.43	9.48%	338	\$5.52	7.51%	2,712
Public Administration	92	\$0.22	1.46%	118	\$2.06	2.80%	1,738
Unclassified³	N/A	\$1.34	8.90%	598	\$1.51	2.06%	790
Totals		\$15.04	100%	3,752	\$73.57	100%	25,280

¹ Based on permit applications in FY 2023-2024 (07/01/2023-06/30/2024).² Based on permits held in FY 2023-2024 and paid by February 19, 2025.³ Facilities with no NAICS codes assigned are categorized as "unclassified."

Source Testing Fees

Revenue from source test fees is based on invoiced source test fees during FY 2023-2024. As illustrated in Table 4, the combined source test fee revenue from Rules 304 and 304.1 was \$0.46 million. Manufacturing accounted for 52 percent of this revenue, followed by utilities with 21 percent.

AB 2588 Air Toxics Hot Spots Fees

AB 2588 air toxics hot spots fees are calculated based on health risks and priority scores. As illustrated in Table 4, the most recent invoiced revenue for FY 2023-2024 was approximately \$3.14 million. The service sector's (which includes automotive repairs and maintenance, dry cleaning and laundry services, health care and social assistance, etc.) share of this total was 29 percent. The second and third largest contributors to the air toxics hot spots fees were the retail sector and manufacturing sector contributing 22 and 15 percent, respectively.

Rule 2202 Fees

Rule 2202 – On-Road Motor Vehicle Mitigation Options, applies to employers with at least 250 employees in the South Coast AQMD jurisdiction. It provides employers with three compliance options: 1) the Employee Commute Reduction Program (ECRP); 2) emission reduction strategies (ERS) such as use of clean-fuel vehicles, re-powering of diesel engine marine vessels, and vehicle scrapping; and 3) participation in the Air Quality Investment Plan (AQIP). Employers choosing the ECRP option pay a plan review fee to the South Coast AQMD when 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.

Revenue from Rule 2202 fees is based on invoiced Rule 2202 fees during FY 2023-2024. A total of \$0.75 million was collected from Rule 2202 fees (excluding investment fees) where the services, public administration, and retail trade sectors accounted for 36, 17, and 14 percent respectively.

Rule 1403 Asbestos Fees

Rule 1403 – Asbestos Emissions from Demolition/Renovation Activities requires contractors performing renovations or demolitions to submit notifications to South Coast AQMD. During FY 2023-2024, 27,900 notifications were submitted in compliance with Rule 1403, generating around \$6.01 million in revenue. The construction and service sectors incurred the majority of asbestos fees at 53 percent and 39 percent, respectively. Rule 1403 fees are based on the size of the project, since larger projects are generally more complicated and take more staff time to conduct inspections. In addition, a flat plan review fee may be applied for approved alternative cleanup plans to address disturbed asbestos-containing materials. Finally, there are fees to revise notifications and expedite plan reviews.

Table 4: Estimated Source Test and AB 2588 Air Toxics Hot Spots Fees by Industry (\$MM)

