



Fiscal Year 2026-27 Proposed Budget & Work Program

Public Consultation Meeting
April 7, 2026

Agenda:

- General Fund Budget Summary
- Expenditure Comparison
- Expenditures by Activity
- Revenue Comparison
- Revenue and Expenditure Uncertainties
- Estimate & Five-Year Projection
- Regulation III-Fees
- Annual Budget Timetable

General Fund Budget Summary

	Fiscal Year 2025-26			Fiscal Year 2026-27
(\$ in millions)	Adopted	Amended *	Estimate	Proposed
Revenue	\$215.4	\$220.8	\$218.2	\$223.9
Program Cost	<u>\$219.6</u>	<u>\$224.4</u>	<u>\$220.5</u>	<u>\$225.2</u>
Change to Fund Balance	<u>-\$4.2</u>	<u>-\$3.6</u>	<u>-\$2.3</u>	<u>-\$1.3</u>

* Board approved changes through February 2026.

Expenditure Comparison

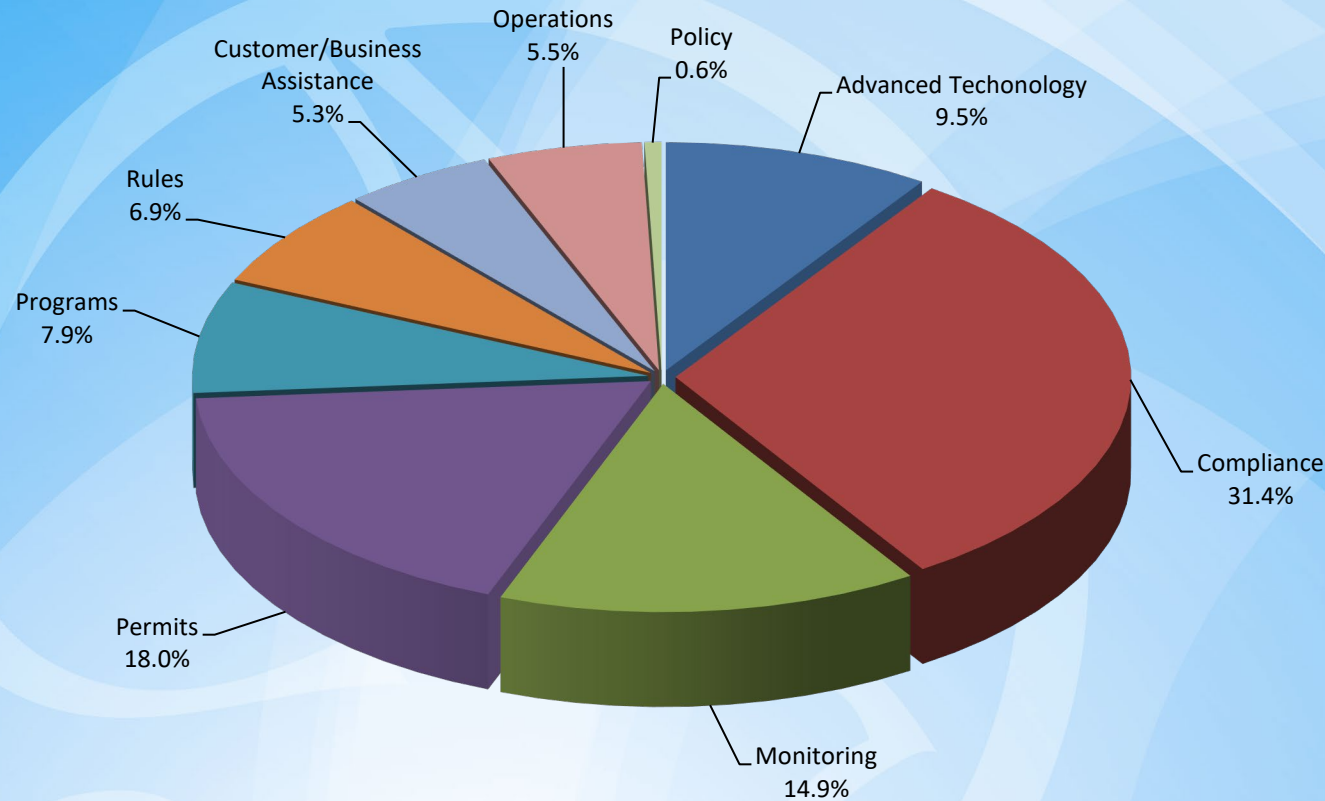
FY 2025-26 Budget vs. FY 2026-27 Proposal

(\$ in millions)	Fiscal Year 2025-26			Fiscal Year 2026-27
	<u>Adopted</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed</u>
Salaries & Benefits	\$183.4	\$183.4	\$183.1	\$188.9
Services & Supplies	32.7	35.1	31.5	33.4
Capital Outlays	1.5	3.9	3.9	0.9
Transfers Out	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total	<u>\$219.6</u>	<u>\$224.4</u>	<u>\$220.5</u>	<u>\$225.2</u>
Staffing (FTEs)	1,034	1,034		1,030

* Board approved changes through February 2026.

