

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## **Draft Socioeconomic Assessment for Automatic Consumer Price Index (CPI) Increase**

March 2017

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**EXECUTIVE SUMMARY**

Rule 320 – Automatic Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees requires adjustments of most fee rates in Regulation III by the California CPI annually unless the Governing Board votes to amend the rule to not require the CPI increase or requires a different increase for a given year. The October 29, 2010 SCAQMD Governing Board Resolution requires, by March 15, an assessment of the increase in fee rates based on the previous year’s CPI. A socioeconomic analysis was conducted to assess the impacts of such adjustment.<sup>1</sup> In addition, the analysis provides background information, historical trends of SCAQMD revenues from various fees and sectoral distributions of these fees. A summary of the analysis and findings is presented below.

<b>Fee Increases</b>	Pursuant to Rule 320, an across-the-board 2.5-percent increase in fee rates (equivalent to the change in the California CPI from December 2015 to December 2016) will occur on July 1, 2017 unless the Governing Board decides to forego the 2.5-percent increase.
<b>Affected Facilities</b>	Nearly all the facilities regulated by the SCAQMD would be affected by the proposed fee increases. These facilities belong to every sector of the economy.
<b>Approach and Findings</b>	<p>The analysis herein initially examines the impact of the existing Regulation III fees on various industries. The fees examined include emissions fees, permit processing fees, annual permit renewal fees, toxic hot spot fees, source testing fees, and a portion of fees under Rule 2202 – On-Road Motor Vehicle Mitigation Options. The current fee rates together with the most recent equipment and activity profiles of individual facilities were used to generate facility level fee estimates. These estimates were then aggregated to the industry level.</p> <p>The manufacturing sector is the largest contributor to the SCAQMD emission fees (65 percent), permit processing fees (44 percent), and annual permit renewal fees (36 percent). Overall, the costs of complying with the current Regulation III rates are very small relative to the region-wide industry output or value-added (less than 0.01 percent).</p>
<b>Impact of Fee Increase</b>	Based on the fee categories examined in the analysis and last year’s activity levels, the across-the-board CPI-based fee rate increase <i>per se</i> is projected to bring additional revenue totaling \$2.03 million to the SCAQMD. The manufacturing sector as a whole would experience the largest increase in fees (approximately \$0.88 million for about 4,000 facilities), followed by the services sector (approximately \$0.38 million for about 11,000 facilities) and the retail trade sector (approximately \$0.26 million for about 4,000 facilities). Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, will experience an increase of approximately \$0.37 million.

<sup>1</sup> In the event SCAQMD staff proposes any additional increases in fees beyond the CPI, a separate socioeconomic report will be prepared.

## INTRODUCTION

The SCAQMD General Fund is comprised of revenues from a number of sources. The majority of SCAQMD revenues are derived from emission fees, annual renewal fees, permit processing fees, and a portion of vehicle registration fees collected by the state (mobile sources/clean fuels). Other sources of revenues include Hearing Board fees, source test/analysis fees, transportation program (Rule 2202) fees, reimbursement for work associated with the AB 2588 program (toxic hot spot program), civil penalties/settlements, and other revenues.

Pursuant to Rule 320, an across-the-board 2.5-percent increase in fee rates (equivalent to the change in the California Consumer Price Index (CPI) from December 2015 to December 2016) will occur on July 1, 2017 unless the Governing Board decides to forgo the 2.5-percent increase. For the past five years, the annual increase in fee rates mirroring the CPI were as follows: 2.4% in 2012-2013, 2.0% in 2013-2014, 1.6% in 2014-2015, 1.4% in 2015-2016, and 2.4% in 2016-17.

To examine the impact of a fee rate increase on various industry sectors, this report focuses the analysis on emission fees, permit processing fees, annual permit renewal fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees.<sup>2</sup> Other fees that are also subject to the automatic CPI increase are area source fees and Hearing Board fees; however, they account for a relatively small portion of the total revenue.

## REVENUE TREND

Table 1 lists historical revenue for two prior fiscal years<sup>3</sup> (FY), estimated revenue for the current FY 2016-2017, and projected revenue for FY 2017-2018, by major fee category. Estimated revenue for FY 2016-2017 is based on actual revenue received through February 2017. FY 2017-2018 projected revenue is based on forecasts received from each office. Emission fees, permit processing fees, and annual permit renewal fees together represented approximately 61 percent of the SCAQMD's estimated total FY 2016-2017 revenues.

