



# Regulation III - Fees

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## Public Consultation Meeting

March 19, 2024  
10:00 a.m.

Zoom Meeting Link:

<https://scaqmd.zoom.us/j/94395548218>

Dial In: +1 (669) 900-6833

Meeting ID: 943 9554 8218



# Agenda

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Introduction



Annual California Consumer Price Index (CPI) Based Fee Increase



Proposed Amendments with Fee Impacts



Proposed Amendments with Administrative Changes Only



Public Process



Open Discussion



# Proposed Amended Regulation III - Fees

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## Introduction

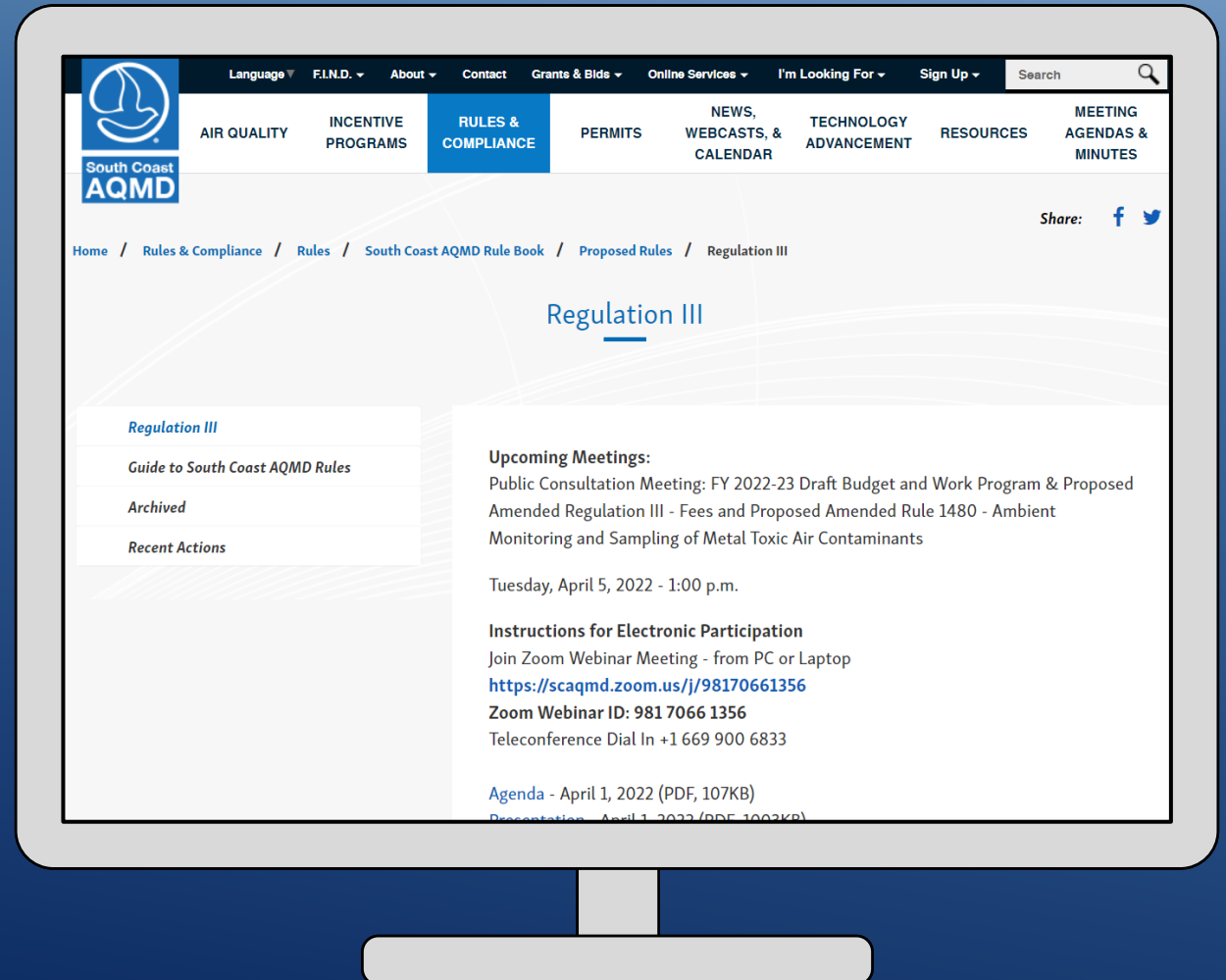


# Proposed Regulation III Materials

Materials are available on the Proposed Rules and Proposed Rule Amendments Website:

<http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules/regulation-iii>

Point your smartphone camera here to be directed to the website





# South Coast AQMD

- Local air pollution control agency
  - Largest of the 35 local air agencies in CA and in the U.S.
  - 10,743 square miles
  - 17 million residents
- Responsibilities
  - Regulate emissions from stationary sources
  - Develop and implement plans to meet national air quality standards
  - Permit and inspect about 28,400 affected businesses
  - Administer over \$100 million of incentive funding annually

*Cleaning The Air That We Breathe...*





# Regulation III - Fees

- Regulation III includes a suite of rules with South Coast AQMD fee rates:
  - Administrative fees for permitting, emissions, plans, analysis, etc.
- Proposed amendments are routinely brought for South Coast AQMD Governing Board consideration with the annual budget
- Amendments typically include:
  1. Automatic annual consumer price index (CPI) fee increases
    - Governing Board may choose to forego annual CPI
  2. Fee adjustments to ensure costs are recovered appropriately
  3. Other administrative changes for clarifications to existing rule language



# Proposed Amended Regulation III - Fees

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Annual California  
Consumer Price  
Index (CPI) Based  
Fee Increase



# CPI and South Coast AQMD

- South Coast AQMD Rule 320 – Automatic Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees
  - Annual California CPI-Based fee increase to cover cost of inflation<sup>1</sup>

## South Coast AQMD Recent CA CPI Increases

Fiscal Year	% Increase in CA CPI
2017/2018	2.5
2018/2019	3.4
2019/2020	3.5
2020/2021	1.7
2021/2022	2.8
2022/2023	6.5
2023/2024	5.6
2024/2025	3.5

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





# Annual CPI-Based Fee Increase (Rule 320)

- Fees updated to cover cost of inflation pursuant to Rule 320 –Automatic Adjustment Based on Consumer Price Index (CPI)
  - Upcoming automatic adjustment = 3.5%<sup>1</sup>
  - Applicable to most fee rates in Regulation III
    - Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, and 316
  - Some Fees Excluded from Automatic CPI Adjustment
    - Fee rates set by state law
      - Return check fees in various rules, Enforcement Inspection Fees for PERP Program [Rule 301 (w)], Maximum Fees for Small Businesses [Rule 307.1 (d)(2)(D)], and State-specific Facility Fees in Rule 307.1 Table 1
    - Rule 311 (c) Air Quality Investment Program Fees
    - Rule 1180 Community Air Monitoring System Annual O&M Fees (Rule 301 (aa)(2))

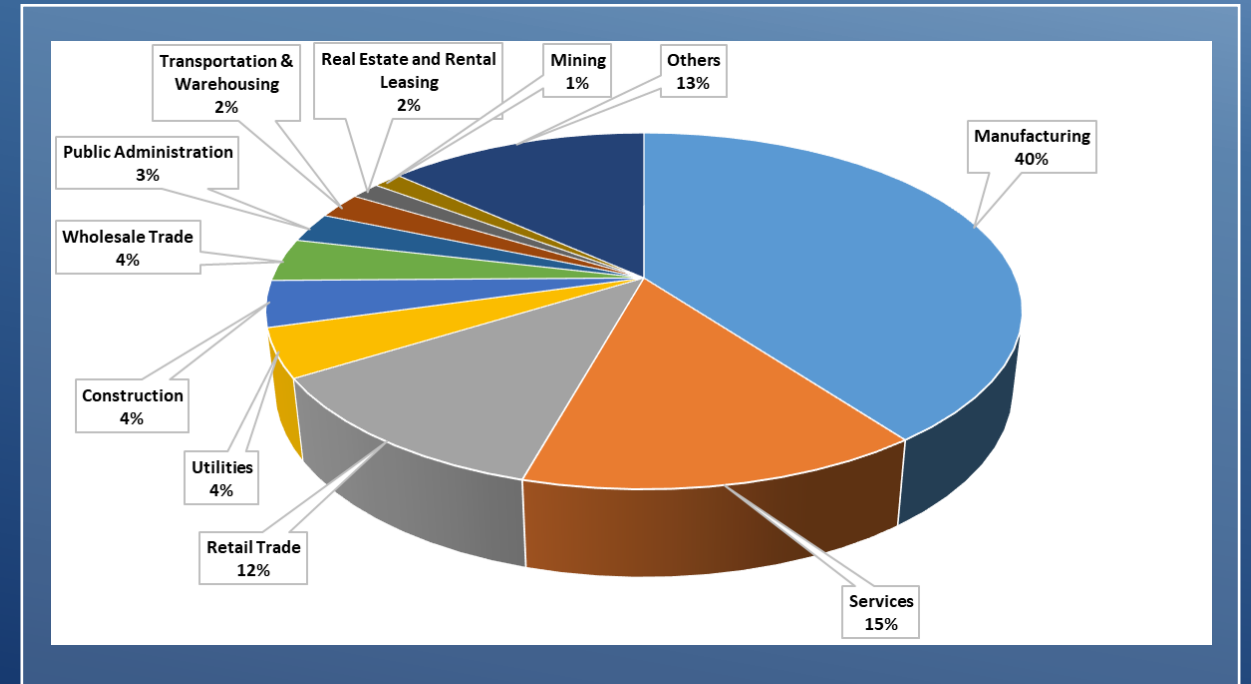
<sup>1</sup> <https://www.dir.ca.gov/oprl/capriceindex.htm>



