

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Preliminary 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

March 2024

Deputy Executive Officer

Planning, Rule Development, and Implementation
Sarah Rees, Ph.D.

Assistant Deputy Executive Officer

Planning, Rule Development, and Implementation
Michael Krause

Planning and Rules Manager

Planning, Rule Development, and Implementation
Kalam Cheung, Ph.D.

Author: Mojtaba Moghani, Ph.D. – Air Quality Specialist

Contributors: Neil Fujiwara – Program Supervisor
Barbara Radlein – Planning and Rules Manager
Shah Dabirian, Ph.D. – Consultant
Xian-Liang (Tony) Tian, Ph.D. – Program Supervisor
Daniel Penoyer – Air Quality specialist
Kevin Ni – Program Supervisor
Sina Taghvaei, Ph.D. – Air Quality Specialist
Andrea Polidori, Ph.D. – Assistant Deputy Executive Officer
Eugene Kang – Planning and Rules Manager
Fortune Chen – Senior Air Quality Engineer
Ryan Finseth, Ph.D. – Air Quality Specialist
Georgina Youssefian – Air Quality Specialist
David Ono – Senior Air Quality Engineering Manager
Mitch Haimov – Senior Air Quality Engineering Manager
Janice West – Senior Air Quality Engineer

Reviewed by:

Barbara Baird – Chief Deputy Counsel
Sheri Hanizavareh – Principal Deputy District Counsel
Erika Chavez – Senior Deputy District Counsel
Sujata Jain, Chief Financial Officer
Karen Sandoval – Financial Analyst

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GOVERNING BOARD**

Chair: VANESSA DELGADO
Senator (Ret.)
Senate Rules Committee Appointee

Vice Chair: MICHAEL A. CACCIOTTI
Councilmember, South Pasadena
Cities of Los Angeles County/Eastern Region

MEMBERS:

ANDREW DO
Supervisor, First District
County of Orange

CURT HAGMAN
Supervisor, Fourth District
County of San Bernardino

GIDEON KRACOV
Governor's Appointee

PATRICIA LOCK DAWSON
Mayor, Riverside
Cities of Riverside County Representative

LARRY MCCALLON
Mayor Pro Tem, Highland
Cities of San Bernardino County

HOLLY J. MITCHELL
Supervisor, Second District
County of Los Angeles

VERONICA PADILLA-CAMPOS
Speaker of the Assembly Appointee

V. MANUEL PEREZ
Supervisor, Fourth District
County of Riverside

NITHYA RAMAN
Councilmember, Fourth District
City of Los Angeles Representative

CARLOS RODRIGUEZ
Councilmember, Yorba Linda
Cities of Orange County

JOSÉ LUIS SOLACHE
Mayor, Lynwood
Cities of Los Angeles County/Western Region

EXECUTIVE OFFICER:

WAYNE NASTRI

TABLE OF CONTENTS

Executive Summary	1
CHAPTER 1 – BACKGROUND	1
Introduction.....	2
Legal Authority, Description of South Coast AQMD’s Permitted Source Program and Other Fees, and Relationship of Fees to South Coast AQMD’s Budget.....	2
Proposition 26 Compliance.....	6
Public Process	6
CHAPTER 2 - CPI ADJUSTMENT OF FEES FOR REGULATION III.....	1
CPI Adjustment of Fees for Regulation III.....	2
CHAPTER 3 – PROPOSED RULE AMENDMENTS WITH FEE IMPACTS	1
Introduction.....	2
1.A potential 1-4% increase in most fees (beyond the California CPI of 3.5%) over two years to cover increased reasonable costs of South Coast AQMD’s associated regulatory activity	2
2.Amend Rule 301 to create a new equipment category to allow lower emissive technology equipment to be subject to A lower fee Schedule.	8
3.Revise rule 301 table 1b include the addition of two new categories for hydrogen gas production equipment and updating the existing hydrogen production plant category description	12
4.Amend Rule 301 to introduce a new abbreviated reporting filing fee aimed at recovering costs associated with the large number of abbreviated reporting facilities as a result of the CTR regulation.....	13
5.AMEND RULE 304.1 to revise Analyses fees for testing pursuant to Rule 304.....	17
CHAPTER 4: PROPOSED RULE AMENDMENTS WITH NO FEE IMPACTS AND/OR ADMINISTRATIVE CHANGES	1
Introduction.....	2
1.Extend 2025 AER Annual Emissions Reports and Payments Submittal Deadline in Rule 301 and removing outdated fee references.....	2
2.Revise Rule 301 Table 1B to Clarify and Separate Green Waste Processing Equipment and Create New Category for Linear Generators.....	7
3.Editorial Change in Rule 301 Clarifying Emission Reporting and Fee Provision	9
CHAPTER 5 – IMPACT ASSESSMENT.....	1
Fiscal Impact for South Coast AQMD.....	2
California Environmental Quality Act.....	2
Socioeconomic Impact Assessment.....	2
CHAPTER 6 – FINDINGS UNDER HEALTH AND SAFETY CODE	1

EXECUTIVE SUMMARY

Regulation III – Fees establishes the fee rates and schedules to recover South Coast Air Quality Management District’s (South Coast AQMD or District) 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, Rule 2305 – Warehouse Actions and Investments to Reduce Emissions (WAIRE) program fees, and Area Source fees (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) increase or adjustment of the majority of fees contained in Regulation III pursuant to Rule 320 and the California 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 3.5% consistent with the percent increase in California CPI from December 2022 to December 2023.
- One proposal for an increase in most fees, and four targeted proposals with new or modified fees, all of which are necessary to provide more specific cost recovery for regulatory actions taken by the South Coast AQMD that include, but are not limited to, fee schedules for UV/EB/LED curing and hydrogen gas production equipment, fees for Annual Emission Reporting (AER) and Criteria and Toxics Reporting (CTR), and analyses fees for monitoring. These proposals include:
 - 1) A potential 1-4% increase in most fees (beyond the California CPI of 3.5%) over two years to cover increased reasonable costs of South Coast AQMD’s associated regulatory activity.
 - 2) A proposal to create a new equipment category in Rule 301 to allow lower emissive technology equipment to be subject to a lower permitting fee schedule.
 - 3) A proposal to create two new categories for hydrogen gas production equipment and updating an existing hydrogen production plant category description.
 - 4) A proposal to introduce a new abbreviated reporting filing fee in Rule 301 aimed at recovering costs associated with the large number of abbreviated reporting facilities as a result of the CTR regulation.

¹ H&SC Section 42300 *et seq.*

² H&SC Sections 40500.1 and 40510.

- 5) A proposal to include new (or modified) “Ambient Air Analyses Fees” for the use of modern air monitoring equipment, site development, and decommissioning in Rule 304.1 – Analyses Fees.
- Three proposals for administrative changes to Regulation III, which have no fee impact, but include clarifications or corrections to existing rule language. These proposals include:
 - 1) A proposal to extend the 2025 AER deadline for submitting annual emissions reports (and payments) in Rule 301 to accommodate large number of new facilities required to report as part of the Phase-2 implementation of the CTR regulation.
 - 2) A proposal to revise Table IB of Rule 301 to clarify and separate categories related to green waste processing equipment and to create a new category for linear generators that were previously included in the internal combustion engine category.
 - 3) A proposal for an editorial change in Rule 301 clarifying the emission reporting and fee calculation provision (e)(2).

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

PROPOSITION 26 COMPLIANCE

PUBLIC PROCESS

INTRODUCTION

Proposed Amended Regulation III (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 California Consumer Price Index (CPI) increase or 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 California Health and Safety Code (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 Air Quality Management District (South Coast AQMD or District) Regulation III – Fees is comprised of the list of active rules below:

- Rule 301 – Permitting and Associated Fees (Amended May 5, 2023),
- Rule 302 – Fees for Publication (Amended February 12, 1993),
- Rule 303 – Hearing Board Fees (Amended May 5, 2023),
- Rule 304 – Equipment, Materials, and Ambient Air Analyses (Amended May 5, 2023),
- Rule 304.1 – Analyses Fees (Amended May 5, 2023),
- Rule 306 – Plan Fees (Amended May 5, 2023),
- Rule 307 – Fees for Air Toxics Emissions Inventory (Amended June 9, 2006),
- Rule 307.1 – Alternative Fees for Air Toxics Emissions Inventory (Amended May 5, 2023),
- Rule 308 – On-Road Motor Vehicle Mitigation Options Fees (Amended May 5, 2023),
- Rule 309 – Fees for Regulation XVI and Regulation XXV (Amended May 5, 2023),
- 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 5, 2023),
- Rule 313 – Authority to Adjust Fees and Due Dates (Amended May 5, 2023),
- Rule 314 – Fees for Architectural Coatings (Amended May 5, 2023),
- Rule 315 – Fees for Training Classes and License Renewal (Amended May 5, 2023),
- Rule 316 – Fees for Rule 2305 (Amended May 5, 2023),
- Rule 317 – Clean Air Act Non-Attainment Fees (Amended February 4, 2011), 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

³ H&SC Section 40506

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. 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.⁶ In subsequent years, reviews of permit processing fees have only confirmed or updated these schedules based on processing time.⁷

The fee 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.

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

⁴ RECLAIM stands for REgional CLean Air Incentives Market, a cap-and-trade program that regulates the emissions of NO_x and SO_x 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 District 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 II D

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 (HRA), 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 40510(b); Rule 303

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

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 fees comprise approximately 59% 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 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 and 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 1992 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, or 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 over 22 years. Based on CPI, the real value of AB 2766 fees has therefore declined by about 70%. 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)

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 the 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 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 Proposed Amended Regulation III (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. Public consultation meetings are scheduled for March 19, 2024, and April 9, 2024, 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 4, 2024, and the Governing Board Special Meeting Budget Study Session on April 12, 2024.