Compared to the estimated revenue in FY 2016-2017, a net total revenue increase of \$2.5 million is projected for FY 2017-2018, which reflects both the impact of the across-the-board CPI-based fee rate increase and the forecast changes in activity level. Most revenue categories are increasing with the exception of decreases relating to anticipated workload changes in Hearing Board cases and Transportation Programs; additionally, a projected decrease in one-time transfers from Special Revenue Funds is causing a decrease in the Other Revenue category not subject to CPI.

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<sup>2</sup> Employers that are subject to Rule 2202 can choose among various compliance options, including participation in the Air Quality Investment Program (AQIP). The AQIP program fees consist of a registration fee and an investment fee, the latter of which goes to a special revenue account to obtain necessary emissions reduction or air quality benefits and is not part of the General Fund.

<sup>3</sup> A fiscal year runs from July 1 to June 30. For example, FY 2016-2017 refers to the period of July 1, 2016 to June 30, 2017. In comparison, calendar year (CY) 2017 refers to the period of January 1 to December 31, 2017.

**Table 1: Actual and Estimated SCAQMD Revenue**

Revenue Category	FY 2014-15 Actual* (Thousands)	FY 2015-16 Actual* (Thousands)	FY 2016- 2017 Estimated** (Thousands)	FY 2017- 2018 Projected (Thousands)	% Change in Fee Rates	Changes in Revenue	
						(from FY 2016-2017 Estimated)	
						Thousands	%
Emission Fees	\$19,839	\$18,985	\$17,549	\$19,481	2.5%	\$1,931	11.0%
Annual Renewal Fees (w/o PERP)	\$44,700	\$46,380	\$48,453	\$50,306	2.5%	\$1,854	3.8%
Permit Processing Fees	\$16,668	\$17,240	\$18,851	\$19,108	2.5%	\$257	1.4%
Mobile Sources/Clean Fuels	\$20,988	\$21,968	\$26,879	\$27,874	N/A	\$995	3.7%
Sources Test & Lab Analysis	\$746	\$683	\$719	\$775	2.5%	\$56	7.8%
Hearing Board Fees	\$532	\$164	\$540	\$308	2.5%	-\$232	-43.0%
Transportation Program ( Rule 2202) Fees	\$845	\$892	\$959	\$861	2.5%	-\$98	-10.2%
Other Revenue***	\$33,499	\$28,093	\$25,690	\$23,417	N/A	-\$2,273	-8.8%
<b>Total</b>	<b>\$137,818</b>	<b>\$134,405</b>	<b>\$139,640</b>	<b>\$142,130</b>		<b>\$2,491</b>	<b>1.8%</b>

(Note: Numbers may not add up due to rounding.)

\* Information as reported in the Comprehensive Annual Financial Reports (FYs 2014-15 & 2015-16).

\*\* Estimates are based on actual revenue received through February 2017.

\*\*\* Other Revenues include: CARB Subvention; Federal Grants; Interest; Lease Income; Penalties/Settlements; Subscriptions; AB 2588 Reimbursement; Miscellaneous Revenues; Portable Equipment Registration Program (PERP); Area Sources; and Transfers In (from special revenue funds).

## HISTORICAL REVENUE ANALYSIS

The following sub-sections examine the distribution of revenues from various fee categories among key industries. The SCAQMD is required to undertake socioeconomic analyses by Health & Safety Code Sections 40440.8(a) and (b) for proposed rules and rule amendments that *"will significantly affect air quality or emissions limitations."* The proposed CPI-based fee adjustment does not satisfy this criterion, but the analysis herein is presented per October 29, 2010 Special Governing Board Resolution related to Rule 320. It should be noted that this analysis has used the most recent invoiced amounts at the current fee rates to arrive at an estimated picture of the current fee revenue by industry. Thus, the figures below may differ slightly from Table 1 because data sources may reflect different time periods.

### Emission Fees

Emission fees accounted for approximately 13 percent of the SCAQMD's estimated total revenue based on actual revenue received through February 2017 (Table 1). In May 2001, an emissions flat fee was introduced for all facilities with at least one operating permit.<sup>4</sup> The flat fee implemented recommendations by the California State Auditor in 1998, the Revenue Committee established by the Executive Officer in 2000, and the independent consultant for the Fee Structure Study—Thompson, Cobb, Bazilio & Associates (March 1999).