# Socioeconomic Impacts of CPI Adjustment

- Potential impacts of the 3.5% fee increase are analyzed in the Draft Socioeconomic Report for Adjustment Based on CPI
  - Released March 15, 2024
- FY 2022-23 fee revenue:
  - Total emission-based fees: \$20.7 million
  - Total permit processing fees and permit renewal fees: \$81.9 million
- Total fees paid by industry is small relative to these industries' regional economic output
  - $\leq 0.011\%$  overall
- CPI adjustment currently estimated to increase revenue by approximately \$4.02 million

FY 2022-2023 Share of All Major Fee Revenue by Sector





# Proposed Amended Regulation III - Fees

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## Proposed Amendments with Fee Impacts



# Overview of Proposed Rule Amendments with Fee Impacts



**Proposal 1:**  
Additional Fee  
Increase of Most Fees  
(Beyond the California  
CPI of 3.5%)



**Proposal 2:**  
Amend Rule 301  
Permit Fee Schedules  
for UV/EB/LED Curing



**Proposal 3:**  
Amend Rule 301  
New abbreviated  
reporting filing fee



**Proposal 4:**  
Amend Rule 304.1  
Analyses fees for  
testing pursuant to  
Rule 304



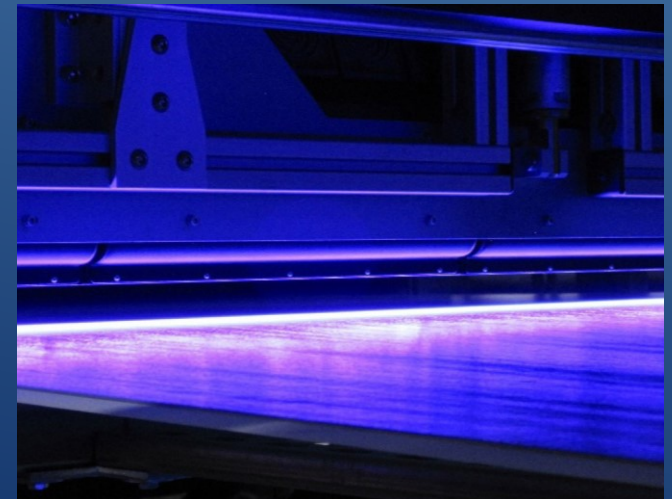
# 1. Additional Increase in Most Fees (Beyond the California CPI of 3.5%)

- Background
  - South Coast AQMD faces some challenges for the upcoming years, including higher operating costs due to recently completed labor contracts and contingency for unavoidable costs
  - For FY 2024-2025, the preliminary projected revenue and expenditure indicate a potential deficit
  - Revenue and expenditure numbers are under assessment from Finance
- Staff is proposing to adjust most fees set forth in Regulation III by an increase of 1-4% to allow for cost recovery
  - The fee adjustment will be phased in over two years



## 2. Amend Rule 301 Permit Fee Schedules for UV/EB/LED Curing

- Background
  - Rule 301 Table 1A (control equipment) and Table 1B (basic equipment) establish the fee schedule for permitted equipment
  - Equipment with more complex evaluations are designated a higher fee schedule
  - Stakeholder requested a reduced fee schedule for UV/EB/LED curing technology as it has zero NOx emissions and much lower VOC emissions
- Staff is proposing to consider this request to promote the use of cleaner technologies
  - Conditions to ensure no toxics and low VOC materials are used