The public hearing to consider adoption of the fiscal year 2024-25 Budget and Work Program, fee adjustments, and PAR III is scheduled for May 3, 2024, 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 3, 2024 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 proposing to allow 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). In particular, staff is planning, where applicable, to adjust fees in Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, and 316 on July 1, 2024, to correspond with the increase in the calendar year 2023 CPI of 3.5%.

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 annual CPI-based fee rate increase and the reason for exclusion.

Both Rule 320 and the H&SC provide for the annual adjustment or increase 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 manner in which 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. Most adjustments are not subject to Proposition 26 because Rule 320 was adopted prior to the effective date of Proposition 26.

Over the past decade, the costs of the District’s programs supported by fees on stationary sources for non-Title V facilities and Title V facilities have increase 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 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 orders 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.

If South Coast AQMD proposes a fee increase greater than CPI, the South Coast AQMD Governing Board must make a finding, based on relevant information, in the rulemaking record, that the automatic adjustment is necessary and will result in an apportionment of fees that is equitable. As this increase is based on the 2023 calendar year CPI and not greater, such findings are not required.

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 would 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

A 4.4% FEE INCREASE OF MOST FEES (BEYOND THE CALIFORNIA CPI OF 3.5%) OVER TWO YEARS

CREATE A NEW EQUIPMENT CATEGORY IN RULE 301 FOR LOWER EMISSIVE TECHNOLOGY EQUIPMENT

CREATE NEW EQUIPMENT CATEGORIES IN RULE 301 FOR HYDROGEN GAS PRODUCTION EQUIPMENT AND UPDATING THE EXISTING HYDROGEN PRODUCTION PLANT CATEGORY DESCRIPTION

INTRODUCE A NEW ABBREVIATED REPORTING FILING FEE IN RULE 301

REVISE RULE 304.1 ANALYSES FEES FOR TESTING PURSUANT TO RULE 304

INTRODUCTION

In addition to the annual CPI-based fee rate increase described in Chapter 2 – CPI Adjustment of Fees for Regulation III, staff presents the following proposals to amend Rule 301 – Permitting and Associated Fees and Rule 304.1 – Analyses Fees:

- 1) A potential 1-4% increase in most fees (beyond the California CPI of 3.5%) over two years to cover increased reasonable costs of South Coast AQMD’s associated regulatory activity.
- 2) Amend Rule 301 to create a new equipment category to allow lower emissive technology equipment to be subject to a lower fee schedule
- 3) Revise Table IB of Rule 301 to include the addition of two new categories for hydrogen gas production equipment and updating the existing hydrogen production plant category description, and
- 4) Amend Rule 301 to introduce a new abbreviated reporting filing fee aimed at recovering costs associated with the large number of abbreviated reporting facilities as a result of the CTR regulation
- 5) Amend Rule 304.1 to include additional “Ambient Air Analyses Fees” for the use of modern air monitoring equipment, site development, and decommissioning

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 sections/tables, amendments that are due solely to any proposed addition and/or deletion of preceding rule sections/tables, are not separately listed below.

1.A POTENTIAL 1-4% INCREASE IN MOST FEES (BEYOND THE CALIFORNIA CPI OF 3.5%) OVER TWO YEARS TO COVER INCREASED REASONABLE COSTS OF SOUTH COAST AQMD’S ASSOCIATED REGULATORY ACTIVITY

Description of Proposed Amendment

This proposal aims to adjust most fees set forth in Regulation III by an additional 1-4% beyond the California Consumer Price Index of 3.5%, to cover increased reasonable costs of South Coast AQMD’s associated regulatory activity. The increase will be phased in over two years to gradually adjust the fees pursuant to California Health and Safety Code § 40510.5 (b).

Proposed Amended Rule(s)

A 1-4 percent increase of most fee rates (in addition to the change in California CPI from December 2022 to December 2023) is proposed to be applied effective July 1, 2024, and nearly all facilities regulated by South Coast AQMD would be affected by the proposed fee rate increase.

Justification/Necessity/Equity

To fund its mandated programs, the South Coast AQMD utilizes a system of evaluation or permit processing fees, annual operating fees (equipment-based), emissions-based operating fees, Hearing Board fees, penalties/settlements, other fees (such as subscription fees) and investments that generate most of its revenues. The remaining revenue is from federal grants, California Air Resources Board subvention, California Clean Air Act Motor Vehicle fees, administrative costs for incentive programs, and miscellaneous income. The South Coast AQMD currently receives the bulk of its funding (62%) from stationary and some area sources and also relies on mobile source

revenues, state subventions and federal grants to support a majority of the remaining costs not covered by stationary and area source fees, in such program areas as air monitoring, regional modeling, emissions inventory, planning, rulemaking, and emergency response. Costs of programs that are not directly related to stationary or mobile sources individually such as regional air monitoring, are supported by both stationary and mobile source revenues. South Coast AQMD Regulation III – Fees describes activities for which fees are required and sets rates and schedules for the amount of fees to be charged. Since the adoption of Rule 320 in 2010, Regulation III is typically automatically updated each year in support of South Coast AQMD’s annual budget. California H&S Code §§ 40510, 40510.5, and 40523 authorize the South Coast AQMD to increase fees consistent with an annual increase in the California CPI and allow increasing individual fees by a greater amount if the South Coast AQMD Governing Board makes the required findings of necessity and equitable apportionment. Federal and state law require the South Coast AQMD to regulate emissions from stationary sources, which it does through the issuance of various facility and equipment permits, as well as Rule 222 equipment registrations and plans, which operate similarly to permits for the sources covered by them. State law authorizes the South Coast AQMD to establish fees for issuing these permits to cover “the reasonable cost of permitting, planning, enforcement, and monitoring related thereto.” (H&SC §40510(b)). These regulatory activities constitute the South Coast AQMD’s Permitted Source Program. The South Coast AQMD has adopted three basic types of Program fees: permit processing fees, annual renewal operating fees (equipment-based), and emissions-based operating fees. Traditionally, the 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 related to the overall Permitted Source Program regulatory activities such as a proportional share of planning, monitoring, rule development and outreach programs, from emissions-based operating fees. 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 rulemaking efforts and activities. These emissions fees allocate costs primarily based on the amount of emissions discharged and the greater regulatory burden those emissions impose. The current structure for Permit Processing fees derives ultimately from a study of actual time spent processing permits, conducted by KPMG Peat Marwick for the 1990 fee amendments²³. 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. Annual renewal operating fees are based on four basic schedules [Rule 301 (d)(2)] which are based

²³ 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 District 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. 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. Both of these documents are available at the South Coast AQMD Library, 21865 Copley Drive, Diamond Bar, CA 91765, (909) 396-2600. Additionally, the 2001 amendments to Regulation III included a time tracking study of permit processing fees. See South Coast AQMD Governing Board Agenda, (May 2001), Item 33, [2001/2002 AQMD Governing Board Calendar](#) (citing SCAQMD Fee Structure Study (March 16, 1999), Thompson, Cobb, Bazilio & Associates, PC.

on the size and complexity of the equipment, which is proportional to the amount of work needed to inspect and enforce South Coast AQMD rules.

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.

1. 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 FTEs.

2. ANNUAL OPERATING EMISSIONS FEES

This fee program was initiated in January 1978. As currently existing, 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, civil enforcement, and stationary and area source research projects. 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.

3. PERMIT PROCESSING FEES

Permits are the primary vehicles the South Coast AQMD uses to ensure that equipment in South Coast AQMD's jurisdictional boundaries is in compliance 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. 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'.

4. 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 4) are separate and distinct from the annual operating emission fees (Category 2). 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.

5. FEDERAL GRANTS/OTHER FEDERAL REVENUE

The South Coast AQMD receives funding from EPA Section 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. A Department of Homeland Security (DHS) grant funds a special particulate monitoring program. 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 EPA Clean Air Act Section 105 grants are available for the general support of air quality-related programs.

6. SOURCE TEST/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.

7. 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.

8. CLEAN FUELS

H&SC Section 9250.11 of the Vehicle Code assigns the 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 Nitrogen Oxides (NO_x), Sulfur Oxides (SO_x), Reactive Organic Compounds (ROC), or Particulate Matter (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.

9. 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: Section 9250.17 of the Vehicle Code 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. 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 5% and the MSRC adopts a budget for staff support each year.

10. 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.

11. 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.

12. 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.

13. 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.

14. AREA SOURCES 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.

15. 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

determined by CARB and collected by the South Coast AQMD at the time the inspection is conducted.

Budget Deficit in Fiscal Year 2024-25

To prepare for the budget, each division at South Coast AQMD identifies necessary resources to carry out program mandates and responsibilities for the fiscal year. The proposed annual budget and multi-year forecast take into account the requests submitted by different divisions to achieve goals and priority objectives for the fiscal year. The requests are based on the needs for staffing, services, and supplies, as well as salary and benefit costs. Revenue projections developed are based on input received from different divisions. South Coast AQMD faces some budget challenges for the upcoming years, including higher operating costs due to recently completed labor contracts and contingency for unavoidable costs.

Reason for Budget Deficit in Upcoming Fiscal Years

- Completed labor contracts
 - The negotiated labor contracts span for the next four years and provided a maximum increase of approximately 25% to represented and non-represented employees²⁴.
- Contingency for unavoidable cost
 - A \$1.3 million unavoidable cost such as increased insurance costs, worker's compensation, communications, public notices, annual financial audit, postage, miscellaneous services, and a short-term position that was filled.