Industry	NAICS	Source Test Fees ¹			AB 2588 Air Toxics Hot Spots Fees ¹		
		MMS	%	# of Fac.	MMS	%	# of Fac.
Agriculture, Forestry, Fishing & Hunting	11	\$0.00	0.00%	0	\$0.01	0.25%	43
Mining	21	\$0.01	1.57%	5	\$0.03	0.95%	47
Oil and Gas Extraction	211	\$0.00	1.08%	3	\$0.01	0.30%	25
Mining (except oil and gas)	212-213	\$0.00	0.50%	2	\$0.02	0.64%	22
Construction	23	\$0.00	0.21%	1	\$0.06	1.99%	268
Manufacturing	31-33	\$0.24	51.86%	107	\$0.47	15.13%	969
Food Manufacturing	311	\$0.01	2.78%	12	\$0.01	0.18%	30
Wood Products Manufacturing	321	\$0.00	0.00%	0	\$0.00	0.03%	6
Petroleum and Coal Products Mfg.	324	\$0.04	9.41%	15	\$0.10	3.11%	62
Chemical Manufacturing	325	\$0.01	1.79%	5	\$0.05	1.73%	115
Nonmetallic Mineral Product Mfg.	327	\$0.01	1.11%	5	\$0.01	0.19%	19
Primary & Fabricated Metal Mfg.	331-332	\$0.09	18.60%	30	\$0.15	4.80%	208
Machinery Manufacturing	333	\$0.01	2.27%	5	\$0.01	0.39%	25
Computer and Electronic Product Mfg.	334	\$0.00	0.39%	2	\$0.02	0.66%	104
Electrical Equipment & Appliance Mfg.	335	\$0.02	4.97%	4	\$0.01	0.45%	27
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.01	1.99%	11	\$0.03	0.81%	72
Other Manufacturing	312-339	\$0.04	8.54%	18	\$0.09	2.77%	301
Utilities	22	\$0.10	20.98%	33	\$0.19	6.07%	895
Transportation & Warehousing	48-49	\$0.01	3.14%	4	\$0.08	2.70%	426
Information	51	\$0.00	0.11%	1	\$0.09	3.02%	563
Publishing Industries, Except Internet	511	\$0.00	0.00%	0	\$0.00	0.08%	14
Motion Picture & Sound Recording	512	\$0.00	0.11%	1	\$0.01	0.34%	48
Internet Services and data processing	518,519	\$0.00	0.00%	0	\$0.01	0.19%	37
Other Information	Other in 51	\$0.00	0.00%	0	\$0.08	2.41%	464
Wholesale Trade	42	\$0.01	2.34%	8	\$0.11	3.40%	492
Retail Trade	44-45	\$0.02	3.44%	5	\$0.68	21.53%	3,207
Car & Parts Dealers	441	\$0.00	0.00%	0	\$0.04	1.18%	180
Gas Stations	447	\$0.00	0.23%	1	\$0.41	13.03%	1,883
Other Retail Trade	Other in 44-45	\$0.01	3.20%	4	\$0.23	7.31%	1,144
Finance and Insurance	52	\$0.00	0.00%	0	\$0.05	1.45%	271
Real Estate and Rental Leasing	53	\$0.00	0.00%	0	\$0.14	4.51%	858
Services	54-81	\$0.06	13.32%	44	\$0.91	28.95%	4,649
Professional and Technical Services	54	\$0.01	1.28%	7	\$0.06	1.82%	324
Accommodation	721	\$0.00	0.00%	0	\$0.04	1.12%	216
Food Services & Drinking Places	722	\$0.00	0.00%	0	\$0.02	0.56%	100
Automotive Repairs & Maintenance	8111	\$0.01	2.42%	2	\$0.40	12.87%	1,879
Dry Cleaning & Laundry Services	8123	\$0.00	0.26%	2	\$0.00	0.04%	7
Health Care & Social Assistance	62	\$0.01	1.45%	6	\$0.12	3.85%	707
Other Services	Other in 54-81	\$0.04	7.91%	27	\$0.27	8.70%	1,416
Public Administration	92	\$0.01	2.77%	7	\$0.21	6.55%	1,193
Unclassified²	N/A	\$0.00	0.26%	2	\$0.11	3.50%	597
Totals		\$0.46	100%	217	\$3.14	100%	14,478

¹ Based on permit applications in FY 2023-2024 (07/01/2023-06/30/2024).² Facilities with no NAICS codes assigned are categorized as "unclassified."

Area Source Fees for Architectural Coatings

Rule 314 – Fees for Architectural Coatings requires manufacturers to pay fees and report to the South Coast AQMD architectural coatings sales and emissions data. Rule 314 affects about 220 architectural coatings manufacturers classified under the chemical manufacturing sector (NAICS 325).