## 2. Amend Rule 301

### Permit Fee Schedules for UV/EB/LED Curing (Cont'd)

- Key proposed changes
  - Table 1A – Add a new control equipment category for “Spray Booth exclusively using UV, EB, or LED Curing”
  - Table 1B – Add a new basic equipment category for “Roller Coater exclusively using UV, EB, or LED Curing”
  - The above two new categories to be subject to Schedule A provided all of the following are met:
    - All inks, coatings, solvents (excluding clean up solvents), or all other materials used in the spray booth/roller coater contain 50 grams of VOC per liter of material or less
    - All cleanup solvents used in the spray booth/roller coater or used to clean any parts or equipment that were in the spray booth/roller coater contain 25 grams of VOC per liter of material or less
    - All materials used in the spray booth/roller coater do not contain any toxic air contaminants specified in Rule 1401 at the time the application is deemed complete
  - A basic equipment category in Table 1B to be modified from “Printing Press IR, EB, or UV Curing” to “Printing Press IR, EB, UV, or LED Curing” for clarification



## 4. Amend Rule 301 New Abbreviated Reporting Filing Fee

- Background
  - CARB's recent Criteria and Toxics Reporting (CTR) Regulation requires annual reporting of criteria pollutant and air toxics emissions from most permitted facilities
  - Facilities reporting emissions data to comply with CTR are potentially subject to emissions fees levied by local air district
  - CARB allows certain facilities (industries) to comply by submitting a simpler “abbreviated report”
    - South Coast AQMD exempts abbreviated reporting facilities from paying any applicable TAC fees
  - In 2023, South Coast AQMD experienced a 500% increase in the number of AER submissions
    - Of the 6,250 submitted reports, over 3,500 were abbreviated
    - Upon full implementation in 2027, could result in over 2,000% increase
- Key proposed changes
  - This amendment proposes to levy a \$106.48 fee on each abbreviated report submission
    - Fee will recover costs associated with the large increase in reporting
      - Responding to facility inquiries, developing/updating guidance documents & tutorials, updates to AER webtool
- Proposed Amendment does result in a fee increase for affected industries





## 4. Amend Rule 304.1

# Analyses fees for testing pursuant to Rule 304

- **Background**
  - South Coast AQMD Rule 304.1 establishes “Analyses fees for testing pursuant to Rule 304.” Such fees are subdivided into: (a) Laboratory Analyses Fees; (b) Emissions Testing and Analyses Fees; and (c) Ambient Air Analyses Fees
  - The description of some of these sampling, analysis, monitoring, and source testing activities is not up to date and does 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 for site development and decommissioning.
- **Key proposed changes**
  - (a) Laboratory Analyses Fees: some of the compounds listed in this section will be analyzed by an outside laboratory. Labor costs for laboratory analyses performed by District staff during weekends, Mondays, and holidays will be subjected to a 50% surcharge
  - (b) Emissions Testing and Analyses Fees: Labor costs for installation and operation of equipment, and for laboratory analyses performed by District staff during weekends, Mondays, and holidays will be subjected to a 50% surcharge. Mileage fees will be charged on a case-by-case basis using current Internal Revenues Mileage Rates



## 4. Amend Rule 304.1

### Analyses fees for testing pursuant to Rule 304 (Cont'd)

#### ○ Key proposed changes (continued)

- (c) Ambient Air Analyses Fees: The description of some monitoring activities has been updated. Additional fees for conducting survey measurements using mobile monitoring platforms, portable instrumentation and grab sample collection has been added, along with new fees for site development and decommissioning. Labor costs for installation and operation of equipment, and for laboratory analyses performed by District staff during weekends, Mondays, and holidays will be subjected to a 50% surcharge. Mileage fees will be charged on a case-by-case basis using current Internal Revenues Mileage Rates





# Proposed Amended Regulation III - Fees

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Proposed  
Amendments with  
Administrative  
Changes Only



# Proposed Rule Amendments with No Fee Impacts and/or Administrative Changes



## Proposal 1:

Amend Rule 301  
Extension of 2025 AER  
Submission Deadline

## Proposal 2:

Amend Rule 301  
Permit Fee Schedules  
for Greenwaste,  
Hydrogen Plants, and  
Linear Generators

## Proposal 3:

Amend Rule 301  
Editorial change to add  
major stationary  
sources subject to PAR  
317.1



# 1. Amend Rule 301

## Extension of 2025 AER Submission Deadline

- Background
  - CARB's CTR regulation requires emissions reporting for thousands of facilities that will be new to the AER program
  - Second phase of CTR reporting occurs in 2025
- Key proposed changes
  - This amendment proposes to extend the 2025 AER deadline for submitting annual emissions reports (and payments) to **May 1, 2025**
    - Deadline is currently mid-March (75<sup>th</sup> day of the year)
    - Extended deadline would only be applicable for reports and payments due in 2025
  - This amendment also proposes to eliminate unnecessary/outdated language related to the phase in of previously adopted TAC Fees
- Proposed amendment is an administrative change and does not affect fees

