

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Draft Staff Report Proposed Amended Regulation III – Fees

Including:

Proposed Amended Rule 301 – Permitting and Associated Fees
Proposed Amended Rule 303 – Hearing Board Fees
Proposed Amended Rule 304 – Equipment, Materials, and Ambient Air Analyses
Proposed Amended Rule 304.1 – Analyses Fees
Proposed Amended Rule 306 – Plan Fees
Proposed Amended Rule 307.1 – Alternative Fees for Air Toxics Emissions Inventory
Proposed Amended Rule 308 – On-Road Motor Vehicle Mitigation Options Fees
Proposed Amended Rule 309 – Fees for Regulation XVI and Regulation XXV
Proposed Amended Rule 311 – Air Quality Investment Program (AQIP) Fees
Proposed Amended Rule 313 – Authority to Adjust Fees and Due Dates
Proposed Amended Rule 314 – Fees for Architectural Coatings
Proposed Amended Rule 315 – Fees for Training Classes and License Renewal
Proposed Amended Rule 316 – Fees for Rule 2305
Proposed Amended Rule 316.2 – Fees for Rule 2306

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EXECUTIVE SUMMARY

Regulation III – Fees establishes the fee rates and schedules to recover South Coast Air Quality Management District’s (South Coast AQMD) reasonable costs of regulating and providing services, primarily to permitted sources. The agency’s Permitted Source Program¹ is principally supported by three types of fees, namely permit processing fees for both facility permits and equipment-based permits, annual permit renewal fees, and emission-based annual operating fees, all of which are contained in Rule 301 – Permitting and Associated Fees. Also included in the Permitted Source Program are Rule 222 registration fees and plan fees, since these are similar to permits for the sources to which they apply. Regulation III also establishes fees and rates for other fee programs, unrelated to the Permitted Source Program, including but not limited to Transportation Programs fees, Clean Air Act non-attainment fees, indirect sources and areawide sources fees for the Warehouse Actions and Investments to Reduce Emissions (WAIRE) program, freight rail yards, and architectural coatings.

Proposed Amended Regulation III (PAR III) is annually brought to the South Coast AQMD Governing Board for consideration for adoption, often in conjunction with the Proposed Budget and Work Program. These proposed amendments and budget typically include a California Consumer Price Index (CPI) adjustment of the majority of fees contained in Regulation III pursuant to Rule 320 and the Health and Safety Code (H&SC),² along with necessary proposed fee increases for the purposes of cost recovery and other administrative changes for clarifications, deletions, or corrections to existing rule language.

With this proposal, South Coast AQMD seeks to update its fee rules with proposed amendments aimed at cost recovery, clarifications, and corrections. Staff is proposing the following amendments to Regulation III:

- An automatic increase/adjustment of most fees by 3.2% consistent with the percent increase in California CPI from December 2024 to December 2025.
- Eight proposals which are necessary to provide cost recovery for regulatory actions taken by the South Coast AQMD.
 - 1) Add a fee category for laser cutters versus using a default category;
 - 2) Add refund criteria for rejected permit application(s);
 - 3) Clarify Hearing Board petition filing fees;
 - 4) Clarify Hearing Board fees refund applicability;
 - 5) Remove the Consent Calendar table of fees;
 - 6) Correct table headers of Table I in Rule 303 and include diesel particulate matter as a toxic air contaminant for assessing excess emission fees for Hearing Board-granted variances;
 - 7) Include a fee for verifying Hearing Board petition excess emission fee calculations; and
 - 8) Remove the maximum fees for CEMS and alternative systems review.
- Five proposals for administrative changes to Regulation III, which have no fee impact, but include clarifications or corrections to existing rule language. These proposals include, for Rule 301:

¹ H&SC Section 42300 *et seq.*

² H&SC Sections 40500.1 and 40510.

Executive Summary

- 1) Clarify public notice distribution fees;
- 2) Clarify the preparation activities for which costs are recovered related to the California Environmental Quality Act (CEQA);
- 3) Change deadlines for emission reports and payments;
- 4) Clarify language on clean fuel fees; and
- 5) Allow periodic invoicing for processing Title V permit initial applications and renewals.

South Coast AQMD continues to seek out cost-containment opportunities and maintain revenue reserves in an effort to address future challenges. These challenges include but are not limited to: changes in federal grant funding levels, increased retirement costs due to actuarial and investment adjustments, variations in one-time penalties, and uncertainty associated with external factors affecting the economy.

CHAPTER 1: BACKGROUND

INTRODUCTION

LEGAL AUTHORITY, DESCRIPTION OF SOUTH COAST AQMD'S PERMITTED SOURCE PROGRAM AND OTHER FEES, AND RELATIONSHIP OF FEES TO SOUTH COAST AQMD'S BUDGET

DESCRIPTION OF REVENUE CATEGORIES

PROPOSITION 26 COMPLIANCE

PUBLIC PROCESS

Introduction

PAR III is brought to the South Coast AQMD Governing Board for consideration on an annual basis, often in conjunction with the Proposed Budget and Work Program. These proposed amendments and budget typically include a CPI adjustment of the majority of fees contained in Regulation III – Fees pursuant to Rule 320 – Automatic Adjustment Based on Consumer Price Index for Regulation III Fees and the H&SC, along with necessary proposed fee increases for the purposes of cost recovery and other administrative changes for clarifications, deletions, or corrections to existing rule language. South Coast AQMD Regulation III – Fees is comprised of the list of active rules below:

- Rule 301 – Permitting and Associated Fees (Amended October 3, 2025),
- Rule 302 – Fees for Publication (Amended February 12, 1993),
- Rule 303 – Hearing Board Fees (Amended May 2, 2025),
- Rule 304 – Equipment, Materials, and Ambient Air Analyses (Amended May 2, 2025),
- Rule 304.1 – Analyses Fees (Amended May 2, 2025),
- Rule 306 – Plan Fees (Amended May 2, 2025),
- Rule 307 – Fees for Air Toxics Emissions Inventory (Amended June 9, 2006),
- Rule 307.1 – Alternative Fees for Air Toxics Emissions Inventory (Amended May 2, 2025),
- Rule 308 – On-Road Motor Vehicle Mitigation Options Fees (Amended May 2, 2025),
- Rule 309 – Fees for Regulation XVI and Regulation XXV (Amended May 2, 2025),
- Rule 310 – Amnesty for Unpermitted Equipment (Adopted March 5, 2010),
- Rule 310.1 – Amnesty for Unpermitted Equipment and Small Business Discount for Control Equipment (Adopted June 3, 2011),
- Rule 311 – Air Quality Investment Program (AQIP) Fees (Amended May 2, 2025),
- Rule 313 – Authority to Adjust Fees and Due Dates (Amended May 2, 2025),
- Rule 314 – Fees for Architectural Coatings (Amended May 2, 2025),
- Rule 315 – Fees for Training Classes and License Renewal (Amended May 2, 2025),
- Rule 316 – Fees for Rule 2305 (Amended May 2, 2025),
- Rule 316.2 – Fees for Rule 2306 (Adopted May 2, 2025),
- Rule 317 – Clean Air Act Non-Attainment Fees (Amended February 4, 2011)
- Rule 317.1 – Clean Air Act Nonattainment Fees for 8-Hour Ozone Standards (Adopted June 7, 2024), and
- Rule 320 – Automatic Adjustment Based on Consumer Price Index for Regulation III Fees (Amended May 5, 2023).

Legal Authority, Description of South Coast AQMD’s Permitted Source Program and Other Fees, and Relationship of Fees to South Coast AQMD’s Budget

The H&SC provides South Coast AQMD with the authority to adopt various fees to recover the costs of its programs. H&SC Section 40510(b) authorizes South Coast AQMD to adopt “a fee schedule for the issuance of variances and permits to cover the reasonable cost of permitting, planning, enforcement, and monitoring related thereto.” Virtually every cost related to regulating

permitted sources may be recovered under this type of fee.³ Entities regulated through the South Coast AQMD's Permitted Source Program receive two types of permits: facility permits and equipment-based permits. These permits apply to each permitted facility or each piece of permitted equipment. RECLAIM⁴ and Title V facilities receive a facility permit which incorporates all of their equipment-based permits into a single document, whereas other sources receive independent equipment-based permits.

South Coast AQMD has adopted three basic types of Permitted Source Program fees: permit processing fees, annual renewal operating fees (equipment-based), and emissions-based operating fees. Traditionally, South Coast AQMD has endeavored to recover its costs of permit processing from permit processing fees, its costs of inspection and enforcement from annual renewal operating fees, and its indirect costs necessary to conduct overall Permitted Source Program regulatory activities, including related planning, monitoring, rule development, and outreach programs, from emissions-based operating fees.⁵ In recent years, some of these indirect costs have been recovered from annual operating fees rather than emissions-based fees, since emissions fees are a declining source of revenue, without a corresponding reduction in necessary rulemaking efforts and other permit-related activities.

The current structure for permit processing fees derives ultimately from a study of actual time spent processing permits, conducted by KPMG Peat Marwick.⁶ Permit processing fee schedules were subsequently developed and updated based on actual time spent processing various types of equipment as gathered by permit processing staff.⁷ In subsequent years, reviews of permit processing fees have only confirmed or updated these schedules based on processing time.

The fees for equipment-based permits to construct or operate are based on the type of equipment involved, with higher fees for equipment with higher emissions and/or more complex relationships between operation and emissions, which require a higher level of staff effort to review and evaluate the associated permit applications for compliance with applicable rules and regulations. Each type of basic equipment and control equipment is assigned a fee schedule, A through H, as set forth in Rule 301, Tables IA and IB. For some equipment, a permit to construct is issued prior to issuing a permit to operate. For other equipment or application types, a permit to operate is issued directly.

³ H&SC Section 40506.

⁴ RECLAIM stands for REgional CLean Air Incentives Market, a cap-and-trade program that regulates the emissions of NOx and SOx in the South Coast Air Basin.

⁵ California courts have upheld the use of emissions-based fees to cover these types of costs, holding that such an allocation method is reasonably related to an air district's costs of regulating a permit holder's air pollution. (*San Diego Gas & Electric Co. v. San Diego County APCD* (1988) 203 Cal. App. 3d 1132, 1148).

⁶ In November 1989, the consulting firm of Peat Marwick Main and Co. "...began a comprehensive study, in concert with South Coast AQMD staff to assess the status of South Coast AQMD fee programs which are outlined in Regulation III." The resulting "Recommendation Regarding Fee Assessment Study" report was presented to the South Coast AQMD Governing Board on March 28, 1990 (Agenda Item #10). On August 11, 1994, the South Coast AQMD Governing Board authorized an independent study of the South Coast AQMD's fee structure and authority. A panel composed of representatives from Chevron, Los Angeles County Sanitation District, Hughes Environmental Corporation, Orange County Transportation Authority and the South Coast AQMD recommended the firm of KPMG to perform the study. A final "Report on the Study of the AQMD's Fee Structure and Authority" was presented to the South Coast AQMD Governing Board on March 10, 1995 (Agenda Item #11). Both of these documents are available at the South Coast AQMD Library, 21865 Copley Drive, Diamond Bar, CA 91765, (909) 396-2600.

⁷ See South Coast AQMD (2017) Regulation III – Fees, Final Staff Report, Section VII D

The fees for renewal of permits to operate are further divided into two components: an equipment-based permit renewal fee and an emissions-based annual operating fee. The equipment-based permit renewal fee is based on the same equipment schedules used for the permit to construct/operate fee, i.e., the categories A through H, but some of the schedules are grouped together, resulting in only four fee rates for the equipment-based annual permit renewal fees.⁸ Each equipment fee schedule is assigned to one of the four annual permit renewal fee rates, based on the complexity of inspection and compliance activities and the emissions potential.

The emissions-based annual operating fee includes a flat fee paid by each facility and a tiered fee for sources emitting four or more tons per year of criteria pollutants (e.g., volatile organic compounds (VOC), nitrogen oxides (NO_x), sulfur oxides (SO_x), and particulate matter (PM)) and lesser amounts for emissions of specified air toxics. State law authorizes the use of emissions-based fees (H&SC Section 40510(c)(1)).

RECLAIM and Title V facilities pay additional annual permit-related renewal fees to recover the additional costs associated with these types of facilities. South Coast AQMD uses schedules based on equipment type to ensure that permit to construct/operate fees and the equipment-based annual permit renewal fees reflect the costs required for permit processing and ongoing enforcement related activities. For sources subject to Fee Schedules F, G, and H, the potential variability in time required for permit processing of large/complex sources is addressed through the use of a minimum permit processing fee, with an option for billing hours above a specified baseline, up to a maximum total fee. For other types of equipment, permit processing fees are flat fees.

South Coast AQMD has further subdivided certain permit-related activities and imposed fees to at least partially recover their costs, such as Source Testing Review, analyses conducted pursuant to the California Environmental Quality Act (CEQA), and newspaper noticing, rather than grouping these costs into the basic permit processing or operating fees. This enables South Coast AQMD to more closely allocate the costs of specific permit-related activities to the payor responsible for the costs. While there are many sub-types of fees within the basic structure, such as special processing fees for CEQA analyses or health risk assessments (HRAs), the three permit-related fees (permit processing, equipment-based annual permit renewal, and emissions-based annual operating fee) comprise the basic fee structure.

Also included in the South Coast AQMD's Permitted Source Program are Rule 222 registration fees and plan fees, since these are similar to permits for the sources to which they apply.^{9, 10}

Additional fees also have been authorized by the legislature and are included in South Coast AQMD's existing fee regulation. These fees include: 1) variance and other Hearing Board fees;¹¹ 2) fees for the costs of programs related to indirect sources and areawide sources;¹² 3) fees to recover the costs to the air district and state agencies of implementing and administering the Air

⁸ Note that annual renewal fees for compliance plans are the same as the equipment-based Schedule A fee. Rule 306 includes a list of compliance plans that are subject to annual renewal fees after approval. These plans generally include ongoing compliance requirements that necessitate review and verification by the agency's compliance staff.

⁹ H&SC Sections 40510(b) and 40522, Rule 301(u), and Rule 306.

¹⁰ Rule 222 registration fees are flat fees, but compliance plan fees include an initial payment and may be later invoiced for additional Time and Materials based on actual time spent on review. Plan fees also include annual renewal fees for specific plan types listed in Rule 306.

¹¹ H&SC Section 40510(b) and Rule 303.

¹² H&SC Section 40522.5 and Rules 2202, 314, 316, and 316.2.

Toxics Hot Spots Program (AB 2588);¹³ 4) fees for refinery-related community air monitoring systems;¹⁴ and 5) fees for notices and copying documents.^{15, 16}

The above-referenced permit-related fees, including permitting, annual operating, and emission fees, comprise approximately 60% of South Coast AQMD's revenue. Other sources of revenue for South Coast AQMD include revenue from mobile sources, including the Clean Fuels Fee, Carl Moyer funds, and Proposition 1B funds. These are special revenue funds outside of the General Fund budget which pay for specific technology advancement or emission reduction projects approved by the South Coast AQMD Governing Board which are consistent with the specific limits on the use of those funds. Periodically, funds to reimburse South Coast AQMD for its administrative costs in carrying out these projects are transferred by South Coast AQMD Governing Board action into South Coast AQMD's General Fund budget. A second type of mobile source revenue is provided by AB 2766 (Motor Vehicle Subvention Program) from the 1990 legislative session, which provides South Coast AQMD with 30% of a four-dollar fee assessed on each motor vehicle registered within South Coast AQMD's jurisdiction. These funds must be used for the reduction of pollution from motor vehicles and for related planning, monitoring, enforcement, and technical studies necessary for the implementation of the California Clean Air Act, for the attainment or maintenance of state or federal ambient air quality standards, or the reduction of toxic air contaminant emissions from motor vehicles.¹⁷ Specific mobile-source related programs are funded with this revenue source, as well as a proportionate share of activities such as ambient air quality monitoring and regional modeling which are not specifically related to stationary or mobile sources individually. These motor vehicle fees are currently set at the statutory maximum. AB 2766 fees have not been increased in about 35 years. Based on CPI, the real value of AB 2766 fees has therefore declined by about 71%. The remainder of the AB 2766 revenues provided to South Coast AQMD is divided between a share that is provided to cities and counties for mobile source emission reduction programs and a share that is used to fund mobile source emission reduction projects recommended by the Mobile Source Air Pollution Reduction Review Committee (MSRC) and approved by the South Coast AQMD Governing Board.