For FY 2024-2025, the preliminary projected revenue and expenditure indicate a potential deficit. At this time the revenue and expenditure numbers are under assessment from Finance and as the budget process continues, staff will have a better understanding of the 2024-2025 proposed draft budget and work programs. To allow for cost recovery and to address the expected budget deficit, staff proposes to adjust most fees set forth in Regulation III by an increase of 1-4%, which will be phased in over two years, beyond the California Consumer Price Index adjustments effective July 1, 2024. This fee adjustment is essential to facilitate the South Coast AQMD in recouping the expenses accrued across various programs and addressing the budget deficit.

2.AMEND RULE 301 TO CREATE A NEW EQUIPMENT CATEGORY TO ALLOW LOWER EMISSIVE TECHNOLOGY EQUIPMENT TO BE SUBJECT TO A LOWER FEE SCHEDULE.

Description of Proposed Amendment

Under H&SC Section 42300, South Coast AQMD may adopt and implement a program requiring that a permit to construct and to operate must be obtained before the construction or operation of any equipment which emits or controls air pollution within South Coast AQMD's jurisdictional boundaries. South Coast AQMD has assessed fees for processing of applications under the permitting program for many years, and the fees have traditionally been based on the type of equipment and complexity of engineering review. Permit processing fees are authorized pursuant to state law to recover the reasonable regulatory costs of the agency's permit program (H&SC

²⁴ See South Coast AQMD Governing Board Agendas (January and March 2024), <https://www.aqmd.gov/docs/default-source/Agendas/Governing-Board/2024/2024-jan5-015.pdf?sfvrsn=2> and <https://www.aqmd.gov/docs/default-source/Agendas/Governing-Board/2024/2024-Mar1-023.pdf?sfvrsn=6>

Section 40510(b)). These fees support the permit processing program and fee rate schedules for different categories of equipment are based on the average time it takes to process and issue a permit. Permit processing fees only partially recover the costs for evaluation of an application and issuance of a permit. Other permit costs are covered by a portion of annual operating fees.

The H&SC also authorizes South Coast AQMD to have an annual permit renewal program and authorizes fees to recover the costs of the program (H&SC Section 42300(b); 40510(b)). The annual operating permit renewal program, initiated by South Coast AQMD in February 1977, requires that all active permits be renewed on an annual basis upon payment of annual renewal fees. The permits help to ensure that equipment located in South Coast AQMD's jurisdictional boundaries are in compliance with South Coast AQMD Rules and Regulations and annual operating permit renewal fees are intended to recover, in part, the regulatory costs of the Permitted Source Program, such as compliance and permit evaluation, as well as monitoring and testing.

Rule 301 Table 1A – Permit Fee Rate Schedules For Control Equipment and Table 1B – Permit Fee Rate Schedules For Basic Equipment establishes the fee schedule for permitted equipment. These equipment-based fees are related both to emissions potential and to complexity of the equipment (i.e., labor associated with enforcement efforts) and is thus related to the burdens the source imposes on the District and the benefits it receives from being authorized to pollute in specified amounts. In the public process of recent rule developments, a stakeholder provided information at multiple public forums that UV, EB, LED processes are all electric, eliminating the need for combustion-based equipment that would generate NO_x and requested a reduced fee schedule for UV, EB, LED technology related equipment which are less emissive as a mechanism to encourage the use of this cleaner technology. Staff has evaluated the UV, EB, LED curing technology and concluded that the VOC and toxic emissions are dependent on the coatings, solvents, and other materials used in the process. As a result, the following proposals are made to establish lower fee schedules for equipment to allow lower emissive UV, EB, LED technology to be subject to a lower fee schedule:

- 1) A new control equipment category in Table 1A would be created for “Spray Booth exclusively using UV, EB, or LED Curing” with conditional requirements to ensure no toxics and low VOC materials are used. Equipment that would qualify for this category would be subject to Schedule A fees (instead of typical Schedule B fees).
- 2) A new basic equipment category in Table 1B would be created for “Roller Coater exclusively using UV, EB, or LED Curing” with conditional requirements to ensure no toxics and low VOC materials are used. Equipment that would qualify for this category would be subject to Schedule A fees (instead of typical Schedule B fees).
- 3) The basic equipment category in Table 1B would be modified from “Printing Press With IR, EB, or UV Curing” to “Printing Press With IR, EB, UV, or LED Curing” to clarify that printing Press with LED curing falls under this category.

Proposed Amended Rule(s)

Rule 301 Table 1A – Permit Fee Rate Schedules For Control Equipment

Equipment/Process	Schedule
Spray Booth, HEPA/ULPA Controlling Rule 1401 Toxic Air Contaminants	C
Spray Booth, Metallizing	C

Spray Booth with Carbon Adsorber (non-regenerative)	C
Spray Booths (multiple) with Carbon Adsorber (non-regenerative)	D
Spray Booth(s) with Carbon Adsorber (regenerative)	E
Spray Booth(s) (1 to 5) with Afterburner/Oxidizer (Regenerative/Recuperative)	D
Spray Booths (>5) with Afterburner/Oxidizer (Regenerative/Recuperative)	E
Spray Booth, Automotive, with Multiple VOC Control Equipment	C
Spray Booth with Multiple VOC Control	D
Spray Booths (multiple) with Multiple VOC Control Equipment	E
Spray Booth exclusively using UV, EB, or LED Curing⁹	A
Storm Water Handling & Treating System ¹⁰	E
Sulfur Recovery Equipment ⁷	H
Tail Gas Incineration	D
Tail Gas Unit ¹¹	H
Storage Tank, Degassing Unit	D
Ultraviolet Oxidation	D
Vapor Balance System ¹²	B
Vapor Recovery, Serving Crude Oil Production ¹²	D
Vapor Recovery, Serving Refinery Unit ¹²	E
Waste Gas Incineration Unit	E

⁹ Provided all of the following are met:

- a) [All inks, coatings, solvents \(excluding clean up solvents\), or all other materials used in the spraybooth contain 50 grams of VOC per liter of material or less and do not contain any toxic air contaminants specified in Rule 1401 at the time the application is deemed complete](#)
- b) [All cleanup solvents used in the spraybooth or used to clean any parts or equipment that were in the spray booth contain 25 grams of VOC per liter of material or less and do not contain any toxic air contaminants specified in Rule 1401 at the time the application is deemed complete](#)

[Rule 301 Table 1B – Permit Fee Rate Schedules For Basic Equipment](#)

Equipment/Process	Schedule
Process Line, Chrome Plating (Trivalent)	B
Precious Metal, Recovery, Other	B
Precious Metal, Recovery, Catalyst	D
Printing Press, Air Dry	B
Printing Press With IR, EB, or UV, or LED Curing	B
Printing Press, Other	C
Printing Press, Screen	B
Production, Other	B
Railroad Car Loading/Unloading, Other	C
Railroad Car Unloading, liquid direct to trucks	B
Reaction, Other	C
Recovery, Other	B

Refined Oil/Water Separator Including, but not limited to, all or part of the following: Oil/Water Separators, Pits, Sumps, Tanks, Vessels	B
Refrigerant Recovery/Recycling	A1
Rendering Equipment, Blood Drying	C
Rendering Equipment, Fishmeal Drying	C
Rendering Equipment, Rendering	D
Rendering Equipment, Separation, Liquid	C
Rendering Product, Handling Including, but not limited to, all or part of the following: Conveyors, Bins, Hoppers, Bucket Elevators	C
Resin, Varnish Mfg. Including, but not limited to, all or part of the following: Coolers, Heat Exchangers, Pumps, Reactors, Mixers, Process Tanks	D
Roller Coater	B
Roller Coater Exclusively Using UV/EB/LED Curing¹	A

¹ [Provided all of the following are met:](#)

- a) [All inks, coatings, solvents, \(excluding cleanup solvents\) or all other materials used in the roller coater contain 50 grams of VOC per liter of material or less and do not contain any toxic air contaminants specified in Rule 1401 at the time the application is deemed complete](#)
- b) [All cleanup solvents used in the roller coater or used to clean any parts or equipment that were in the roller coater contain 25 grams of VOC per liter of material or less and do not contain any toxic air contaminants specified in Rule 1401 at the time the application is deemed complete](#)

Justification/Necessity/Equity

Radtech International has provided testimony at multiple public forums that UV, EB, LED processes are all electric, eliminating the need for combustion-based add-on control devices that would generate NOx. The associated coatings and solvents used in these processes may have very low concentrations of VOC and no toxics. Staff has evaluated the curing technology and concluded that the emissions are dependent on the coatings, solvents, and other materials used. Therefore, this proposal of a lower fee schedule for UV, EB, LED is only allowed when the associated coatings, solvents, or other materials have no toxic compounds identified in Rule 1401 at the time the application is deemed complete and are below Rule 301 Table 1A and Table 1B applicable VOC concentration thresholds.

Limited information is available to quantify the number of permit applications that could qualify for this lower permit fee. In addition, Rule 219 exempts certain UV/EB/LED processes from permitting, provided certain conditions are met. It is unlikely that a high number of permit applications would be subject to this lower fee schedule. There does not appear to be any existing operations or pending operations that would qualify for the lower fee schedule, however if a facility meets the requirements set forth in Rule 301, the facility will be subject to a lower fee schedule. The action was requested by the Governing Board to allow the use of a less emissive technology to pay lower fees, which may also incentivize lower emissive technology.

Reduced emissions reduce the South Coast AQMD's regulatory burdens and costs. Based on past experience, it is also expected that equipment that uses UV/EB/LED technologies with coatings that are free to toxic air contaminants and contain very low content VOC materials may take less work to process. This discount is equitable as in order to qualify for this lower fee schedule, the process would be required to use toxic free and low VOC containing material.

