

Proposed Amended Rule 301 Toxics Fees

Working Group Meeting
May 22, 2019

Conference Room CC2

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Purpose of Meeting

- Review Board action on May 3
- Review background of toxics emissions fees proposal
- Review of proposed toxics fees approach and impact
- Stakeholder feedback and Open Discussion
- Next Steps

May 3 Governing Board Actions

- Approval of Fiscal Year 2019-2020 Budget
- Approval of Rule 209 and most of Regulation III (Fees)
 - New fees go into effect July 1, 2019
- Continuation of portion of Rule 301 (e) on proposed increase to toxics emissions fees to June Board hearing
 - Board will consider two options for phase-in of new toxic emissions fee
 - Two-year phase-in beginning January 1, 2020, or
 - Three-year phase-in, with no change in 2020, and subsequent two-year phase-in beginning January 1, 2021

May 3 Governing Board Actions - continued

➤ Board action in May included three additional staff actions

➤ Report back to Board on implementation of toxics fees

BE IT FURTHER RESOLVED, that within one year of full implementation of the re-structured toxics fee found in Rule 301(e), the Executive Officer is directed to report back to the Administrative Committee with a report on: 1) the revenues generated by the re-structured fee; 2) the annual costs of toxics work covered by the re-structured fee; and 3) the District's efforts to obtain funding for toxics work covered by this fee from other sources;

➤ Assessment and improvement of source test review/approval process

BE IT FURTHER RESOLVED, that the Executive Officer is directed to assess the current source test submittal and approval process, and develop a plan to set priorities for processing and evaluating the existing and anticipated inventory of source tests. The plan shall be developed in consultation with a Working Group and shall commit to a process and schedule to address the expected increase in source test review volume due to the restructuring of the toxic emissions fees, including timeframes for reducing the current inventory of source tests as well as targets for completion of reviews within specified periods of time. The plan shall be presented to the Stationary Source Committee within six months of adoption of the re-structured toxics emissions fee.

➤ Review and update of default emission factors

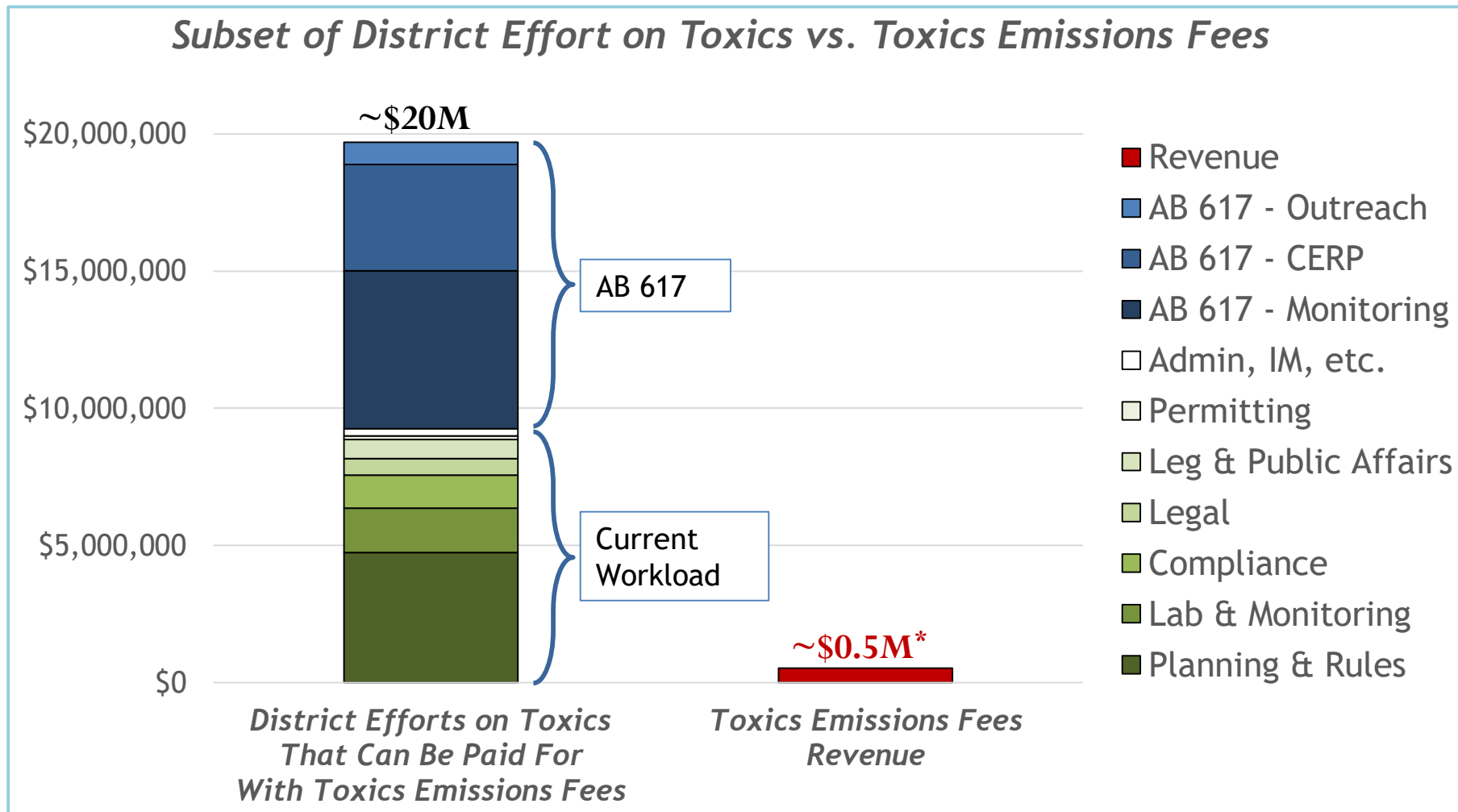
BE IT FURTHER RESOLVED, that the Executive Officer is directed to initiate a review of default emission factors used for emissions reporting and update these factors as appropriate, in consultation with a Working Group, and report back on the status of this work within twelve months to the Stationary Source Committee;

