

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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

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EXECUTIVE SUMMARY

As set forth in South Coast Air Quality Management District's (South Coast AQMD) Rule 320 – Automatic Adjustment Based on Consumer Price Index for Regulation III Fees and the statutory fee authority established in Health and Safety Code Sections 40500.1 and 40510, most fees within Regulation III – Fees are required to be automatically adjusted by the change in the California Consumer Price Index (CPI) for the preceding calendar year unless the South Coast AQMD Governing Board decides to forego the increase. (CPI). The October 29, 2010 South Coast AQMD Governing Board Resolution requires an assessment of the adjusted fee rates based on the previous year's CPI by March 15 of every year. For the calendar year from December 2024 to December 2025, the California CPI increased by 3.2 percent. Thus, a socioeconomic analysis was conducted to assess the impacts of an automatic adjustment to the applicable Fees in Regulation III by 3.2 percent.

The analysis provides background information, historical revenue trends, sector distributions, and estimated increased fee revenue from the CPI adjustment of South Coast AQMD fees. This report evaluates the application of a 3.2 percent increase in CPI to the collected fees reported generally in Fiscal Year (FY) 2024-2025, but in some cases, in Calendar Year (CY) 2025. The following presents a summary of the analysis and findings.

Fee Increases Pursuant to Rule 320 and Health and Safety Code Sections 40500.1 and 40510, a 3.2 percent increase of most fee rates contained in Regulation III (equivalent to the change in California CPI from December 2024 to December 2025) will be applied, effective July 1, 2026. 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 automatic fee increases required by Rule 320.

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 (62 percent), permit processing fees (33 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 0.012 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 3.2 percent is projected to bring additional revenue totaling \$4.11 million to the South Coast AQMD. The manufacturing sector would incur the largest increase in fees (approximately \$1.66 million for about 3,021 facilities), followed by the services sector (approximately \$0.71 million for about 8,929 facilities) and the retail trade sector (approximately \$0.57 million for about 4,171 facilities). Within the manufacturing sector, the petroleum and coal products manufacturing industry consisting of 146 facilities, mostly comprised of refineries, would experience an increase of approximately \$0.75 million.

INTRODUCTION

The South Coast Air Quality Management District (South Coast AQMD) General Fund consists of revenues from many sources, as required by the multiple fee rules which comprise Regulation III – Fees.¹ The majority of South Coast AQMD revenues are comprised of 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.

In addition, as established in Rule 320 – Automatic Adjustment Based on Consumer Price Index for Regulation III Fees in accordance with the statutory fee authority set forth in Health and Safety Code Sections 40500.1 and 40510, most fees within Regulation III are required to be automatically adjusted by the change in the California Consumer Price Index (CPI) for the preceding calendar year, unless the South Coast AQMD Governing Board decides to forego the increase.² In addition, the October 29, 2010 South Coast AQMD Governing Board Resolution requires an annual socioeconomic analysis of the adjusted fee rates based on the previous calendar year’s CPI by March 15.³ For the most recent calendar year (e.g., from December 2024 to December 2025), the California CPI increased by 3.2 percent. Thus, a socioeconomic analysis was conducted to assess the impacts of an automatic adjustment to the applicable fees in Regulation III by 3.2 percent.

As set forth in Rule 320 subdivision (b), the automatic fee adjustment goes into effect at the start of South Coast AQMD’s fiscal year (FY) which runs from July 1 to June 30.⁴ The annual, automatic increase in fee rates for the past five fiscal years (FY) and the upcoming FY are as follows: 1.7 percent in FY 2021-2022,⁵ 6.5 percent in FY 2022-2023, 5.6 percent in FY 2023-2024, 3.5 percent in FY 2024-25, 3.0 percent in FY 2025-2026, and 3.2 percent in FY 2026-2027.

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

¹ South Coast AQMD, Regulation III – Fees, <https://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/regulation-iii>.

² South Coast AQMD, Rule 320 – Automatic Adjustment Based on Consumer Price Index for Regulation III Fees, <https://www.aqmd.gov/docs/default-source/rule-book/reg-iii/rule-320.pdf>.

³ South Coast AQMD, 2010, Adoption of Proposed Rule 320, Minutes of the October 29, 2010 Special Governing Board Meeting are found here: <http://www3.aqmd.gov/hb/2010/November/11101a.htm>

⁴ For example, FY 2024-2025 refers the period from July 1, 2024 to June 30, 2025.

⁵ 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 FY 2020-2021 and FY 2021-2022, respectively.

portion of Rule 2202 fees.⁶ 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.

