

# **PROPOSED AMENDED REGULATION III**

## **PUBLIC CONSULTATION MEETING**

***DRAFT***



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March 22, 2019

# AGENDA

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1. Annual CPI-Based Fee Increase
  - Socioeconomic Impacts of CPI-Only Fee Increase
2. Proposed Rule Amendments with New Fees or Fee Increases
3. Proposed Amendments with No Fee Impacts and/or Administrative Changes
4. Next Steps
5. Open Discussion

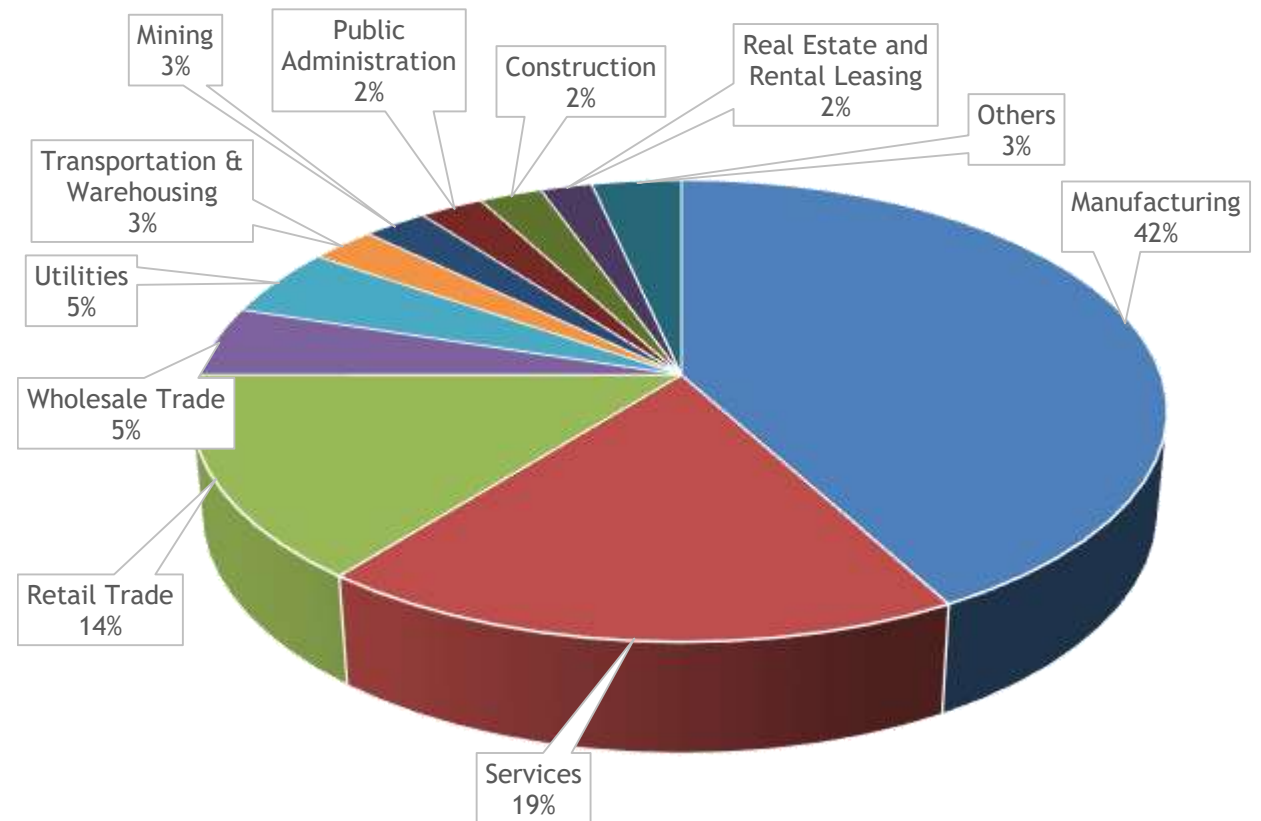
# Annual Consumer Price Index-Based Fee Increase