3. REVISE RULE 301 TABLE 1B INCLUDE THE ADDITION OF TWO NEW CATEGORIES FOR HYDROGEN GAS PRODUCTION EQUIPMENT AND UPDATING THE EXISTING HYDROGEN PRODUCTION PLANT CATEGORY DESCRIPTION

Description of Proposed Amendment

Proposed changes to Table IB of Rule 301 include the addition of two new categories for hydrogen gas production equipment (schedules A and C) and updating the description of the existing hydrogen production plant category description (schedule F) to distinguish it from the two new categories. The new categories are for new types of equipment and will be set at or below the fee schedule rate for equipment not listed in Table IA or IB pursuant to the rule. The proposed fee schedules were set based on the hours of engineering evaluation time typically required for applications of these types already evaluated and approved. The changes are consistent with current practice in E&P and will not require changes to existing applications or existing practices. The proposed amendment will establish in Rule 301 new categories for two new categories of equipment and make the correct fee categories clear to applicants, preventing the initial overpayment of fees for equipment not listed that have been identified by staff to have minimal processing times.

Proposed Amended Rule(s)

The proposed changes to Rule 301 Table 1B are shown in the table below.

Equipment/ Process	Schedule
...	
Hydrogen Production Plant (Refinery) Including, but not limited to, all or part of the following: Absorbers, Accumulators, Columns, Compressors, Condensers, Drums, Fractionators, Heat Exchangers, Knock Out Pots, Pots, Pumps, Reactors, Regenerators, Scrubbers, Settling Tanks, Sumps, Tanks, Towers, Vessels	F
Hydrogen Gas Production, Electrolysis or <5 MMBtu/hr	A
Hydrogen Gas Production, Other	C
...	

Justification/Necessity/Equity

The proposed amendment will establish new categories and appropriate fees for new and emerging technologies for hydrogen production. Equipment that is not specifically listed in Rule 301 Table IA or IIB is assessed Schedule C fees, per 301(c)(1)(A)(iii). Because of the increasing frequency of receiving applications for these two new types of hydrogen gas production systems, staff is proposing to specifically list these categories in Rule 301 with the schedule established as appropriate for these types of equipment, based on the engineering evaluation time required. With the rise in popularity of carbon-free fuels, there has been an increased demand for hydrogen production, particularly at smaller scales. Previous hydrogen production systems in the District have primarily been large-scale steam methane reforming units associated with refineries. Staff has identified a need for two new categories of hydrogen production equipment, with different levels of complexity and evaluation times.

Currently, Hydrogen Production Plants are the only listed category of hydrogen production plants. This fee schedule F category was established for large-scale hydrogen production associated with petroleum refineries. Rule 1189: Emissions from Hydrogen Plant Process Vents applies to

“hydrogen plants that produce any hydrogen for use in petroleum refining operations” (Rule 1189(a)).

Hydrogen gas production systems not associated with refineries are less complex and permit applications require less evaluation time, consistent with fee schedule C. Furthermore, staff has determined that using schedule C for hydrogen gas produced using electrolysis, or for very small units (<5 MMBtu/hr) would overestimate the required time to evaluate, and instead recommends using Schedule A for this category based on recent experience of 8-12 hours to complete the review. To distinguish between the new and old hydrogen production categories, staff proposes to include the word “refinery” in the current description for the Schedule F Hydrogen Production Plant category.

Staff has noted a substantial increase in the number of applications received for new and emerging hydrogen production technologies not associated with refineries. Establishing new categories in Table IB of Rule 301 will allow applicants to clearly identify the correct permitting fee schedules for non-refinery hydrogen production equipment. These updates will reduce the amount of staff time spent in pre-application submittal communications about the proper submission of fees. This improves the applicant’s experience and ability to submit a complete application with the correct fees and reduces the amount of South Coast AQMD resources needed to ensure appropriate Rule 301 implementation by permit applicants.

Hydrogen production at refineries is subject to Rule 1189, typically uses refinery fuel gas, has heat inputs from 350-650 MMBtu/hr and are located at Title V facilities and federal refinery regulations. New technologies for hydrogen production are typically smaller and have less complex operation. Very small hydrogen gas production plants (<5MMBtu/hr) and plants using electrolysis are especially simple and straightforward to evaluate.

Five applications for the new categories of equipment have already been evaluated, and fees were assessed based on the evaluation time spent. The proposed new categories will allow recovery of fees consistent with the evaluation time required.

The proposed fee for hydrogen production equipment using electrolysis or < 5MMBtu/hr is existing Schedule A. Estimates of the amount of time required to evaluate and process applications for these types of equipment were gathered from engineers familiar with these types of applications. It was estimated that these types of applications typically require 8-12 hours, consistent with the Schedule A fee. Establishing Schedule A fees for this type of equipment will ensure that cost recovery is based on the typical evaluation time required.

4.AMEND RULE 301 TO INTRODUCE A NEW ABBREVIATED REPORTING FILING FEE AIMED AT RECOVERING COSTS ASSOCIATED WITH THE LARGE NUMBER OF ABBREVIATED REPORTING FACILITIES AS A RESULT OF THE CTR REGULATION

Description of Proposed Amendment

California Air Resources Board’s (CARB) Criteria and Toxics Reporting (CTR) Regulation requires annual reporting of criteria pollutant and air toxics emissions from most permitted facilities in California. CTR requires the owner or the operator of a facility to provide either the calculated emissions, or the activity data needed to quantify emissions, for permitted devices and processes. CARB relies on local air districts to collect and process the emissions data and report that data to CARB on behalf of the facilities. As a result, any facility reporting emissions data in

order to comply with CTR requirements are potentially subject to any emissions fees levied by their local air district. The reporting requirements resulting from the CTR regulation are designed to be phased in for various facility types over several years.

Facilities with equipment and/or operations deemed eligible for “abbreviated reporting” in the CTR regulation are not required to submit calculated emissions, but can elect to provide solely the activity data (such as hours in operation or fuel consumed) in order to comply with CTR. South Coast AQMD staff uses the activity data to then calculate emissions on behalf of the facility. The South Coast AQMD currently exempts any facility submitting an “abbreviated report” from paying any potentially applicable toxic air contaminant (TAC) fees.

Given that abbreviated reporters are essentially fee exempt, this amendment proposes to add language within Rule 301 (e)(2), (13) and (17) that clarifies the CTR reporting requirements and abbreviated reporting eligibility. This proposed amendment also introduces a new abbreviated reporting filing fee aimed at recovering the costs associated with the large number of abbreviated reporting facilities reporting to the South Coast AQMD as a result of CARB’s CTR regulation.

Proposed Amended Rule(s)

Rule 301(e)(2) Emissions Reporting and Fee Calculation

All major stationary sources of NO_x and/or VOC, as defined in Rule 317 and other rule(s) implementing section 185 of the federal Clean Air Act, shall annually report and pay the appropriate ~~C~~lean ~~A~~air ~~A~~ct non-attainment fees for all actual source emissions including but not limited to permitted, unpermitted, unregulated and fugitive emissions. Each facility subject to subparagraph (e)(1)(B) shall annually report all emissions for all pollutants-listed in paragraph (e)(5) and Table IV and incur an emissions fee as prescribed in Table III.

Non-permitted emissions which are not regulated by the District shall not be reported and shall be excluded from emission fees if the facility provides a demonstration that the emissions are not regulated and maintains sufficient records to allow the accurate demonstration of such non-regulated emissions-, unless required by CARB’s Criteria and Toxics Reporting Regulation (Title 17, California Code of Regulations (CCR) sSection 93400, et seq.)

Rule 301(e)(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.

Rule 301(e)(17) Abbreviated Reporting Eligibility Pursuant to CARB’s CTR Regulation and Associated Fees

Facilities electing to submit an abbreviated report to fulfill reporting requirements pursuant to California Code of Regulations Title 17 Section 93400 et seq. are exempt from fees in (e)(7) and subject instead to an annual abbreviated reporting filing fee of \$53.24 beginning July 1, 2024, and \$106.48 beginning July 1, 2025

and thereafter. Facilities are eligible for abbreviated reporting only if conditions in both (e)(17)(A) and (e)(17)(B) are met.

(A) A facility does not meet any of the criteria in (i), (ii), or (iii) below:

- (i) Criteria Facility – any facility with permitted potential to emit 250 or more tons per year of any applicable nonattainment pollutant or its precursors.
- (ii) Greenhouse Gas Reporter Facility – any facility subject to reporting under the California Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, title 17, CCR, Section 95100 et seq.
- (iii) Elevated Prioritization Toxics Facility – any facility identified by the South Coast AQMD as high priority as of January 1 of the data year (the year the emissions occurred), based on the South Coast AQMD’s implementation of the AB 2588 “Hot Spots” requirements.

(B) A facility engages in activity (or activities) limited exclusively to one or more qualifying activities outlined in the table below.

Facility Operations Eligible for Abbreviated Reporting Under CTR

<u>Agricultural operations limited to dairy, poultry, and swine farms</u>
<u>Combustion of natural gas or propane in boilers or heaters</u>
<u>Diesel-powered emergency standby generators, direct-drive emergency standby fire suppression pump engines, direct-drive emergency standby fire water pump engines, or other engines permitted as emergency equipment</u>
<u>Dispensing of gasoline or diesel</u>
<u>Cremation of humans or animals</u>

Justification/Necessity/Equity

Every year South Coast AQMD staff coordinates the submission of facilities’ annual emission reports. The staff work involved in the reporting process includes the preparation of guidance documents and tutorials, responding to facility inquiries, and performing data validation and amendment requests, if necessary.

The initial phase-in period for the CTR regulation occurred with facilities reporting their data year (DY) 2022 emissions in 2023. In 2023, 6250 facilities submitted an annual emissions report to the District, which is roughly a 500% increase in the number of reports submitted in 2022. Of those 6250 facilities, over 3500 were abbreviated reports.