<sup>4</sup> Excluding equipment in Rule 222—Filing Requirements for Specific Emission Sources Not Requiring a Written Permit Pursuant to Regulation II.

Table 2 shows the estimated revenue collected or to be collected from more than 21,000 facilities for flat emission fees (\$2.6 million, imposed on sources emitting less than the threshold amount of pollutants subject to emission fees) and emissions-based fees (\$15.59 million), the latter of which contributed approximately 86 percent of total emission fees collected.<sup>5</sup> These emissions include permitted and non-permitted emissions of NO<sub>x</sub>, SO<sub>x</sub>, VOC, TSP, CO, and specific organic gasses (SPOG) as well as toxic air contaminants<sup>6</sup> for facilities required to report their actual emissions each year. Also included were clean fuels fees for stationary sources.

The services sector (NAICS 54-81) that is made of almost 7,000 facilities contributed the highest share of the flat emission fee, contributing \$0.86 million or 33 percent of the total amount. It is followed by the retail trade sector (NAICS 44-45), with \$0.44 million paid by about 3,600 facilities. In comparison, emission-based fees were mostly collected from larger-sized businesses located within certain industry sectors. Among the 974 facilities that were subject to emission-based fees, nearly half were manufacturers (NAICS 31-33), and they contributed 73 percent of the total emission-based fees invoiced in 2016. Within this sector, the petroleum and coal industry (NAICS 324) alone contributed \$9.12 million to emissions-based fees, accounting for 80 percent of the sectoral total.

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<sup>5</sup> Emission-based fees were derived from 2016 emissions and the invoiced amount, or the amount a facility should have paid, in Calendar Year 2016 based on the existing Rule 301 fee rates.

<sup>6</sup> Listed in Table IV of Rule 301.