- **SCAQMD Fees annually updated automatically pursuant to Rule 320 to cover cost of inflation**
  - Most recent CPI =3.5%
    - Based on 12/2017-12/2018 percent change in California CPI as defined by the state Dept. of Finance
  - SCAQMD Governing Board has option to forego the CPI-based fee increase
- **Applicable to all fee rates in Reg. III**
  - Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315
  - Does not apply to:
    - Fee rates set by state law
    - Rule 311(c) Air Quality Investment Program Fees
      - Fees pay for programs to reduce emissions and do not support the SCAQMD Budget
- **CPI Adjustment currently estimated to raise \$2.79 million**
  - Based on the Draft Socioeconomic Impact Assessment for Automatic CPI Increase (released March 15) (<http://www.aqmd.gov/nav/about/finance>)

# Socioeconomic Impacts of CPI Increase

- Historical fee revenue:
  - Total flat fees and emission-based fees are estimated at \$17.7 million
  - Total permit processing and permit renewal fees are estimated at \$63.2 million
- The combined amount of these fees currently paid by each industry is small relative to the industry's regional economic output (less than 0.01% overall)

Share of Fees by Sector



# PROPOSED AMENDMENTS WITH FEE IMPACTS

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- Proposed Amended Rule 301
- Proposed Amended Rule 308
- Proposed Amended Rule 309
- Proposed Amended Rule 209

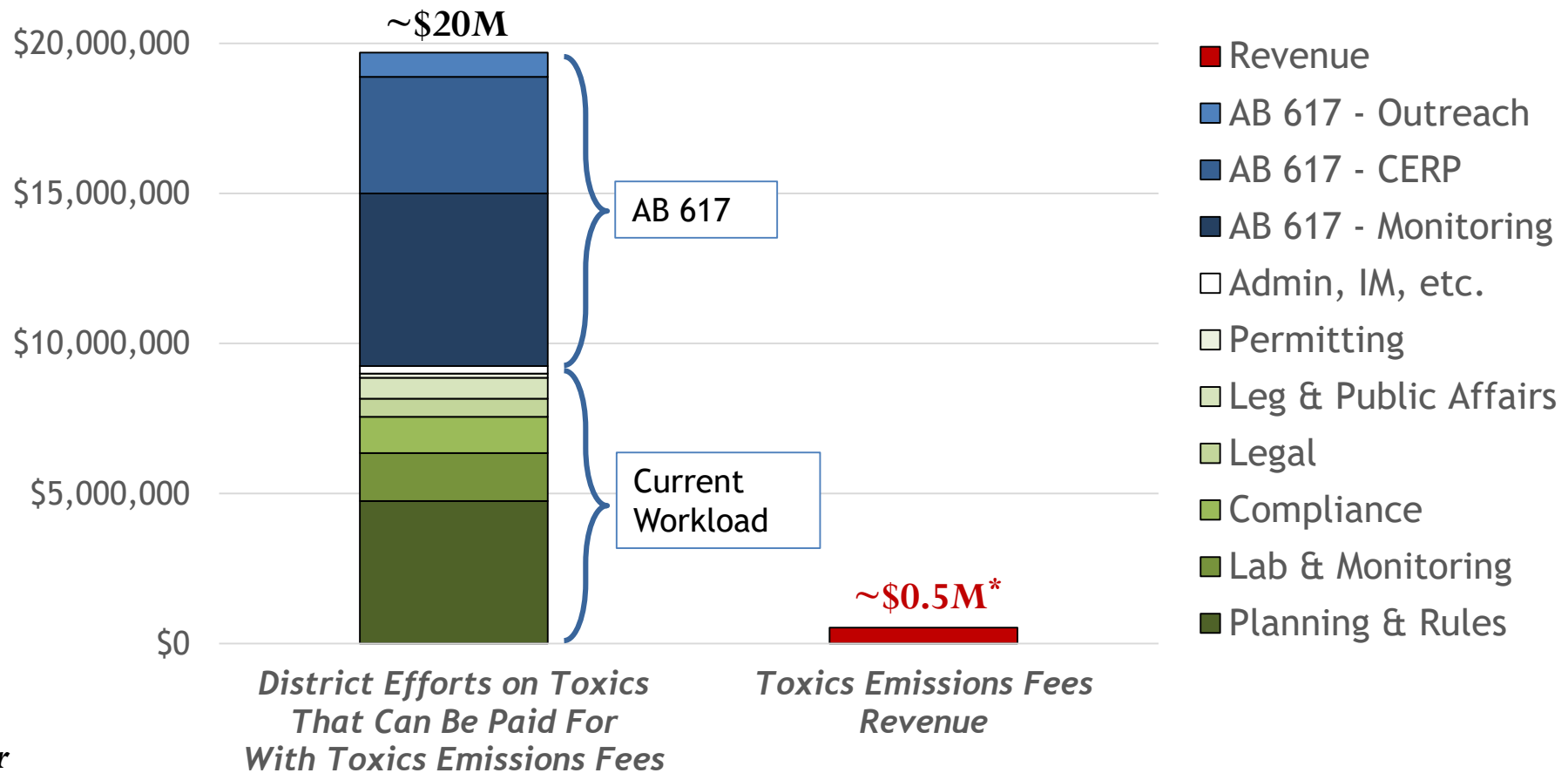
# I.1: Toxics Emissions Fees - Rule 301(e)