Fees are assessed based on the manufacturers’ reported annual quantity of architectural coatings sold and the respective VOC emissions. All fees collected from architectural coating sales in FY 2023-2024 pursuant to Rule 314 were about \$2.19 million. This amount represents around 1.5 percent of South Coast AQMD’s total fee revenue for FY 2023-2024, and about 0.008 percent of the chemical manufacturing industry’s economic output.⁹

Rule 2305 Annual WAIRE Fees

Rule 2305 – Warehouse Indirect Source Rule – Warehouse Actions and Investments to Reduce Emissions (WAIRE) Program requires warehouse owners to submit a Warehouse Operations Notification (WON) at least once. Warehouse operators are also required to submit a one-time Initial Site Information Report (ISIR), as well as an Annual WAIRE Report (AWR) to demonstrate compliance for the preceding compliance period. In FY 2023-2024, WON, ISIR, and AWR submittals were required, and the related fee payment pursuant to Rule 316 – Fees for Rule 2305 amounted to a total of \$560,735.

Additionally, Rule 2305 allows all affected facilities to pay a mitigation fee in addition to or in lieu of other rule compliance options. In FY 2023-2024, the total mitigation fees collected from Rule 2305 was \$20.23 million. Similar to Rule 2202 AQIP investment fee portion, Rule 2305 mitigation fee revenue goes to a special revenue account which is not part of the General Fund.

MAJOR REVENUE SOURCES BY INDUSTRY

Total fee revenue collected by South Coast AQMD for all fees reported is \$147.13 million, representing approximately 69 percent of South Coast AQMD’s estimated FY 2024-2025 revenue.^{10,11} Table 5 presents total fee revenue collected by major economic sector. These total fee revenues were estimated based on recent invoiced amounts at current fee rates. Thus, these figures may differ slightly from those in Table 1, which are based on actual revenue received.

⁹ Refer to “Major Revenue Sources by Industry” section and Table 6 for more details.

¹⁰ Includes fee revenue from the following sources: emission fees, permit processing fees, annual permit renewal fees, AB 2588 air toxics hot spots fees, source test fees, a portion of Rule 2202 fees, asbestos fees, architectural coating fees, and annual WAIRE fees.

¹¹ Estimated fee revenue collected for FY 2024-2025 is from Table 1.

Table 5: FY 2023-2024 Revenue from All Major Fee Categories by Sector

Sector	NAICS	Revenue from All Major Fee Categories (MMS)	% of Total Major Fee Categories
Agriculture, Forestry, Fishing & Hunting	11	\$0.26	0.17%
Mining	21	\$2.10	1.43%
Construction	23	\$6.09	4.14%
Manufacturing	31-33	\$56.94	38.70%
Utilities	22	\$5.78	3.93%
Transportation & Warehousing	48-49	\$6.03	4.10%
Information	51	\$1.15	0.78%
Wholesale Trade	42	\$7.13	4.84%
Retail Trade	44-45	\$18.90	12.84%
Finance and Insurance	52	\$0.70	0.47%
Real Estate and Rental Leasing	53	\$2.79	1.90%
Services	54-81	\$22.68	15.42%
Public Administration	92	\$3.19	2.17%
Unclassified ¹	N/A	\$13.41	9.11%
Total		\$147.13	100.00%

¹ Facilities with no NAICS codes assigned are categorized as "unclassified."

The manufacturing sector (NAICS 31-33) provides the greatest amount of fee revenue for FY 2023-2024 at about \$56.94 million, which is 39 percent of fee revenues (Figure 1). This is followed by the services sector (NAICS 54-81), providing about \$22.68 million, or 15 percent of fee revenues, and the retail trade sector (NAICS 44-45), providing \$18.90 million, representing a 13 percent share.