The legislature also has imposed certain limits on South Coast AQMD's fee authority. If South Coast AQMD proposes to increase existing permit fees by more than the change in the CPI, the increase must be phased in over a period of at least two years.¹⁸ Also, if a fee increase greater than CPI is adopted, the South Coast AQMD Governing Board must make a finding, based on relevant information in the rulemaking record, that the increase is necessary and will result in an apportionment of fees that is equitable. This finding shall include an explanation of why the fee increase meets these requirements.¹⁹ These findings will be included in the South Coast AQMD Governing Board Resolution presented for the Public Hearing on Regulation III.

¹³ H&SC Section 44380 et seq., 17 CCR Section 90700, and Rule 307.1.

¹⁴ H&SC Section 42705.6 and Rule 301(aa).

¹⁵ H&SC Section 40510.7 and Rule 301(f).

¹⁶ The rule references are intended to provide examples of the different types of statutorily authorized fees. They are not intended to be a comprehensive listing of all applicable rule provisions.

¹⁷ H&SC Section 44223.

¹⁸ H&SC Section 40510.5(b).

¹⁹ H&SC Sections 40510(a)(4) and 40510.5(a).

Description Of Revenue Categories

The following describes the various revenue categories that support all of the South Coast AQMD's programs and its entire budget.

I. ALLOCATABLE

A portion of South Coast AQMD revenue goes to offset the operational support costs of the South Coast AQMD. These costs include activities such as personnel, Payroll, and Information Management. These costs are allocated over the other revenue categories based on the number of full-time employees (FTEs).

II. ANNUAL OPERATING EMISSIONS FEES

This fee program was initiated in January 1978. As currently implemented, all permitted facilities pay a flat fee for up to four tons of emissions. In addition to the flat fee, facilities that emit four tons or greater (from both permitted and unpermitted equipment) of any organic gases, specific organics, nitrogen oxides, sulfur oxides, or particulate matter, or 100 tons per year or greater of carbon monoxide, also pay fees based on the facility's total emissions. These facilities pay for emissions from permitted equipment as well as emissions from unpermitted equipment and processes which are regulated, but for which permits are not required, such as solvent use. In addition, a fee-per-pound is assessed on the following toxic air contaminants and ozone depleters: ammonia; asbestos; benzene; cadmium; carbon tetrachloride; chlorinated dioxins and dibenzofurans; ethylene dibromide; ethylene dichloride; ethylene oxide; formaldehyde; hexavalent chromium; methylene chloride; nickel; perchloroethylene; 1,3-butadiene; inorganic arsenic; beryllium; polynuclear aromatic hydrocarbons (PAHs); vinyl chloride; lead; 1,4-dioxane; trichloroethylene; chlorofluorocarbons (CFCs); and 1,1,1-trichloroethane. Along with annual operating permit renewal fees, emissions fees are intended to recover the costs of South Coast AQMD's compliance, planning, rulemaking, monitoring, testing, source education, public outreach, and civil enforcement. Historically, compliance-related costs for permitted sources are supported by annual operating permit renewal (equipment-based) fees, while planning, rulemaking, and outreach are supplemented by annual operating emissions-based fees. However, some of these permit-related costs have been supported by annual operating permit renewal fees since the emissions-based fees are declining.

III. PERMIT PROCESSING FEES

Permits are the primary vehicles the South Coast AQMD uses to ensure that equipment in South Coast AQMD's jurisdictional boundaries complies with South Coast AQMD Rules and Regulations. Permit processing fees support the permit processing program and the fee rate schedules for the different equipment categories are based on the average time it takes to process and issue a permit. Each applicant, at the time of filing, pays a permit processing fee which partially recovers the costs for normal evaluation of the application and issuance of the permit to construct and permit modifications. The remaining cost is recovered by annual operating permit renewal fees; permit processing fees are kept lower to allow more of the cost to be recovered by the relatively consistent annual renewals rather than inconsistent permit applications. Moreover, staff wants to minimize the potential for permit processing fees to become excessively burdensome, while annual operating fees are more easily planned for and included in a facility's budget. Also, raising permit fees to cover the full cost of permit processing programs could become overly burdensome for some facilities, while the annual operating fee is more predictable and easier to

include in facility budgets. This category also includes fees charged to partially recover the costs of evaluation of plans, including but not limited to Rule 403 dust control plans, and Rule 1118 flare monitoring plans. The permit processing fees also cover the administrative cost to process Change of Operator applications, applications for Emission Reduction Credits, and Administrative Changes to permits. This category also includes a number of specific fees such as Title V permit processing fees, CEQA and air quality modeling fees, and public noticing fees. Finally, this category includes some fees that are related to specific activity such as asbestos notification and Rule 222 ‘registration in lieu of permit’.

IV. ANNUAL OPERATING PERMIT RENEWAL FEES

The South Coast AQMD initiated this program in February 1977. This program requires that all active permits be renewed on an annual basis upon payment of annual renewal fees. The annual renewal rates are established in South Coast AQMD Rule 301 and are based on the type of equipment, which is related to the complexity of related compliance activity. These annual operating permit renewal fees (Category IV) are separate and distinct from the annual operating emission fees (Category II). For basic equipment (not control equipment) the operating fee schedule also corresponds to some extent to the emission potential of the equipment. Along with annual operating emissions fees, annual operating permit renewal fees are intended to recover the costs of programs such as South Coast AQMD’s compliance program, planning, rulemaking, monitoring, testing, source education, outreach, civil enforcement, including the South Coast AQMD’s Hearing Board, and stationary and area source research projects. Historically, compliance-related costs for permitted sources are supported by annual operating permit renewal fees, while planning, rulemaking, and outreach are supported by annual operating emissions-based fees. Additional activities covered by these fees include technology assessments and engineering support of other South Coast AQMD divisions such as planning and rule development. These fees also support the shortfall in permit processing fees.

V. FEDERAL GRANTS/OTHER FEDERAL REVENUE

The South Coast AQMD receives funding from U.S. EPA Sections 103 and 105 grants to help support the South Coast AQMD in its administration of active air quality control and monitoring programs where the South Coast AQMD is required to perform specific, agreed-upon activities. Other EPA and Department of Energy (DOE) grants provide funding for various air pollution-reduction projects. When stipulated in the grant agreement, the General Fund is reimbursed for administrative costs associated with grant-funded projects. Most federal grants are limited to specific purposes, but U.S. EPA Clean Air Act Section 105 grants are available for the general support of air quality-related programs. In addition, various federal grants come with allowable amounts to spend on administrative costs, but these amounts are limited to work on that grant program.

VI. SOURCE TEST/SAMPLE ANALYSIS FEES

Revenue in this category includes fees for source tests, test protocol and report reviews, continuous emissions monitoring systems (CEMS) evaluations and certifications, laboratory approval program (LAP) evaluations, and laboratory sample analyses. The revenue recovers a portion of the costs of performing source tests, technical evaluations, and laboratory analyses.

VII. HEARING BOARD FEES

The revenue from this source results from filing of petitions for variances and appeals, excess emissions fees, and daily appearance fees. The revenue recovers a portion of the costs associated with these activities.

VIII. CLEAN FUELS FEES

Section 9250.11 of the Vehicle Code assigns the Department of Motor Vehicles (DMV) the authority and the duty to collect and forward to South Coast AQMD money for clean fuels technology advancement programs and transportation control measures related to mobile sources, according to the plan approved pursuant to H&SC Section 40448.5. One dollar is collected by the DMV for every vehicle registered in South Coast AQMD's jurisdictional boundaries, forwarded to South Coast AQMD, and deposited in a revenue account in the Clean Fuels Program Fund. Clean fuels fees from stationary sources are recorded in a separate revenue account within the Clean Fuels Program Fund pursuant to H&SC Section 40512. Fees are collected from sources that emit 250 tons or more per year of NO_x, SO_x, Reactive Organic Compounds (ROC), or PM. The fees collected are used to develop and implement stationary source activities that promote the use of clean-burning fuels. These activities include assessing the cost effectiveness of emission reductions associated with clean fuels development and use of new clean fuels technologies, and other clean fuels related projects. The General Fund receives reimbursements from the Clean Fuels Program Fund for staff time and other program implementation/administration costs necessary to implement a Clean Fuels Program.

IX. MOBILE SOURCES

Mobile Sources revenue is composed of four components: AB2766 revenue and administrative/program cost reimbursements from the MSRC, Carl Moyer and Proposition 1B programs.

AB2766: Gives the Department of Motor Vehicles (DMV) the authority and responsibility to collect and forward to the South Coast AQMD four dollars for every vehicle registered in South Coast AQMD's jurisdictional boundaries; originally this fee was \$2 for every vehicle registered. Thirty percent of the money (\$1.20 per vehicle) collected is recognized in South Coast AQMD's General Fund as mobile sources revenue and is used for programs to reduce air pollution from motor vehicles and to carry out related planning, monitoring, enforcement, and technical studies authorized by, or necessary to implement, the California Clean Air Act of 1988 or the South Coast AQMD Air Quality Management Plan. A proportionate share of programs that are not directly associated with any individual type of source (e.g., air quality monitoring) is supported by these revenues. The remaining monies are used to pay for projects to reduce air pollution from mobile vehicles: 40% (\$1.60 per vehicle) to the Air Quality Improvement Fund to be passed through to local governments and 30% (\$1.20 per vehicle) to the Mobile Source Air Pollution Reduction Fund to pay for projects recommended by the Mobile Source Air Pollution Reduction Committee (MSRC) and approved by the South Coast AQMD Governing Board (see MSRC below).

Carl Moyer Program: The Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) provides funding from the state of California for the incremental cost of cleaner heavy-duty vehicles, off-road vehicles and equipment, marine, and locomotive engines. The General Fund receives reimbursements from the Carl Moyer Fund for staff time and other program implementation/administration costs, up to specified limits.

Proposition 1B: The Proposition 1B Program is a \$1 billion bond program approved by California voters in November 2006. This incentive program is designed to reduce diesel emissions and

public health risks from goods movement activities along California’s trade corridors. The General Fund receives reimbursements from the Proposition 1B Funds for staff time and other program implementation/administration costs up to specified limits.

MSRC: Revenue posted to the General Fund reflects the reimbursement from the Mobile Source Air Pollution Reduction Fund for the cost of staff support provided to the MSRC in administering a mobile source program. These administrative costs are limited by state law to no more than 6.25% of the fees and the MSRC adopts a budget for staff support each year.

X. AIR TOXICS AB2588

H&SC Section 44380 (AB 2588) requires the South Coast AQMD to assess and collect fees from facilities that emit toxic compounds. Fees collected are used to recover state and South Coast AQMD costs to collect and analyze data regarding air toxics and their effect on the public, specifically regarding facilities in the “Hot Spots” program. Costs recovered include administrative, outreach, plan processing, and enforcement costs to implement this program. These fees are specified by CARB unless South Coast AQMD adopts a specific AB 2588 fee.

XI. TRANSPORTATION PROGRAMS

In accordance with federal and state Clean Air Act requirements, South Coast AQMD’s Rule 2202 – On-Road Vehicle Mitigation Options provides employers with a menu of options to reduce mobile source emissions generated from employee commutes or alternatively, implement mobile source emission reduction programs. The options include offsetting mobile source emissions generated from the employee commutes, and options to meet a worksite-specific emission reduction target for the subsequent year. Employers with 250 or more employees at a worksite are subject to Rule 2202 and are required to submit an annual registration. The revenue from this category is used to recover a portion of the costs associated with filing, processing, reviewing, and auditing the registrations and the ridesharing programs.

XII. CALIFORNIA AIR RESOURCES BOARD SUBVENTION

The state appropriates monies each year to subvene to local air quality districts, including South Coast AQMD, to support an active air quality program. The CARB subvention monies are generally not limited to specific programs but are available for the general support of air quality-related programs.

XIII. OTHER REVENUE

Miscellaneous revenue that includes revenue attributable to penalties/settlements, interest income, lease income, professional services the South Coast AQMD renders to other agencies, reimbursements from special revenue funds (non-mobile source), vanpool revenue, fitness center, and fees such as witness, jury duty, Public Records Act requests, subscriptions, etc. These revenues are generally available to support air quality programs.

XIV. INDIRECT SOURCES AND AREAWIDE SOURCES

Rule 316 established fees to fund Rule 2305 compliance activities. Administration fees paid by warehouse owners and operators subject to Rule 2305 cover compliance activities and supporting administrative functions for the WAIRE Mitigation Program. If an operator chooses to pay a mitigation fee, the funds will be used to provide incentives for near-zero and zero-emission trucks and zero-emission charging and fueling infrastructure in communities near the warehouse(s) that paid the fee. Each mitigation fee is accompanied by an administrative fee portion that is

designed to cover the cost of administering the mitigation fee program. All mitigation fees paid by warehouse operators will go into the WAIRE Mitigation Program. Any solicitations for projects and project awards using funds from the WAIRE Mitigation Program must be first approved by the South Coast AQMD Governing Board.

Rule 316.2 sets reporting and notification fees for freight rail yard owners and operators subject to Rule 2306. This revenue covers Rule 2306 implementation and compliance activities that include review of reports and notifications, audits, inspections, and enforcement activities.

Emissions fees from architectural coatings revenue covers portions of the architectural coatings program, and that program's fair share of emissions fee-supported programs. Quantity-based fees on architectural coatings are also assessed and are designed to support specific architectural coatings programs (such as enforcement). Rule 314 – Fees for Architectural Coatings covers emission-based fees and quantity-based fees. Beginning in FY 2008-09, annual assessments of architectural coatings, based on quantity (gallons) distributed or sold for use in South Coast AQMD's jurisdiction and the VOC emissions from subcategories, are included in revenue projections; this revenue allows South Coast AQMD to recover the costs of staff working on compliance, laboratory support, architectural coatings emissions data, rule development, and architectural coatings revenue collection.

XV. PORTABLE EQUIPMENT REGISTRATION PROGRAM (PERP)

The California Air Resources Board (CARB) provides revenues to local air districts, including South Coast AQMD, to offset the costs of inspecting equipment registered under CARB's Portable Equipment Registration Program (PERP). Fees for registration of PERP-registered engines by South Coast AQMD field staff are collected by CARB at the time of registration and passed through to the South Coast AQMD on an annual basis. Fees for inspection of all other PERP-registered equipment are billed at an hourly rate set forth in South Coast AQMD Rule 301 but are determined by CARB and collected by the South Coast AQMD at the time the inspection is conducted.

XVI. STATE GRANT

Under AB 617, adopted by the state legislature, CARB funding is distributed to air districts to implement the Community Air Protection Program which includes monitoring and developing emissions reductions plans in disadvantaged communities with high cumulative exposure to air toxics.

Proposition 26 Compliance

On November 2, 2010, the voters of California enacted Proposition 26, which was intended to limit certain types of fees adopted by state and local governments. Proposition 26 broadly defines a tax to mean any charge imposed by a local government that does not fall within seven enumerated exceptions for valid fees. If a charge does not fall within an enumerated fee exception, it is considered a tax and must be adopted by vote of the people. South Coast AQMD does not have authority under state law to adopt a tax, so it may only impose a charge that is a valid fee under Proposition 26.

Proposition 26 requires that the local government prove by a preponderance of the evidence that the amount of the fee “[1] is no more than necessary to cover the reasonable costs of the governmental activity, and that [2] the manner in which those costs are allocated to a payor bear a

fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.”²⁰ A detailed explanation of the Permitted Source Program and the method of allocating program costs to the fee payors is included in this Staff Report.

Proposition 26 also provides that an agency must establish by a preponderance of evidence that the fee fits within one of the fee exceptions.²¹ In addition to the enumerated exceptions found in Proposition 26, courts have found that the proposition does not apply to fees adopted before its effective date.²²

All of the proposed fee increases discussed in this Staff Report fall within a recognized exception. In addition, all of the proposed increases are not more than necessary to cover the reasonable costs of South Coast AQMD’s activities and bear a fair and reasonable relationship to a payor’s burdens on, or benefits received from, South Coast AQMD’s activities.

Public Process

Development of PAR III is being conducted through a public process. Public outreach was conducted to notify interested parties regarding PAR III through notifications including newspaper postings, mass mailings, and email notifications. A Public consultation meeting was held on March 17, 2026, and a second public consultation meeting is scheduled for April 7, 2026, to present proposed amendments to Regulation III and receive public comment. The proposed amendments will also be presented at the Budget Advisory Committee Meeting on April 2, 2026, and the Governing Board Special Meeting Budget Study Session on April 10, 2026.