The large increase in the number of facilities reporting their annual emissions data directly to the District due to CARB’s CTR regulation has resulted in a significant increase in staff workload.

Specifically, staff has had to dedicate more resources toward reporting preparation, online webtool updates, and handling the large increase in the number of facility inquiries.

It is estimated that at the Air Quality Specialist or Air Quality Engineer II level, staff spent an additional 1,750 hours handling inquiries from abbreviated reporting facilities in 2023. Assuming a fully burdened rate of \$118.42/hour, this resulted in an additional cost of \$207,235 annually. Senior Office Assistant(s) spent approximately 300 hours logging and assigning abbreviated facility inquiries in 2023. Assuming a fully burdened rate of \$77.14/hour, this resulted in an annual cost of \$23,142. Additionally, Senior Air Quality Engineer(s) were tasked with an additional 500 hours of work logging and responding to abbreviated reporter inquiries. Assuming a fully burdened rate of \$126.59/hour, this equated to an additional cost of \$63,295.

In regard to resources expended on preparing and updating guidance documents and tutorials for abbreviated reporting, it is estimated that Air Quality Specialist(s)/Air Quality Engineer II spent roughly 200 hours on such work in 2023. In addition, Senior Air Quality Engineer(s) spent an additional 160 hours. Assuming fully burdened rates of \$118.42 and \$126.59 for Air Quality Specialists/Air Quality Engineer II and Senior Air Quality Engineers, respectively, this resulted in an additional cost of \$43,939 in staff time.

It is also estimated that a dedicated Systems Analyst and Systems and Programming Supervisor spent approximately 200 and 100 hours, respectively, updating the AER online reporting tool and the associated database to accommodate abbreviated reporting functionality. Assuming fully burdened rates of \$124.70/hour and \$134.30/hour, respectively, this effort resulted in an estimated additional cost of \$38,378.

The additional costs of the abbreviated reporting program totaled approximately \$375,988 in CY 2023. Assuming a total of 3,531 abbreviated reporting facilities, this equates to an average of cost of \$106.48 per facility. As a result, staff proposes to set the new abbreviated reporting filing fee at \$106.48 per facility, to be phased in over the next two fiscal years.

This fee is necessary to recover costs associated with CARB’s CTR regulation implementation. The fee is equitable as it burdens only those facilities utilizing District resources. The abbreviated reporting fees will also be used to fund and maintain future enhancements to the AER WebTool to ease reporting of activity levels by end users or facilities.

The new fee is \$106.48 for each facility submitting an abbreviated report beginning in 2025. The fee will be \$53.24 for CY 2024 only. CY 2024 is a gap year in CTR implementation and no facilities eligible for abbreviated reporting are required to report. Sector Phase 2 CTR facilities begin reporting in CY 2025 and Phase 3 facilities start reporting in CY 2026. Beginning in CY 2027, facilities in all three phases will be required to report annually. Based on abbreviated reporting that occurred in 2023, we project 3,300 facilities will submit abbreviated reports in 2025 and 1,270 facilities will submit abbreviated reports in 2026. Beginning in 2027, all facilities will begin reporting annually, therefore, we project 8,070 facilities will be reporting in 2027 and thereafter. As a result, the potential revenue impacts from this fee are variable in the near-term, as summarized in the table below.

Table 3-1: Estimated Revenue from Abbreviated Reporting Filing Fee

Calendar Year	Estimated Revenue
2024	\$ -
2025	\$ 175,692

2026	\$	135,230
2027 and thereafter	\$	859,294

5.AMEND RULE 304.1 TO REVISE ANALYSES FEES FOR TESTING PURSUANT TO RULE 304

Description of Proposed Amendment

South Coast AQMD’s Monitoring and Analysis Division (MAD) has acquired, developed, and deployed state-of-the-art mobile monitoring platforms to conduct highly resolved measurements of criteria pollutants and air toxics in ambient air. These mobile platforms are ideal for surveying large areas in a relatively short time, identifying pollution hotspots and sources that were previously unknown, providing valuable data for actionable consideration, and informing emission reduction and rule development efforts. Starting in 2016 these platforms have been deployed during special monitoring projects such as the Aliso Canyon gas leak incident, Dominguez Channel and Ethylene Oxide emission investigations, and various community monitoring activities. These are complex and expensive projects that may result in the installation of temporary air monitoring stations at one or multiple locations to gather air quality information near the source(s) of interest and in nearby communities. Although these projects are very different in nature it is possible to estimate the costs associated with the daily use and operation of South Coast AQMD’s four mobile monitoring platforms, the associated use of portable instrumentation and grab sample collection, and the development and decommissioning of air monitoring sites that often results from the findings of mobile monitoring surveys. All these costs are clearly described in the proposed Rule 304.1 Table under “c) Ambient Air Analyses Fees” section. These fees have been estimated by MAD’s field staff, supervisors and managers based on their best assessment of daily costs associated with the operation of measurement equipment, and the development and decommissioning of temporary sites during previous air monitoring projects. (See attached spreadsheet). It should be noted that these are conservative cost estimates that will likely undercharge in many instances.

South Coast AQMD Rule 304.1 establishes “Analyses fees for testing pursuant to Rule 304.” Such fees are subdivided into three main categories or sections: (a) Laboratory Analyses Fees; (b) Emissions Testing and Analyses Fees; and (c) Ambient Air Analyses Fees. Within each section, Rule 304.1 lists different “Type of Test[s]” and the corresponding fee amount. The descriptions of some of these sampling, analysis, monitoring, and source testing activities are not up to date and do not reflect current practices and the use of existing equipment. This proposal seeks to update the description of the “Type of Test[s]” under Rule 304.1, and to include additional “Ambient Air Analyses Fees” for the use of modern air monitoring equipment and site development and decommissioning.

Proposed Amended Rule(s)

Fees have been revised in Rule 304.1 for a) Laboratory Analyses Fees and c) Ambient Air Analyses Fees. The following tables summarize the revised fees in these two sections of the rule.

(a) Laboratory Analyses Fees²⁵

(4)	Vapor Pressure Tests		
	(C)	Speciation of Components in each sample	\$462.53 for five or fewer compounds \$54.85 for each additional compound
	(D)	Calculation	\$322.72 / sample
(5)	Fuel Analysis		
	(A)	Metals (Pb in gasoline)	\$330.38 / sample <u>As charged by outside laboratory (charge pass through)</u> \$43.60 for each additional sample
	(D)	Density	\$165.20 / sample <u>As charged by outside laboratory (charge pass through)</u>
	(H)	Sulfur	
	(i)	In Fuel Gas	\$385.61 / sample <u>As charged by outside laboratory (charge pass through)</u>
	(ii)	In Fuel Oil (by XRF)	\$131.68 / sample <u>As charged by outside laboratory (charge pass through)</u>
(6)	VOC (Regulation XI)		
	(D)	Gas Chromatograph / <u>Mass Spectrometry</u> Analysis	\$462.53 for five or fewer compounds \$54.85 for each additional compound
	(E)	Photochemical Reactivity -	
	(i)	Unknown	\$661.20 / sample
	(ii)	Known	\$462.53 / sample
	(F) <u>(E)</u>	Distillation -	

²⁵ These fees are for laboratory analyses performed during weekdays only. Labor costs (only when reported as "cost /-hour") for installation and operation of equipment, and laboratory analyses during weekends, Mondays, and holidays are subjected to a 50% surcharge.

	(i)	Normal	\$131.69 / sample <u>As charged by outside laboratory (charge pass through)</u>
	(ii)	Heavy Ink	\$186.95 / sample <u>As charged by outside laboratory (charge pass through)</u>
	(H)	Emission <u>Spectrograph Analysis</u>	\$165.20 / sample
	(I)	Gas <u>Chromatograph/Mass Spectrometry</u>	\$440.71 for five or fewer compounds \$43.55 for each additional compound

(c) Ambient Air Analyses Fees²⁶

(1)	Automatic-Recording <u>Continuous Ambient Air or Atmospheric Wind-Monitoring at a Fixed Site or Location</u>		
(2)	<u>Survey Measurement: Continuous Mobile Monitoring Measurements</u>		
	(A)	<u>Operation of The Optical Remote Sensing Mobile Laboratory (ORS-ML) for Measurements of Volatile Organic Compounds (VOCs) and Other Gaseous Pollutants. Fees include Data QC Review and Analysis</u>	<u>\$4,726.28 / day</u>
	(B)	<u>Operation of The Multi-Metal-Monitoring Platform (MMMP) for Measurements of Air Toxic Metals in Ambient Air. Fees include Data QC Review and Analysis</u>	<u>\$3,542.08 / day</u>
	(C)	<u>Operation of the Proton Transfer Reaction – Mass Spectrometry (PTR-MS) Platform for VOC</u>	<u>\$6,659.42 / day</u>

²⁶ These fees are for installation and operation of equipment, and laboratory analyses during regular South Coast AQMD operational working hours.

Labor costs (only when reported as "cost / hour") for installation and operation of equipment, and laboratory analyses during weekends, Mondays, and holidays are subjected to a 50% surcharge.