- Proposed modifications to toxics emissions fees addresses two key issues
  1. Significant recent and anticipated upcoming District resources being allocated to addressing toxics emissions from stationary sources
    - Examples: toxic metals, fugitive hydrocarbons, new state health risk assessment guidance, AB 617
    - Currently level of toxics emissions fees collected does not cover this workload
  2. Structure of toxic emissions fees in Rule 301(e) does not correlate with recent and anticipated upcoming District workload
    - Workload most closely correlated to:
      - A. Toxicity of emissions from a facility, and
      - B. Complexity of emissions sources at a facility (e.g., # of devices)

# Toxic Emissions Fees - Issue 1

## Recent and Upcoming District Effort vs. Toxics Emissions Fees

*Subset of District Effort on Toxics vs. Toxics Emissions Fees*

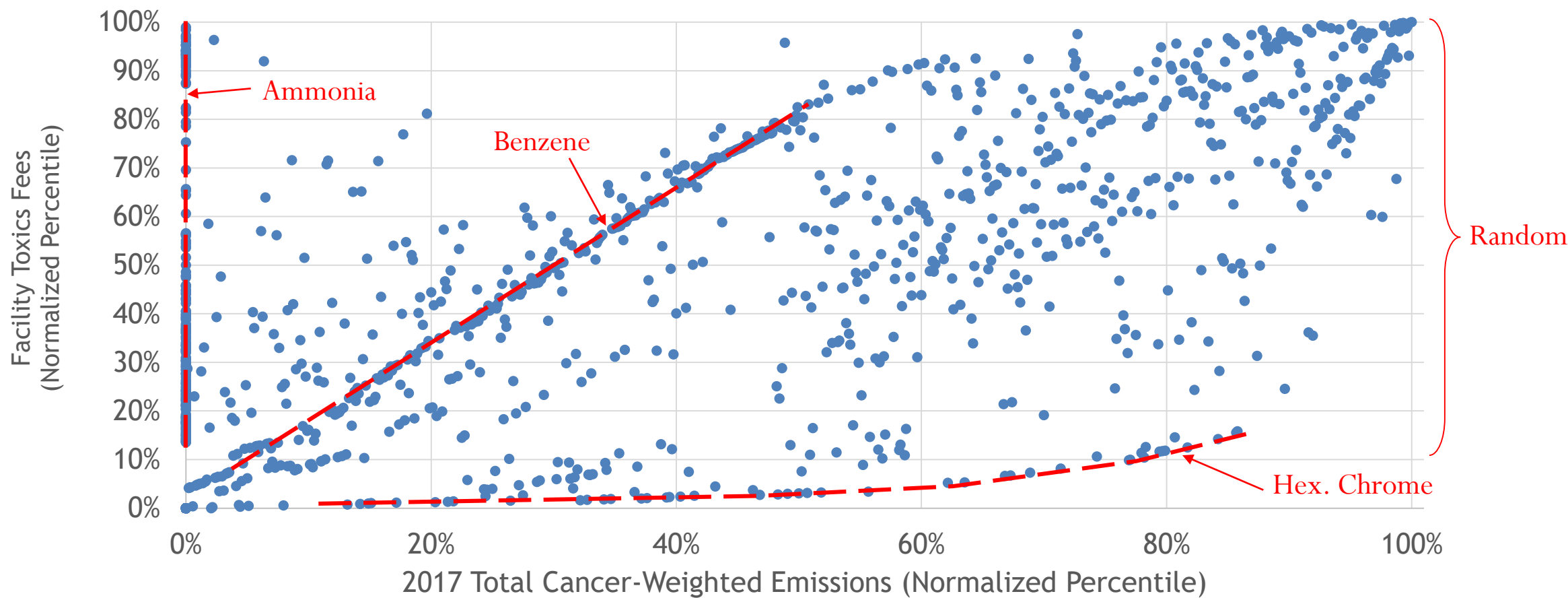


\*~\$20M collected for  
criteria pollutant emissions

# Toxic Emissions Fees - Issue 2

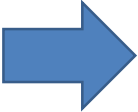
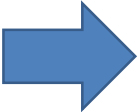
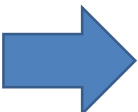
## Toxics Emissions Fee Structure Does Not Correlate with Workload