The public hearing to consider adoption of the fiscal year 2026-27 Budget and Work Program, fee adjustments, and PAR III is scheduled for May 1, 2026, at 9:00 a.m. (subject to change) in the auditorium at the South Coast AQMD’s Diamond Bar Headquarters and via a Zoom link that will be available in the May 1, 2026 Governing Board agenda, which will be released no later than 72 hours prior to the Public Hearing.

²⁰ See Cal. Const. art. XIII C §1

²¹ Cal. Const., art. XIII C, §1

²² Brooktrails Township County. Servs. Dist. v. Bd. of Supervisors of Mendocino County (2013), 218 Cal. App. 4th 195, 206

**CHAPTER 2: CPI ADJUSTMENT OF FEES FOR REGULATION
III**

CPI Adjustment of Fees for Regulation III

Staff is planning to implement automatic adjustments for most fees in Regulation III by the California CPI percent increase for the preceding calendar year, as set forth in H&SC Section 40500.1(a). Specifically, staff is planning, where applicable, to adjust fees in Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, 316, and 316.2 on July 1, 2026, to correspond with the increase in the calendar year 2025 CPI 3.2%²³.

South Coast AQMD Rule 320 – Automatic Adjustment Based on Consumer Price Index for Regulation III – Fees provides for automatic CPI adjustments of most fees. Pursuant to Rule 320, most fees set forth in Regulation III “shall be automatically adjusted by the change in the California Consumer Price Index for the preceding calendar year, as defined in H&SC Section 40500.1(a).” This rule establishes that in order to continue recovering agency costs, fees must keep pace at a minimum with inflation as measured using the CPI. Adjustments of these fees automatically occur, unless otherwise directed by the South Coast AQMD Governing Board for a particular fiscal year. Staff is not proposing to forego Rule 320 CPI adjustments for the upcoming fiscal year.

The H&SC also provides authority for annual CPI increases of Regulation III fees. H&SC Section 40510 provides that fee increases within “the percentage increase of the California Consumer Price Index for the preceding calendar year” do not require the findings and phasing that apply for fee increases in excess of CPI. This CPI adjustment would not apply to fees where the rate is set by state law or specifically exempted under Rule 320. Table 2-1 lists the fees in Regulation III that are specifically excluded from the automatic annual CPI-based fee rate increase and the reason for exclusion.

Both Rule 320 and the H&SC provide for the annual adjustment of most fees commensurate with the rate of inflation. By design, an increase based on the percent increase of the California CPI is reasonable because it recovers the increase in South Coast AQMD’s costs as a result of inflation. In addition, the way those increased costs are allocated bears a fair and reasonable relationship to the burdens on South Coast AQMD’s activities as established by the underlying fee schedule.

Over the past decade, the costs of the South Coast AQMD’s programs supported by fees on stationary sources for non-Title V facilities and Title V facilities have increased more than the increase in CPI. As established when Rule 320 was initially adopted, these fees are necessary to: 1) meet operating expenses, including employee wage rates and fringe benefits; 2) purchase or lease supplies, equipment, or materials; 3) meet financial reserve needs and requirements; and 4) obtain funds for capital projects, necessary to maintain service within existing service areas. In order to maintain South Coast AQMD’s existing programs and reserves, it is necessary to adjust fees to account for changes in CPI and to maintain funds to provide for capital expenditures that may become necessary in the future.

Current costs include those related to the South Coast AQMD’s office building, which is headquartered in Diamond Bar, California, its satellite office located in Long Beach, California, monitoring stations throughout its jurisdictional boundaries, and utilities, including electricity as provided by Southern California Edison, gas which is provided by the Southern California Gas Company, water provided by Walnut Valley Water District, and disposal provided by Waste

²³ <https://www.dir.ca.gov/oprl/capriceindex.htm>

Management. South Coast AQMD fleet vehicles are currently provided by Enterprise Fleet Management, property insurance and health insurance brokerage services are currently provided by Alliant, and building services (e.g., janitorial services, landscaping service, security guard service, building maintenance, etc.) are almost entirely provided by companies operating within California. Additionally, most services, contractors, and purchase order providers are based in California, such as recruitment services, workers compensation services, consulting services, software providers, and supply providers. The fees and contract rates associated with these providers increase per year or when the contract renews. In addition, the cost to employ staff at the South Coast AQMD increases over time due to increases in compensation, modifications to the employer contribution for defined benefits, and increases to healthcare and retirement benefits.

Table 2-1: Fees Excluded From CPI-Based Fee Rate Adjustment

Fee	Reason for Exclusion from CPI-Based Fee Rate Increase
Returned check service fee in various rules	Currently set by state law at \$25 (California Civil Code §1719(a)(1))
Rule 301(aa)(2) – Rule 1180 Community Air Monitoring System Annual Operating and Maintenance Fees	Rule 301 paragraph (aa)(4) limits the annual operating and maintenance fees associated with Rule 1180 Community Air Monitoring Systems to a triennial fee reassessment. The first triennial reassessment was conducted in December 2021 and will occur every three years thereafter.
Rule 301(w) – Enforcement Inspection Fees for Statewide Portable Equipment Registration Program (PERP) fees	Fee rates set by the state (California Code of Regulations Title 13, §2450 et. seq.)
Rule 307.1(d)(2)(D) – Maximum fee for a small business as defined in Rule 307.1	Currently set by state law at \$300 (California Code of Regulations Title 17, §90704(h)(2))
Rule 307.1 Table I – Facility Fees By Program Category; “State Fee” column figures only	Fee rates set by the state (H&SC Section 44380 et. seq.)
Rule 311(c) Air Quality Investment Program Fees	These fees pay for programs to reduce emissions under Rule 2202 – On Road Vehicle Mitigation Options and do not support South Coast AQMD’s Budget.

CHAPTER 3: PROPOSED RULE AMENDMENTS WITH FEE IMPACTS

INTRODUCTION

AMEND RULE 301 TO ADD NEW PERMIT FEE RATE SCHEDULE FOR LASER CUTTERS

AMEND RULE 301 TO RETAIN ADMINISTRATIVE PROCESSING FEE FOR APPLICATION REJECTIONS

AMEND RULE 303 TO CLARIFY HEARING BOARD FILING FEES

AMEND RULE 303 TO CLARIFY HEARING BOARD REFUND FEES

AMEND RULE 303 TO REMOVE CONSENT CALENDAR FEE TABLE

AMEND RULE 303 TO CORRECT AND UPDATE HEARING BOARD EXCESS EMISSION FEES

AMEND RULE 303 TO ADD AN ADMINISTRATIVE FEE FOR EXCESS EMISSION CALCULATIONS

AMEND RULE 301 TO REMOVE CAP FOR CEMS AND ALTERNATIVE SYSTEMS REVIEW

Introduction

In addition to the automatic annual CPI-based fee rate adjustment described in Chapter 2 – CPI Adjustment of Fees for Regulation III and any proposed fee changes, staff presents the following proposals to amend Rule 301 – Permitting and Associated Fees and Rule 303 – Hearing Board Fees:

- 1) Amend Rule 301 Table IB to add laser cutters to Schedule B1;
- 2) Amend Rule 301 to retain administrative processing fees for permit application rejections;
- 3) Amend Rule 303 to clarify language on the filing fees charged for petitioners submitting multiple variance requests;
- 4) Amend Rule 303 to clarify which portion of the filing fee is refunded when some petitions have already been acted on;
- 5) Amend Rule 303 to remove the Consent Calendar fee schedule;
- 6) Amend Rule 303 to correct excess emission fees for toxic air contaminants and to add diesel particulate matter as a toxic air contaminant;
- 7) Amend Rule 303 to include an administration fee for verifying or performing excess emission calculations; and
- 8) Amend Rule 301 to remove maximum fees for CEMS, FSMS, and ACMS evaluations.

The fees from these proposals, which are discussed in more detail below, are necessary to allow for recovery of the reasonable costs of South Coast AQMD’s regulatory activities. Any additional amendments that represent renumbering of rule subdivisions/paragraphs/tables, amendments that are due solely to any proposed addition and/or deletion of preceding rule subdivisions/paragraphs/tables, are not separately listed below.

1. New Permit Fee Rate Schedule for Laser Cutters

Description of Proposed Amendment

This proposal changes Table 1B of Rule 301 by adding laser cutting as a new basic equipment category with a B1 Fee Schedule. This equipment is similar to the existing basic equipment category “plasma arc cutting” and is proposed to have the same fee schedule B1. Proposed Rule 1445 “Control of Toxic Emissions from Laser and Plasma Arc Metal Cutting” considers both types of equipment together due to their similar characteristics. Laser cutting is not currently listed in Table 1B and therefore, applicants are assigned schedule C fees, per Rule 301(c)(1)(A)(iii). Upon addition of the new category, all laser cutting applications and permits will be subject to the B1 fee schedule. This includes annual renewal fees for existing laser cutting permits.

This proposal adds “Laser Cutting” (Schedule B1) to the equipment categories listed in Rule 301 Table 1B.

Proposed Amended Rule(s)

Table 3-1: Rule 301 Table IB - PERMIT FEE RATE SCHEDULES FOR BASIC EQUIPMENT

Equipment/Process	Schedule
Landfill Gas, Treatment	E

Equipment/Process	Schedule
Laser Cutting	<u>B1</u>

Justification/Necessity/Equity

After processing a sufficient number of applications, the evaluation and processing times of applications for laser cutting have been characterized as nearly identical to those of plasma arc cutting, which is currently listed in schedule B1 in Rule 301, Table 1B. Laser cutting is being added as a category in Table 1B to clarify for applicants the correct fee schedule for this equipment type. The difference between Schedule C fee and the Schedule B1 fee is only in the annual renewal fee. Schedule B1 equipment is characterized as having a complex evaluation, thus the same application processing fee as Schedule C, but having a more straightforward annual compliance review and thus a lower annual operating permit renewal fee than Schedule C. This is consistent with plasma arc cutting equipment, which is similar in complexity to laser cutting, and which has already been established as fee Schedule B1.

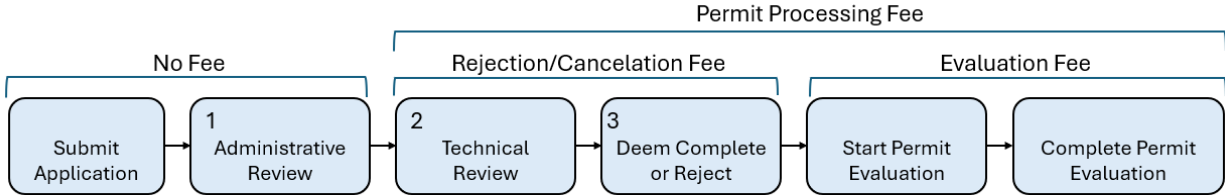
The proposed amendment will provide improved clarity and consistency that will avoid confusion and ensure equitable implementation of Rule 301 fee schedules for permitted operations of similar complexity.

The fee impact will result in a reduction of annual operating permit renewal fees relative to Schedule C fee that is assigned for equipment not listed. The application processing fee for Schedule B1 is the same as for Schedule C; only the annual operating renewal fee for Schedule B1 is lower than the annual operating renewal fee for Schedule C equipment. This proposal will result in a reduction of \$281,835.97 in annual renewal fees for the currently active 193 laser cutting permits. The change is necessary and equitable to reflect the correct amount of resources expended in processing applications for this type of equipment.

2. Retain Administrative Processing Fees for Application Rejections

Description of Proposed Amendment

When an application is received, administrative staff scan the application, enter the application into the processing system, review for completeness, and determine whether it should be rejected or routed to the appropriate engineering team (Figure 3-1). If rejected by administrative staff, the application package is returned to the applicant with a rejection letter containing the basis for rejection and all fees are refunded.

Figure 3-1: Permit Processing Flowchart

1. Application is reviewed for administrative completeness, i.e., submittal of all basic forms, contact information, signatures, proper submittal of fees, etc. If complete, routed for technical review. If not complete and missing information is not provided following consultation, application is returned and full refund issued.
2. Application is reviewed to determine if any information is missing that is needed to complete an engineering evaluation. If needed, additional information is requested from the applicant.
3. Application is Deemed Complete if all information needed to complete an engineering evaluation is included with the initial application or is provided by applicant following request. Otherwise the application is rejected.

When an application is routed to an engineering team for technical review, it is reviewed by the supervising engineer and assigned to a permitting engineer. The assigned permitting engineer reviews the application to determine if additional information is required in order to deem it a complete application. If additional information is needed, the permitting engineer requests it from the applicant and places the application on hold. If the requested information is not provided, the permitting engineer may reject the application. If rejected at this stage, all fees are refunded, a rejection letter is issued outlining the basis for rejection, and the application package is returned to the applicant.

As part of a cost recovery effort, when an application is rejected by the assigned permitting engineer, a rejection fee equivalent to an application cancellation fee would be retained prior to issuing the refund in order to recover engineering staff time spent determining and securing application completion. The current application cancellation fee for FY 2025-26 is \$300.52 and will be \$310.14 when counting potential CPI adjustment effective on July 1, 2026.

Proposed Amended Rule(s)

Rule 301(c)

(6) Refunds

- (A) If an application for a permit to construct is canceled or rejected, permit processing fees, less the application cancellation/rejection fee, will be refunded if the permit evaluation has not been initiated by the District. The application cancellation/rejection fee will be ~~\$300.52~~\$310.14.
- (B) Any fee paid to the District to process a permit application or equipment registration shall be refunded upon finding by the Executive Officer that the District erroneously requested filing of the application or registration. The cancellation/rejection fee required in subparagraph (c)(6)(A) shall not apply when the application was filed based on an erroneous District request.
- (C) If a facility or equipment is operated in violation of District Rules or Regulations during any portion of the time period for which the fee was assessed, there shall be no refund if the application is cancelled.

- (D) Applications filed for a Permit to Operate for equipment which has been operating without a required District permit will not receive a refund if the application is cancelled.

Justification/Necessity/Equity

Approximately 860 applications were rejected in 2025, and 225 of those were rejected after being assigned to an engineer. The proposed refund category is a cost recovery mechanism similar to the existing application cancellation fee in Rule 301(c)(6)(A). The application cancellation fee is based on time spent entering an application in the permitting system, routing the application to a permitting team, assigning to an engineer, and the assigned engineer reviewing the application and deeming the application complete. From a labor and administrative cost perspective, the process of reviewing an application to determine if it is complete, regardless of whether the application is determined to be complete or not complete and therefore rejected, is part of the same process and requires the same amount of time and effort; therefore, the proposed engineering rejection fee is justified.

The engineering rejection fee is necessary in order to allow the South Coast AQMD to recover costs associated with receiving, routing, assigning, reviewing, and requesting additional information prior to rejecting an application. Currently, costs are not recovered for any rejections. Time spent processing rejections involves work performed by a permitting engineer that reduces the resources and attention that could otherwise be dedicated to reviewing and approving applications.

With the proposed rejection category, an estimated additional \$68,000 in revenue would be retained, based on the proposed current fee rate of \$300.52 per rejection and the number of applicable applications. The proposed refund category will allow the South Coast AQMD to recover costs associated with applications that are received, assigned to engineering staff, and rejected for being incomplete.

3. Clarify Hearing Board Filing Fees

Description of Proposed Amendment

Clarifying language to indicate petitions submitted for multiple variances listed in Table III shall incur a fee for each individual variance in the table. For example, the filing fee for a petition for an interim and short-term variance and an ex parte emergency variance shall be \$2,042.80 for the interim and short-term variance plus \$1,633.91 for the ex parte emergency variance.

Proposed Amended Rule(s)

Rule 303(a)(1) Adding that the fee applies to each line item listed in Table III for added clarity.

(a) Filing and Appearance Fees

- (1) Every applicant or petitioner in a proceeding before the Hearing Board shall pay to the Clerk of the Board, at the time of filing, a filing fee for each line item in Table III, for each petition, in accordance with the schedule set forth in Table III.

Justification/Necessity/Equity

The existing language leaves some level of uncertainty regarding the filing fee for a petition with multiple variances. The proposal clarifies to indicate that other than the first entry in Table III where there is a lower combined filing fee for interim and short or interim and regular variances, any other variance in the petition will incur an additional fee.

The proposal includes clarifying language to reinforce how the rule language should be implemented.