Mileage fees will be charged on a case-by-case basis using current Internal Revenues Mileage Rates

		<u>Measurements. Fees include Data QC Review and Analysis</u>	
	(D)	<u>Operation of the Ambient Mobile Monitoring Platform (AAMP) for Measurements of Particle and Gaseous Air Pollutants Including Methane. Fees include Data QC Review and Analysis</u>	<u>\$2,831.56 / day</u>
(3)	<u>Survey Measurement: Monitoring with Portable Instrumentation and Grab Sample Collection</u>		
	(A)	<u>Operation of Portable Instrumentation for Survey Monitoring of Particle and Gaseous Pollutants, 10 Hours Per Day, at One (1) or Multiple Site Locations (e.g., Upwind and Downwind of a Facility), Including Data QC Review at Analysis</u>	<u>\$1013.60 / day</u>
	(B)	<u>Collection of Grab Samples for Laboratory Analysis of Gaseous Pollutants, 10 Hours Per Day, at One (1) or Multiple Site Locations (e.g., Upwind and Downwind of a Facility)</u>	<u>\$1013.60 / day plus lab analysis</u>
(24)	<u>Ongoing Air Monitoring Effort: Continuous Automatic-Recording Ambient Monitoring In Mobile Mode at a fixed site or location</u>		
	(A)	<u>Installation of One (1) Instrument and Wind Monitoring System in Mobile Van. Continuous Monitor for Single- or Multi-Pollutants Measurements at One (1) Site.</u>	\$1,543.47 <u>\$1,597.49 plus site development</u>
	(B)	<u>Installation of Each Additional Instrument in</u>	<u>\$570.12 plus site development</u>

		Mobile Van <u>Continuous Monitor for Single- or Multi-Pollutants Measurements at the Same Site (A).</u>	
	(C)	Operation of One (1) Instrument and Wind-Monitoring System in Mobile Mode <u>Continuous Monitor for Single- or Multi-Pollutants Measurements, 10 Hours Per Day, Weekdays Only at One (1) Site, Including Data QC Review and Analysis.</u>	\$837.70 <u>\$867.02</u> / day
	(D)	Operation of One (1) Instrument and Wind-Monitoring System In Mobile Mode, 10 Hours Per Day, Weekends and Holidays.	\$1,256.66 / day
	(E) (D)	Operation of Each Additional <u>Continuous Instrument, Other Than Those Already Installed, in Mobile Van.</u>	\$77.02 <u>\$79.72</u> / day
(35)		Continuous Non-Recording Ongoing Air Monitoring Effort: Time-integrated Ambient Sampling With Laboratory Analysis of Sample Collected at a Fixed Site or Location for Laboratory Analysis (Weekdays Only).	
	(A)	Installation of One (1) 24-Hour Time-integrated (e.g., 24-Hour) Sampler for Particle or Gaseous Pollutants (Bag or Sequential Impinger).	\$1,102.12 <u>\$1,140.69</u> plus lab analysis <u>and site development</u>
	(B)	Installation of Each Additional 24-Hour Time-integrated (e.g., 24-Hour) Sampler for Particle or Gaseous Pollutants at Same Site as (A).	\$881.64 <u>\$912.50</u> plus lab analysis <u>and site development</u>

	(C)	Operation of One (1) 24-Hour Time-integrated (e.g., 24-Hour) Sampler for Particle or Gaseous Pollutants and Analysis for One (1) Contaminant Per Sample. <u>24-Hour Time-integrated (e.g., 24-Hour) Sampler for Particle or Gaseous Pollutants and Analysis for One (1) Contaminant Per Sample.</u>	\$385.67 <u>\$399.17</u> / day \$87.70 for each additional contaminant
	(D)	Operation of Each Additional 24-Hour Time-integrated Sampler for Particle or Gaseous Pollutants at Same Site and Analysis for Same Contaminant in <u>24-Hour Time-integrated Sampler for Particle or Gaseous Pollutants at Same Site and Analysis for Same Contaminant in</u> (C).	\$143.00 <u>\$148.01</u> / day \$65.73 for each additional contaminant
	(E)	Operation of 24-Hour, Sequential Impinger Sampler and Spectrophometric Analysis.	\$771.51 / day for up to 12 samples \$330.39 for each additional set of 12 samples
	(F) <u>(E)</u>	Installation of One (1) Non-Sequential Sampler to Collect Less-Than-24-Hour-Samples.	\$1,322.59 <u>\$1,368.88 plus site development</u>
	(L)	Additional Fees for Sample Pick up and Analysis After Normal Weekday Working Hours.	\$109.90 additional / hour for each hour exceeding 8 hour normal week day for sample pick up or collection \$1,763.73 additional / day for weekends and holidays requiring sample pick up and analysis same day
			\$2,204.89 additional / day for weekends and holidays requiring manual sample collection and analysis same day
	<u>(6)</u>	<u>Site Development and Decommissioning</u>	
	<u>(A)</u>	<u>Field Assessment to Identify Potential Site Location(s)</u>	<u>\$1,214.90 / day</u>
	<u>(B)</u>	<u>Establishing Access Agreement(s) and Securing Site Location (s)</u>	<u>\$1372.28</u>

	(C)	<u>Temporary Fencing, Electrical Permits, Installation of Temp Power, and Other Site Development and Decommissioning Costs</u>	<u>As charged by outside contractor (charge pass through)</u>
(4)	Meteorological Monitoring		
	(A)	Conduct <u>Upper Air Observation via Radio or Airsonde.</u>	\$771.55
	(B)	Conduct <u>Low Level Air Observation via Tethersonde (8 Hour Program).</u>	\$4,414.03
	(C)	Conduct <u>Pilot Balloon Observation (Pibal).</u>	\$4,414.03 / release
(5)	Landfill Integrated Surface Sampling Program, per Rule 1150.1 Guidelines		
	(A)	Conduct <u>Less Than 24 Hour, Integrated Surface Sampling Program Over three (3) 50,000 Square Foot Grids. Program Includes: Installation and Operation of Wind Monitoring System; Set Up of Sample Grid Areas; Conduct of Sampling Sweeps; and Analysis for One (1) Contaminant Per Sample Bag.</u>	\$3,307.40 / grid
	(B)	Conduct <u>Less Than 24 Hour, Integrated Landfill Surface Sampling Program Over Each Additional 50,000 Square Foot Grid At The Same Site as (A).</u>	\$716.23
(6)	SF6 Gas Tracer Study		
	(A)	Conduct <u>SF6 Gas Tracer Study With Up to Sixty (60) Samples, Including Installation and Operation of</u>	\$24,255.96

		a Wind Monitoring System and Tethersonde Observations.	
	(B)	Collection and Analysis of Each Additional Sample for (A).	\$109.90

Justification/Necessity/Equity

Measurement activities at or near facilities that are believed to be in violation of any state or local law, order, rule, permit condition, or regulation relating to air pollution as per Rule 304 requirements, typically begin with survey measurements using one or more instruments or methods which may include mobile monitoring platforms, portable measurement equipment, and grab samples. If longer-term measurements are needed, ongoing air monitoring efforts may be conducted at or near the facility of interest and in nearby communities. Currently, section (c) (Ambient Air Analyses Fees) of Rule 304.1 does not include any fees for survey measurements or for site development and decommissioning. The proposed amendment will add new fees for the operation of four different mobile monitoring platforms for the continuous measurement of particle and gaseous pollutants for ongoing air monitoring efforts, and for site development and decommissioning. The proposed amendment will also add new language and fees for sampling, lab analysis, monitoring, and source testing conducted during weekdays/weekend/Mondays/holidays and for mileage associated with any of those activities.

The proposed amended language and fee structure revisions are necessary and equitable to reflect the most current sampling, lab analysis, monitoring, and source testing activities conducted by District staff at or near facilities that are, or may be, in violation of Rule 304, and to recover actual regulatory costs that the South Coast AQMD may incur for conducting these investigations, inspections, and enforcement activities.

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

INTRODUCTION

EXTEND THE 2025 AER ANNUAL EMISSIONS REPORTS AND
PAYMENTS SUBMITTAL DEADLINE IN RULE 301 AND
REMOVING OUTDATED FEE REFERENCES

REVISE TABLE IB OF RULE 301 TO CLARIFY AND SEPARATE
CATEGORIES RELATED TO GREEN WASTE PROCESSING
EQUIPMENT AND TO CREATE NEW CATEGORY FOR LINEAR
GENERATORS

EDITORIAL CHANGE IN RULE 301 CLARIFYING EMISSION
REPORTING AND FEE PROVISION

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 proposals are being proposed with no fee impacts:

- 1) A proposal to extend the 2025 AER annual emissions reports and payments submittal deadline in rule 301 and removing outdated fee references,
- 2) A proposal to revise Table IB of Rule 301 to clarify and separate categories related to green waste processing equipment and to create a new category for linear generators that were previously included in the internal combustion engine category, and
- 3) A proposal for an editorial change in Rule 301 to include other rule(s) implementing section 185 of the federal Clean Air Act in addition to Rule 317.

The proposed rule amendments for these proposals are discussed in more detail below. Any additional amendments that represent renumbering of rule sections/tables, amendments that are due solely to any proposed addition and/or deletion of preceding rule sections/tables, are not separately listed below. Finally, where appropriate, all of the amended fee rates shown below do not reflect the 3.5% increase in the California CPI from 2022 to 2023 and will increase by this percent should the Governing Board adopt the annual CPI increase.

1. EXTEND 2025 AER ANNUAL EMISSIONS REPORTS AND PAYMENTS SUBMITTAL DEADLINE IN RULE 301 AND REMOVING OUTDATED FEE REFERENCES

Description of Proposed Amendment

CARB's CTR Regulation is administered through the Annual Emissions Reporting (AER) program for affected facilities in the South Coast AQMD's jurisdiction. Beginning with DY 2022 emissions reported in calendar year (CY) 2023, the CTR regulation required emissions reporting for approximately 5,000 additional facilities new to the District's AER program. Additionally, report content will be expanded for all facilities, existing and new to AER, requiring hundreds of additional reportable toxic air contaminants.

This amendment proposes to extend the 2025 AER deadline for submitting annual emissions reports (and payments) in an effort to accommodate the potentially large number of new facilities required to report as part of the Phase-2 implementation of the CTR regulation. In addition, outdated fee references are eliminated to help clarify existing TAC fees.