As set forth in Health and Safety Code Sections 40440.8 and 40728.5, 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 as required by Rule 320 does not impact air quality or emissions limitations, the South Coast AQMD Governing Board directed staff to prepare a socioeconomic analysis of the impacts of an automatic CPI adjustment in a given year.⁷

REVENUE TREND

Table 1 lists historical revenue for two prior FYs, estimated revenue for the current FY 2025-2026, and projected revenue for FY 2026-2027 by major fee category. Estimated revenue for FY 2025-2026 is based on actual revenue received through January 2026. FY 2026-2027 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 59 percent of South Coast AQMD's estimated total FY 2025-2026 revenue.

Compared to the estimated revenue in FY 2025-2026, a net total revenue increase of \$8.7 million is projected for FY 2026-2027 which reflects the impact of the CPI-based fee rate increase but also reflects other impacts such as changes in state funding, the phase-in of amended or new fees, and the forecasted changes in activity levels. The estimated revenue impact solely due to the CPI increase for FY 2026-2027 is estimated separately, later in this report (see Table 7).

⁶ All Rule 2202 fees are subject to annual CPI adjustment except for Air Quality Investment Program (AQIP) fees per Rule 311 (c) and service charges for returned checks per Rule 308 (i). AQIP fees are administered into a restricted fund and not in the South Coast AQMD general fund.

⁷ South Coast AQMD, 2010, Adoption of Proposed Rule 320, Minutes of the October 29, 2010 Special Governing Board Meeting are found here: <http://www3.aqmd.gov/hb/2010/November/11101a.htm>

Table 1: Actual and Estimated South Coast AQMD Revenue

Revenue Category	FY 2023-2024 Actual* (Thousands)	FY 2024-2025 Actual* (Thousands)	FY 2025-2026 Estimated** (Thousands)	FY 2026-2027 Projected (Thousands)	Changes in Revenue From FY 2025-2026 Estimated to FY 2026-2027 Projected	
					(Thousands)	(%)
Emissions Fees	\$21,380	\$22,395	\$22,749	\$26,458	\$3,709	16.3%
Annual Renewal Fees (w/o PERP)	\$75,123	\$80,495	\$85,014	\$89,211	\$4,196	4.9%
Permit Processing Fees	\$19,195	\$21,708	\$21,048	\$22,745	\$1,697	8.1%
Mobile Sources/Clean Fuels Fees	\$30,136	\$32,859	\$30,401	\$34,239	\$3,838	12.6%
Sources Test & Lab Analyses Fees	\$431	\$880	\$872	\$1,329	\$458	52.5%
Hearing Board Fees	\$818	\$785	\$445	\$738	\$293	65.7%
Transportation Program (Rule 2202) Fees	\$1,095	\$796	\$718	\$815	\$97	13.6%
Other Revenue***	\$56,405	\$62,000	\$55,266	\$49,670	-\$5,596	-10.1%
Total	\$204,583	\$221,918	\$216,513	\$225,205	\$8,693	4.0%

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

* Information as reported in the Annual Comprehensive Financial Reports (FY 2023-2024 and FY 2024-2025).

** Estimates are based on actual revenue received through January 2026.

*** Other Revenues include CARB subvention funds; state and federal grants; interest; lease income; penalties/settlements; subscriptions; AB 2588 reimbursement; miscellaneous revenues; CARB Portable Equipment Registration Program (PERP) fees; area source fees; and transfers 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 2024-2025 or calendar year (CY) 2025. 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

As shown in Table 1 for FY 2025-2026, emission fees account for approximately 11 percent of South Coast AQMD's estimated total revenue. In May 2001, a flat annual operating emission fee was added to Rule 301 (e)(4) which is applicable to all facilities with at least one operating permit.⁸ The addition of the flat annual operating emission fee was in response to recommendations made 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 conducted by Thompson, Cobb, Bazilio & Associates (March 1999).

Table 2 shows the estimated revenue collected or to be collected from 20,438 facilities as a result of the flat annual operating emission fees (\$3.39 million) and other annual operating emission fees from 994 facilities (\$17.80 million).⁹ The latter category of fees contributed approximately 84 percent of the total emission fees collected.¹⁰ 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.¹¹

Approximately 6,248 facilities in the service sector (NAICS 54-81) collectively contributed \$1.04 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 \$0.62 million, or 18 percent of the total flat annual operating emission fees paid by 3,722 facilities.

In comparison, other annual operating emission fees were mostly collected from larger businesses within certain industries. Among the 994 facilities subject to annual operating emission fees, 35 percent were manufacturers (NAICS 31-33), which contributed \$12.79 million, or 72 percent, of these fees invoiced in 2025. Out of the \$12.79 million fee payments, 83 percent, or \$10.64 million, was paid by the petroleum and coal industry (NAICS 324) which contributed 60 percent of total emission-based fees.

⁸ This provision excludes equipment subject to Rule 222 – Filing Requirements for Specific Emission Sources Not Requiring a Written Permit Pursuant to Regulation II.

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

¹⁰ Emission-based fees were derived from CY 2025 invoices, or the amount a facility should have paid in CY 2025 based on existing applicable Rule 301 fee rates.