Proposed changes are intended for clarification; however, the change will bring in minimal additional fees when petitions include multiple variances. Based on records from the Hearing Board, staff estimates that at least seven petitions a year are submitted for multiple variances with an estimated increase in revenue of \$11,437.37 (seven extra payments of \$1,633.91).

4. Clarify Hearing Board Refund Fees

Description of Proposed Amendment

This proposal clarifies language to indicate that refunds will only apply if all variances included in a petition are withdrawn. A common practice is to submit a petition for multiple variances, including an interim and short variance along with an ex parte emergency variance. The following table shows the filling fee schedule:

Table 3-2: Rule 303 Table III – Filing Fee Schedule with updated fees

	Schedule B	Schedule A
VARIANCE (Interim, Short, Regular, Emergency) and Alternate Operating Condition(s)		
<input type="checkbox"/> Interim and Short or Interim and Regular	\$2,042.38 <u>\$2,107.74</u>	\$366.26 <u>\$377.98</u>
<input type="checkbox"/> Short (without interim)	\$1,633.91 <u>\$1,686.20</u>	\$366.26 <u>\$377.98</u>
<input type="checkbox"/> Regular (without interim)	\$1,633.91 <u>\$1,686.20</u>	\$366.26 <u>\$377.98</u>
<input type="checkbox"/> Emergency or Ex Parte Emergency	\$1,633.91 <u>\$1,686.20</u>	\$366.26 <u>\$377.98</u>
<input type="checkbox"/> Variance plus Alternate Operating Condition(s)	\$2,450.86 <u>\$2,529.29</u>	\$366.26 <u>\$377.98</u>
<input type="checkbox"/> Plus, for each hearing day in addition to the first hearing day necessary to dispose of the petition, the additional sum of	\$914.84 <u>\$944.11</u>	\$182.78 <u>\$188.63</u>

The current practice is, if a petitioner files for an ex parte emergency variance along with, for example, and interim/short variance, they are billed \$2,042.38. This could occur in a case in which a source test shows equipment to be out of compliance, and a new test is scheduled imminently. The emergency or ex parte variance would be granted, allowing the equipment to continue operating the equipment until the interim variance hearing. If the new source test demonstrates that the unit is in compliance, eliminating the need for the interim/short term variance, and the applicant withdraws the interim/short variance petition, under the current practice they would receive a refund of \$1,021.19 (50% of the \$2,042.38 fee for a combined interim/short variance,

with no additional charge for the ex parte). In practice, that means the applicant pays only \$1,021.19 for an ex parte variance that should have cost \$1,633.91. To address this, staff is proposing to include clarification that the refund is not applicable to variances on which the Hearing Board has taken action.

Proposed Amended Rule(s)

Rule 303(b)(2) Adding, to paragraph (b)(2), language as shown:

- (2) In the event that the petition is withdrawn, and the petitioner notifies the Clerk of the Board in writing not less than four (4) days prior to the scheduled appearance, or the hearing is not held for any other reason, the petitioner shall be entitled to a refund of fifty percent (50%) of the filing fees. This refund shall not apply to any variance on which the Hearing Board has taken action.

Justification/Necessity/Equity

The existing language allows facilities to withdraw some of the variances in a petition which results in them paying a lower filing fee rate. Due to the combination of failing to accurately charge for each additional variance request (addressed in the previous proposal, #3), as well as issuing a 50% refund of the entire filing fee, this practice has contributed to the deficit that Hearing Board continually experiences.

This proposal changes how to qualify for a refund, with petitions for variances that have already granted or denied no longer being subject to the refund. For example, if a petitioner applies for ex parte, interim, and short variances, is granted the ex parte variance, but withdraws the remaining interim and short variance petitions, the petitioner would receive a 50% refund only for the interim and short filing fee, but no refund for the ex parte. Similarly, if the petitioner is granted the ex parte and interim variance, but withdraws the petition for the short variance, they would receive no refund, as the interim and short variances are single line item on the fee schedule and action was already taken on the interim variance.

Proposed changes are intended for clarification; however, they will bring in minimal additional fees when petitions include multiple variances. Note that the example below incorporates the proposed changes in the filing fee described above, as the clarification is a combination of both how the filing fees are billed and how refunds are issued. Based on records from the Hearing Board, staff estimates that one petition a year is withdrawn that submits for multiple variances with an estimated increase in \$1,633.91 based on the following:

Current Practice:

Three variances (ex parte, interim, and short variances) in a petition, charge \$2,042.38 (one line item)

Withdraw any variance: refund \$1,021.19 (50% of \$2,042.38)

Proposed Amendment (including the adjustment proposed in proposal #3):

Three variances (ex parte, interim, and short variances) in a petition, charge \$3,676.29 (all applicable line items: \$1,633.91 for ex parte plus \$2,042.38 for interim and short)

Withdraw interim/short variance request: refund \$1,021.19

Change in revenue: +\$1,633.91

5. Remove Consent Calendar Fee Table

Description of the Proposed Amendment

Rule 303 currently includes a Consent Calendar in Table III. This proposal involves removing the lower fees associated with variances that are directed to the Consent Calendar. The work performed by staff for Consent Calendar items is the same as for other petitions; the only difference is the amount of time spent in the hearing, which is a small fraction of the time staff spends on petitions. Furthermore, most petitioners do not pay the fees in the Consent Calendar table as the request to place their item on the Consent Calendar occurs after they file and pay for their petition as a scheduled hearing. To qualify for the Consent Calendar fee, they must request the Consent Calendar placement at the time of filing their petition. There is no refund if they later request consent placement.

Proposed Amended Rule(s)

Table 3-3: Rule 303 Removing the Table for Consent Calendar Fees for Clarification:

CONSENT CALENDAR		
Filing Fee	\$564.67	\$182.78
Plus, for each hearing day in addition to the first hearing day necessary to dispose of the petition, the additional sum of	\$357.41	\$182.78
□ In the event that the Board determines that there was insufficient documentation to consider the matter on the Consent Calendar, and the matter is scheduled for a hearing before the Board, petitioner shall pay an additional sum of	\$1,021.19	\$366.26
Plus, for each hearing day in addition to the first hearing day necessary to dispose of the petition, the additional sum of	\$914.84	\$182.78

Justification/Necessity/Equity

The Consent Calendar option was first introduced during the 1990s. At that time, there was no separate Consent Calendar fee; petitioners paid only the standard filing fee. During that period, the Hearing Board calendar was often fully booked with multiple hearings set for the same day, requiring attorneys to potentially wait several hours before their matters were heard. Use of the Consent Calendar eliminated the need for in-person appearances, resulting in significant reductions for the petitioner in both attorney costs and time commitments.

The mention of a Consent Calendar fee wasn't until the 1996 amendment, at which point it was set at 50 percent of the daily appearance fee. The 50 percent rate remained in effect until adoption of the Filing Fee Table in 2000. The staff report for the 2000 amendments explains the rationale for lowering the fee, citing that "the consent calendar significantly reduced Board time in processing the few cases heard on consent."

The Consent Calendar fee table was added to Rule 303 shortly after the RECLAIM program was adopted. At that time, it was not uncommon to have four or five hearings a day resulting in a very full hearing board schedule. The lower fee scheduled was included to incentivize facilities to opt to resolve their variance request through the Consent Calendar instead of a hearing. The variance

process has evolved since that time, and the Hearing Board calendar no longer has full days of hearings. Further, the amount of staff time devoted to resolving a variance through the Consent Calendar is no less than a scheduled hearing. Additionally, over the past three to four years, the Hearing Board has strongly encouraged parties to place matters on the consent calendar, resulting in a substantially higher number of consent cases than in prior years.

Further, based on current practice, petitioners who end up on the Consent Calendar pay the higher schedule of fees. Typically, petitioners pay the regular scheduled fees and are subsequently directed by the Hearing Board to the Consent Calendar, with no option for a partial refund. And as mentioned, petitions that are directed to the Consent Calendar require similar staff resources and should not have the option to request a lower fee schedule.

This proposal removes the lower Consent Calendar fee schedule to ensure cost recovery and reflect current practice.

Proposed changes are intended for clarification; however, the change will bring in minimal additional fees when petitions are initially directed to the Consent Calendar. Staff estimates that at least one petition a year is submitted for the Consent Calendar at the lower rate, with an estimated increase in revenue of \$1,069.24 (difference between the \$1,633.91 filing fee and the \$564.67 Consent Calendar filing fee).

6. Amend Rule 303 to Correct and Update Hearing Board Toxic Air Contaminant Excess Emission Fee

Description of the Proposed Amendment

Rule 303 Hearing Board Fees includes a Schedule of Excess Emissions Fees in Table 1. These fees, along with filing fees, pay for Hearing Board operation costs including staff and expenses. The Hearing Board continually operates at a deficit.

In the 2013 amendment of Rule 303, a change in formatting to Table I removed a header that indicated Toxic Air Contaminants (TACs) should be charged in dollars per pound, resulting in TACs being charged in dollars per ton, a 2,000-fold decrease. This appears to be an error, stemming from the formatting of the table changing from two pages to one page. There is no mention of the change in the staff report for the 2013 amendment.

This proposal also includes excess emissions fees for diesel particulate matter. Diesel particulate matter (DPM) is a known toxic and is included in Rule 301 where emission fees apply. Variances for emergency backup engines exceeding their allowed 200 hours of operation are common and the operators should pay for the harmful excess emissions of DPM. There are exemptions for operating the engines during emergencies where all fees are waived, so including the excess emission fee for DPM will not impact emergency use.

Proposed Amended Rules(s)**Table 3-4: Rule 303 Table I**

TABLE I	
SCHEDULE OF EXCESS EMISSIONS FEES	
<u>Air Contaminants</u>	<u>Dollars Per Ton</u>
Organic gases, except methane and those containing sulfur	\$7,879.14 <u>\$8,131.27</u>
Carbon Monoxide	\$77.13 <u>\$79.60</u>
Oxides of nitrogen (expressed as nitrogen dioxide)	\$4,726.86 <u>\$4,878.12</u>
Gaseous sulfur compounds (expressed as sulfur dioxide)	\$5,512.21 <u>\$5,688.60</u>
Particulate matter	\$5,512.21 <u>\$5,688.60</u>
<u>Toxic Air Contaminants</u>	<u>Dollars Per Pound</u>
Ammonia	\$0.12 <u>\$0.12</u>
Asbestos	\$34.74 <u>\$35.85</u>
Benzene	\$11.58 <u>\$11.95</u>
Cadmium	\$34.74 <u>\$35.85</u>
Carbon tetrachloride	\$11.58 <u>\$11.95</u>
Chlorinated dioxins and dibenzofurans (26 species)	\$57.87 <u>\$59.72</u>
<u>Diesel particulate matter</u>	<u>\$23.72</u>
Ethylene dibromide	\$11.58 <u>\$11.95</u>

Justification/Necessity/Equity

In 1990, Rule 301 was amended at the recommendation of third-party consultant KPMG Peat Marwick. As part of the change, toxic air contaminant emission fees were added to the fee schedule, evaluated in dollars per pound of emission based on the order of magnitude of the unit risk factor derived by the California Department of Health Services. Rule 303 – Hearing Board Fees was simultaneously amended to recover the actual operating cost of Hearing Board activities. Toxic air contaminants were added to Schedule of Excess Emissions Fees, at twice the rates in Rule 301. The Schedule of Excess Emission Fees maintained the format of charging toxic air contaminants in dollars per pound until the 2013 Regulation III amendment when the header indicating dollars per pound was removed. This appears to be an error, stemming from the formatting of the table changing from two pages to one page. There is no mention of the change in the staff report for the 2013 amendment. This revision is necessary to return to the original intent of the rule and to continue recovering fees for Hearing Board costs.

Fee impacts related to this correction are expected to be minimal. In practice, toxics fees are rarely assessed, and if assessed, a facility would likely be charged the minimum daily excess emission

fee under Rule 303(f). Staff reviewed the last three years of Hearing Board cases and found one instance of excess emissions of toxic air contaminants. With the correct fees implemented, the facility would have paid an increased fee amount of \$6.91. The District does not expect a significant increase of revenue from this correction. Nonetheless, Hearing Board cases that involve toxic air contaminants often involve greater time, analysis, and scrutiny from both staff and Hearing Board members, due to the increased potential for health impacts. This additional time further justifies a return to the previous rate identified in the erroneously-deleted table header.

In 1996, Rules 301 and 303 were amended to change the evaluation of toxic air contaminant fees, based on recommendations a second study conducted by KPMG Peat Marwick in 1995. The fees were divided into distinct tiers based on the order of magnitude of the unit risk factor for the contaminant, as presented by the Office of Environmental Health Hazard Assessment (OEHHA). For example, ethylene oxide, vinyl chloride, and ethylene dibromide with unit risk factors of 8.8×10^{-5} , 7.8×10^{-5} , and 7.1×10^{-5} respectively were all assigned an initial fee value of \$1.00 per pound, while nickel, with a unit risk factor of 2.6×10^{-4} was assigned an initial fee value of \$2.00 per pound.

In 1998, CARB's Scientific Review Panel found, based on data prepared by OEHHA and CARB, that DPM was a toxic air contaminant, and assigned it a unit risk factor of 3.0×10^{-4} , finding it a "reasonable estimate" of the risk of DPM. In 2019, Rule 301 was amended to increase fees for toxic air contaminants, on the basis that South Coast AQMD staff permitting and enforcement activities were informed by the potential for public health impacts, meaning overall more resources were spent on facilities with higher toxicity-weighted emissions. As part of this amendment, staff included DPM as a toxic air contaminant due to its high cancer potency, prevalence in the South Coast Air Basin, and the amount of resources spent on the pollutant.

However, DPM was not simultaneously added to Rule 303 for assessing excess emissions fees of Hearing Board matters.

The Hearing Board exists to provide regulatory relief for equipment exceeding rule or permit requirements. The Hearing Board has operation costs that are recovered through filing and excess emission fees. If a facility obtains a variance, the applicant must pay excess emission fees. Based on the Hearing Board reports submitted to the Governing Board in 2025, 15% of all cases considered had particulate matter from diesel engines as a form of excess emissions. Diesel particulate matter should be included in the schedule of excess emission fees to allow the South Coast AQMD to recoup costs associated with these Hearing Board matters of which DPM is emitted. As discussed above, as a toxic air contaminant, DPM will involve more time for analysis by staff and Hearing Board members to ensure the variance is properly granted and all potential options for mitigation are addressed. This addition will recover costs to offset the deficit consistently experienced by the Hearing Board. Based on reports from 2025, revenue will likely be low, but could be as high as \$50,000, if it is assumed diesel engines granted variances operated 24 hours a day for each day of variance they were granted (which is not the typical case). In the fiscal year 2025-2026 budget the Hearing Board's estimated deficit was \$1.1 million.

7. Administration Fee for Excess Emission Calculation and Requirement of Complete Information

Description of Proposed Amendment

Many hearing board cases involve emissions discharged during the variance period in excess of that allowed by the rules or permit conditions. Rule 303 requires facilities to pay for excess emissions during variance periods. For such cases, staff will dedicate time to review, calculate, and/or verify the excess emissions, but the rule provides no cost recovery. This proposal establishes a fee structure to recover staff costs for reviewing permit and regulatory emission equivalent limits, calculating, and/or verifying excess emissions resulting from the non-compliant activity that occur during variances based on the actual staff review time. This new fee structure will be effective for any petition received on and after the rule effective date which is July 1, 2026. Additional language is also proposed to ensure that facilities provide complete information that is verified by a responsible official to reduce resource impacts caused by incomplete submittals.

Proposed Amended Rule(s)

Rule 303

(d)(4):

- (4) When an excess emission fee is reviewed and/or evaluated by the South Coast AQMD, an administration fee for the review and/or evaluation shall be charged based on the time and material spent, at the T&M rate for Title V or non-Title V facilities, as applicable, specified in Rule 301 Table FEE RATE-A.

(k)(3):

- (3) Fee payments shall be accompanied by complete emission calculations that clearly explain the basis of the excess emission fees. The calculation submittal shall be signed by the applicant or petitioner attesting to the accuracy.

Justification/Necessity/Equity

The existing language has no cost recovery for staff's time spent reviewing, calculating, and/or verifying excess emissions for variance cases, as such time spent was not billed for any Hearing Board case previously. This partially contributes to the deficit that Hearing Board continually experiences.

The need exists to have a cost recovery for staff's time spent reviewing, calculating, and/or verifying excess emissions that occur during variances. The need also exists for the rule language to ensure that facilities provide complete information for excess emission determination.