2017 Toxics Fees Paid by Each Facility vs. Toxics Emissions

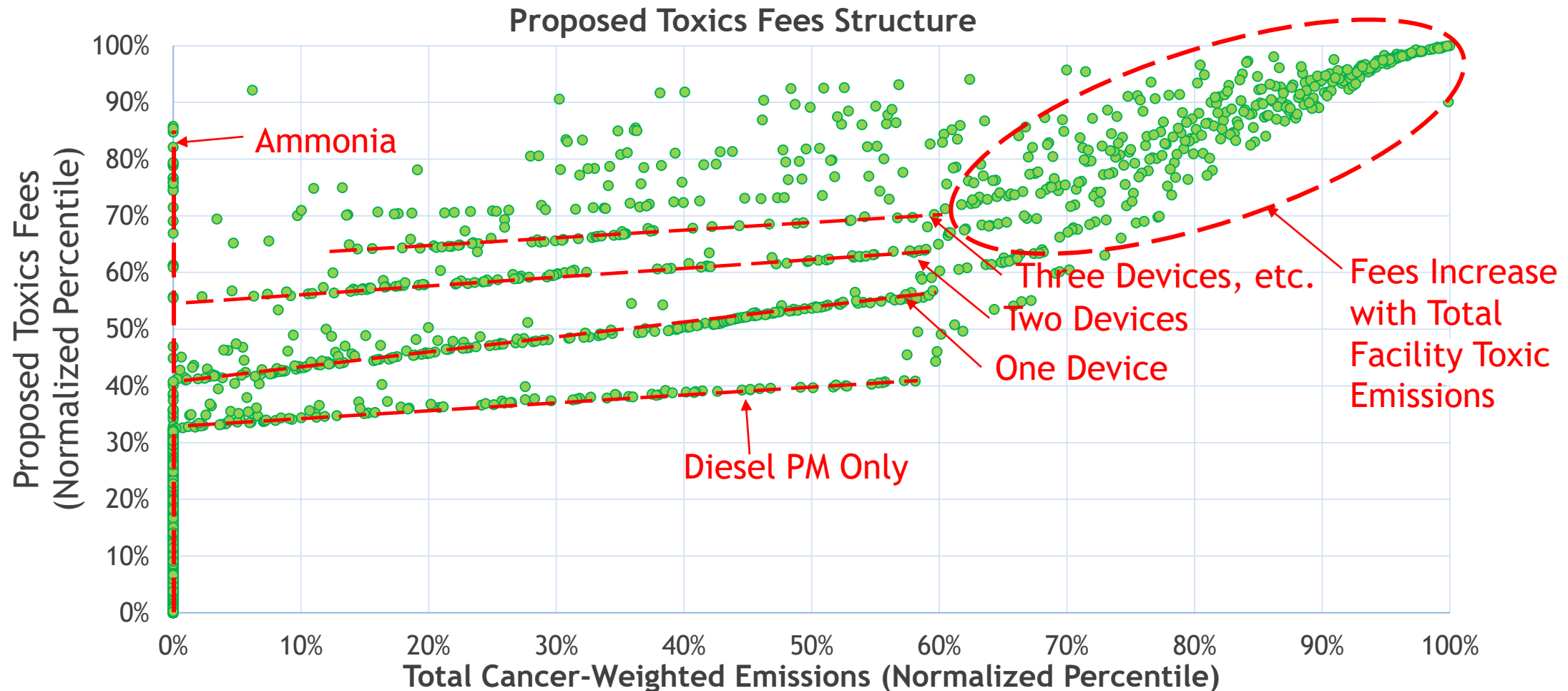




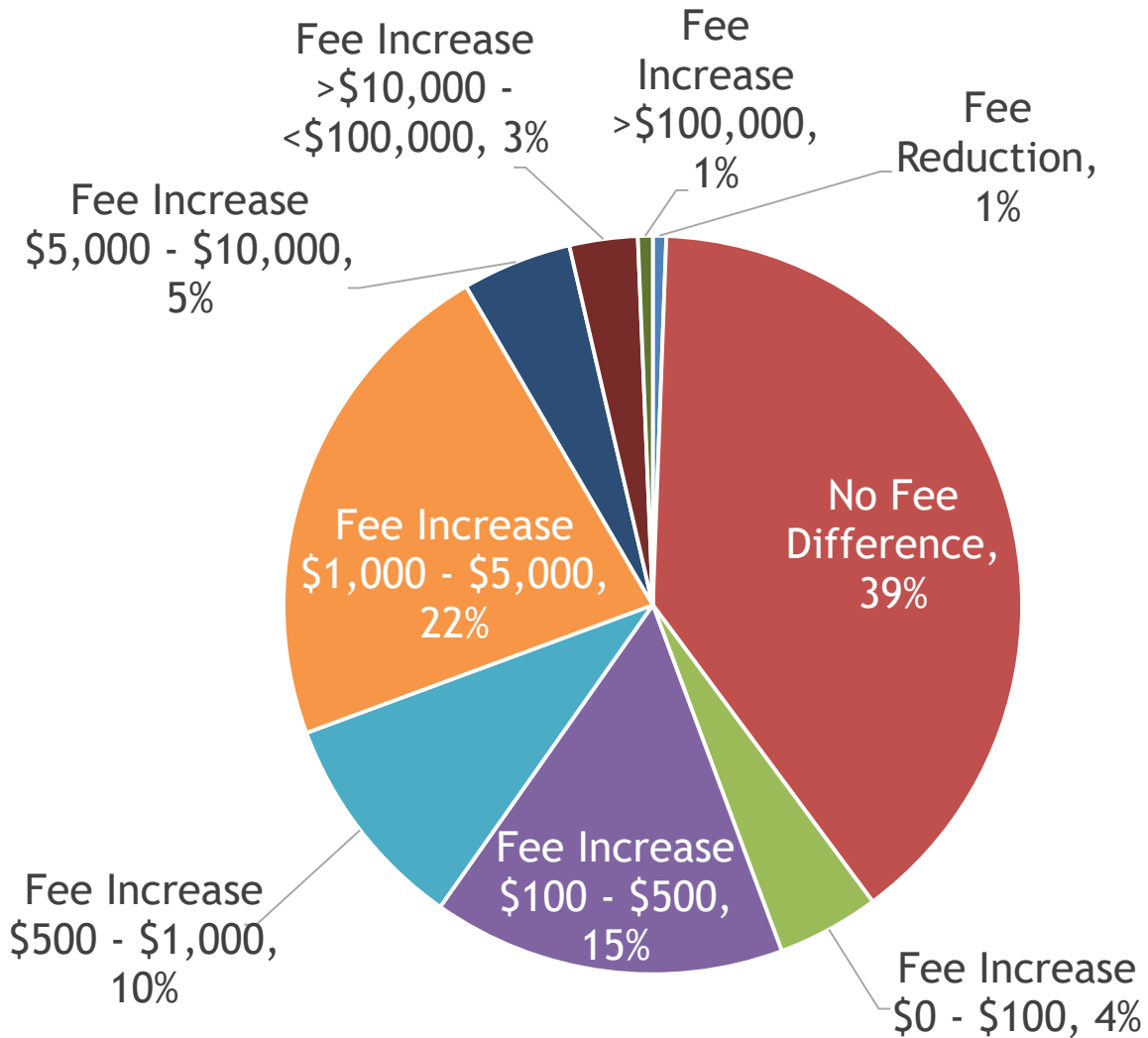
# Proposed Toxics Emissions Fees

- 1) Introduce a new Base Toxics Fee to recover costs for basic functioning of toxics reporting program (software + minimal staffing)  **\$0.1M**
    - \$78.03/facility if toxics reported
  - 2) Introduce a new Flat Rate Device Fee to recover costs for staff toxics inventory work  **\$1.4M**
    - \$341.89 per permitted device with toxics emissions
    - Inventory workload highly correlated with number of devices
  - 3) Introduce a new Cancer Potency-Weighted Fee to recover costs for staff enforcement and related efforts for higher toxicity facilities (AB 617, monitoring, source testing, rulemaking)  **\$3.4M**