Proposed Amended Rule(s)

Rule 301(e)(7)

- (A) For emissions reported before January 1, 2020, any facility subject to paragraph (e)(7) that emits any toxic air contaminant greater than the thresholds listed in Table IV shall pay the fees listed in Table IV. For emissions reported after January 1, 2020, any facility subject to paragraph (e)(7) that emits any toxic air contaminant greater than the thresholds listed in Table IV shall not pay the fees in Table IV and shall instead pay the following fees:
 - (i) A Base Toxics Fee of \$82.40;

- (ii) A Flat Rate Device Fee of ~~\$180.52, and~~ \$361.04, ~~starting January 1, 2020, and January 1, 2021, respectively,~~ for each device, including permitted and unpermitted equipment ~~and activity including, but not limited to, material usage, handling, processing, loading/unloading; combustion byproducts, and fugitives (equipment/component leaks)~~ with emissions of any pollutant above the annual thresholds listed in Table IV;
- (iii) A Cancer-Potency Weighted Fee of ~~\$5.28 and~~ \$10.56, ~~starting January 1, 2020, and January 1, 2021, respectively,~~ per cancer-potency weighted pound of facility-wide emissions for each pollutant listed in Table IV. The cancer-potency weighted emissions of each toxic air contaminant listed in Table IV shall be calculated as follows:

$$\text{CPWE} = \text{TAC} \times \text{CPF} \times \text{MPF}$$

Where:

CPWE = Cancer Potency Weighted Emissions

TAC = Emissions (pounds) of a Table IV toxic air contaminant

CPF = Cancer Potency Factor for the reported toxic air contaminant

MPF = Multi-Pathway Factor for the reported toxic air contaminant

The CPF and MPF shall be equal to those specified in the Rule 1401 Risk Assessment Procedures that were current at the time that the emissions were required to be reported.

Rule 301(e)(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 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 emissions report are not received by the seventy-fifth (75th) day following July 1 (for semi-annual reports), or January 1 (for annual reports), 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 falls on a Saturday, Sunday, or a state holiday, the fee payment and emissions report may be delivered, postmarked, or electronically paid on the next business day following the Saturday, Sunday, or the state holiday with the same effect as if they had been delivered, postmarked, or electronically paid on the seventy-fifth (75th) day.

The 202~~24~~ 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, 202~~35~~.

Rule 301(e)(11) Semi-Annual Emissions Fee Payment

- (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 202~~25~~ 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, 202~~35~~.

Rule 301(e)(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 of the subsequent year to avoid any late payment surcharges specified in subparagraph (e)(10)(B). The 202~~24~~ 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, 202~~35~~.

Rule 301 TABLE IV
TOXIC AIR CONTAMINANTS

CAS	TOXIC COMPOUNDS	Annual Emission Thresholds (lbs)	Fees Before January
			1, 2020-
1332214	Asbestos	0.0001	\$/1 lb-
			6.74-

71432	Benzene	2	2.27
7440439	Cadmium	0.01	6.74
56235	Carbon tetrachloride	1	2.27
106934	Ethylene dibromide	0.5	2.27
107062	Ethylene dichloride	2	2.27
75218	Ethylene oxide	0.5	2.27
50000	Formaldehyde	5	0.5
18540299	Hexavalent chromium	0.0001	9.01
75092	Methylene chloride	50	0.09
7440020	Nickel	0.1	4.49
127184	Perchloroethylene	5	0.5
106990	1,3-Butadiene	0.1	6.74
7440382	Inorganic arsenic	0.01	6.74
7440417	Beryllium	0.001	6.74
75014	Vinyl chloride	0.5	2.27
7439921	Lead	0.5	2.27
123911	1,4-Dioxane	5	0.5
79016	Trichloroethylene	20	0.18
1086	Chlorinated dioxins, without individual isomers reported	0.000001	11.28
1746016	2,3,7,8-TCDD	0.000001	11.28
3268879	1-8OctaCDD	0.000001	11.28
19408743	1-3,7-9HxCDD	0.000001	11.28
35822469	1-4,6-8HpCDD	0.000001	11.28
39227286	1-4,7,8HxCDD	0.000001	11.28
40321764	1-3,7,8PeCDD	0.000001	11.28
57653857	1-3,6-8HxCDD	0.000001	11.28
1080	Chlorinated dibenzofurans, without individual isomers reported	0.000001	11.28
39001020	1-8OctaCDF	0.000001	11.28
51207319	2,3,7,8-TCDF	0.000001	11.28
55673897	1-4,7-9HpCDF	0.000001	11.28
57117314	2-4,7,8PeCDF	0.000001	11.28
57117416	1-3,7,8PeCDF	0.000001	11.28
57117449	1-3,6-8HxCDF	0.000001	11.28
60851345	2-4,6-8HxCDF	0.000001	11.28
67562394	1-4,6-8HpCDF	0.000001	11.28
70648269	1-4,7,8HxCDF	0.000001	11.28
72918219	1-3,7-9HxCDF	0.000001	11.28

1151	Polycyclic aromatic hydrocarbons, PAHs (without individual isomers reported)	0.2	6.74
50328	Benzo[a]pyrene [PAH, POM]	0.2	6.74
53703	Dibenz[a,h]anthracene [PAH, POM]	0.2	6.74
56495	3-Methylcholanthrene [PAH, POM]	0.2	6.74
56553	Benz[a]anthracene [PAH, POM]	0.2	6.74
57976	7,12-Dimethylbenz(a)Anthracene [PAH, POM]	0.2	6.74
91203	Naphthalene [PAH, POM]	0.2	6.74
189559	Dibenzo[a,i]pyrene [PAH, POM]	0.2	6.74
189640	Dibenzo[a,h]pyrene [PAH, POM]	0.2	6.74
191300	Dibenzo[a,l]pyrene [PAH, POM]	0.2	6.74
192654	Dibenzo[a,e]pyrene [PAH, POM]	0.2	6.74
193395	Indeno[1,2,3-cd]pyrene [PAH, POM]	0.2	6.74
194592	7H-Dibenzo(c,g)Carbazole [PAH, POM]	0.2	6.74
205823	Benzo[j]fluoranthene [PAH, POM]	0.2	6.74
205992	Benzo[b]fluoranthene [PAH, POM]	0.2	6.74
207089	Benzo[k]fluoranthene [PAH, POM]	0.2	6.74
218019	Chrysene [PAH, POM]	0.2	6.74
224420	Dibenz(a,j)Acridine [PAH, POM]	0.2	6.74
226368	Dibenz(a,h)Acridine [PAH, POM]	0.2	6.74
602879	5-Nitroacenaphthene [PAH, POM]	0.2	6.74
607578	2-Nitrofluorene [PAH, POM]	0.2	6.74
3697243	5-Methylchrysene [PAH, POM]	0.2	6.74
5522430	1-Nitropyrene [PAH, POM]	0.2	6.74
7496028	6-Nitrochrysene [PAH, POM]	0.2	6.74
42397648	1,6-Dinitropyrene [PAH, POM]	0.2	6.74
42397659	1,8-Dinitropyrene [PAH, POM]	0.2	6.74
57835924	4-Nitropyrene [PAH, POM]	0.2	6.74
9901	Diesel Particulate Matter	0.1	0

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 75 days following January 1. Due to the CTR reporting requirements, for CY 2024 emissions reported in 2025, it is anticipated that more time will be needed, compared to previous years, for staff to assist with inquiries from facilities new to the District's AER reporting process. Staff is proposing the deadline date of May 1, 2025, which is also consistent with the report submittal due date specified in the CTR regulation. The 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 the CTR regulation. The extended deadline would only be applicable for annual emissions reports and payments due in 2025. Note that an extension was provided previously in Rule 301 (amended May 6, 2022) for the same reasons. As this is merely an extension of time for filing of reports and making payments, this amendment is not expected to have fee impacts.

2.REVISE RULE 301 TABLE 1B TO CLARIFY AND SEPARATE GREEN WASTE PROCESSING EQUIPMENT AND CREATE NEW CATEGORY FOR LINEAR GENERATORS

Description of Proposed Amendment

Proposed changes to Table 1B of Rule 301 include minor edits to clarify and separate categories related to greenwaste processing equipment and to create a new category for linear generators that were previously included in the internal combustion engine category. The two new categories proposed are subsets or alternate wordings of existing categories, and each will have the same fee schedule. In all cases, the changes are consistent with current practice in Engineering (E&P) and will not require changes to any existing applications or existing practices, but will make the correct fee categories more clear to applicants.

Proposed Amended Rule(s)

The proposed changes to Rule 301 Table 1B are shown in the table below.

Equipment/ Process	Schedule
Chippers, Greenwaste <u>only</u> , not including I.C. Engine	A
...	
<u>Grinder, Size Reduction, Greenwaste only, not including I.C. Engine</u>	<u>A</u>
...	
<u>Linear Generator Core, Natural Gas, No Ammonia</u>	<u>B</u>
...	
Screening, Greenwaste <u>Greenwaste only, not including I.C. Engine</u>	A

Justification/Necessity/Equity

The proposed amendment is to provide improved clarity and consistency for three (two modified and one new) greenwaste processing equipment categories that are subject to Schedule A fees and for a new linear generator cores category subject to Schedule B fees.

A summary of the proposed changes, as well as related categories, is provided in the table above. In two of the categories for greenwaste, the description will be updated from “greenwaste” to “greenwaste only” to clarify that the schedule A fee is only for equipment that exclusively processes greenwaste. The greenwaste screening category will also add “not including IC engine” to match the existing description for the greenwaste chippers category and clarify that IC engines must be permitted separately for all three greenwaste categories. A category for greenwaste grinding is being added as an equivalent but alternative wording for the existing greenwaste chippers category. In practice, the industry uses chipping and grinding terms interchangeably.