Expenditures by Activity

FY 2026-27 Proposed Budget



Program	Activities
Compliance	Inspections, Investigations, PERP, Arch Coatings
Customer/Business Asst	Billings Services, Outreach, Public Records
Programs	AQMP, CEQA, Transportation
Rules	Rulemaking, Modeling
Monitoring	PM Sampling, Ambient Network/Air Analysis
Permits	Permit Processing/Services
Operations	Bldg Maint/Systems, IM, Fin, HR, Purchasing, Training
Policy	Outreach, Legislation, Advisory Groups/Governing Board
Advanced Technology	Mobile Sources/Carl Moyer, Clean Fuels, Prop 1B, MSRC

Revenue Comparison

FY 2025-26 Budget vs. FY 2026-27 Proposal

(\$ in millions)	Fiscal Year 2025-26			Fiscal Year 2026-27
	<u>Budget</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed**</u>
Emission Fees	\$22.0	\$22.0	\$22.8	\$25.2
Annual Renewal Fees	86.0	86.6	85.1	89.1
Permit Processing Fees	21.0	21.0	21.0	22.8
Area Sources	2.2	2.2	2.2	2.4
Mobile Sources	34.5	34.5	32.1	34.2
Transportation Programs	0.9	0.9	0.7	0.8
Other ***	<u>48.8</u>	<u>53.6</u>	<u>54.3</u>	<u>49.4</u>
Total	<u>\$215.4</u>	<u>\$220.8</u>	<u>\$218.2</u>	<u>\$223.9</u>

* Amended Budget includes Board approved mid-year funding increases through February 2026. These increases are from state/federal grant revenue and transfers in from Clean Fuels Program Fund (MATES VI).

** Proposed Budget includes a 3.2% CPI fee increase and removal of CEMS fee cap.

*** Other Revenue includes revenues from Federal & State Grants, State Subvention, Penalties/Settlements, "Hot Spots", Interest, PERP, Hearing Board, Source Test/Lab Analysis, Leases, Subscriptions, and Misc.

Revenue & Expenditure Uncertainties

- Retirement Cost
- AB 617 Funding
- Federal/State Funding
- Penalties/Settlements
- Inflation Impact on the Economy

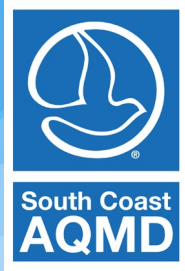
FY 2025-26 Estimate and Five-Year Projection

(\$ in millions)	FY 25-26 Estimated	FY 26-27 Proposed	FY 27-28 Projected	FY 28-29 Projected	FY 29-30 Projected	FY 30-31 Projected
Authorized Staffing	1,034	1,030	1,030	1,030	1,030	1,030
Vacancy Rate	13%	13%	13%	13%	13%	13%
Funded Staffing	900	896	896	896	896	896
Revenues **	\$218.2	\$223.9	\$228.9	\$231.7	\$232.7	\$235.6
Program Costs	\$220.5	\$225.2	\$239.3	\$245.3	\$249.3	\$251.8
Changes in Fund Balance	\$(2.3)	\$(1.3)	\$(10.4)	\$(13.6)	\$(16.6)	\$(16.2)
Unreserved Fund Balance (at Year-End)	\$96.0	\$94.7	\$84.3	\$70.7	\$54.1	\$37.9
% of Revenue	44%	42%	37%	31%	23%	16%
** CPI fee increase for FY 2026/27 = 3.2% . Projected CPI fee increases are as follows: FY 2027/28 – 3.3% and FY 28/29 through 2030/31- 3.2%.						



Proposed Amended Regulation III - Fees





Proposed Amendments

Proposed Amendments with Fee Impacts

- Due to stakeholder concerns and affordability impacts, proposed NOx emission fee increase has been removed

Administrative Changes

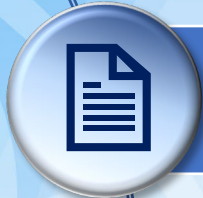
- Most proposed changes are to provide rule clarifications



Proposed Amendments with Fee Impacts



Amend Rule 301 to Add a Permit Fee Schedule for Laser Cutters



Amend Rule 301 to Add Administrative Processing Fees for Application Rejections



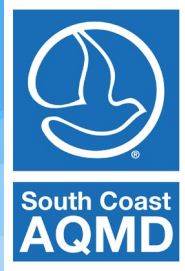
Amend Rule 301 to Remove CEMS Review Maximum Fees



Amend Rule 303 to Clarify Hearing Board Fees



Amend Rule 303 to Correct Toxic Fees and Add Diesel Particulate Matter



Rule 301 Laser Cutter and Application Rejection Fees

○ **Background**

- Laser Cutters currently not listed under any fee schedule so default to schedule C
- Similar permit evaluation and processing time for plasma arc cutting is under schedule B1

○ **Key Proposed Changes**

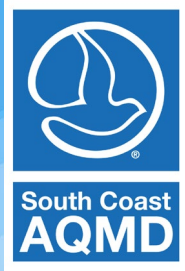
- Add Laser Cutters to Schedule B1
- Identical application fee as Schedule C, but a lower annual operating fee