**Table 2: Estimated Emission Fee Revenue in Millions of Dollars (MM\$)  
by Industry Sector at Current Fee Rates**

Industry	NAICS	Flat Fee			Emission-based Fees			Total	
		MM\$	%	# of Fac.**	MM\$	%	# of Fac.**	MM\$	%
<b>Agriculture, Forestry, Fishing &amp; Hunting</b>	<b>111-115</b>	<b>\$0.01</b>	<b>0.41%</b>	<b>87</b>	<b>\$0.12</b>	<b>0.75%</b>	<b>37</b>	<b>\$0.13</b>	<b>0.70%</b>
<b>Mining</b>	<b>21</b>	<b>\$0.03</b>	<b>1.18%</b>	<b>249</b>	<b>\$0.59</b>	<b>3.78%</b>	<b>91</b>	<b>\$0.62</b>	<b>3.40%</b>
Oil and Gas Extraction	211	\$0.02	0.76%	161	\$0.33	2.09%	66	\$0.35	1.90%
Mining (except oil and gas)	212-213	\$0.01	0.42%	88	\$0.26	1.68%	25	\$0.27	1.50%
<b>Construction</b>	<b>23</b>	<b>\$0.09</b>	<b>3.53%</b>	<b>748</b>	<b>\$0.02</b>	<b>0.12%</b>	<b>11</b>	<b>\$0.11</b>	<b>0.60%</b>
<b>Manufacturing</b>	<b>31-33</b>	<b>\$0.41</b>	<b>15.60%</b>	<b>3,309</b>	<b>\$11.34</b>	<b>72.71%</b>	<b>446</b>	<b>\$11.74</b>	<b>64.56%</b>
Food Manufacturing	311	\$0.02	0.90%	191	\$0.14	0.90%	37	\$0.16	0.90%
Wood Products Manufacturing	321	\$0.01	0.35%	74	\$0.02	0.12%	7	\$0.03	0.15%
Petroleum and Coal Products Mfg.	324	\$0.01	0.39%	83	\$9.12	58.51%	39	\$9.13	50.22%
Chemical Manufacturing	325	\$0.04	1.42%	299	\$0.21	1.36%	39	\$0.25	1.37%
Nonmetallic Mineral Product Mfg.	327	\$0.03	1.05%	221	\$0.34	2.20%	28	\$0.37	2.03%
Primary & Fabricated Metal Mfg.	331-332	\$0.10	3.68%	781	\$0.52	3.36%	114	\$0.62	3.41%
Machinery Manufacturing	333	\$0.02	0.84%	179	\$0.03	0.17%	9	\$0.05	0.27%
Computer and Electronic Product Mfg.	334	\$0.03	1.17%	248	\$0.05	0.29%	20	\$0.08	0.42%
Electrical Equipment & Appliance Mfg.	335	\$0.01	0.56%	118	\$0.02	0.11%	10	\$0.03	0.17%
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.03	1.01%	214	\$0.12	0.75%	33	\$0.14	0.79%
Other Manufacturing	312-339	\$0.11	4.23%	901	\$0.77	4.95%	110	\$0.88	4.84%
<b>Utilities</b>	<b>22</b>	<b>\$0.11</b>	<b>4.32%</b>	<b>922</b>	<b>\$1.07</b>	<b>6.89%</b>	<b>96</b>	<b>\$1.19</b>	<b>6.53%</b>
<b>Transportation &amp; Warehousing</b>	<b>48-49</b>	<b>\$0.07</b>	<b>2.52%</b>	<b>534</b>	<b>\$0.31</b>	<b>2.00%</b>	<b>30</b>	<b>\$0.38</b>	<b>2.07%</b>
<b>Information</b>	<b>51</b>	<b>\$0.08</b>	<b>2.94%</b>	<b>624</b>	<b>\$0.02</b>	<b>0.11%</b>	<b>7</b>	<b>\$0.09</b>	<b>0.51%</b>
Publishing Industries, Except Internet	511	\$0.00	0.13%	27	\$0.00	0.00%	1	\$0.00	0.02%
Motion Picture & Sound Recording	512	\$0.01	0.29%	63	\$0.02	0.11%	5	\$0.02	0.13%
Internet Services and data processing	518, 519	\$0.01	0.23%	48	\$0.00	0.00%	1	\$0.01	0.03%
Other Information	Other in 51	\$0.06	2.29%	486	\$0.00	0.00%	0	\$0.06	0.33%
<b>Wholesale Trade</b>	<b>42</b>	<b>\$0.12</b>	<b>4.78%</b>	<b>1,014</b>	<b>\$0.29</b>	<b>1.89%</b>	<b>44</b>	<b>\$0.42</b>	<b>2.30%</b>
<b>Retail Trade</b>	<b>44-45</b>	<b>\$0.44</b>	<b>16.93%</b>	<b>3,591</b>	<b>\$0.08</b>	<b>0.50%</b>	<b>25</b>	<b>\$0.52</b>	<b>2.85%</b>
Car & Parts Dealers	441	\$0.03	1.31%	279	\$0.01	0.04%	4	\$0.04	0.22%
Gas Stations	447	\$0.21	7.99%	1,690	\$0.06	0.40%	14	\$0.27	1.48%
Other Retail Trade	Other in 44-45	\$0.20	7.63%	1,622	\$0.01	0.06%	7	\$0.21	1.14%
<b>Finance and Insurance</b>	<b>52</b>	<b>\$0.04</b>	<b>1.40%</b>	<b>297</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>1</b>	<b>\$0.04</b>	<b>0.20%</b>
<b>Real Estate and Rental Leasing</b>	<b>53</b>	<b>\$0.12</b>	<b>4.74%</b>	<b>1,005</b>	<b>\$0.03</b>	<b>0.17%</b>	<b>5</b>	<b>\$0.15</b>	<b>0.83%</b>
<b>Services</b>	<b>54-81</b>	<b>\$0.86</b>	<b>33.20%</b>	<b>7,041</b>	<b>\$1.56</b>	<b>9.99%</b>	<b>155</b>	<b>\$2.42</b>	<b>13.30%</b>
Professional and Technical Services	54	\$0.07	2.65%	561	\$0.03	0.19%	16	\$0.10	0.54%
Accommodation	721	\$0.03	0.97%	208	\$0.00	0.00%	0	\$0.03	0.14%
Food Services & Drinking Places	722	\$0.01	0.56%	119	\$0.00	0.02%	2	\$0.02	0.10%
Automotive Repairs & Maintenance	8111	\$0.24	9.31%	1,969	\$0.00	0.00%	2	\$0.24	1.33%
Dry Cleaning & Laundry Services	8123	\$0.14	5.46%	1,160	\$0.00	0.01%	5	\$0.14	0.79%
Health Care & Social Assistance	62	\$0.09	3.45%	734	\$0.10	0.64%	44	\$0.19	1.04%
Other Services	Other in 54-81	\$0.28	10.79%	2,290	\$1.42	9.13%	86	\$1.70	9.37%
<b>Public Administration</b>	<b>92</b>	<b>\$0.18</b>	<b>6.85%</b>	<b>1,447</b>	<b>\$0.16</b>	<b>1.04%</b>	<b>22</b>	<b>\$0.34</b>	<b>1.86%</b>
<b>Unclassified*</b>	<b>N/A</b>	<b>\$0.04</b>	<b>1.61%</b>	<b>344</b>	<b>\$0.01</b>	<b>0.06%</b>	<b>4</b>	<b>\$0.05</b>	<b>0.28%</b>
<b>Totals</b>		<b>\$2.60</b>	<b>100%</b>	<b>21,212</b>	<b>\$15.59</b>	<b>100%</b>	<b>974</b>	<b>\$18.19</b>	<b>100%</b>