Linear generators have previously been considered a type of internal combustion engine, but stakeholder input from recent rulemaking has made the distinction between internal combustion engines and linear generators, and adding this category will allow more appropriate categorization, consistent with new Rule 1110.3: Emissions from Linear Generators. Linear generators will continue to have the same fee schedule as internal combustion engines.

The addition of the Equipment/Process “Grinder, Size Reduction, Greenwaste only, not including Internal Combustion (I.C.) Engine” is to make clear that there is no regulatory distinction between greenwaste chipper sand grinders for Rule 301 fee purposes. In general, the industry’s use of chippers/chipping and grinders/grinding terminology does not tend to differentiate between the two. Since Rule 301 currently only lists greenwaste chippers, the addition of greenwaste grinders will provide further clarity and consistency.

Each of the three greenwaste Equipment/Processes listed in the table above (not just chippers) may be operated in conjunction with I.C. engines used to drive the size selection/screening or size reduction/chipping and grinding mechanism, but those internal combustion engines would require separate permit applications that are subject to their own Equipment/Process fee schedules in Rule 301 Table IB. Therefore, it is proposed that the “not including I.C. Engine” phrasing be included in all three of the greenwaste Equipment/Processes identified in the table above for improved clarity and consistency.

All of these three greenwaste fee schedule-A Equipment/Processes are to be used for greenwaste processing exclusively. Other kinds of materials such as municipal solid waste, wood waste, food waste, plastic waste, etc. would be subject to different and higher fee schedules. Therefore, it is proposed that the phrasing of “greenwaste only” is used to ensure that other kinds of process materials would not inadvertently be subject to the fee schedule A.

Rule 1110.3 (Emissions from Linear Generators) was adopted November 3, 2023, and established linear generators as unique and separate from equipment included in Rule 1110.2 (Emissions from Gaseous- and Liquid-Fueled Engines). Linear Generators were previously considered and permitted as fee schedule B engines, but in response to stakeholder comments during the Rule 1110.2 amendment process, Rule 1110.3 was developed to allow for specific considerations of the technology and capabilities of linear generators. Unlike internal combustion engines, linear generators produce electricity by driving magnets through copper coils in a linear motion. Creation of a new category for linear generators will clarify this new distinction for existing equipment.

The proposed amendment will provide improved clarity and consistency in phrasing that will avoid confusion and prevent inconsistent and inaccurate implementation of Rule 301 fee schedules for permit applications.

These improvements of clarity and consistency allow applicants and others to clearly identify the correct permitting fee schedules for greenwaste processing and linear generator equipment. These improvements will also reduce the amount of staff time spent in pre-application submittal communications with applicants to ensure the proper submission of fees. This improves the applicant’s experience and ability to submit a timely and complete application as well as reduces the amount of South Coast AQMD resources needed to ensure Rule 301 is interpreted and implemented correctly by permit applicants.

3.EDITORIAL CHANGE IN RULE 301 CLARIFYING EMISSION REPORTING AND FEE PROVISION

Description of Proposed Amendment

Rule 301 (e)(2) requires that the major stationary sources defined under Rule 317 report emissions and pay the appropriate federal Clean Air Act (CAA) non-attainment fees, if deemed necessary. However, Rule 317 only addresses the non-attainment fee obligation for the 1979 one-hour NAAQS. This ozone one-hour ozone standard was revoked in 2005, but anti-backsliding measures require areas to continue to meet the requirements of Section 185 of the CAA. Rule 317 utilizes the fee equivalency approach which demonstrates that equivalent funds are being spent on programs that are surplus to the applicable ozone SIP. Fee equivalency reports are prepared each year and since enough funds have been spent on surplus programs, no CAA Section 185 fees have been collected from major stationary sources. The federal CAA requires the collection of non-attainment fees for other ozone standards not addressed in the Rule 317. For example, the non-attainment fees for the revoked 1997 8-hour ozone standard and the 2008 8-hour standard are being addressed in Proposed Rule – 317.1 - Clean Air Act Nonattainment Fees for the 8-Hour Ozone Standards. Future additional rules might be developed to implement section 185 of the CAA. Facilities applicable to Rule 317 and PR 317.1 are major sources facilities that emit or have a potential to emit 10 tons per year of NO_x or VOCs. The proposed amendment to Rule 301(e)(2) add references to other rules addressing CAA nonattainment fee requirements and will ensure inclusion of all other rules implementing Section 185 of the federal CAA when available.

Proposed Amended Rule(s)

Rule 301 (e)(2):

All major stationary sources of NO_x and/or VOC, as defined in Rule 317 [and other rule\(s\) implementing section 185 of the federal Clean Air Act](#), shall annually report and pay the appropriate clean air act non-attainment fees for all actual source emissions including but not limited to permitted, unpermitted, unregulated and fugitive emissions. Each facility subject to subparagraph (e)(1)(B) shall annually report all emissions for all pollutants listed in paragraph (e)(5) and Table IV and incur an emissions fee as prescribed in Table III. Non-permitted emissions which are not regulated by the District shall not be reported and shall be excluded from emission fees if the facility provides a demonstration that the emissions are not regulated and maintains sufficient records to allow the accurate demonstration of such non-regulated emissions.

Justification/Necessity/Equity

The U.S. EPA promulgated four different NAAQS for ozone that were approved in 1979, 1997, 2008, and 2015. Section 185 of the CAA establishes fee requirements for “severe” or “extreme” ozone nonattainment areas when the area fails to attain an ozone standard by the applicable attainment date. The CAA requires that each major stationary source of VOCs and NO_x, within such area, pay a fee. If South Coast AQMD is not administering and enforcing section 185 of the CAA, the U.S. EPA is required to collect the fees. The proposed amendment clarifies that the definition of major stationary source would not only be defined in Rule 317 but could be defined in any other rule implementing section 185 of the CAA. Rule 317.1 defines a MAJOR STATIONARY SOURCE AS:

(7) MAJOR STATIONARY SOURCE shall, for the purposes of this rule:

(A) For a non-RECLAIM source-have the same meaning as in Sections 181(b)(4)(B) and 182(d) of the CAA, or 182 (e) as applicable, or a Major Polluting Facility as defined in Rule 1302(s) – Definition of Terms.

(B) For a RECLAIM source-have the same meaning as in paragraph (b)(2) of Rule 3001 – Applicability where the potential to emit for a RECLAIM facility is the higher of: (i) the starting allocation plus non-tradeable credits; or (ii) RECLAIM Trading Credits (RTCs) held in the allocation account after trading. RTC's held in the certificate account are not part of the allocation.

The term “major stationary source” is a unique term that may be referenced in future rules that address section 185 of the CAA. Rule 317’s definition encompasses facilities defined under the CAA and other South Coast AQMD’s rules. As future rule’s definition of major stationary source addressing the section 185 of the CAA would either be consistent with Rule 317, CAA, or South Coast AQMD rules, the proposed amendment is not expected to expand the universe beyond those identified in Rule 317. The proposed amendment would provide clarity that the definition would not be limited to Rule 317 but would include any other rule implementing section 185 of the CAA.

The addition of “or” is to clarify that the major stationary source could meet these criteria by being a major source of either NO_x or VOC emissions, instead of meeting this for both. This is consistent with the current implementation of Rule 317 and the interpretation of major stationary source from discussions with the U.S. EPA.

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 including those impacted only by the CPI increase have been taken into consideration by the fiscal year 2024-25 budget and the related five-year projections.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Pursuant to the California Environmental Quality Act (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 Planning and Research, and with the county clerks of Los Angeles, Orange, Riverside, and San Bernardino counties.

SOCIOECONOMIC IMPACT ASSESSMENT

A draft socioeconomic analysis for the automatic CPI increase has been prepared as a separate report and was posted online on March 15, 2024 (available on South Coast AQMD’s website at: [https://www.aqmd.gov/docs/default-source/finance-budgets/fy-2024-25/draft-socioeconomic-assessment-for-automatic-consumer-price-index-\(cpi\)-increase.pdf?sfvrsn=10](https://www.aqmd.gov/docs/default-source/finance-budgets/fy-2024-25/draft-socioeconomic-assessment-for-automatic-consumer-price-index-(cpi)-increase.pdf?sfvrsn=10)). A socioeconomic impact assessment of other proposed rule amendments with fee impacts will be conducted and released for public review and comment at least 30 days prior to the South Coast AQMD Governing Board Hearing on Proposed Amended Regulation III and fiscal year 2024-25 Proposed Draft Budget and Work Program, which is anticipated scheduled on May 3, 2024 (subject to change).

CHAPTER 6 – FINDINGS UNDER HEALTH AND SAFETY CODE

REQUIREMENTS TO MAKE FINDING

NECESSITY

EQUITY

AUTHORITY

CLARITY

CONSISTENCY

NON-DUPLICATION

REFERENCE

Requirements to Make Findings

Health and Safety Code Section (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 and 316, are necessary to recover South Coast AQMD’s costs as a result of inflation. All fees are necessary to fund the fiscal year 2024-25 Budget. Based on the analysis provided in Chapter 3 of this report, a need exists for new or modified fees necessary to provide more specific cost recovery for Regulation III rules or to promote cleaner technologies including but not be limited to Rules 301 and 304.1. Finally, the amendments set forth in the no fee impact/administrative change chapter of this report are necessary to add rule clarity or make necessary administrative changes to Rules 301 and Rule 304.1.

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 in Proposed Amended Rules 301 and 304.1 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 of emissions from the facility, 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 and federal Clean Air Act Section 502(b)(3) [42 U.S.C. Section 7661(b)(3)].

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, and 316 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, and 316 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, and 316, 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. 44380, and federal Clean Air Act Section 502(b)(3) [42 U.S.C. Section 7661(b)(3)]