    - \$10 per cancer potency-weighted pound of toxics emissions
    - Add Diesel PM to the list of 21 common toxics that require fees
    - Ammonia and ozone depleters would not change
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- \$4.9M\***
- \*~\$4.4M higher than current fees*

# Results: Toxic Emissions Fee Structure Would Now Correlate with Impact and Workload



# Toxic Emissions Fee Impact



Industry Sector	# of Facilities	Average Difference	Max Difference
<i>Refineries</i>	8	\$146,690	\$427,369
<i>Utilities</i>	126	\$5,667	\$182,228
<i>Waste Management</i>	61	\$5,214	\$160,368
<i>Transp. &amp; Warehousing</i>	46	\$4,553	\$46,325
<i>Education</i>	22	\$4,474	\$28,239
<i>Arts, Entertainment, &amp; Recreation</i>	8	\$3,278	\$13,440
<i>Health Care</i>	52	\$3,278	\$15,433
<i>Information Technology</i>	11	\$2,838	\$9,012
<i>Manufacturing</i>	653	\$1,828	\$211,092
<i>Mining and Oil/Gas Extraction</i>	89	\$1,754	\$15,481
<i>Wholesale Trade</i>	67	\$1,595	\$18,800
<i>Professional &amp; Technical Services</i>	24	\$1,490	\$13,805
<i>Public Administration</i>	29	\$1,444	\$8,167
<i>Construction</i>	24	\$883	\$5,695
<i>Retail Trade</i>	106	\$853	\$7,580
<i>Hotels &amp; Restaurants</i>	4	\$332	\$625
<i>Agriculture &amp; Forestry</i>	34	\$319	\$9,030
<i>Other</i>	176	\$76	\$4,111