○ **Background**

- For technical completeness before engineering evaluation, Engineer may request additional information
- If not provided, application is rejected and all fees are refunded; no cost recovery for initial staff review time

○ **Key Proposed Change**

- If an application is rejected due to lack of information, a fee equal to the existing cancellation fee (\$310.14) will be retained to recover staff review time



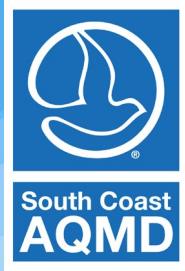
Rule 301 Remove CEMS Review Maximum Fees

- **Background**

- Evaluation of Continuous Emissions Monitoring Systems (CEMS) and similar systems list basic fees, hourly rates, and maximum fees in Table IIB
- Evaluations are complex and can require many hours of time, beyond maximum fee limit

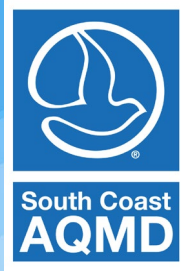
- **Key Proposed Changes**

- Remove maximum fees for evaluation of CEMS, FSMS, and ACEMS
 - Basic fee and hourly fee rate remains unchanged



Rule 303 Hearing Board Fees

- **Background**
 - Facilities applying for a variance are charged filing fees based on Table III
 - Staff time is required to review, calculate, and verify excess emissions for variances, with no cost recovery
- **Key Proposed Changes**
 - Clarify Rule 303 (a)(1) to indicate petitioners shall be charged for each petition
 - Amend Rule 303 (b)(2) to indicate refunds shall not apply to any variance on which the Hearing Board has taken an action
 - Remove Consent Calendar items from Table III
 - Add Rule 303 (d)(4) to create administration fee for verifying excess emissions



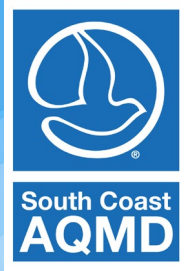
Rule 303 Toxic Air Contaminant (TAC) Fees

○ **Background**

- Petitioners applying for a variance are charged fees for excess emissions
- 2013 amendment mistakenly removed a table header leading to TAC excess emissions being mistakenly evaluated in dollars per *ton*
- In 2019, Rule 301 was amended to include Diesel Particulate Matter (DPM) as a TAC for annual emission reporting

○ **Key Proposed Changes**

- Restore TAC excess emissions in dollars per *pound*
- Include DPM as a TAC with an excess emission fee of \$22.98 per pound



Summary of Fee Impacts

Proposed Amendments	FY 2026-27 (in millions)	FY 2027-28 (in millions)	FY 2028-29 (in millions)
Amend Rule 301: New Permit Fee Schedule for Laser Cutters	-\$0.28	-\$0.28	-\$0.28
Amend Rule 301: Retain Processing Fees	\$0.07	\$0.07	\$0.07
Amend Rule 303: Clarify Hearing Board Fees	\$0.02	\$0.02	\$0.02
Amend Rule 303: Correct and Update Toxic Air Contaminant Fees	\$0.05	\$0.05	\$0.05
Amend Rule 303: Excess Emission Administration Fees	\$0.05	\$0.05	\$0.05
Amend Rule 301: Remove CEMS Review Maximum Fees	\$0.43	\$0.43	\$0.43
Total	\$0.34	\$0.34	\$0.34



Reg III Administrative Amendments



Clarify public notice distribution fee applicability



Clarify CEQA evaluation and preparation costs recovered



Change AER reporting due date to April 1st



Clarify clean fuels fee applicability



Allow for periodic invoicing of Title V permit applications

Fiscal Year 2026-27 Budget Timeline

Date	Activity
Friday, March 13 th	Socioeconomic impact analysis made available for public review and comment.
Tuesday, March 31 st	FY 2026-27 Draft Budget and Work Program posted and available for public review.
Thursday, April 2 nd	Budget Advisory Committee meeting. Presentation on FY 2026-27 Proposed Budget and Work Program, automatic adjustment based on CPI, and Proposed Amended Regulation (PAR) III - Fees.
Tuesday April 7 th	Public Workshop held on the FY 2026-27 Draft Budget and Work Program and automatic adjustment based on CPI.
Friday, April 10 th	Presentation to Administrative Committee on the Executive Officer's FY 2026-27 Draft Budget and Work Program & Proposed Amended Regulation (PAR) III - Fees.
Friday, April 10 th (Tentative)	Governing Board Workshop on the FY 2026-27 Draft Budget and Work Program & Proposed Amended Regulation (PAR) III - Fees.
Wednesday, April 15 th	Public comments and Budget Advisory Committee recommendations due to Governing Board (per Rule 320 Errata Sheet)
Friday, May 1 st	Governing Board Meeting - FY 2026-27 Budget & Work Program, CPI Fee Adjustment* and PAR III - Fees.
*Rule 320 – Automatic Adjustment Based on Consumer Price Index for Reg. III Fees	