Will be conducted with different Working Groups than Reg. III rulemaking

Proposed Toxics Emissions Fees - Background

- 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
 - Current 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)

Proposed Toxics Emissions Fees - District Workload



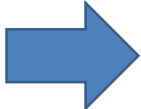
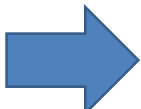
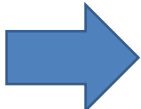
- Estimate only includes work programs focused on permitted source toxics
- Additional details provided in Appendix C of Final Staff Report
- www.aqmd.gov/docs/default-source/Agendas/Governing-Board/2019/2019-may3-028.pdf

*~\$20M collected for criteria pollutant emissions

Key Sources of Revenue That Can Be Used to Support South Coast AQMD Work on Stationary Source Toxics

- Emissions fees: ~\$20 million (<5% from toxics)
- Penalties: \$5 million/year typically budgeted
- AB 617 grants
 - \$10.7 million initial grant in January 2018 for startup of program
 - \$20 million for first year implementation
 - No guarantee for future funding from legislature
 - *“No reimbursement is required by this act [AB 617] ... because a local agency ... has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act...”*
- Other stationary source toxics work programs have dedicated funding that is not included in this analysis, such as permitting, AB 2588 Toxic Hot Spots, Rule 1180 refinery monitoring, etc.