# Proposed Toxics Emissions Fees - Timing

- Increase in proposed fees would begin January 1, 2021
  - Proposal would increase emissions fees revenue ~22%
    - Including both toxics and criteria pollutants
- Increase would be phased in over two years
- Due to fluctuating nature of toxics work, staff will revisit fee level in future and propose rebalancing up or down as necessary

## I.2: Change of Owner/Operator Definition and Fee Cap

- There is currently no fee cap in Rule 301(c) for change of owner/operator fees for RECLAIM facilities listed in Table Fee Rate-C
  - Proposed new \$50,000 fee cap for RECLAIM or RECLAIM/Title V facilities
  - 23 facilities anticipated to benefit from the proposed fee cap
- Streamlined procedures for processing change of owner/operator applications allows for a lower cost recovery derived from fees
- Rule 209 currently states that mergers do not result in a transfer of owner/operator of a facility
  - Amendment makes rule more consistent with principles of California corporate law
- Rules 301(c) and 209

## I.3: Fee for Notifications - Rule 1118.1

- Rule 1118.1 (Non-Refinery Flares) passed in January 2019 requires several notifications (e.g., modifying a flare, etc.)
- A notification fee already exists in Rule 301(x) for Rules 1149, 1166, and 1466 at a current fee rate of \$65.12 (after most recent Rule 320 CPI increase of 3.5%).
- Proposed amendment would apply the same for 1118.1 notifications
  - Up to 50 affected facilities would result in \$3,500 in fee revenue annually
- Cost recovery is needed to recover regulatory costs for 1118.1 required notifications
- Rule 301(x)

## I.4: Update Enforcement Inspection Fees for PERP

- Proposed amendment would update enforcement inspection fees for Portable Equipment Registration Program (PERP)
- Proposed amended fees follow CARB's recently amended PERP regulation and updated fees table
  - Proposed increases based on SCAQMD staff workload
- Proposed inspection fees
  - \$115/hour, max of \$590/unit
  - \$90/unit for Tactical Support Equipment
  - \$60/hr additional fee for off-hour inspections
- Rule 301(w)(1), 301(w)(2)(A)(i), and 301(w)(3)

# I.5: Remove Fee for Adding/Deleting Site from a Multi-Site or Geographic Program

- Rule 2202 currently requires regulated entities to be charged a fee of \$176.63 when adding or deleting a worksite to a multi-site or geographic program per worksite being added or deleted
  - No extra work is required by staff to do this work, therefore staff is recommending that this fee be removed from Rule 308
- Annual decrease in fees expected to reduce revenue <\$1,000 total
- Rule 308(c)(2)(F)



## I.6: Asbestos Notifications and Table VI

- In Table VI clarify that the proposed \$25 fee applies to notifications changing the End Date to a later date only
  - Removes a disincentive for facilities to update notifications for completed asbestos removal and demolition projects, and reduces unnecessary inspector travel
  - Revenue loss (~\$300K) is offset by better utilization of Compliance staff time
- Eliminate fees for revisions for earlier End Date only, change the Revision to Notification fee (\$62.92) to match that of the Returned Check Fee (\$25.00), and in Table VI - Footnote 3, change “postmarked” to “received”
  - Most notifications now received electronically
- Remove references to Lead in Table VI
  - There is no Lead removal rule requiring notifications (i.e., SCAQMD does not regulate Lead paint removal)
- Rule 301(v) and Table VI

## I.7: Align Inspection Fees

- Rule 306(f) and 309(d) contain similar plan verifications with different fee descriptions [306(f) is \$7.16 higher than (309(d))]
  - 306(f) = Plan inspection fees, 309(d) = Rule 1610 Scrapping Plan inspection fees
  - Fees prior to 2014 were set to be equal given similar work
  - 3% fee increase in 2014 to permit and plan fees above typical CPI increase were inadvertently not applied to Rule 309
  - Proposing to once again set fees to be equal
- Rule 309(d)