Table 1B




## 2. Amend Rule 301

### Permit Fee Schedules for Greenwaste, Hydrogen Plants and Linear Generators

- Background
  - Rule 301 Table 1B (basic equipment) establishes the fee schedule for permitted equipment
  - Clear descriptions ensure that applicants initially pay the correct fee
  - Descriptions using standard industry terminology reduce mis-categorization
  - Clarifications make more transparent existing practices and fees
  - Rule 1110.3 - Emissions from Linear Generators, established new category for linear generators separate from internal combustion engines
  - Recent increase in applications for smaller Hydrogen Gas Production Plants require new categories
- Key proposed changes
  - Update existing greenwaste categories for consistency and clarity and add new category for greenwaste grinders in Table 1B
  - Add new category in Table 1B for linear generators
  - Add two new categories in Table 1B for electrolysis-based and smaller, non-refinery hydrogen gas production plants, and update existing hydrogen production category to distinguish from new categories

Table 1B



## 2. Amend Rule 301

### Permit Fee Schedules for Greenwaste, Hydrogen Plants and Linear Generators (Cont'd)

- Table 1B – for existing greenwaste categories, specifies that chippers and screening equipment are for ‘greenwaste only’ and that greenwaste screening equipment does not include an I.C. Engine. Amend the table as follows:
  - Chippers, Greenwaste only, not including I.C. Engine
  - Screening, Greenwaste only, not including I.C. Engine
- Table 1B – create a new category for greenwaste grinders (Greenwaste industry uses “grinders” and “chippers” interchangeably). Amend the table as follows:
  - Grinder, Size Reduction, Greenwaste only, not including I.C. Engine
- Table 1B – create a new category for Linear Generators, consistent with recently adopted Rule 1110.3. Rule 1110.3 established new category for linear generators, which were previously included in internal combustion engine category, with same fee schedule B. Amend the table as follows:
  - Linear Generator Core, Natural Gas, No Ammonia

Table 1B




## 2. Amend Rule 301

### Permit Fee Schedules for Greenwaste, Hydrogen Plants and Linear Generators (Cont'd)

- Table 1B – Update existing Fee schedule F category for hydrogen plants (typically 350 to 700 MMBtu/hr) to include “refinery” in the description. Amend the table as follows:
  - Hydrogen Production Equipment (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
- Table 1B – Create a new category for hydrogen plants using electrolysis or with very small capacities. Amend the table as follows:
  - Hydrogen Gas Production, Electrolysis or <5 MMBtu/hr - Fee Schedule A
- Table 1B – Create a new category for other (non-refinery or otherwise specified) hydrogen plants. Amend the table as follows:
  - Hydrogen Gas Production, Other - Fee Schedule C





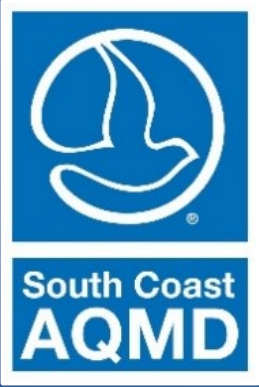
## 3. Amend Rule 301

### Editorial change to add major stationary sources subject to PAR 317.1

- Background
  - Rule 301 includes certain requirements for major stationary sources defined in Rule 317
  - Proposed Rule 317.1 is under development to address the federal Clean Air Act Section 185 nonattainment fee requirement for 8-hour ozone standards
- Key Proposed Changes
  - This proposal would include a change to Rule 301, incorporating major stationary sources defined in other rule(s) implementing Section 185 of the federal Clean Air Act (PAR 317.1)

#### **Rule 301 (e)(2):**

All major stationary sources of NO<sub>x</sub> 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.



# Proposed Amended Regulation III - Fees

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# Public Process



# Next Steps



**Public Hearing**

- May 3, 2024



**Administrative Committee Governing Board  
Budget Study Session** - April 12, 2024



**Public Consultation #2 on Proposed Budget and  
Work Program and PAR III** - April 9, 2024



**Budget Advisory Committee Meeting**  
- April 4, 2024



**Written Comments Due**  
- April 4, 2024



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Regulation III





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Please contact staff with any questions or comments

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# Proposed Amended Regulation III - Fees







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Open  
Discussion



# Open Discussion

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  -  Dial \*9
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    -  Dial \*6
  - If you are not a panelist, the meeting host will unmute you