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

\*\* Almost all facilities paying emission-based fees also pay the flat fee.

Permit Processing Fees and Annual Permit Renewal Fees

Permit processing and annual permit renewal fees by industry are shown in Table 3. Applicants for permits to construct/operate equipment listed in Rule 301 pay a permit processing fee which varies by equipment type and size. Permit fees also include other charges based on additional time and materials billed for SCAQMD staff time (if specified by the applicable rule), and other fees as required (modeling, Title V fees, CEQA analysis fees, etc.) The fee, except for time and material fees, is paid at the beginning of the permit application process. Variances in permit processing fee amounts between Table 3 - Estimated Permit Processing Revenue and Table 1 - Actual Revenues for FY 2015-2016 reflect the fact that application fees are collected at time of application, but are recognized as revenues at the time the majority of permit work is completed.

As Table 3 indicates, an estimated total of \$13.25 million from about 5,000 facilities that applied for permits to construct or operate was invoiced during FY 2015-2016. It should be noted that a facility could apply for multiple permits. As with emission fees, the majority of the permit processing fee revenue came from the manufacturing sector. It contributed \$5.78 million, or 44 percent, of the total revenue in this fee category, followed by the services sector with \$2.77 million (21 percent).

Operating permits must be renewed annually. An annual fee is assessed on the renewed permits to support continuing SCAQMD inspection and compliance activities and other permit related activities. Approximately 27,000 facilities held operating permits as of February 7, 2017. The revenue from these facilities at the current fee rate is estimated to be \$46.31 million (Table 3). The manufacturing sector, with nearly 4,000 facilities, was the largest contributor, paying \$16.81 million or 36 percent of the total annual renewal fee revenue. The sector of retail trade with about 4,000 facilities paid about \$8 million and the service sector with about 10,500 facilities paid about \$9 million, respectively.

Area Source Fees (Architectural Coatings)

Rule 314 – Fees for Architectural Coatings, was adopted on June 6, 2008 requiring manufacturers to pay fees, as well as report sales and emissions of architectural coatings to the SCAQMD. The rule affects about 200 architectural coatings manufacturers. Beginning in 2009 and each subsequent calendar year, Rule 314 requires architectural coatings manufacturers to report to SCAQMD the total annual quantity (in gallons) and emissions of each of their architectural products distributed or sold into or within the SCAQMD for use in the SCAQMD during the previous calendar year. Fees are assessed on the manufacturers' reported annual quantity of architectural coatings as well as the cumulative VOC emissions from the reported annual quantity of coatings. All fees collected from architectural coating sales in FY 2015-2016 pursuant to Rule 314 were about \$2.2 million which is around 1.6 percent of the SCAQMD's total revenue for that FY. These fees are collected from paint manufacturers who are classified under the chemical manufacturing sector (NAICS 325). The \$2.2 million fees collected from architectural coatings represent about 0.01 percent of the chemical manufacturing industry's economic output.<sup>7</sup>

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<sup>7</sup> Please refer to "The Share of Major Revenue Sources by Industry" for more details.