¹¹ 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 Facilities ³	MMS	%	# of Facilities	MMS	%
Agriculture, Forestry, Fishing & Hunting	11	\$0.01	0.39%	80	\$0.08	0.47%	10	\$0.10	0.46%
Mining	21	\$0.03	0.77%	157	\$0.47	2.65%	54	\$0.50	2.35%
Oil and Gas Extraction	211	\$0.01	0.37%	76	\$0.24	1.35%	28	\$0.25	1.20%
Mining (except oil and gas)	212-213	\$0.01	0.40%	81	\$0.23	1.30%	26	\$0.24	1.15%
Construction	23	\$0.11	3.30%	675	\$0.12	0.67%	15	\$0.23	1.09%
Manufacturing	31-33	\$0.44	12.92%	2,638	\$12.79	71.87%	345	\$13.23	62.44%
Food Manufacturing	311	\$0.03	0.82%	168	\$0.06	0.36%	23	\$0.09	0.44%
Wood Products Manufacturing	321	\$0.01	0.25%	51	\$0.01	0.06%	2	\$0.02	0.09%
Petroleum and Coal Products Mfg.	324	\$0.02	0.54%	111	\$10.64	59.75%	39	\$10.66	50.28%
Chemical Manufacturing	325	\$0.05	1.36%	277	\$0.27	1.50%	50	\$0.31	1.48%
Nonmetallic Mineral Product Mfg.	327	\$0.03	0.83%	170	\$0.24	1.33%	32	\$0.26	1.25%
Primary & Fabricated Metal Mfg.	331-332	\$0.10	3.05%	622	\$0.57	3.23%	78	\$0.68	3.20%
Machinery Manufacturing	333	\$0.02	0.65%	133	\$0.06	0.31%	5	\$0.08	0.37%
Computer and Electronic Product Mfg.	334	\$0.03	0.94%	191	\$0.05	0.27%	12	\$0.08	0.38%
Electrical Equipment & Appliance Mfg.	335	\$0.02	0.47%	97	\$0.02	0.10%	7	\$0.03	0.16%
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.03	0.84%	171	\$0.11	0.61%	28	\$0.14	0.65%
Other Manufacturing	312-339	\$0.11	3.17%	647	\$0.77	4.35%	69	\$0.88	4.16%
Utilities	22	\$0.20	5.85%	1,195	\$0.87	4.88%	70	\$1.07	5.03%
Transportation & Warehousing	48-49	\$0.10	2.83%	578	\$0.50	2.83%	29	\$0.60	2.83%
Information	51	\$0.10	2.93%	598	\$0.04	0.25%	8	\$0.14	0.68%
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	\$0.05	0.26%	5	\$0.06	0.27%
Internet Services and data processing	518,519	\$0.01	0.19%	39	\$0.00	0.00%	0	\$0.01	0.03%
Other Information	Other in 51	\$0.08	2.34%	478	\$0.00	-0.01%	3	\$0.08	0.37%
Wholesale Trade	42	\$0.14	4.26%	871	\$0.46	2.57%	51	\$0.60	2.84%
Retail Trade	44-45	\$0.62	18.21%	3,722	\$0.38	2.13%	106	\$1.00	4.71%
Car & Parts Dealers	441	\$0.04	1.24%	255	\$0.01	0.04%	14	\$0.05	0.23%

Industry	NAICS	Flat Fee ¹			Emission-based Fees ²			Total	
		MMS	%	# of Facilities ³	MMS	%	# of Facilities	MMS	%
Gas Stations	447	\$0.30	8.79%	1,796	\$0.18	1.03%	35	\$0.48	2.27%
Other Retail Trade	Other in 44-45	\$0.28	8.17%	1,671	\$0.19	1.06%	57	\$0.47	2.20%
Finance and Insurance	52	\$0.04	1.30%	266	\$0.00	0.00%	0	\$0.04	0.21%
Real Estate and Rental Leasing	53	\$0.16	4.81%	983	\$0.01	0.04%	7	\$0.17	0.81%
Services	54-81	\$1.04	30.57%	6,248	\$1.79	10.07%	262	\$2.83	13.35%
Professional and Technical Services	54	\$0.09	2.78%	567	\$0.06	0.32%	12	\$0.15	0.71%
Accommodation	721	\$0.04	1.12%	228	\$0.01	0.03%	1	\$0.04	0.20%
Food Services & Drinking Places	722	\$0.02	0.60%	123	\$0.01	0.03%	4	\$0.03	0.12%
Automotive Repairs & Maintenance	8111	\$0.28	8.37%	1,709	\$0.03	0.16%	64	\$0.31	1.47%
Dry Cleaning & Laundry Services	8123	\$0.11	3.20%	653	\$0.00	0.00%	0	\$0.11	0.51%
Health Care & Social Assistance	62	\$0.12	3.44%	704	\$0.41	2.31%	114	\$0.53	2.49%
Other Services	Other in 54-81	\$0.38	11.07%	2,264	\$1.28	7.21%	67	\$1.66	7.83%
Public Administration	92	\$0.27	8.08%	1,651	\$0.18	1.04%	26	\$0.46	2.16%
Unclassified⁴	N/A	\$0.13	3.79%	776	\$0.09	0.52%	11	\$0.22	1.04%
Total		\$3.39	100%	20,438	\$17.80	100%	994	\$21.19	100%

¹ Flat annual operating emission fees based on FY 2024-2025 (July 1, 2024 to June 30, 2025).