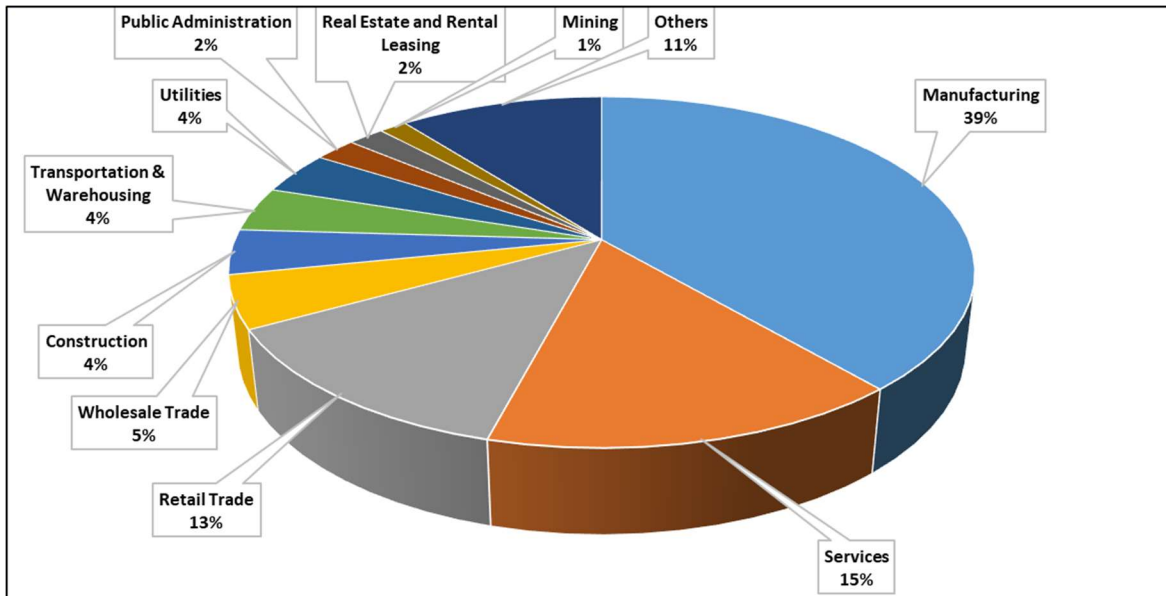
Figure 1: FY 2023-2024 Share of All Major Fee Revenue by Sector

Table 6 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 within South Coast AQMD's jurisdiction.¹² Output is measured as an industry's total sales revenue. Value-added is measured as an industry's profit margin plus its expenses on labor and capital. Total fees paid is relatively small compared to each industry's regional output or value-added. This is the case for both industries which are predominantly comprised of small businesses, such as retail trade, and for industries predominately comprised of large businesses, such as refineries.

The industries that paid among the highest fees relative to their output were oil and gas extraction (NAICS 211), mining (except oil and gas) (NAICS 212-213), and nonmetallic mineral product manufacturing (NAICS 327). The petroleum and coal products manufacturing industry paid the most, with a total of \$28.31 million, representing about two hundredths of one percent of the sector's output and about nine hundredths of a percent of the sector's value-added. Overall, South Coast AQMD's fee revenue represented less than one hundredth of one percent of aggregate industry output or value-added in the four-county region across all industries.

¹² Industry output and value-added data for 2022, the most recent historical data, was obtained from the Regional Economic Modeling, Inc. (REMI) model v3 in 2024 dollars.