**Table 3: Estimated Permit Processing & Annual Permit Renewal Fee Revenue by Industry Sector at Current Fee Rates in Millions of Dollars (\$MM)**

Industry	NAICS	Permit Processing Fees <sup>1</sup>			Annual Permit Renewal Fees <sup>2</sup>		
		MMS\$	%	# of Fac.	MMS\$	%	# of Fac.
<b>Agriculture, Forestry, Fishing &amp; Hunting</b>	<b>111-115</b>	<b>\$0.03</b>	<b>0.23%</b>	<b>24</b>	<b>\$0.14</b>	<b>0.31%</b>	<b>118</b>
<b>Mining</b>	<b>21</b>	<b>\$0.34</b>	<b>2.58%</b>	<b>41</b>	<b>\$1.37</b>	<b>2.95%</b>	<b>351</b>
Oil and Gas Extraction	211	\$0.21	1.55%	27	\$0.97	2.10%	243
Mining (except oil and gas)	212-213	\$0.14	1.02%	14	\$0.40	0.85%	108
<b>Construction</b>	<b>23</b>	<b>\$0.37</b>	<b>2.83%</b>	<b>237</b>	<b>\$1.26</b>	<b>2.71%</b>	<b>958</b>
<b>Manufacturing</b>	<b>31-33</b>	<b>\$5.78</b>	<b>43.61%</b>	<b>749</b>	<b>\$16.81</b>	<b>36.30%</b>	<b>3,746</b>
Food Manufacturing	311	\$0.37	2.81%	65	\$1.33	2.87%	225
Wood Products Manufacturing	321	\$0.04	0.30%	12	\$0.09	0.19%	89
Petroleum and Coal Products Mfg.	324	\$1.22	9.22%	30	\$4.25	9.17%	90
Chemical Manufacturing	325	\$0.58	4.37%	87	\$1.81	3.91%	348
Nonmetallic Mineral Product Mfg.	327	\$0.30	2.26%	41	\$1.20	2.59%	238
Primary & Fabricated Metal Mfg.	331-332	\$1.21	9.17%	135	\$3.33	7.20%	860
Machinery Manufacturing	333	\$0.21	1.55%	36	\$0.34	0.73%	200
Computer and Electronic Product Mfg.	334	\$0.41	3.08%	65	\$0.71	1.53%	274
Electrical Equipment & Appliance Mfg.	335	\$0.18	1.38%	20	\$0.45	0.96%	129
Motor Vehicle & Trans. Equipment Mfg.	336	\$0.42	3.15%	51	\$0.89	1.93%	246
Other Manufacturing	312-339	\$0.84	6.32%	207	\$2.42	5.22%	1,047
<b>Utilities</b>	<b>22</b>	<b>\$1.00</b>	<b>7.54%</b>	<b>143</b>	<b>\$1.96</b>	<b>4.23%</b>	<b>947</b>
<b>Transportation &amp; Warehousing</b>	<b>48-49</b>	<b>\$0.31</b>	<b>2.33%</b>	<b>107</b>	<b>\$1.16</b>	<b>2.51%</b>	<b>609</b>
<b>Information</b>	<b>51</b>	<b>\$0.18</b>	<b>1.37%</b>	<b>266</b>	<b>\$0.52</b>	<b>1.13%</b>	<b>814</b>
Publishing Industries, Except Internet	511	\$0.01	0.06%	9	\$0.05	0.11%	35
Motion Picture & Sound Recording	512	\$0.06	0.45%	22	\$0.12	0.27%	74
Internet Services and data processing	518,519	\$0.01	0.10%	17	\$0.05	0.11%	53
Other Information	Other in 51	\$0.10	0.76%	218	\$0.30	0.64%	652
<b>Wholesale Trade</b>	<b>42</b>	<b>\$0.60</b>	<b>4.50%</b>	<b>208</b>	<b>\$2.71</b>	<b>5.86%</b>	<b>1,181</b>
<b>Retail Trade</b>	<b>44-45</b>	<b>\$0.93</b>	<b>7.03%</b>	<b>930</b>	<b>\$8.41</b>	<b>18.15%</b>	<b>4,033</b>
Car & Parts Dealers	441	\$0.10	0.74%	37	\$0.22	0.48%	306
Gas Stations	447	\$0.35	2.65%	220	\$5.73	12.38%	1,837
Other Retail Trade	Other in 44-45	\$0.48	3.64%	673	\$2.45	5.29%	1,890
<b>Finance and Insurance</b>	<b>52</b>	<b>\$0.08</b>	<b>0.59%</b>	<b>86</b>	<b>\$0.31</b>	<b>0.68%</b>	<b>352</b>
<b>Real Estate and Rental Leasing</b>	<b>53</b>	<b>\$0.34</b>	<b>2.58%</b>	<b>244</b>	<b>\$0.94</b>	<b>2.03%</b>	<b>1,147</b>
<b>Services</b>	<b>54-81</b>	<b>\$2.77</b>	<b>20.88%</b>	<b>1,594</b>	<b>\$9.01</b>	<b>19.46%</b>	<b>10,593</b>
Professional and Technical Services	54	\$0.40	3.05%	210	\$1.11	2.39%	723
Accommodation	721	\$0.05	0.39%	48	\$0.21	0.45%	267
Food Services & Drinking Places	722	\$0.09	0.65%	236	\$0.63	1.37%	2,438
Automotive Repairs & Maintenance	8111	\$0.43	3.25%	245	\$1.61	3.48%	2,279
Dry Cleaning & Laundry Services	8123	\$0.10	0.78%	99	\$0.55	1.19%	1,310
Health Care & Social Assistance	62	\$0.28	2.08%	159	\$1.06	2.30%	807
Other Services	Other in 54-81	\$1.41	10.66%	597	\$3.83	8.28%	2,769
<b>Public Administration</b>	<b>92</b>	<b>\$0.24</b>	<b>1.85%</b>	<b>184</b>	<b>\$1.12</b>	<b>2.42%</b>	<b>1,518</b>
<b>Unclassified*</b>	<b>N/A</b>	<b>\$0.28</b>	<b>2.09%</b>	<b>145</b>	<b>\$0.58</b>	<b>1.26%</b>	<b>460</b>
<b>Totals</b>		<b>\$13.25</b>	<b>100%</b>	<b>4,958</b>	<b>\$46.31</b>	<b>100%</b>	<b>26,827</b>