² Other emission fees based on CY 2025 (January 1, 2025 to December 31, 2025).

³ Almost all facilities paying emission-based fees also pay the flat fee

⁴ 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 \$16.34 million from 3,259 facilities that applied for permits to construct or operate was invoiced during FY 2024-2025. Facilities can apply for multiple permits. As with emission fees, most permit processing fee revenue came from the manufacturing sector, which contributed \$5.33 million, or 33 percent of permit processing fee revenue. Within facilities with valid NAICS codes, the services sector paid the second most of permit processing fees with \$2.57 million, or 16 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, 25,044 facilities held operating permits in FY 2024-2025. By February 19, 2026, these facilities are estimated to have paid \$78.39 million for FY 2024-2025. The manufacturing sector was the largest contributor paying \$30.20 million, or 39 percent of total annual permit renewal fee revenue, across 3,021 facilities. The retail trade sector paid about \$14.94 million, or 19 percent of total annual permit renewal fee revenue, across 4,171 facilities, while the service sector paid about \$13.18 million, or 17 percent of total annual permit renewal fee revenue, across 8,929 facilities.

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

Rule 301 (aa) contains 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 2025, about \$4.77 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 Facilities	MMS	%	# of Facilities
Agriculture, Forestry, Fishing & Hunting	11	\$0.01	0.04%	12	\$0.13	0.16%	100
Mining	21	\$0.23	1.42%	19	\$1.51	1.92%	196
Oil and Gas Extraction	211	\$0.07	0.41%	7	\$0.94	1.20%	104
Mining (except oil and gas)	212-213	\$0.17	1.01%	12	\$0.56	0.72%	92
Construction	23	\$0.35	2.14%	87	\$2.07	2.65%	908
Manufacturing	31-33	\$5.33	32.65%	382	\$30.20	38.52%	3,021
Food Manufacturing	311	\$0.40	2.47%	32	\$1.80	2.29%	196
Wood Products Manufacturing	321	\$0.02	0.10%	5	\$0.08	0.11%	61
Petroleum and Coal Products Mfg.	324	\$0.57	3.51%	25	\$12.25	15.62%	146
Chemical Manufacturing	325	\$0.41	2.49%	39	\$2.67	3.41%	305
Nonmetallic Mineral Product Mfg.	327	\$0.09	0.57%	13	\$1.57	2.00%	186
Primary & Fabricated Metal Mfg.	331-332	\$1.39	8.54%	95	\$4.93	6.29%	685
Machinery Manufacturing	333	\$0.08	0.47%	15	\$0.48	0.61%	152
Computer and Electronic Product Mfg.	334	\$0.39	2.40%	37	\$1.00	1.28%	212
Electrical Equipment & Appliance Mfg.	335	\$0.17	1.07%	24	\$0.52	0.66%	117
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.45	2.78%	23	\$1.31	1.67%	195
Other Manufacturing	312-339	\$1.35	8.25%	74	\$3.59	4.57%	766
Utilities	22	\$1.02	6.23%	112	\$3.50	4.47%	1,242
Transportation & Warehousing	48-49	\$0.50	3.07%	80	\$1.98	2.52%	645
Information	51	\$0.52	3.18%	115	\$0.67	0.85%	640
Publishing Industries, Except Internet	511	\$0.01	0.04%	5	\$0.03	0.03%	17
Motion Picture & Sound Recording	512	\$0.08	0.47%	12	\$0.20	0.25%	74