## I.8: Clean Air Solvent Certification Fees

- Clean Air Solvent (CAS) and Clean Air Choices Cleaners (CACC) Certifications are voluntary programs that issue certificates to clean air solvents and cleaners
- Manufacturers can apply for certification, which is valid for five years (CAS) or three years (CACC), and can be renewed upon approval by SCAQMD
- Renewal fees not currently established in rule, therefore full certification fees apply
- New lower flat renewal fee proposed
  - One hour of staff time already in rule = \$135.77
- Rule 301(r) and (s)

# PROPOSED AMENDMENTS WITH NO FEE IMPACTS AND/OR ADMINISTRATIVE CHANGES

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- Proposed Amended Rule 301

## II.1: Certified Copy Fees for Title V Facilities

- Consolidate certified copy and permit fees into a single section
  - Fees in (n)(7) currently have a flat fee & per-page fee that are lower than the current RECLAIM-only or Title V/RECLAIM flat fee in (l)(10)
  - This clarification will eliminate the discrepancy between the three fee references that should be identical.
- No fee impact will occur as a result of this amendment
- Rule 301(f)(1), 301(l)(10), 301(n)(7)

## II.2: Creation of ‘Non-RECLAIM/Non-Title V’ Facility Category

- Rule 301 - Table VII specifies fees for holders of facility permits
  - Includes: Title V, RECLAIM, Title V/RECLAIM
- No category yet established for facilities exiting RECLAIM during sunset of program
- Proposing to add new ‘Non-RECLAIM/Non-Title V’ category at same fee level as RECLAIM facilities
- No fee impact will occur as a result of this amendment
- Rule 301(n), Table VII

## II.3: Remove Reference to Delek U.S. Holdings, Inc. (Paramount)

- Delek U.S. Holdings Inc. (Paramount) is not legally responsible for paying annual O&M fees on a local community monitoring system that will not be installed due to Paramount qualifying for an exemption from the Rule 1180 requirements
- No fee impact will occur as a result of this amendment
- Rule 301(aa)

## II.4: Change Reference to Rule 2002 (f)(7) to Rule 2002 (f)(8)

- Language in Rule 2002(f)(7) was moved to Rule 2002(f)(8)
- The reference in Rule 301(l)(16) needs to be revised to reflect current rule language in Rule 2002.
- No fee impact will occur as a result of this amendment
- Rule 301(l)(16)



## II.5: Clarification of Surcharge for Late Installment Fee Payments

- Rule 301(e)(11)(C) currently refers to the surcharge in Rule 301(e)(10) if an installment fee payment is late. Rule 301(e)(10) has several subsections applying to different conditions, so a clarification is intended to prevent confusion.
- The proposed amendment for 301(e)(11)(C) would specify that the Rule 301(e)(10)(B) surcharge schedule should be used.
- Subparagraph (e)(10)(B) would also be amended to recognize applicability of newly amended subparagraph (e)(11)(C).
- No fee impact will occur as a result of this amendment
- Rule 301(e)(10)(B) and (e)(11)(C)

## II.6: Surcharge/Penalty Exemption for Emissions Developed from Source Tests Submitted for Approval

- AER late fee relief for Source Test under review
- Provides fee relief to owners/operators who have submitted timely source tests to the SCAQMD for approval, but the approval occurs after the official due date for the Annual Emissions Report
- Fee revenues not anticipated to go up or down
  - Limited fee relief to applicable facilities
- Rule 301(e)(8)(E)

# Next Steps

- April 3, 2019 - Draft Socioeconomic Assessment for Proposed Amended Regulation III and PAR 209 and Proposed Budget and Work Program
- April 5, 2019 - Budget Advisory Committee meeting
- April 9, 2019 - Public Consultation Meeting on Proposed Budget and Work Program (and Proposed Amended Reg. III/PAR 209)
- May 3, 2019 - Public Hearing to:
  - Consider that adopting Reg. III and Rule 209 are exempt from CEQA
  - Consider approval of Reg. III and Rule 209
  - Adopt Budget and Work Program