The proposed change for adding a new paragraph (d)(4) is intended to provide cost recovery for staff review and work time calculating excess emissions for variance cases. In 2025, 34 hearing board cases required excess emission calculations. The time required to review the calculation varies depending on the complexity of the case, number of compounds and emissions points, and the duration of the variance, with most taking approximately 5 hours. The simplest cases generally take approximately 5 hours to evaluate the excess emissions. The most complex reviews may take

days to weeks and require staff to request additional information from the petitioner. Additionally, many submittals are not complete and require additional staff efforts. As the work is performed by the teams for permit evaluation, the hourly rate should align accordingly. Based on the permit evaluation rate of \$258.67 per hour for non-Title V facilities and \$324.14 per hour for Title V facilities, 5 hours of review/evaluation means \$1,457.03 charge on average. As a result, staff estimates this proposal will increase the revenue by at least approximately \$50,000 per year. For complex reviews requiring more than 5 hours, additional revenue will be recovered.

The proposed change for adding a new paragraph (k)(3) does not incur any fee impact.

8. Remove cap for CEMS and Alternative Monitoring Systems

Description of Proposed Amendment

Rule 301(j)(5) establishes fees for evaluations of Continuous Emission Monitoring Systems (CEMS), Fuel Sulfur Monitoring Systems (FSMS), and Alternative Continuous Emission Monitoring Systems (ACEMS) with fee schedule specified in TABLE IIB. Both FSMS and ACEMS are alternative systems to CEMS. Estimated hours for maximum fees do not currently reflect actual hours spent. This proposal seeks to adjust the fee schedule by removing the maximum fees to recover actual incurred costs associated with these evaluations. For each certification review, the applicant will be charged a basic fee for up to the specified hours of evaluation time and the time and materials for the actual excess hours beyond those with the existing hourly fee, with no maximum fee cap for the charge.

Proposed Amended Rules

Rule 301(j)

- (5) Payment for Review of Continuous Emissions Monitoring System (CEMS), Fuel Sulfur Monitoring System (FSMS), and Alternative Continuous Emissions Monitoring System (ACEMS)

- (A) New Application for Process Equipment Requiring CEMS or, Alternatively, an FSMS or ACEMS to Comply with the CEMS Requirement.

When a determination is made by the Executive Officer that a Continuous Emissions Monitoring System (CEMS) is required in order to determine a source's compliance with a District rule or regulation, the applicant shall:

- (i) Apply for the use of a CEMS and pay a basic processing fee as specified in Table IIB at the time of filing.
- (ii) Apply for the use of an FSMS or ACEMS in lieu of a CEMS and pay a basic processing fee as specified in Table IIB at the time of filing.

- (B) Modification of an Existing Certified CEMS, FSMS, or ACEMS

If a certified CEMS, FSMS, or ACEMS is modified in a manner (excluding routine replacement or servicing of CEMS or FSMS components for preventive or periodic maintenance according to established quality assurance guidelines, or CEMS or FSMS components designated by the

Executive Officer as “standardized” or direct replacement-type components) determined by the Executive Officer to compromise a source’s compliance with a District rule or regulation, the applicant shall pay a processing fee covering the evaluation of the modification and recertification, if necessary, as follows:

- (i) If one or more CEMS or FSMS components (excluding additional pollutant monitors) are replaced, modified, or added, the applicant shall pay a minimum processing fee of ~~\$1,177.30~~\$1,214.97; and additional fees will be assessed at a rate of ~~\$223.14~~\$230.28 per hour for time spent on the evaluation in excess of 10 hours ~~up to a maximum total fee of \$7,444.61.~~
- (ii) If one or more pollutant monitors are added to a CEMS or FSMS (and one or more of its components are concurrently replaced, modified, or added), the applicant shall pay a minimum processing fee as specified in Table IIB, based on the number of CEMS or FSMS pollutant monitors and components added.
- (iii) If one or more pollutant emission sources at a facility are added to an FSMS, a time-shared CEMS, or a SO_x CEMS which is specifically used to “back-calculate” fuel sulfur content for these sources, the applicant shall pay a minimum processing fee as specified in Table IIB, based on the number of CEMS or FSMS monitors and components added.
- (iv) If one or more ACEMS (or PEMS) components are replaced, modified, or added, the applicant shall pay a minimum processing fee ~~\$1,177.30~~\$1,214.97; and additional fees will be assessed at a rate of ~~\$223.14~~\$230.28 per hour for time spent on the evaluation in excess of 10 hours ~~up to a maximum total fee of \$7,444.61.~~

(C) Modification of CEMS, FSMS, or ACEMS Monitored Equipment

For any RECLAIM or non-RECLAIM equipment monitored or required to be monitored by a CEMS, FSMS, or ACEMS, that is modified in a manner determined by the Executive Officer to compromise a source’s compliance with a District CEMS-, FSMS-, or ACEMS-related rule or regulation, or requires an engineering evaluation, or causes a change in emissions; the applicant shall pay a minimum processing fee of ~~\$1,177.30~~\$1,214.97, covering the evaluation and recertification, if necessary, of the CEMS, FSMS, or ACEMS. Additional fees will be assessed at a rate of ~~\$223.14~~\$230.28 per hour for time spent on the evaluation in excess of 10 hours ~~up to a maximum total fee of \$7,444.61.~~

(D) Periodic Assessment of an Existing CEMS, FSMS, or ACEMS

An existing CEMS, FSMS, or ACEMS must be retested on a quarterly, semi-annual, or annual basis to remain in compliance with District regulations. The applicant shall pay a minimum processing fee of ~~\$1,177.30~~\$1,214.97 for this evaluation, if required. Additional fees will be

assessed at a rate of ~~\$223.14~~\$230.28 per hour for time spent on the evaluation in excess of 10 hours ~~up to a maximum total fee of \$7,444.62.~~

(E) CEMS, FSMS, or ACEMS Change of Owner/Operator

Every applicant who files an application for a change of owner/operator of a RECLAIM or non-RECLAIM facility permit shall also file an application for a change of owner/operator of a CEMS, FSMS, or ACEMS, if applicable, and be subject to a processing fee equal to ~~\$354.93~~\$366.29 for the first CEMS, FSMS, or ACEMS, plus ~~\$70.77~~\$73.03 for each additional CEMS, FSMS, or ACEMS.

Rule 301 TABLE IIB
CEMS, FSMS, & ACEMS FEE SCHEDULE

Certification Review		
CEMS and FSMS Review ¹	Basic Fee ²	Maximum Fee
Any combination of pollutants, diluent, flow, or other parameter ³ for:		
One to two components	\$5,052.38 <u>\$5,214.06</u>	\$9,046.08
Three to four components	\$6,077.63 <u>\$6,272.11</u>	\$16,646.78
For each additional component beyond four, the following amount is added to the fee for four components	\$0.00	\$4,112.04
For time-sharing of CEMS, the following amount is added to any fee determined above	\$0.00	\$4,112.04
ACEMS Review	Basic Fee ⁴	Maximum Fee
	\$5,052.38 <u>\$5,214.06</u>	\$16,646.78
¹ The certification fee includes the initial application approval, approval of test protocol, and approval of the performance test results. An application resubmitted after a denial will be treated as a new application and will be subject to a new fee. ² Covers up to 40 hours evaluation time for the first two components, 60 hours for the first four components, and up to an additional 12 hours for each component beyond four. Excess hours beyond these will be charged at \$223.14 <u>\$230.28</u> per hour, to the maximum listed in the table. ³ Additional components, as necessary, to meet monitoring requirements (e.g., moisture monitor). ⁴ Covers up to 40 hours evaluation time.		

Justification/Necessity/Equity

Section(j)(5) of Rule 301 was last amended in May 1996. Currently, the maximum fees charged for CEMS, FSMS, and ACEMS evaluations do not represent actual costs. Based on work program

codes and the approved budget, the review and approval of those monitoring systems will cost the South Coast AQMD \$630,000 in fiscal year 2025-26, while average annual revenue for the past 3 fiscal years was only \$110,000 and projected annual revenue for the next three years is \$200,000. One of the most likely causes for this discrepancy is the maximum fee which, depending on the category of analysis, can come into effect as early as 28 hours of staff time. The proposed amendment will remove the maximum fees to allow full cost recovery on complicated reviews for the initial certifications as well as for modifications to CEMS and alternative systems. This proposal also aligns with other air districts' practice that charge based on actual costs incurred (e.g., Bay Area Air District and San Diego Air Pollution Control District).

This fee adjustment is necessary and equitable to recover the actual cost to South Coast AQMD staff incurred in conducting evaluations for CEMS and alternative systems certifications and modifications.

Based on typical and reasonable engineering staff time spent processing applications, evaluating designs, issuing initial approval, evaluating performance and RATA tests, and issuing final certifications, the maximum number of hours for each activity has been determined to be insufficient. It is proposed that the associated fee schedule be changed to reflect current effort.

The proposed amended fee schedule will provide full cost recovery for the CEMS and alternative systems certification review. Based on the expenditure of the estimated cost in FY2025-26, we are expecting \$430,000 revenue increase.

CHAPTER 4: PROPOSED RULE AMENDMENTS WITH NO FEE IMPACTS AND/OR ADMINISTRATIVE CHANGES

INTRODUCTION

CLARIFY THE PUBLIC NOTICE DISTRIBUTION FEE

CLARIFY CURRENT PRACTICE FOR SOUTH COAST AQMD'S CEQA PREPARATION COSTS

CHANGE DEADLINE FOR EMISSION REPORTING AND PAYMENTS

CLARIFY APPLICABILITY OF CLEAN FUELS FEE

ALLOW FOR PERIODIC INVOICING FOR EXTENDED TIME AND MATERIALS FEES FOR TITLE V APPLICATIONS AND RENEWALS

Introduction

The proposed rule amendments in this section do not have fee impacts. Rather, the proposed amendments in this chapter generally include administrative changes, including clarifications, deletions, re-numbering, and corrections to existing rule language. The following amendments are being proposed with no fee impacts:

- 1) Clarify the public notice distribution fee in Rule 301;
- 2) Clarify the current practice for South Coast AQMD's CEQA preparation costs;
- 3) Change the deadlines for emission reports and payments;
- 4) Clarify the applicability of clean fuel fees in Rule 301 (e)(6); and
- 5) Allow periodic invoicing for extended time and materials for Title V applications.

The proposed rule amendments are discussed in more detail below.

1. Clarify Public Notice Distribution Fee

Description of Proposed Amendment

Rule 301 was amended in 2025 to add a provision to recover costs for an optional South Coast AQMD-led distribution of public notices. This was the first use of the fee rate and is expected to be incremented by CPI as part of routine updates to Reg III. As such, the rule should clarify when the higher fee rate applies so that permit applicants can schedule their request and submittals accordingly.

Rule 301 currently establishes the application completeness date as the basis for determining applicable permit processing fees, as specified in subdivision (c) – Fees for Permit Processing. Clarifying language is proposed to apply the same timing approach used for subdivision (c) to apply to Public Notice projects under paragraph (j)(4) to ensure consistency and regulatory certainty.

The purpose of this proposal is to clarify that the special permit processing fee for public notice projects subject to paragraph 301(j)(4) shall be determined based on the date that the application was deemed complete.

Proposed Amended Rule(s)

Rule 301 (j)(4)

(j)(4) Payment for Public Notice

An applicant shall pay the applicable fee, based on the date that the application was deemed complete, for preparation of any public notice as required by the rules, as shown below in this paragraph:

Public Notification Type	Non-Title V Source	Title V Source
For a project requiring notification as defined in Rule 212(c)	\$1,507.98 <u>\$1,556.24</u>	\$1,889.69 <u>\$1,950.16</u>
For emission reduction credits (ERCs) in excess of the amounts as specified in Rule 1310(c)	\$1,507.98 <u>\$1,556.24</u>	\$1,889.69 <u>\$1,950.16</u>
Requesting allocations from the Offset Budget or requesting the generation or use of any Short Term Credit (STCs)	\$1,507.98 <u>\$1,556.24</u>	\$1,889.69 <u>\$1,950.16</u>
Significant revision of a Title V permit	---	\$1,889.69 <u>\$1,950.16</u>

- (A) An applicant for a project subject to the requirements of Rule 212(c) shall either:
- (i) Pay a flat fee of ~~\$761.75~~\$786.13, based on the date that the application was deemed complete, and the actual cost as invoiced for postage, or
 - (ii) Arrange for distribution of the above notice independent of the District option. If the distribution is carried out by the owner/operator or an independent consultant, the owner/operator of the source shall submit a copy of the proof of distribution to the Executive Officer.

Justification/Necessity/Equity

Rule 301 currently establishes the application completeness date as the basis for determining applicable permit processing fees, as specified in subdivision (c) – Fees for Permit Processing. Clarifying language is proposed to apply the same timing approach used for subdivision (c) to apply to Public Notice projects under paragraph (j)(4) to ensure consistency and regulatory certainty.

This proposal will provide necessary clarification for assessing fees for public notice projects in a consistent and equitable manner.

No fee impact is anticipated by this proposal.

2. Clarify Current Practice for South Coast AQMD's CEQA Preparation Costs

Description of Proposed Amendment

The proposed amendments to Rule 301 are intended to clarify South Coast AQMD’s current practice of recovering costs associated with CEQA document preparation when South Coast AQMD acts as either the Lead Agency or a Responsible Agency for a project. The revisions clarify South Coast AQMD’s authority to recover staff time costs (based on the established hourly rate)

for CEQA applicability review and document preparation, and to recover actual preparation-related expenses. The amendments also clarify the types of activities that may be included in CEQA preparation costs (including but not limited to notices, Findings, Mitigation Monitoring and Reporting Plan, Statement of Overriding Considerations, publishing documents, and filing/posting fees), consistent with current implementation.

The proposal does not establish a new program or impose a new or additional fee beyond what is already being implemented in practice. Rather, it provides additional transparency and specificity in the rule language to ensure it accurately reflects South Coast AQMD's existing cost-recovery procedures for CEQA-related work.

In summary:

- When South Coast AQMD acts as the Lead Agency or a Responsible Agency under CEQA, it prepares or oversees preparation of the appropriate CEQA documentation.
- Under existing practice, South Coast AQMD recovers the costs associated with this work, including staff time for CEQA applicability review and document preparation, as well as related preparation expenses.
- The current rule language does not fully describe the scope of CEQA-related activities with costs that are recovered in practice.

Key proposed changes include:

- Amend Rule 301 to memorialize and clarify South Coast AQMD's existing CEQA cost-recovery procedures.
- Clarify that CEQA preparation costs may include activities such as preparation and processing of notices, Findings, Mitigation Monitoring and Reporting Plan, Statement of Overriding Considerations, publishing documents, and applicable filing/posting fees.
- The proposal does not create a new program or impose a new or additional fee; it codifies and provides transparency regarding current South Coast AQMD practice.

Proposed Amended Rule(s)

Rule 301(j)(1)(A)

- (j) Special Permit Processing Fees - California Environmental Quality Act (CEQA)
Assistance, Air Quality Analysis, Health Risk Assessment, and Public Notice for Projects
- (1) Payment for CEQA Assistance
- (A) CEQA Document Preparation

When a determination is made by the Executive Officer that the District is either the Lead Agency or a Responsible Agency for a project, pursuant to the California Environmental Quality Act (CEQA), Public Resources Code Section 21000 et seq. and ~~state~~ CEQA Guidelines (14 California Code of Regulations ~~s~~Section 15000 et seq.), the project applicant may be required to pay a review fee (based on a staff rate of ~~\$223.14~~\$230.28 per hour) when a 400-CEQA form requires the CEQA staff to review for CEQA applicability. If preparation of CEQA documentation is deemed necessary,

the applicant shall pay an initial fee for the preparation of necessary CEQA documentation according to the following schedule:

Notice of Exemption (upon applicant request)	\$446.26 <u>\$460.54</u>
Negative Declaration (ND), including Supplemental or Subsequent ND	\$6,729.76 <u>\$6,945.11</u>
Mitigated Negative Declaration (MND), including Supplemental or Subsequent MND	6,729.76 <u>\$6,945.11</u>
Environmental Impact Report (EIR), including Supplemental or Subsequent EIR	\$8,972.98 <u>\$9,260.12</u>
Addendum to EIR, including Addendum to ND/MND	\$4,650.30 <u>\$4,799.11</u>

If the Executive Officer determines that the District's CEQA preparation costs, which (may include the items listed in the table above, but also are not limited to, mailing, noticing such as a Notice of Completion, Notice of Preparation, or Notice of Determination, making Findings, adopting a Mitigation, Monitoring and Reporting Plan, making a Statement of Overriding Considerations, publishing eations—documents, and filing/posting fees as applicable, et cetera) and staff time (based on the rate of ~~\$223.14~~\$230.28 per hour) exceed the initial fee the project applicant, upon notification from the District, shall make periodic payment of the balance due. The Executive Officer shall determine the amount and timing of such periodic payments, based upon the level of CEQA analysis and the amount of monies needed to offset the actual preparation costs.