Industry	NAICS	Permit Processing Fees ¹			Annual Permit Renewal Fees ²		
		MMS	%	# of Facilities	MMS	%	# of Facilities
Internet Services and data processing	518,519	\$0.01	0.08%	4	\$0.07	0.09%	46
Other Information	Other in 51	\$0.42	2.58%	94	\$0.37	0.48%	503
Wholesale Trade	42	\$0.58	3.58%	93	\$4.16	5.30%	1,015
Retail Trade	44-45	\$1.18	7.23%	365	\$14.94	19.06%	4,171
Car & Parts Dealers	441	\$0.10	0.61%	20	\$0.34	0.43%	281
Gas Stations	447	\$0.59	3.58%	116	\$9.93	12.67%	1,892
Other Retail Trade	Other in 44-45	\$0.50	3.04%	229	\$4.68	5.97%	1,998
Finance and Insurance	52	\$0.06	0.38%	45	\$0.42	0.54%	317
Real Estate and Rental Leasing	53	\$0.31	1.88%	109	\$1.41	1.80%	1,120
Services	54-81	\$2.57	15.73%	725	\$13.18	16.81%	8,929
Professional and Technical Services	54	\$0.37	2.24%	101	\$2.09	2.67%	767
Accommodation	721	\$0.03	0.19%	23	\$0.37	0.47%	273
Food Services & Drinking Places	722	\$0.09	0.55%	66	\$0.70	0.89%	1,677
Automotive Repairs & Maintenance	8111	\$0.31	1.90%	97	\$2.08	2.65%	1,979
Dry Cleaning & Laundry Services	8123	\$0.04	0.24%	36	\$0.51	0.65%	736
Health Care & Social Assistance	62	\$0.38	2.33%	113	\$1.62	2.07%	797
Other Services	Other in 54-81	\$1.35	8.28%	289	\$5.81	7.41%	2,700
Public Administration	92	\$0.47	2.89%	125	\$2.18	2.79%	1,729
Unclassified³	N/A	\$3.20	19.57%	990	\$2.04	2.61%	1,011
Total		\$16.34	100%	3,259	\$78.39	100%	25,044

¹ Based on permit applications in FY 2024-2025 (July 1, 2024 to June 30, 2025).

² Based on permits held in FY 2024-2025 and paid by February 19, 2026.

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 2024-2025. As illustrated in Table 4, the combined source test fee revenue from Rules 304 and 304.1 was \$0.83 million. Manufacturing accounted for 48 percent of this revenue, followed by Services with 22 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 2024-2025 was approximately \$3.20 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 14 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, and provides 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 2024-2025. A total of \$0.65 million was collected from Rule 2202 fees (excluding investment fees) where the services, public administration, and retail trade sectors accounted for 36, 19, and 15 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 2024-2025, 27,120 notifications were submitted in compliance with Rule 1403, generating around \$5.66 million in revenue. The construction and service sectors incurred the majority of asbestos fees at 50 percent and 40 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 Facilities	MMS	%	# of Facilities
Agriculture, Forestry, Fishing & Hunting	11	\$0.00	0.32%	1	\$0.01	0.26%	44
Mining	21	\$0.01	1.26%	7	\$0.03	0.91%	43
Oil and Gas Extraction	211	\$0.01	0.80%	4	\$0.01	0.27%	23
Mining (except oil and gas)	212-213	\$0.00	0.46%	3	\$0.02	0.64%	20
Construction	23	\$0.01	0.77%	6	\$0.06	2.03%	269
Manufacturing	31-33	\$0.40	48.33%	154	\$0.44	13.84%	927
Food Manufacturing	311	\$0.02	2.22%	12	\$0.01	0.21%	34
Wood Products Manufacturing	321	\$0.00	0.00%	0	\$0.00	0.03%	6
Petroleum and Coal Products Mfg.	324	\$0.10	11.79%	14	\$0.08	2.57%	58
Chemical Manufacturing	325	\$0.01	1.16%	6	\$0.05	1.47%	107
Nonmetallic Mineral Product Mfg.	327	\$0.01	0.99%	6	\$0.01	0.19%	19
Primary & Fabricated Metal Mfg.	331-332	\$0.11	12.90%	54	\$0.14	4.29%	197
Machinery Manufacturing	333	\$0.03	3.32%	8	\$0.01	0.39%	23
Computer and Electronic Product Mfg.	334	\$0.01	1.40%	6	\$0.02	0.61%	95
Electrical Equipment & Appliance Mfg.	335	\$0.03	3.09%	10	\$0.01	0.46%	28
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.02	2.69%	11	\$0.03	0.83%	73
Other Manufacturing	312-339	\$0.07	8.77%	27	\$0.09	2.80%	287
Utilities	22	\$0.11	12.95%	43	\$0.18	5.73%	893
Transportation & Warehousing	48-49	\$0.04	5.44%	9	\$0.09	2.78%	437
Information	51	\$0.00	0.00%	0	\$0.10	3.03%	560
Publishing Industries, Except Internet	511	\$0.00	0.00%	0	\$0.00	0.08%	13
Motion Picture & Sound Recording	512	\$0.00	0.00%	0	\$0.01	0.33%	45