Table 6: Share of Major Revenue by Detailed Industry

Industry Sector	NAICS	MMS	% of Total Fees	% of Total Output	% of Total Value Added
Agriculture, Forestry, Fishing & Hunting	11	\$0.26	0.17%	0.005%	0.011%
Mining	21	\$2.10	1.43%	0.043%	0.077%
Oil and Gas Extraction	211	\$1.13	0.77%	0.046%	0.083%
Mining (except oil and gas)	212-213	\$0.97	0.66%	0.040%	0.070%
Construction	23	\$6.09	4.14%	0.006%	0.011%
Manufacturing	31-33	\$56.94	38.70%	0.015%	0.039%
Food Manufacturing	311	\$2.44	1.66%	0.009%	0.028%
Wood Products Manufacturing	321	\$0.15	0.10%	0.005%	0.011%
Petroleum and Coal Products Mfg.	324	\$28.31	19.24%	0.023%	0.090%
Chemical Manufacturing	325	\$6.19	4.21%	0.022%	0.039%
Nonmetallic Mineral Product Mfg.	327	\$1.94	1.32%	0.039%	0.080%
Primary & Fabricated Metal Mfg.	331-332	\$7.30	4.96%	0.023%	0.058%
Machinery Manufacturing	333	\$0.69	0.47%	0.006%	0.014%
Computer and Electronic Product Mfg.	334	\$1.53	1.04%	0.005%	0.006%
Electrical Equipment & Appliance Mfg.	335	\$0.88	0.60%	0.015%	0.032%
Motor Vehicle & Trans. Equipment Mfg.	336	\$2.03	1.38%	0.005%	0.013%
Other Manufacturing	312-339	\$5.47	3.72%	0.006%	0.013%
Utilities	22	\$5.78	3.93%	0.024%	0.040%
Transportation & Warehousing	48-49	\$6.03	4.10%	0.005%	0.011%
Information	51	\$1.15	0.78%	0.001%	0.001%
Publishing Industries, Except Internet	511	\$0.04	0.03%	0.000%	0.000%
Motion Picture & Sound Recording	512	\$0.33	0.22%	0.000%	0.001%
Internet Services and data processing	518,519	\$0.10	0.07%	0.000%	0.000%
Other Information	Other in 51	\$0.68	0.46%	0.001%	0.002%
Wholesale Trade	42	\$7.13	4.84%	0.004%	0.007%
Retail Trade	44-45	\$18.90	12.84%	0.013%	0.022%
Car & Parts Dealers	441	\$1.03	0.70%	N/A	N/A
Gas Stations	447	\$10.91	7.42%	N/A	N/A
Other Retail Trade	Other in 44-45	\$6.96	4.73%	N/A	N/A
Finance and Insurance	52	\$0.70	0.47%	0.001%	0.001%
Real Estate and Rental Leasing	53	\$2.79	1.90%	0.001%	0.001%
Services	54-81	\$22.68	15.42%	0.003%	0.006%
Professional and Technical Services	54	\$4.32	2.93%	0.003%	0.004%
Accommodation	721	\$0.53	0.36%	0.004%	0.006%
Food Services & Drinking Places	722	\$0.82	0.56%	0.001%	0.002%
Automotive Repairs & Maintenance	8111	\$0.14	0.10%	0.001%	0.001%
Dry Cleaning & Laundry Services	8123	\$0.84	0.57%	0.006%	0.011%
Health Care & Social Assistance	62	\$2.55	1.73%	0.002%	0.003%
Other Services	Other in 54-81	\$13.48	9.16%	0.006%	0.010%
Public Administration	92	\$3.19	2.17%	0.001%	0.002%
Unclassified¹	N/A	\$13.41	9.11%	N/A	N/A
Total		\$147.13	100%	0.006%	0.010%

¹ Facilities with no NAICS codes assigned are categorized as "unclassified."

*N/A values exist due to lack of output and value added information from REMI model.

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 a 3.0 percent increase for the period of December 2023 to December 2024 unless the South Coast AQMD Governing Board decides to forgo the CPI increase.

To analyze only the impact of the CPI-based increase, the estimation is based on FY 2023-2024 emissions and the current equipment and activity profile of individual facilities. Thus, this estimate excludes any other changes to revenue, such as changes in activity levels, as discussed in the Revenue Trend section. Based on this methodology, the fee rate increases from the 3.0 percent CPI increase are estimated to increase total South Coast AQMD revenue by approximately \$3.64 million. This estimate is only for the CPI-based increase and differs from the estimate in Table 1 for reasons discussed above.