Justification/Necessity/Equity

This amendment is recommended to clarify and codify South Coast AQMD’s existing cost-recovery practices associated with CEQA document preparation when South Coast AQMD acts as the Lead Agency or Responsible Agency. While South Coast AQMD already recovers staff time and related preparation costs under Rule 301, the current rule language does not fully describe the scope of CEQA-related activities that are included in practice. The proposed revisions provide additional transparency and specificity to ensure that the rule text accurately reflects how CEQA costs are currently recovered and administered.

Because the proposal does not create a new fee or increase an existing fee, it does not result in additional fees beyond what is already authorized and collected under current practice. Accordingly, the amendment does not alter South Coast AQMD’s existing cost-recovery structure. The revisions are administrative and clarifying in nature and are intended to ensure consistency between the rule language and South Coast AQMD’s longstanding CEQA cost-recovery procedures.

This amendment is necessary to clarify South Coast AQMD’s existing practice of recovering costs associated with CEQA document preparation when acting as the Lead Agency or Responsible

Agency. The revisions ensure that Rule 301 accurately reflects the scope of CEQA-related staff time and preparation expenses that are currently recovered under established procedures.

The proposal is equitable because it does not establish a new program, impose a new fee, or increase an existing fee, nor does it expand the applicability of any fee requirement or alter South Coast AQMD's existing cost-recovery structure. Instead, it clarifies the current framework under which South Coast AQMD recovers the actual costs associated with CEQA review and document preparation. As such, the amendments ensure that CEQA-related costs continue to be recovered through the established cost-recovery structure for CEQA work, consistent with existing practice, without shifting those costs to other regulated entities.

The proposal does not have any fee impacts.

3. Change Deadlines for Emission Reports and Payments

Description of Proposed Amendment

CARB's Criteria and Toxics Reporting (CTR) Regulation is administered through the Annual Emissions Reporting (AER) program for affected facilities in the South Coast AQMD's jurisdiction. The requirements of CTR have been phased in for certain facilities, beginning in 2022. For the calendar year 2026 emissions to be reported in 2027, CTR requirements will be fully phased (excluding waste handling facilities) and will require annual emissions reporting for the majority of permitted facilities (approximately 26,000 facilities). This is a substantial increase in the number of facilities required to submit an annual report to South Coast AQMD's AER program. Additionally, report content has been expanded for all facilities, existing and new to AER, requiring hundreds of additional reportable toxic air contaminants.

A deadline of 75 days following January 1 (March 17), has been in effect. The 2025 due date for annual emissions reports and payments was extended to May 1 and was intended to be temporary for the phase in of CTR. This amendment proposes to permanently extend the AER reporting deadline for submitting annual emissions reports (and payments) in an effort to accommodate the potentially large number of new facilities required to report resulting from the full implementation of the CTR regulation.

For semi-annual and clean fuels fees, staff does not propose a change to the deadline which is seventy-fifth (75) day following July 1. Staff proposes to reference the specific date, September 14th which is equivalent to seventy-fifth (75) day following July 1.

Staff also proposes to clarify the final due dates for late payment before permits may be revoked. Instead of requiring one hundred twenty (120) days since January 1 for annual emission fees, or one hundred twenty (120) days since July 1 for semi-annual emission fees, staff proposes May 15 and November 1 respectively, 45 days (120 - 75 days) after the official due dates, as intended by the existing rule.

Proposed Amended Rule(s)

***Rule 301(e)* Annual Operating Emissions Fees**

- (2) Emissions Reporting and Fee Calculation Each facility subject to subparagraph (e)(1)(B) shall annually report all emissions for all pollutants listed in paragraph (e)(5) and Table IV by April 1 of the following year (the official due date) and incur

an emissions fee as prescribed in Table III. Additionally, all major stationary sources of NO_x and/or VOC, as defined in Rule 317, Rule 317.1 and other rule(s) implementing section 185 of the federal Clean Air Act, shall annually report and pay the appropriate clean air act nonattainment fees for all actual source emissions including but not limited to permitted, unpermitted, unregulated and fugitive emissions.

[...]

- (9) Request to Amend Emissions Report and Refund of Emission Fees
- (A) A facility owner/operator shall submit a written request (referred to as an “Amendment Request”) for any proposed revisions to previously submitted annual emissions reports. Amendment requests with no fee impact, submitted after one (1) year ~~and seventy five (75) days~~ from the official due date of the subject annual emissions report shall include a non-refundable standard evaluation fee of ~~\$446.21~~\$460.49 for each subject facility and reporting period. Evaluation time beyond two hours shall be assessed at the rate of ~~\$223.14~~\$230.28 per hour and shall not exceed ten (10) hours. Amendment requests received within one (1) year ~~and seventy five (75) days~~ from the official due date of a previously submitted annual emissions report shall not incur any such evaluation fees. The Amendment Request shall include all supporting documentation and copies of revised applicable forms.
- (B) A facility owner/operator shall submit a written request (referred to as a “Refund Request”) to correct the previously submitted annual emissions reports and request a refund of overpaid emission fees. Refund Requests must be submitted within one (1) year ~~and seventy five (75) days~~ from the official due date of the subject annual emissions report to be considered valid. The Refund Request shall include all supporting documentation and copies of revised applicable forms. If the Refund Request is submitted within one (1) year ~~and seventy five (75) days~~ from the official due date of the subject annual emissions report, and results in no fee impact, then the facility owner/operator shall be billed for the evaluation fee pursuant to subparagraph (e)(9)(A).
- (10) Notice to Pay and Late Filing Surcharge
- (A) The facility owner/operator shall submit an annual emissions report and pay any associated emissions fees if a notice to report emissions is sent by mail, electronic mail, or other electronic means, annually to the owners/operators of all equipment (as shown in District records) for which this subdivision applies. A notice to pay the clean fuels fee specified in paragraph (e)(6) or semi-annual fee specified in paragraph (e)(11) will also be sent by mail, electronic mail, or other electronic means, to facilities which in the preceding reporting year emitted any air contaminant equal to or greater than the emission thresholds specified in subparagraph (e)(11)(A). Emissions reports and fee payment submittals are the responsibility of the owner/operator regardless of whether the owner/operator was notified.

If both the fee payment and the completed annual emissions report are not received by the ~~seventy-fifth (75th) day following January 1~~ official due date or the fee payment not received by the ~~seventy-fifth (75th) day following July 1~~ September 14 (for semi-annual and clean fuels fees), they shall be considered late, and surcharges for late payment shall be imposed as set forth in subparagraph (e)(10)(B). For the purpose of this subparagraph, the emissions fee payment and the emissions report shall be considered to be timely received by the District if it is delivered, postmarked, or electronically paid on or before ~~the seventy-fifth (75th) day following the~~ official due date. If the ~~seventy-fifth (75th) day~~ official due date falls on a Saturday, Sunday, or a ~~state~~ state holiday (as set forth in Government Code Sections 6700 and 6701), the fee payment and emissions report may be delivered, postmarked, or electronically paid on the next business day following the Saturday, Sunday, or ~~state~~ state holiday with the same effect as if they had been delivered, postmarked, or electronically paid on the ~~seventy-fifth (75th) day~~ official due date.

- (B) ~~The 2025 annual emissions report and associated fee payment shall be considered to be timely received by the District if the report is electronically submitted and payment is delivered, postmarked, or electronically paid on or before May 1, 2026.~~ If fee payment and emissions report are not received within the time prescribed by subparagraph (e)(10)(A) or (e)(11)(C), a surcharge shall be assessed and added to the original amount of the emission fee due according to the following schedule:

Less than 30 days	5% of reported amount
30 to 90 days	15% of reported amount
91 days to 1 year	25% of reported amount
More than 1 year	(See subparagraph (e)(10)(D))

- (C) If an annual emission fee or clean fuels fee is timely paid, and if, within one year after the ~~seventy-fifth (75th) day from the~~ official due date of the annual emission report is determined to be less than ninety percent (90%) of the full amount that should have been paid, a fifteen percent (15%) surcharge shall be added, and is calculated based on the difference between the amount actually paid and the amount that should have been paid, to be referred to as underpayment. If payment was ninety percent (90%) or more of the correct amount due, the difference or underpayment shall be paid but with no surcharges added. The fee rate to be applied shall be the fee rate in effect for the year in which the emissions actually occurred. If the underpayment is discovered after one (1) year ~~and seventy-five (75) days~~ from the official fee due date of the annual emission report, fee rates and surcharges will be assessed based on subparagraph (e)(10)(D).

- (D) The fees due and payable for the emissions reported or reportable pursuant to subparagraph (e)(8)(C) shall be assessed according to the fee rate for that contaminant specified in Tables III, IV, and V, and paragraph (e)(7) and further increased by fifty percent (50%). The fee rate to be applied shall be the fee rate in effect for the year in which the emissions actually occurred.
- (E) Effective July 1, 2019, if the underpayment is a result of emissions related to a source test that was submitted to the Source Test unit for approval prior to or at the time the official AER submittal due date of the subject annual emission report, the difference or underpayment shall be paid, but with no surcharges added. The fee rate to be applied shall be the fee rate in effect for the year in which the emissions actually occurred.
- (F) ~~If one hundred twenty (120) days have elapsed since January 1st, July 1st, or as applicable, and all emission fees including any surcharge have not been paid in full, All emissions reporting fees for previous reporting period, including any surcharges, shall be paid in full by May 15 of the current reporting period; Clean Fuels Fees and Semi-Annual Installment Fees, including any surcharges, shall be paid in full by November 1 of the current year invoiced. Failure to pay these fees in accordance with these requirements shall constitute a violation of this subparagraph and the Executive Officer may take action to revoke all Permits to Operate for equipment on the premises, as authorized in Health and Safety Code Section 42307.~~

(11) Semi-Annual Emissions Fee Payment

- (A) For facilities emitting the threshold amount of any contaminant listed below, the Executive Officer will estimate one half (1/2) of the previous annual emission fees and request that the permit holder pay such an amount as the first installment on annual emission fees for the current reporting period.

Air contaminant(s)	Annual emissions threshold (TPY)
Gaseous sulfur compounds (expressed as sulfur dioxide)	≥10 TPY
Total organic gases (excluding methane and exempt compounds as defined in Rule 102, and specific organic gases as specified in subdivision (b))	≥10 TPY
Specific organic gases as specified in subdivision (b)	≥10 TPY
Oxides of nitrogen (expressed as nitrogen dioxide)	≥10 TPY

Total particulate matter	≥10 TPY
Carbon monoxide	≥100 TPY

(B) In lieu of payment of one half the estimated annual emission fees, the owner/operator may choose to report and pay on actual emissions for the first six months (January 1 through June 30). By January 1 of the year following the reporting period, the permit holder shall submit a final Annual Emission Report together with the payment of the balance; the annual emission fees less the installment previously paid. The report shall contain an itemization of emissions for the preceding twelve (12) months of the reporting period (January 1 through December 31). ~~The final Annual Emission Report for 2025 emissions together with the payment of the balance (the annual emission fees less the installment previously paid) shall be considered to be timely received by the District if the report is electronically submitted and payment is delivered, postmarked, or electronically paid on or before May 1, 2026.~~

(C) An installment fee payment shall be considered late if not received by the District, or postmarked, on or before ~~the seventy-fifth (75th) day following July 1~~ September 14 of the current reporting period and shall be subject to a surcharge pursuant to subparagraph (e)(10)(B).

(12) Fee Payment Subject to Validation

Acceptance of a fee payment does not constitute validation of the emission data.

(13) Exempt Compounds

Emissions of acetone, ethane, methyl acetate, parachlorobenzotrifluoride (PCBTF), and volatile methylated siloxanes (VMS), shall not be subject to the fee requirements of Rule 301(e), but are subject to reporting requirements pursuant to CARB's Criteria and Toxics Reporting Regulation and/or the AB 2588 Air Toxics "Hot Spots" Emission Inventory Criteria and Guidelines Regulation.

(14) Reporting Emissions and Paying Fees

For the reporting period of January 1 through December 31, emission fees shall be determined in accordance with fee rates specified in Tables III and V, and paragraphs (e)(2) and (e)(7). Installment fees that have been paid for Semi-Annual Emission Fees shall not be subject to this provision.

(15) Deadline for Filing Annual Emissions Report and Fee Payment

Notwithstanding any other applicable Rule 301(e) provisions regarding the annual emissions report and emission fees, for the reporting period January 1 through December 31, the fee payment and the completed annual emissions report shall be delivered, postmarked, or electronically paid on or before the ~~seventy-fifth (75th) day following January 1~~ official due date of the subsequent year to avoid any late payment surcharges specified in subparagraph (e)(10)(B). ~~The 2025 annual emissions report and associated fee payment shall be considered to be timely~~

~~received by the District if the report is electronically submitted and payment is delivered, postmarked, or electronically paid on or before May 1, 2026.~~

Justification/Necessity/Equity

Rule 301 (e) sets forth requirements for the AER program, including the official due date of report submittal and associated fee payments. The current due date for annual emissions reports and payments is May 1 and was intended to be a temporary extension for the CTR phase in approach. Previously, a deadline of 75 days following January 1 was in effect. Now that CTR is in effect for all applicable facilities (excluding waste handling facilities), a permanent deadline of April 1 is proposed as more time will be needed, compared to previous years, for staff to assist with inquiries from a larger number of facilities. Stakeholders requested that the permanent deadline be extended to May 1st; however, that would adversely impact Finance Department's ability to finalize the budget for the fiscal year. Further, CARB staff commented that extending the deadline to May 1 prevents them from invoicing facilities subject to the CARB Nonvehicular Source, Consumer Products, and Architectural Coatings Fee Regulation in a timely manner, as invoices are dependent on final AER submittals. The April 1st extended deadline will benefit new and existing facilities by allowing them more time to complete the report in light of the additional report content pursuant to CTR while not compromising other program requirements.

4. Clarify Clean Fuels Fee

Description of Proposed Amendment

Health and Safety Code Section 40512 requires facilities with certain criteria emissions to pay an annual clean fuels fee. This requirement is included in Rule 301 (e)(6) and is an existing fee; this proposal is to clarify that requirement.

Proposed Amended Rule(s)

Rule 301(e)

(6) Clean Fuels Fee

Each facility emitting 250 tons or more per year (≥ 250 TPY) of Volatile Organic Compounds, Nitrogen Oxides, Sulfur Oxides, ~~and~~ Particulate Matter shall pay an annual clean fuels fee for all emissions from each pollutant that exceeds 250 tons per year as prescribed in Table V (California Health and Safety Code Section 40512).

Justification/Necessity/Equity

Rule 301 (e)(6) sets forth requirements when a facility is subject to the clean fuels fee. With the current rule as written, it is unclear if the facility is subject to the fee if any or all of the listed criteria emission thresholds are exceeded. This proposal is to clarify language to conform with the current process, which is to assess the applicable clean fuels fee if any of the listed criteria pollutant threshold is exceeded.

5. Periodic Invoicing for Extended Time and Materials (T&M) Fees

Description of Proposed Amendment

This proposal is an enhancement of the current practice for invoicing the final fee for Initial Title V and Title V Renewals by allowing periodic invoicing for associated fees in addition to the initial

fee (for example public notice preparation, distribution, newspaper publication, etc.) and staff time beyond the number of hours included in the initial application fee payment (the amounts in subparagraph(m)(3)(B) Table for Initial Title V and 8 hours for Title V Renewals).

Allowing periodic invoicing for Initial Title V Permits and Title V Renewals to align with fiscal and regulatory best practices.