Industry	NAICS	Source Test Fees ¹			AB 2588 Air Toxics Hot Spots Fees ¹		
		MMS	%	# of Facilities	MMS	%	# of Facilities
Internet Services and data processing	518,519	\$0.00	0.00%	0	\$0.01	0.20%	38
Other Information	Other in 51	\$0.00	0.00%	0	\$0.08	2.43%	464
Wholesale Trade	42	\$0.02	2.67%	11	\$0.11	3.40%	484
Retail Trade	44-45	\$0.02	2.45%	12	\$0.69	21.64%	3,169
Car & Parts Dealers	441	\$0.00	0.35%	3	\$0.04	1.20%	182
Gas Stations	447	\$0.01	1.72%	7	\$0.41	12.92%	1,835
Other Retail Trade	Other in 44-45	\$0.00	0.39%	2	\$0.24	7.52%	1,152
Finance and Insurance	52	\$0.00	0.13%	1	\$0.04	1.41%	258
Real Estate and Rental Leasing	53	\$0.00	0.23%	2	\$0.15	4.63%	870
Services	54-81	\$0.18	22.12%	68	\$0.94	29.28%	4,657
Professional and Technical Services	54	\$0.02	2.92%	11	\$0.06	1.90%	334
Accommodation	721	\$0.00	0.33%	2	\$0.04	1.13%	214
Food Services & Drinking Places	722	\$0.00	0.13%	1	\$0.02	0.56%	99
Automotive Repairs & Maintenance	8111	\$0.00	0.09%	2	\$0.41	12.87%	1,854
Dry Cleaning & Laundry Services	8123	\$0.00	0.07%	1	\$0.01	0.40%	58
Health Care & Social Assistance	62	\$0.04	4.52%	7	\$0.12	3.83%	692
Other Services	Other in 54-81	\$0.12	14.05%	44	\$0.27	8.59%	1,406
Public Administration	92	\$0.02	2.34%	9	\$0.21	6.70%	1,201
Unclassified²	N/A	\$0.01	0.98%	6	\$0.14	4.37%	728
Total		\$0.83	100%	329	\$3.20	100%	14,540

¹ Based on permit applications in FY 2024-2025 (July 1, 2024 to June 30, 2025).

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 2024-2025 pursuant to Rule 314 were about \$2.31 million. This amount represents around 1.4 percent of South Coast AQMD’s total fee revenue for FY 2024-2025, and about 0.008 percent of the chemical manufacturing industry’s economic output.¹²

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 2024-2025, 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 \$905,726.

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 2024-2025, the total mitigation fees collected from Rule 2305 was \$30.64 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 \$164.88 million, representing approximately 76 percent of South Coast AQMD’s estimated FY 2025-2026 revenue.^{13,14} 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.

¹² Refer to “Major Revenue Sources by Industry” section and Table 6 for more details.

¹³ 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.

¹⁴ Estimated fee revenue collected for FY 2025-2026 is from Table 1.

Table 5: FY 2024-2025 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	\$0.25	0.15%
Mining	21	\$2.30	1.39%
Construction	23	\$5.84	3.54%
Manufacturing	31-33	\$58.94	35.75%
Utilities	22	\$5.88	3.57%
Transportation & Warehousing	48-49	\$9.09	5.51%
Information	51	\$1.48	0.90%
Wholesale Trade	42	\$9.82	5.95%
Retail Trade	44-45	\$23.37	14.17%
Finance and Insurance	52	\$0.63	0.38%
Real Estate and Rental Leasing	53	\$4.42	2.68%
Services	54-81	\$24.17	14.66%
Public Administration	92	\$3.50	2.12%
Unclassified ¹	N/A	\$15.20	9.22%
Total		\$164.88	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 2024-2025 at about \$58.94 million, which is 36 percent of fee revenues (Figure 1). This is followed by the services sector (NAICS 54-81), providing about \$24.17 million, or 15 percent of fee revenues, and the retail trade sector (NAICS 44-45), providing \$23.37 million, representing a 14 percent share.