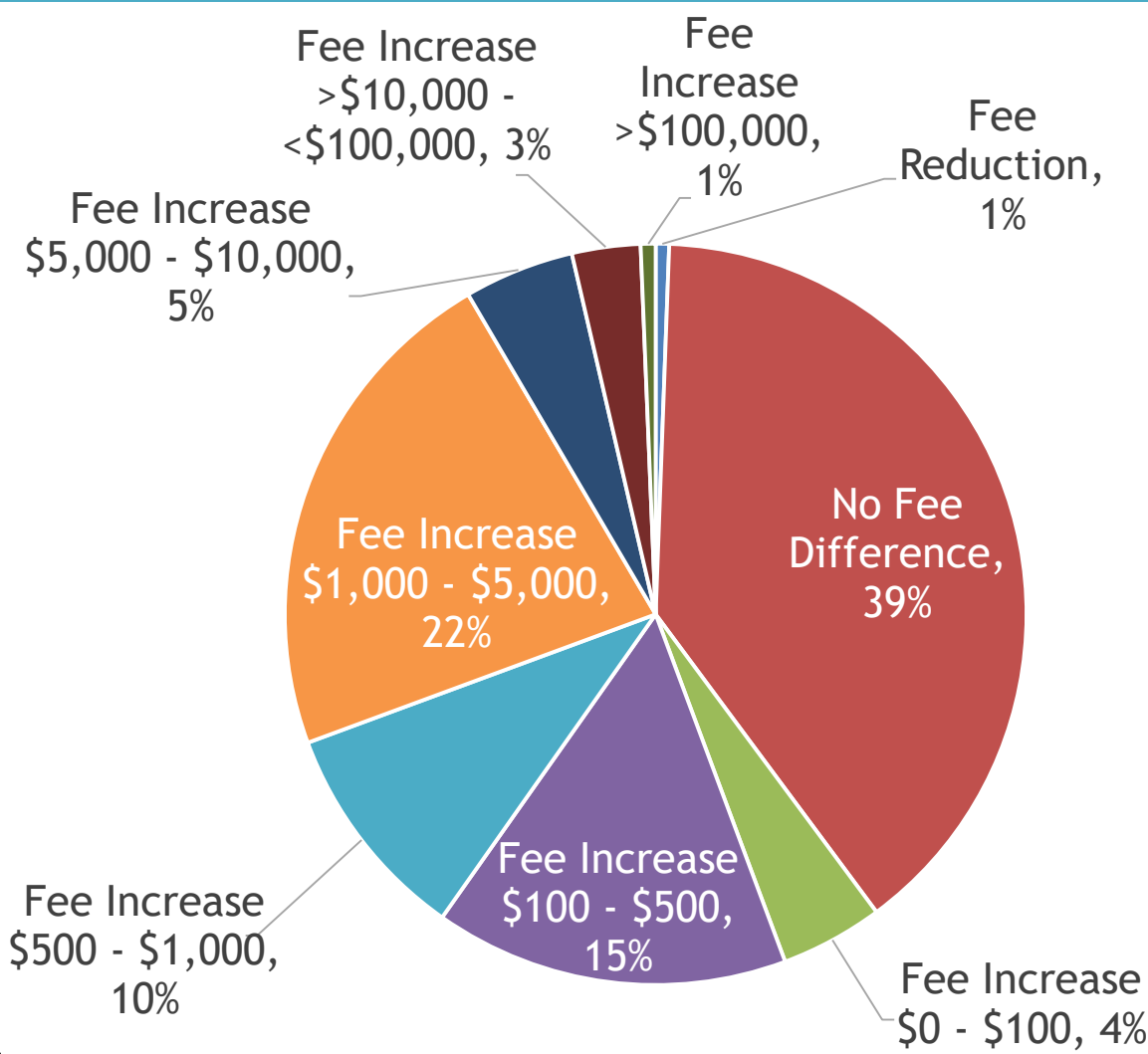
Proposed Toxics Emissions Fees

- 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

\$4.9M*

**~\$4.4M higher than current fees* ⁸

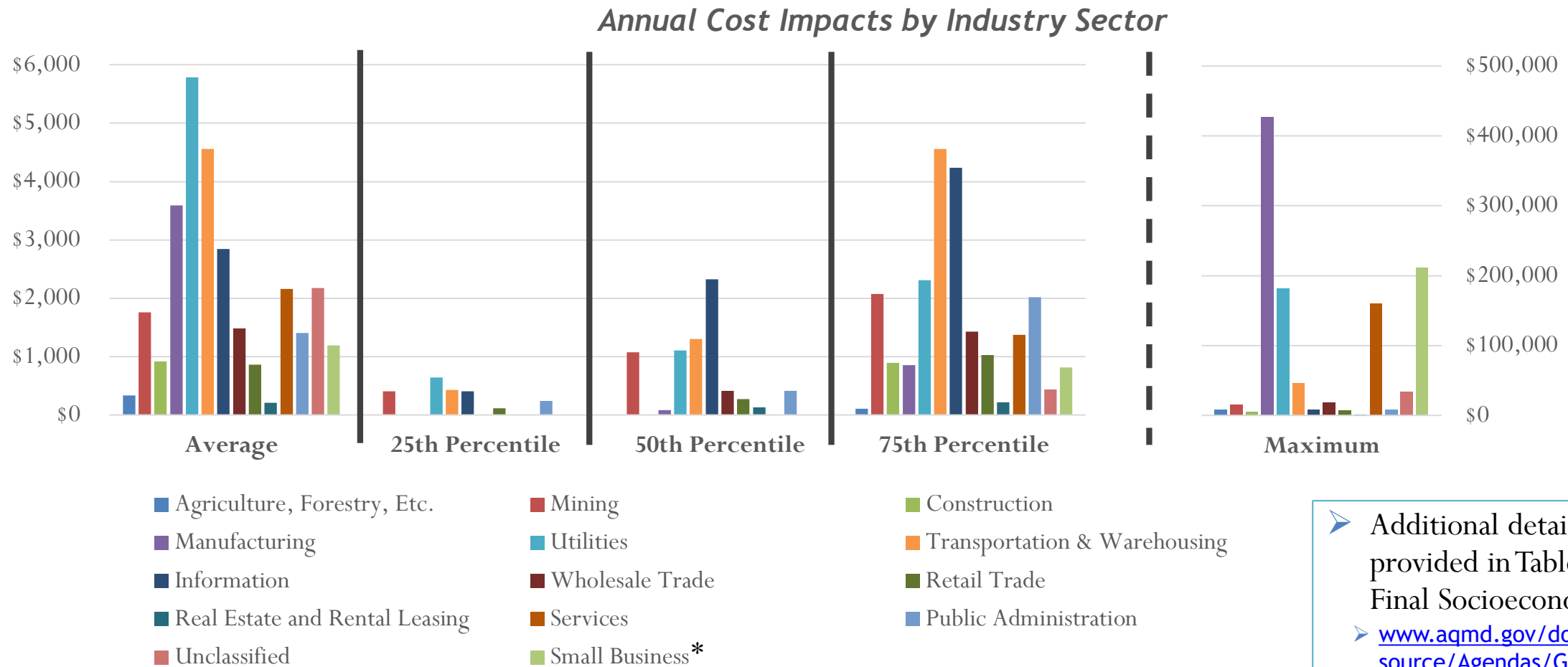
Toxic Emissions Fee Impact After Final Phase-In



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

Proposed Toxic Emissions Fees

Industry Costs



➤ Additional details provided in Table 4 of Final Socioeconomic Report

➤ www.aqmd.gov/docs/default-source/Agendas/Governing-Board/2019/2019-may3-028.pdf

* Small businesses are included in all other industry categories.

Stakeholder Feedback

- Review/approval of source tests used for emissions reporting should be streamlined so facilities don't have to use default emission factors
 - Board resolution directs staff to review and update emission factors as appropriate, in consultation with a Working Group
 - Resources provided by proposed amendments can be used to improve source testing reviews/approvals
- Many facilities may pay higher fees due to CARB's proposed new Criteria and Toxics Reporting (CTR) Regulation
 - Proposed amendment will not require more facilities to report
 - If CARB requires more reporting, more District resources will be needed
 - Any new facilities reporting due to CTR are expected to have lower emissions, and fees

Stakeholder Feedback - continued

- Questions about justification for increased fees
 - Current fees do not recover the full costs associated with work on toxic emissions at stationary sources. That shortfall, if allowed to continue, has the potential to create inequities in the overall permitted source program.
 - Proposed amendments will recover costs for programs dedicated to facilities that would pay the increased fees - and is equitably applied
 - Facilities with highest toxics emissions, and largest number of devices pay the most
 - Toxics work fluctuates through time, but work from one industry or facility often leads to work for another. Examples:
 - Work on emissions from cement plants led to better understanding of emissions from chrome platers, then lead battery recyclers, then metal grinding, other metal processing, etc.
 - Work on emissions from refineries informed work on tank farms and oil production facilities and gas stations

Next Steps

- June 7, 2019 - Governing Board scheduled to vote on toxics emissions fees
- July 12, 2019 - Governing Board scheduled to vote on unrelated minor administrative amendment to Rule 301
 - Facility representatives must certify the emission reports are accurate to the best of their knowledge (already conducted in practice)
 - This administrative rule amendment will be submitted to CARB for inclusion in State Implementation Plan
- Summer 2019 - Working Group process begins
 - Assess/improve source test review and approval process
 - Default emission factor review and update as appropriate
- Winter 2019 - Continued outreach in preparation for upcoming emissions reporting period