Proposed Amended Rule(s)

Rule 301(m)(3)(B)

- (B) The applicant shall, upon notification by the ~~District~~ South Coast AQMD of the amount due when the permit is issued, pay the following final fee based on the time spent on the application:

Title V FINAL Fee				
Number of Devices	1-20	21-75	76-250	251+
Time Spent in Excess of:	8 Hours	30 Hours	70 Hours	120 Hours
On or after July 1, 2019	\$324.14 <u>\$334.51</u> per hour; up to a maximum total fee of \$39,574.84 <u>\$40,841.23</u>	\$324.14 <u>\$334.51</u> per hour; up to a maximum total fee of \$79,149.66 <u>\$81,682.45</u>	\$324.14 <u>\$334.51</u> per hour; up to a maximum total fee of \$202,609.42 <u>\$209,092.92</u>	\$324.14 <u>\$334.51</u> per hour; up to a maximum total fee of \$296,811.26 <u>\$306,309.22</u>

For applicants that did not pay the correct initial fee based on the actual number of devices, the fee when the permit is issued shall be equal to the correct initial fee less the initial fee actually paid, plus the final fee.

Applications submitted on or prior to January 15, 1998 shall not be subject to the final fee.

The applicant may request and submit periodic payments of accrued fees prior to permit issuance and determination of the final fee. The applicant shall, upon notification by the South Coast AQMD of the amount due when the final fee is determined, pay any remaining balance due.

[...]

Rule 301(m)

- (5) Renewal Fees

The fees for renewal of a Title V Facility Permit, at the end of the term specified on the permit, are specified in Table VII. Renewal fees include both an

initial processing fee that is due when the application is submitted, and a final fee assessed after ~~SCAQMD~~ South Coast AQMD evaluation is complete and the permit is issued, and is due upon notification by the ~~SCAQMD~~ South Coast AQMD of the amount due. The applicant may request and submit periodic payments of accrued fees prior to permit issuance and determination of the final fee. The applicant shall, upon notification by the South Coast AQMD of the amount due when the final fee is determined, pay any remaining balance due.

Justification/Necessity/Equity

The basis for this proposal is twofold: to have more consistent incoming fees related to Initial Title V Permits and Title V Renewals and avoid large invoices upon completion of these types of applications.

Initial Title V permits and renewals often take over a year to complete, and with growing public and stakeholder participation, the process is expected to become even more complex, further extending completion timelines. This proposal would allow the existing cost recovery mechanism for these application types to be timelier, resulting in more consistent incoming fees year-to-year.

The final fee for Initial Title V Permits and Title V Renewals can be very large. This proposal would allow costs to be more evenly distributed over the project duration, improve transparency, and reduce the financial burden of large post-completion invoices. In addition, providing periodic invoices will allow facilities to include the permitting costs in their annual budgets instead of having to absorb the potentially large costs in one lump sum.

In some cases, a permit applicant may choose to hire a consultant to support the engineering evaluation and reduce the amount of District staff time required on a T&M basis. Interim invoices provide transparency by showing work performed and fees incurred to date, allowing applicants to better evaluate whether using consulting services may be more cost-effective. Periodic invoicing will also provide transparency during application processing and allow facilities to better understand the financial impacts associated with processing delays and project scope changes.

Intermediate invoicing for high-cost applications will not change the cost recovery for these applications, but will provide transparency for the applicant about the costs being accrued while the facility still has an opportunity to take steps to reduce the time required by District staff to finalize the application. When faced with a large invoice at the end of an extensive permitting process, facilities often state that they were unaware of the costs being accrued, so intermediate invoicing would reduce the likelihood of facilities expressing that concern. This proposal allows for better financial planning for Title V facilities. This approach ensures greater equity for facilities from a financial planning standpoint while providing clearer visibility to the projected total processing costs. Interim invoicing would also provide applicants with earlier cost visibility and potential flexibility to pursue alternatives to South Coast AQMD T&M work where appropriate.

No fee impact anticipated. This proposal is to allow for the intermediate invoicing of a previous lump sum payment by allowing partial payments prior to project completion. This process will not change the total fee due.

CHAPTER 5: IMPACT ASSESSMENT

FISCAL IMPACT FOR SOUTH COAST AQMD
CALIFORNIA ENVIRONMENTAL QUALITY ACT
SOCIOECONOMIC IMPACT ASSESSMENT

Fiscal Impact for South Coast AQMD

The fiscal impacts of the proposed amendments to Regulation III, including those impacted only by the CPI increase as authorized by Rule 320, have been taken into consideration by the fiscal year 2026-27 budget and the related five-year projections.

California Environmental Quality Act

Pursuant to CEQA Guidelines Sections 15002(k) and 15061, the proposed amendments to Regulation III which involve charges by public agencies for the purpose of meeting operating expenses and financial reserve needs and requirements are statutorily exempt from CEQA pursuant to CEQA Guidelines Section 15273. In addition, the proposed amendments to Regulation III which have no fee impact and are strictly administrative in nature, are exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3). A Notice of Exemption will be prepared pursuant to CEQA Guidelines Section 15062, and if the proposed project is approved, the Notice of Exemption will be filed for posting with the State Clearinghouse of the Governor's Office of Land Use and Climate Innovation, and with the county clerks of Los Angeles, Orange, Riverside, and San Bernardino counties.

Socioeconomic Impact Assessment

The socioeconomic analysis for Regulation III includes two documents.

1. The first document is the Socioeconomic Report Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees. This is a separate report analyzing the fee impacts for the annual CPI increase authorized by Rule 320. A draft report was released for public review on March 13, 2026 and for reference, a brief summary is provided in the next section of this Staff Report.
2. The second document, which is the main focus of the analysis in this Staff Report, is the Socioeconomic Impact Assessment for the proposed amendments to Regulation III which have fee impacts that are separate from the automatic CPI adjustment as required by Rule 320.

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

Pursuant to South Coast AQMD Rule 320 and statutory fee authority established in Health and Safety Code Sections 40500.1 and 40510, most fees within Regulation III will be increased consistent with the change in the previous calendar year's California CPI. At the time when Rule 320 was adopted by the Governing Board on October 29, 2010, the Governing Board also adopted a Resolution requiring "the annual preparation of a socioeconomic impact analysis of the effect of the automatic adjustment based on the California CPI, in time for the consideration of the Budget Advisory Committee, public consideration by March 15, and the Governing Board's consideration on or before the May Board meeting."²⁴ As such, a Draft Socioeconomic Report of the automatic CPI increase as authorized by Rule 320 has been prepared as a separate report and was posted on March 13, 2026²⁵ on South Coast AQMD's website at:

²⁴ 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>

²⁵ In 2026, March 15 falls on a Sunday; therefore, the report was posted on the preceding business day to ensure compliance with the established deadline.

<https://www.aqmd.gov/docs/default-source/finance-budgets/fy-2026-27/draft-socioeconomic-report-for-adjustment-based-on-consumer-price-index-for-regulation-iii---fees.pdf>.

Socioeconomic Impact Assessment for Proposed Amendments to Regulation III With Fee Impacts

A socioeconomic impact assessment was conducted for Proposed Amended Regulation III – Fees to provide information to the Governing Board and stakeholders but is not required per Health and Safety Code Sections 40440.8 and 40728.5 because air quality or emission limitations will not be significantly affected by the proposed amendments. This socioeconomic impact assessment analyzes the potential cost impacts of the proposed amendments to Regulation III seeking increased fees other than the automatic CPI-based fee rate increase authorized by Rule 320 which was analyzed in a separate report.²⁶ This socioeconomic impact assessment also includes an analysis of the estimated fee impacts for the various proposed amendments by industry sector.

Of the proposed amendments to Regulation III, eight amendments to Rule 301 and Rule 303 may have potential fee impacts, as outlined below:

Proposed Amended Rule 301 (PAR 301) seeks to:

- Revise Table IB to add laser cutting to Schedule B1;
- Retain administrative processing fees for permit application rejections; and
- Remove maximum fee cap for CEMS, FSMS, and ACEMS evaluations.

Proposed Amended Rule 303 (PAR 303) seeks to:

- Clarify language on the filing fees charged for petitioners submitting multiple variance requests;
- Clarify which portion of the filing fee is refunded when some petitions have already been acted on;
- Remove the Consent Calendar fee schedule;
- Correct excess emission fees for toxic air contaminants, and add diesel particulate matter as a toxic air contaminant; and
- Add a new administration fee for verifying or performing excess emission calculations.

Proposed Amendments with Fee Impacts

As summarized in Table 5-1, there are eight proposed amendments to Rule 301 and Rule 303 which have potential fee impacts. The total fee impacts of these proposed amendments are estimated to be \$329,460 in FY 2026-27 and thereafter.²⁷

²⁶ See *Draft Socioeconomic Report for Adjustment Based on Consumer Price Index for Regulations III – Fees*, released on March 13, 2026 and available at: <https://www.aqmd.gov/docs/default-source/finance-budgets/fy-2026-27/draft-socioeconomic-report-for-adjustment-based-on-consumer-price-index-for-regulation-iii---fees.pdf>

²⁷ All dollar amounts in this analysis are in 2026 US dollars and the socioeconomic impact assessment of the proposed amendments to Regulation III with potential fee impacts does not incorporate the 3.2% CPI adjustment authorized by Rule 320.

Table 5-1: Proposed Amendments with Fee Impacts

Proposed Amendment	Fee Impact FY 2026-2027 and Thereafter
PAR 301: New Fee Rate for Laser Cutting	(\$281,836)*
PAR 301: Retain Administrative Processing Fees for Application Rejections	\$67,617
PAR 301: Remove Maximum Fee Cap for Evaluations of CEMS, FSMS, and ACEMS	\$430,000
PAR 303: Clarify Hearing Board Filing Fees	\$11,437
PAR 303: Clarify Hearing Board Refund Fees	\$1,634
PAR 303: Remove Consent Calendar Fee Schedule	\$1,069
PAR 303: Corrected and Update Hearing Board Toxic Air Contaminant Excess Emission Fees**	\$50,000
PAR 303: New Administrative Fee for Verifying/Performing Excess Emission Calculations	\$49,539
Total	\$329,460

* Laser cutting is not currently defined in Rule 301 so the fee rate defaults to Schedule C. However, by adding laser cutting to Schedule 1B, the applicable fee rate for this equipment category will be less than Schedule C, which will in turn generate a cost savings for affected facilities.

**The actual fee impacts are expected to be less than \$50,000 per year, but \$50,000 was applied to conduct a worst-case analysis.

Overall, the fee impacts from the proposed amendments to PAR 301 and PAR 303 as summarized in Table 5-1 would have cost implications for nearly all industries within the South Coast AQMD jurisdiction. Table 5-2 shows the distribution of cost impacts from implementing the portions of PAR 301 and PAR 303 with potential fee impacts across various industries in the region. Specifically, the Utilities sector (NAICS 22) would bear the majority of the cost impacts, about \$121,341 annually or 37% of annual cost impacts, followed by Services (NAICS 54-81) and Manufacturing (NAICS 31-33) sectors which would incur 27% and 12% of the cost impacts, respectively. Note that the disaggregated 3-digit sectors, such as Petroleum and Coal Products Manufacturing (NAICS 324), are expected to incur the biggest share of the cost impacts, accounting for 46% of total costs from the portions of PAR 301 and PAR 303 with potential fee impacts. All assumptions upon which the fee and cost impacts estimates are based are discussed in the following sections.

Table 5-2: Overall Cost Impact of PAR 301 and PAR 303 by Industry

Industry	NAICS	FY 2026-27 and thereafter	Share of Fee Impact
Agriculture, Forestry, Fishing & Hunting	11	\$1,828.10	0.6%
Mining	21	\$9,926.24	3.0%
Oil and Gas Extraction	211	\$5,505.28	1.7%
Mining (except oil and gas)	212-213	\$4,420.96	1.3%
Construction	23	\$1,597.45	0.5%
Manufacturing	31-33	\$39,895.74	12.1%
Food Manufacturing	311	\$11,298.37	3.4%
Wood Products Manufacturing	321	\$505.13	0.2%
Petroleum and Coal Products Mfg.	324	\$151,273.91	45.9%
Chemical Manufacturing	325	\$16,758.30	5.1%
Nonmetallic Mineral Product Mfg.	327	\$15,135.20	4.6%
Primary & Fabricated Metal Mfg.	331-332	-\$58,300.27	-17.7%
Machinery Manufacturing	333	-\$24,904.69	-7.6%
Computer and Electronic Product Mfg.	334	-\$7,893.37	-2.4%
Electrical Equipment & Appliance Mfg.	335	-\$17,990.47	-5.5%
Motor Vehicle & Trans. Equipment Mfg.	336	-\$34,061.99	-10.3%
Other Manufacturing	312-339	-\$11,924.37	-3.6%
Utilities	22	\$121,340.93	36.8%
Transportation & Warehousing	48-49	\$22,268.56	6.8%
Information	51	\$3,198.80	1.0%
Publishing Industries, Except Internet	511	\$57.85	0.0%

Industry	NAICS	FY 2026-27 and thereafter	Share of Fee Impact
Motion Picture & Sound Recording	512	\$906.46	0.3%
Internet Services and data processing	518-519	\$156.52	0.0%
Other Information	Other in 51	\$2,077.97	0.6%
Wholesale Trade	42	-\$8,777.16	-2.7%
Retail Trade	44-45	\$27,582.43	8.4%
Finance and Insurance	52	\$3,223.30	1.0%
Real Estate and Rental Leasing	53	\$5,895.46	1.8%
Services	54-81	\$89,415.82	27.1%
Professional and Technical Services	54	\$2,130.86	0.6%
Administrative and support services	561	\$5,426.22	1.6%
Waste management and remediation services	562	\$16,157.38	4.9%
Educational Services	61	\$13,622.10	4.1%
Health Care & Social Assistance	62	\$23,967.28	7.3%
Accommodation	721	\$1,286.38	0.4%
Food Services & Drinking Places 722	722	\$6,212.22	1.9%
Other Services	Other in 54-81	\$20,613.37	6.3%
Public Administration	92	\$36,889.30	11.2%
Unclassified*	N/A	-\$24,824.93	-7.5%
Total		\$329,460.03	100.0%

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

1. PAR 301: Revise Table IB to Add Laser Cutting Category to Schedule B1

The proposal seeks to revise Table IB in Rule 301 to add laser cutting to Schedule B1. Upon addition of the new category, any application seeking an air permit for laser cutting activities

will be subject to the B1 fee schedule, including annual operating permit renewal fees for existing laser cutting permits. The new laser cutting category will result in a cost savings because this equipment category is not currently defined in Rule 301, so the fee rate defaults to Schedule C. However, by adding laser cutting to Schedule B1 in PAR 301, the applicable fee rate for this equipment category will be less than Schedule C.

There are currently 106 affected facilities with 193 active permits for the laser cutting equipment category. As set forth in Rule 301, subdivision (d), the annual operating permit renewal fee for a non-Title V facility with Schedule C equipment is \$2,025.92, while the corresponding fee for Schedule B1 equipment is \$565.63. The difference between these two fees represents a cost savings of \$1,460.29 per permit renewal. Applying this savings to the 193 active permits results in a total reduction in annual operating permit renewal costs of \$281,835.97. The largest share of affected facilities is in the Fabricated Metal Product Manufacturing sector (NAICS 332), which accounts for about 30% of all the affected facilities. This sector also holds the largest share of permits, with approximately 26% of the 193 active permits affected by this proposal. Therefore, the Fabricated Metal Product Manufacturing sector would receive the largest share of the total fee reductions, estimated at \$74,474.79 annually.

2. PAR 301: Retain Administrative Processing Fees for Permit Application Rejections

Currently, each application received initially undergoes a multi-step, administrative process to determine whether it should be rejected or routed for further review and processing. Existing practice is that all application fees are refunded when an application is rejected, which does not allow South Coast AQMD to recover costs related to staff time spent reviewing each application and requesting additional information as needed.

To be consistent with the existing cost recovery mechanism in Rule 301(c)(6)(A) relative to application cancellation fees, the proposal seeks to apply an application rejection fee in an amount equal to the application cancellation fee to recover costs associated with staff review time. The current application cancellation fee for FY 2025–26 is \$300.52, which is deducted prior to issuing a refund. In 2025, approximately 860 applications were rejected. By applying the current application cancellation fee rate of \$300.52 as a surrogate for when applications are rejected, the proposal is expected to retain approximately \$67,617 in additional revenue, allowing South Coast AQMD to partially recover costs associated with the administrative review of incomplete applications. The proposal would potentially affect facilities needing permit applications from all industries within South Coast AQMD jurisdiction.