Table 7 shows the distribution of the fee changes across the affected industries. The manufacturing sector would experience the largest increase in fees (approximately \$1.52 million for about 3,155 facilities), followed by the services sector (approximately \$0.64 million for about 9,144 facilities), the retail trade sector (approximately \$0.51 million for about 4,189 facilities), with the remaining sectors accounting for approximately \$0.97 million. Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, will have an increase of around \$0.70 million, or about 19 percent of the overall increase.

SUMMARY

The preceding analysis provides background information on South Coast AQMD's revenue and summarizes the economic impact on facilities regulated by South Coast AQMD due to the automatic consumer price index increase per Rule 320. Based on the fee categories examined in the analysis and last year's activity levels, South Coast AQMD revenues are expected to increase by \$3.64 million due to this fee rate increase. However, the amount of South Coast AQMD fees paid by each industry remained small relative to the industry's economic output or value-added (less than 0.01 percent overall).

Table 7: Revenue Impact of the Fee Rate Increase by Industry Sector

Industry	NAICS	Estimated Number of Facilities Affected	Revenue Change Due to 3.0% CPI Adjustment	Percent of Total CPI Increase
Agriculture, Forestry, Fishing & Hunting	111-115	103	\$7,750	0.21%
Mining	21	208	\$63,038	1.73%
Oil and Gas Extraction	211	112	\$33,833	0.93%
Mining (except oil and gas)	212-213	96	\$29,205	0.80%
Construction	23	919	\$171,966	4.72%
Manufacturing	31-33	3,155	\$1,522,164	41.81%
Food Manufacturing	311	202	\$67,508	1.85%
Wood Products Manufacturing	321	64	\$3,441	0.09%
Petroleum and Coal Products Mfg.	324	152	\$700,200	19.23%
Chemical Manufacturing	325	318	\$175,542	4.82%
Nonmetallic Mineral Product Mfg.	327	195	\$58,286	1.60%
Primary & Fabricated Metal Mfg.	331-332	708	\$215,619	5.92%
Machinery Manufacturing	333	162	\$18,858	0.52%
Computer and Electronic Product Mfg.	334	213	\$45,864	1.26%
Electrical Equipment & Appliance Mfg.	335	122	\$19,843	0.54%
Motor Vehicle & Trans. Equipment Mfg.	336	201	\$60,225	1.65%
Other Manufacturing	312-339	818	\$156,777	4.31%
Utilities	22	1,227	\$173,268	4.76%
Transportation & Warehousing	48-49	641	\$89,645	2.46%
Information	51	688	\$34,201	0.94%
Publishing Industries, Except Internet	511	20	\$1,242	0.03%
Motion Picture & Sound Recording	512	79	\$9,323	0.26%
Internet Services and data processing	518,519	49	\$2,909	0.08%
Other Information	Other in 51	540	\$20,727	0.57%
Wholesale Trade	42	1,031	\$159,186	4.37%
Retail Trade	44-45	4,189	\$510,362	14.02%
Car & Parts Dealers	441	282	\$14,037	0.39%
Gas Stations	447	1,943	\$327,321	8.99%
Other Retail Trade	Other in 44-45	1,964	\$169,004	4.64%
Finance and Insurance	52	320	\$20,505	0.56%
Real Estate and Rental Leasing	53	1,127	\$57,739	1.59%
Services	54-81	9,144	\$639,064	17.55%
Professional and Technical Services	54	769	\$111,803	3.07%
Accommodation	721	274	\$16,023	0.44%
Food Services & Drinking Places	722	1,786	\$23,651	0.65%
Automotive Repairs & Maintenance	8111	2,025	\$92,674	2.55%
Dry Cleaning & Laundry Services	8123	775	\$20,685	0.57%
Health Care & Social Assistance	62	803	\$75,801	2.08%
Other Services	Other in 54-81	2,712	\$298,427	8.20%
Public Administration	92	1,738	\$95,547	2.62%
Unclassified¹	N/A	790	\$96,546	2.65%
Totals		25,280	\$3,640,981	100%

¹ Facilities with no NAICS codes assigned are categorized as "unclassified."

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