Figure 1: All Major Fee Revenue by Sector for FY 2025-2026

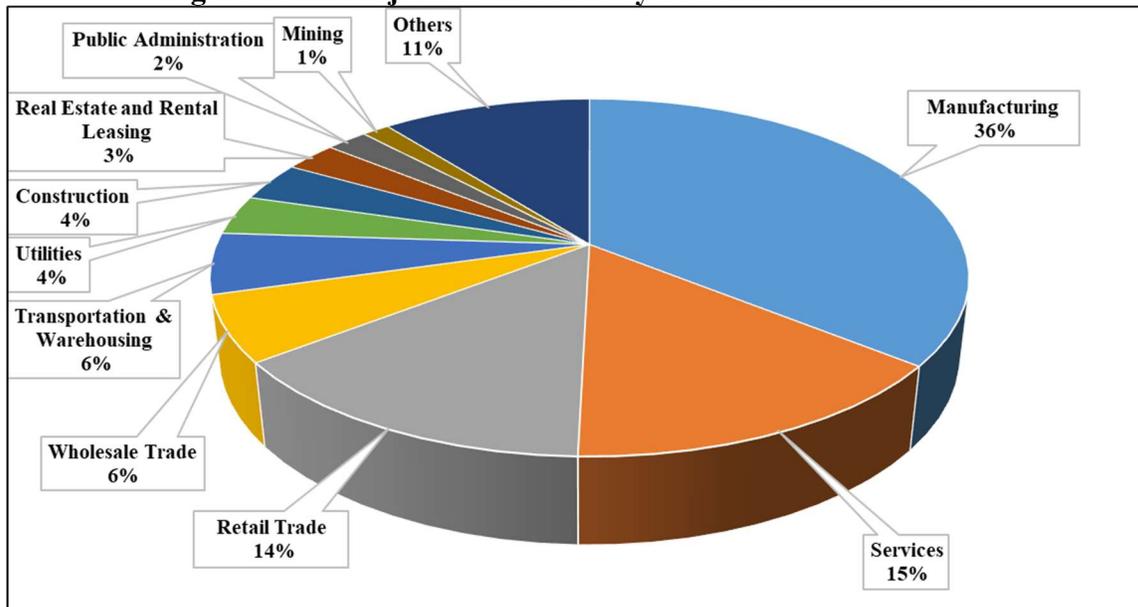


Table 6 shows the percentage of fees from these categories relative to each industry's total (gross) output and value-added to evaluate them relative to different economic measures of industries within South Coast AQMD's jurisdiction.¹⁵ Output is measured as an industry's total sales revenue. Value-added is measured as an industry's profit margin plus its expenses on labor and capital. Total fees paid are 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 \$28.43 million, representing about 0.03 percent of the sector's output and about 0.10 percent of the sector's value-added. Overall, South Coast AQMD's fee revenue represented less than 0.012 percent of aggregate industry output or value-added in the four-county region across all industries.

¹⁵ Industry output and value-added data for 2023, the most recent historical data, was obtained from the Regional Economic Modeling, Inc. (REMI) model (version 3.1) in 2025 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	\$0.25	0.15%	0.005%	0.013%
Mining	21	\$2.30	1.39%	0.059%	0.105%
Oil and Gas Extraction	211	\$1.28	0.78%	0.082%	0.147%
Mining (except oil and gas)	212-213	\$1.02	0.62%	0.044%	0.077%
Construction	23	\$5.84	3.54%	0.006%	0.011%
Manufacturing	31-33	\$58.94	35.75%	0.016%	0.039%
Food Manufacturing	311	\$2.49	1.51%	0.009%	0.029%
Wood Products Manufacturing	321	\$0.19	0.11%	0.007%	0.016%
Petroleum and Coal Products Mfg.	324	\$28.43	17.24%	0.026%	0.103%
Chemical Manufacturing	325	\$6.32	3.84%	0.022%	0.041%
Nonmetallic Mineral Product Mfg.	327	\$1.94	1.18%	0.037%	0.074%
Primary & Fabricated Metal Mfg.	331-332	\$7.34	4.45%	0.025%	0.063%
Machinery Manufacturing	333	\$0.89	0.54%	0.008%	0.018%
Computer and Electronic Product Mfg.	334	\$1.52	0.92%	0.004%	0.004%
Electrical Equipment & Appliance Mfg.	335	\$0.94	0.57%	0.015%	0.031%
Motor Vehicle & Trans. Equipment Mfg.	336	\$2.00	1.22%	0.005%	0.012%
Other Manufacturing	312-339	\$6.86	4.16%	0.012%	0.027%
Utilities	22	\$5.88	3.57%	0.028%	0.047%
Transportation & Warehousing	48-49	\$9.09	5.51%	0.007%	0.016%
Information	51	\$1.48	0.90%	0.001%	0.001%
Publishing Industries, Except Internet	511	\$0.04	0.03%	0.000%	0.000%
Motion Picture & Sound Recording	512	\$0.35	0.21%	0.000%	0.001%
Internet Services and data processing	518,519	\$0.10	0.06%	0.000%	0.000%
Other Information	Other in 51	\$0.98	0.60%	0.001%	0.003%
Wholesale Trade	42	\$9.82	5.95%	0.005%	0.009%
Retail Trade	44-45	\$23.37	14.17%	0.017%	0.028%

Industry Sector	NAICS	MMS	% of Total Fees	% of Total Output	% of Total Value Added
Car & Parts Dealers	441	\$0.55	0.33%	N/A	N/A
Gas Stations	447	\$11.43	6.93%	N/A	N/A
Other Retail Trade	Other in 44-45	\$11.39	6.91%	N/A	N/A
Finance and Insurance	52	\$0.63	0.38%	0.000%	0.001%
Real Estate and Rental Leasing	53	\$4.42	2.68%	0.001%	0.002%
Services	54-81	\$24.17	14.66%	0.003%	0.006%
Professional and Technical Services	54	\$4.32	2.62%	0.002%	0.004%
Accommodation	721	\$0.50	0.31%	0.003%	0.005%
Food Services & Drinking Places	722	\$1.07	0.65%	0.001%	0.003%
Automotive Repairs & Maintenance	8111	\$0.14	0.08%	0.001%	0.001%
Dry Cleaning & Laundry Services	8123	\$0.90	0.55%	0.006%	0.010%
Health Care & Social Assistance	62	\$2.92	1.77%	0.002%	0.003%
Other Services	Other in 54-81	\$14.32	8.69%	0.006%	0.010%
Public Administration	92	\$3.50	2.12%	0.001%	0.002%
Unclassified¹	N/A	\$15.20	9.22%	N/A	N/A
Total		\$164.88	100%	0.006%	0.011%