3. PAR 301: Remove Maximum Fee Cap for Evaluations of CEMS, FSMS, and ACEMS

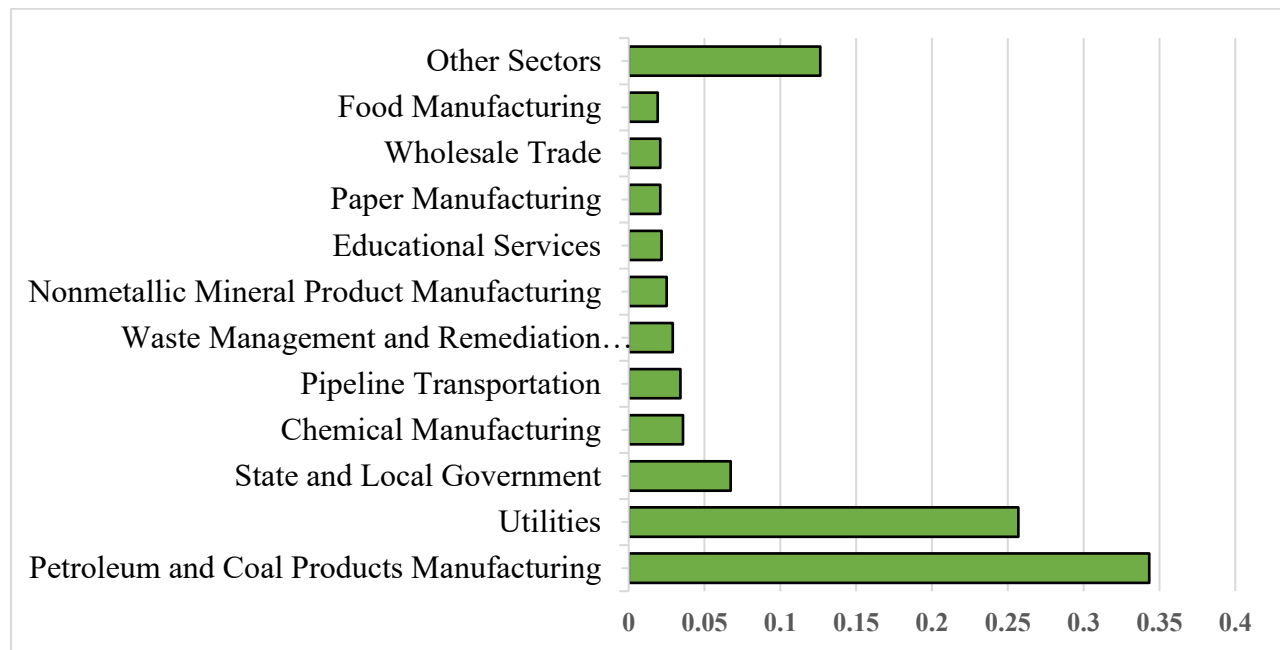
Rule 301(j)(5) contains fees for conducting evaluations of CEMS, FSMS, and ACEMS. As specified in Rule 301 – Table IIB a maximum fee, which is the equivalent of approximately 28 hours of staff time, can be charged. Currently, the maximum fee for evaluating CEMS, FSMS, and ACEMS underestimates the amount of actual staff time and materials expended which, in turn, means the South Coast AQMD is not recovering enough fees for these evaluation activities. For example, based on work program codes, conducting evaluations of CEMS, FSMS, and ACEMS are projected to cost the South Coast AQMD \$630,000 in FY 2025-26; meanwhile, the average annual revenue for the past three fiscal years was only \$110,000 and the projected annual revenue for the next three years is \$200,000 annually.

To remedy this discrepancy and completely recover the entire costs associated with conducting these evaluations going forward, the proposal seeks to remove the maximum fee from the CEMS, FSMS, and ACEMS Fee Schedule in Table IIB. Additionally for consistency, the proposal will remove the maximum fee cap from Rule 301 subparagraph (j)(5)(A) through subparagraph (j)(5)(E). Under this proposal, the applicant will be charged the basic fee, which covers up to the specified number of evaluation hours and any additional time beyond the specified hours will be billed on a time-and-materials basis at the applicable hourly fee rate, with no maximum fee cap for the additional charge.²⁸

Removing the maximum fee cap for all evaluations, including certified CEMS, FSMS, and ACEMS, leads to a projected \$430,000 increase in annual revenue, which is based on the actual approval cost in FY 25-26 (\$630,000) and subtracting that from the projected annual revenue of \$200,000 annually.

Figure 5-1 illustrates the distribution of total annual fee impacts of this proposal across various industries. Sectors of Petroleum and Coal Products Manufacturing (NAICS 324), Utilities (NAICS 22), and State and Local Government (NAICS 92) are the top three industries which would be the most affected and incur 34%, 26% and 7% of total annual fee impacts of this proposal, respectively.

Figure 5-1: Distribution of Proposed Rule 301 Remove Maximum Fee Cap for CEMS, FSMS, and ACEMS Evaluations Impact by Industry



4. PAR 303: Clarify Hearing Board Filing Fees Charged for Petitioners Submitting Multiple Variance Requests

²⁸ Covers up to 40 hours evaluation time for the first two components, 60 hours for the first four components, and up to an additional 12 hours for each component beyond four. Excess hours beyond these will be charged at \$223.14 per hour, to the maximum listed in the table.

The filing fee schedule in Rule 303, Table III does not clearly specify the fee requirements for filing petitions that include requests seeking multiple variances within a single petition. The purpose of this proposal is to clarify that any additional variance included in the same petition will be subject to a separate filing fee. For example, if a petition includes requests for an interim and short-term variance and an ex parte emergency variance, the petitioner would be required to pay two filing fees as follows:

1. \$2,042.38 for interim and short-term variance; and
2. \$1,633.91 for ex parte emergency variance

Based on hearing board records, approximately seven petitions are submitted each year which seek multiple variances. Thus, this proposal will bring in additional fee revenue for petitions which seek multiple variances, with a minimum increase in annual fee revenue of approximately \$11,437.37. This proposal would potentially affect facilities from all industries within South Coast AQMD jurisdiction.

5. PAR 303: Clarify Which Portion of the Filing Fee Is Refunded for Petitions on Which the Hearing Board Has Taken Action

Currently, applicants may file petitions containing multiple variances (e.g., ex parte emergency, interim, and short-term variances) and later withdraw one or more while receiving partial refunds, resulting in a reduced overall filing fee, even after the Hearing Board has taken action on the portion being withdrawn. In some cases, this practice has resulted in petitioners paying a lower fee than intended. For example, if a source test shows noncompliance, an emergency or ex parte variance may be granted so the equipment can continue operating until a new source test is completed. If the follow-up test shows compliance and the interim variance is withdrawn, the applicant receives a \$1,021.19 refund (50% of the \$2,042.38 fee). As a result, the petitioner pays \$1,021.19 for the ex parte variance instead of the full \$1,633.91 fee which means that the South Coast AQMD Hearing Board is not recovering all of the costs involved with reviewing and processing petitions.

The purpose of the proposal is to clarify that refunds of Hearing Board filing fees can only be issued when all variances included in a petition are withdrawn. The proposal also specifies that refunds will not apply to variances on which the Hearing Board has already taken action.

While the amendment is primarily intended to provide clarification, a small increase in fee revenue is expected for petitions which include multiple variances. Based on Hearing Board records, approximately one petition per year has withdrawn one or more variance. By this metric, this proposal is estimated to annually increase revenue by \$1,633.91. This proposal would potentially affect facilities in all industries within South Coast AQMD jurisdiction.

6. PAR 303: Remove the Consent Calendar Fee Schedule

Rule 303 currently includes a Consent Calendar fee in Table III. The purpose of this proposal is to remove the lower fees associated with variances that are directed to the Consent Calendar. The work performed by staff for Consent Calendar items is the same as for other petitions; the only difference is the amount of time spent in the hearing, which is a small fraction of the time staff spends on petitions. Furthermore, most petitioners do not pay the fees set forth in Table III since the request to place their item on the Consent Calendar occurs after the petition is filed with the applicable fee and a hearing is scheduled. To qualify for the

Consent Calendar fee, the petitioner must request the Consent Calendar placement at the time of filing their petition. There is no refund of the standard filing fee, however, if the petitioner later requests to have the matter placed on the Consent Calendar.

Currently, petitioners typically pay a standard filing fee and are later directed by the Hearing Board to the Consent Calendar, with no option for a partial refund. Because consent calendar petitions require similar staff resources as public hearings, maintaining a lower fee schedule is no longer aligned with current practices.

While intended primarily for clarification purposes, this proposal will result in a minimal increase in fees when petitions are initially directed to the Consent Calendar. At least one petition per year is submitted at the lower Consent Calendar rate. Thus, by eliminating the lower fee, revenue would increase by approximately \$1,069.24 per petition, representing the difference between the standard filing fee of \$1,633.91 and the Consent Calendar filing fee of \$564.67. This proposal would potentially affect facilities in all industries within South Coast AQMD jurisdiction.

7. PAR 303: Correct Excess Emission Fees for Toxic Air Contaminants, and Add Diesel Particulate Matter as a Toxic Air Contaminant

The purpose of this proposal is to update Table 1 of Rule 303 by correcting an unintentional error which resulted in excess emission fees of toxic air contaminants (TACs) being charged in terms of dollars per ton instead of dollars per pound. Hearing Board cases involving toxic air contaminants typically require more time, analysis, and scrutiny from both staff and Hearing Board members due to the greater potential health impacts involved such that making this correction will ensure that costs for these efforts are recovered.

This proposal also seeks to include excess emissions fees for diesel particulate matter (DPM) which is a known toxic subject to emission fees, as applicable, in Rule 301. Common practice is for petitioners seeking variances for emergency backup engines exceeding their allowed 200 hours of operation and harmful DPM is emitted in the exhaust of this equipment; however, Rule 303 does not currently have a mechanism in place to recover the excess emissions of DPM. There are exemptions for operating the engines during emergencies where all fees are waived, so including the excess emission fee for DPM will not impact emergency use.

The fee impact of this proposal is expected to be less than \$50,000 annually; however, for the purposes of this analysis, the worst-case impact is assumed to be \$50,000 per year. This proposal would potentially affect facilities in all industries within South Coast AQMD jurisdiction.

8. PAR 303: Include an Administration Fee for Verifying or Performing Excess Emission Calculations

Many Hearing Board cases involve emissions discharged during the variance period in excess of what is allowed by the rules or permit conditions. Rule 303 requires that facilities pay for excess emissions during variance periods. In such cases, staff time to review, calculate, and verify the excess emissions is needed. However, the current rule does not include a cost recovery mechanism for staff time.

Therefore, this proposal establishes a fee structure to recover staff costs for reviewing permit and regulatory emission equivalent limits, calculating, and/or verifying excess emissions

resulting from the non-compliant activities that occur during variances based on the actual staff review time.

The proposal will provide cost recovery for staff time spent reviewing and calculating excess emissions for variance cases. The time needed to review each calculation varies with case complexity, but most cases take approximately five hours to complete. Based on the current time and materials rate in Rule 301 - Table Fee Rate-A, the hourly fee is \$258.67 for non-Title V facilities and \$324.14 for Title V facilities. The average of these two rates is approximately \$291.41. Applying this average rate to the typical five-hour review time results in an average charge of \$1,457.03 per case. Multiplying this average charge by the 34 hearing board cases in 2025 yields an estimated additional annual revenue of approximately \$49,538.85. It should be noted that more complex cases requiring over five hours of review will generate additional recoverable revenue. This proposal would potentially affect all facilities in all industries within South Coast AQMD jurisdiction.

CHAPTER 6: FINDINGS UNDER HEALTH AND SAFETY CODE

REQUIREMENTS TO MAKE FINDINGS

NECESSITY

EQUITY

AUTHORITY

CLARITY

CONSISTENCY

NON-DUPLICATION

REFERENCE

Requirements to Make Findings

H&SC Section 40727 requires that prior to adopting, amending, or repealing a rule or regulation, the South Coast AQMD Governing Board shall make findings of necessity, authority, clarity, consistency, non-duplication, and reference, as well as findings of equity under H&SC Section 40510.5(a) based on relevant information presented at the public hearing and in the staff report.

Necessity

Annual CPI updates to Regulation III – Fees, including Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, 316 and 316.2, are necessary to recover South Coast AQMD’s costs as a result of inflation. All fees are necessary to fund the fiscal year 2026-27 Budget. Based on the analysis provided in Chapter 3 of this report, a need exists for new or modified fees necessary to provide cost recovery for Regulation III rules including but not be limited to Rule 301 and Rule 303. Finally, the amendments set forth in the no fee impact/administrative change in Chapter 4 of this report are necessary to add rule clarity or make necessary administrative changes to Rule 301.

Equity

H&SC Section 40510.5(a) requires the South Coast AQMD Governing Board to find that an increased fee will result in an equitable apportionment of fees when increasing fees beyond the CPI. Based on the analysis provided in Chapter 3 of this report, the proposed new fees or modified fee rates are found to be equitably apportioned as they are based on either the complexity of equipment and work required for permit evaluation and implementation, or on the amount and type of emissions from the facility, or on processing and implementing time for Hearing Board cases, which is reasonably related to the burden imposed on the South Coast AQMD.

Authority

The South Coast AQMD Governing Board obtains its authority to adopt, amend, or repeal rules and regulations from H&SC Sections 40000, 40001, 40440, 40500, 40501.1, 40502, 40506, 40510, 40510.5, 40512, 40522, 40522.5, 40523, 40702, and 44380.

Clarity

The South Coast AQMD Governing Board has determined that Regulation III – Fees, including Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, 316 and 316.2, as proposed to be amended, are written or displayed so that their meaning can be easily understood by the persons directly affected by them.

Consistency

The South Coast AQMD Governing Board has determined that Regulation III – Fees, including Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, 316 and 316.2, as proposed to be amended, are in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations.

Non-Duplication

The South Coast AQMD Governing Board has determined that Regulation III – Fees, including Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, 316 and 316.2, as proposed

to be amended, do not impose the same requirements as any existing state or federal regulation and are necessary and proper to execute the power and duties granted to and imposed upon South Coast AQMD.

Reference

The South Coast AQMD Governing Board, in amending these rules, references the following statutes which South Coast AQMD hereby implements, interprets, or makes specific: H&SC Sections 40500, 40500.1, 40510, 40510.5, 40512, 40522, 40522.5, 40523, 41512, 42300 et seq., and 44380.

APPENDIX A: RESPONSE TO COMMENTS

Staff held the Public Consultation Meetings on March 17 and April 7, 2026, to provide a summary of proposed amended rules. This appendix includes the verbal comments received at the Public Consultation Meetings and written comments received during the public comment period.

Response to Comments

Comment PC-1: Concerns on the increase of NOx emission fee

Ramine Ross of the Western States Petroleum Association, Bill Quinn with the California Council for Environmental and Economic Balance, Curtis Coleman, and Neal Davenport all expressed concerns on the magnitude, public process, and basis of the increase NOx emission fee.

Response to Comment PC-1

Staff removed the NOx emission fee increase proposal for this year's Regulation III amendments. An increase to the NOx emission fees may be included in a future Reg III amendment. Staff will ensure that there is adequate public input on the proposals.

Comment PC-2: Amendment related to work as responsible agency role for CEQA

Curtis Coleman asked for clarification on adding the responsible agency role for CEQA.

Response to Comment PC-2

Staff explained the proposal and noted that a more comprehensive description of the scope of CEQA-related activities with costs recovered in practice is provided in the proposed rule language.

Comment Letter #1:

From: Nathan Toobian <arcosandimas@gmail.com>
Sent: Wednesday, March 4, 2026 4:57 PM
To: Peter Campbell <pcampbell@aqmd.gov>
Subject: [EXTERNAL] Re: Proposed Amended Regulation III - Fees - Public Consultation Meeting

Hi Mr Campbell,

I would like to voice my concern and vote against the fee increase.

A raise in fees will only be passed onto consumers and result in consumers paying the increased fees and not the permit holders.

Consumers have already dealt with enough increases all the way from food to their cell phone bills.

1-1

Response to Comment 1-1

Staff understands the challenges with business costs being passed onto consumers. The current proposal relies primarily on the CPI adjustment, while other proposed changes have very small fee impact. The proposed fees are no more than necessary to cover the South Coast AQMD's reasonable costs. Staff has also provided a socioeconomic impact report which analyzes and justifies the impacts from the proposed fees.