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 CPI ADJUSTEMENT 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 3.2 percent increase for the period of December 2024 to December 2025 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 2024-2025 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 3.2 percent CPI adjustment are estimated to increase total South Coast AQMD revenue by approximately \$4.11 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.¹⁶ The manufacturing sector would experience the largest increase in fees (approximately \$1.66 million for about 3,021 facilities), followed by the services sector (approximately \$0.71 million for about 8,929 facilities), the retail trade sector (approximately \$0.57 million for about 4,171 facilities), with the remaining sectors accounting for approximately \$1.17 million. Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, will have an increase of around \$0.75 million, or about 18 percent of the overall increase.

CONCLUSION

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 annual CPI adjustment as required by 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 \$4.11 million due to this CPI adjustment. 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 0.012 percent overall).

¹⁶ The fees adjusted for CPI include flat and emission-based operating emission fees, permit processing and renewal fees, source testing fees, toxic hot spots fees, Rule 2202 fees, Rule 314 architectural coating fees, and asbestos fees. Clean fuel fees, Rule 1180 fees, WAIRE report fees and WAIRE mitigation fees are not included for CPI adjustment.

Table 7: Revenue Impact of the CPI Adjustment by Industry Sector

Industry	NAICS	Estimated Number of Facilities Affected	Revenue Change Due to 3.2% CPI Adjustment	Percent of Total CPI Increase
Agriculture, Forestry, Fishing & Hunting	111-115	100	\$7,791	0.19%
Mining	21	196	\$73,489	1.79%
Oil and Gas Extraction	211	104	\$40,895	1.00%
Mining (except oil and gas)	212-213	92	\$32,594	0.79%
Construction	23	908	\$178,144	4.34%
Manufacturing	31-33	3,021	\$1,658,493	40.40%
Food Manufacturing	311	196	\$74,241	1.81%
Wood Products Manufacturing	321	61	\$3,845	0.09%
Petroleum and Coal Products Mfg.	324	146	\$748,470	18.23%
Chemical Manufacturing	325	305	\$184,782	4.50%
Nonmetallic Mineral Product Mfg.	327	186	\$62,190	1.51%
Primary & Fabricated Metal Mfg.	331-332	685	\$232,292	5.66%
Machinery Manufacturing	333	152	\$21,629	0.53%
Computer and Electronic Product Mfg.	334	212	\$48,616	1.18%
Electrical Equipment & Appliance Mfg.	335	117	\$24,565	0.60%
Motor Vehicle & Trans. Equipment Mfg.	336	195	\$62,957	1.53%
Other Manufacturing	312-339	766	\$194,906	4.75%
Utilities	22	1,242	\$188,311	4.59%
Transportation & Warehousing	48-49	645	\$105,305	2.56%
Information	51	640	\$46,373	1.13%
Publishing Industries, Except Internet	511	17	\$1,318	0.03%
Motion Picture & Sound Recording	512	74	\$11,194	0.27%
Internet Services and data processing	518,519	46	\$3,244	0.08%
Other Information	Other in 51	503	\$30,617	0.75%
Wholesale Trade	42	1,015	\$179,751	4.38%

Industry	NAICS	Estimated Number of Facilities Affected	Revenue Change Due to 3.2% CPI Adjustment	Percent of Total CPI Increase
Retail Trade	44-45	4,171	\$573,873	13.98%
Car & Parts Dealers	441	281	\$16,975	0.41%
Gas Stations	447	1,892	\$365,684	8.91%
Other Retail Trade	Other in 44-45	1,998	\$191,214	4.66%
Finance and Insurance	52	317	\$19,645	0.48%
Real Estate and Rental Leasing	53	1,120	\$66,016	1.61%
Services	54-81	8,929	\$710,193	17.30%
Professional and Technical Services	54	767	\$119,280	2.91%
Accommodation	721	273	\$16,100	0.39%
Food Services & Drinking Places	722	1,677	\$26,889	0.65%
Automotive Repairs & Maintenance	8111	1,979	\$99,936	2.43%
Dry Cleaning & Laundry Services	8123	736	\$21,395	0.52%
Health Care & Social Assistance	62	797	\$89,330	2.18%
Other Services	Other in 54-81	2,700	\$337,263	8.21%
Public Administration	92	1,729	\$111,890	2.73%
Unclassified¹	N/A	1,011	\$186,294	4.54%
Total		25,044	\$4,105,568	100%

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

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