<sup>1</sup> Based on permit applications in FY 2015-2016.<sup>2</sup> Based on permits held on February 7, 2017.

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

**Toxic Hot Spots Fees**

AB 2588 toxic hot spots fees were calculated based on health risks and priority scores. The most recent invoiced revenue for FY 2015-2016 was approximately \$2.34 million. The services sector's share of this total was 33 percent, followed by manufacturing (19 percent) and retail trade (17 percent).

**Source Testing Fees**

The revenue from source testing fees is based on the invoiced source test fees during FY 2015-2016. During this period of time, the source test fee revenue from Rules 304 and 304.1 was \$0.49 million. The manufacturing sector accounted for 59 percent of this revenue, followed by services (17 percent).

**Rule 2202 Fees**

Rule 2202 – On-Road Motor Vehicle Mitigation Options applies to employers with 250 or more employees in the SCAQMD's jurisdiction. It provides employers with three compliance options: (1) the Employee Commute Reduction Program (ECRP); (2) emission reduction strategies (ERS) such as the use of clean fuel vehicles, re-powering of diesel engine marine vessels, and vehicle scrapping; and (3) the Air Quality Investment Program (AQIP). Employers choosing the ECRP option pay a plan review fee to the SCAQMD at the time they file their ECRP Plan. Employers choosing an ERS pay a registration fee. Employers choosing to invest in AQIP pay a registration fee and an investment fee. The investment fee portion goes to a special revenue account which is not part of the General Fund.

The revenue from Rule 2202 fees herein is based on the invoiced Rule 2202 fees during FY 2015-2016. A total of \$0.81 million was collected from Rule 2202 fees for ECRP, ERS, and AQIP. The services sector accounted for approximately 35 percent of the estimated Rule 2202 fee revenue. Unlike most of the other fee categories, only 14 percent of the revenue came from the manufacturing sector.

Share of Major Revenue Sources by Industry

Approximately 62 percent of the SCAQMD's FY 2016-2017 estimated revenue comes from the following major revenue categories: emission fees, permit processing fees, annual permit renewal fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees. Table 4 shows the percentage of fees from these categories relative to each industry's total (gross) output and value-added to evaluate them relative to different economic measures of industries in the SCAQMD.<sup>8</sup> Value-added is a measure of compensation of employees, production taxes less subsidies, and gross operating surplus; thus to a certain degree reflects each industry's profit margin. Collectively, revenue from these fees is estimated to amount to approximately \$81 million, based on invoiced amounts at the current fee rates.

As shown in Table 4, the amount of fees paid by each industry is relatively small compared to that industry's regional output or value-added. This is the case for both industries which are predominantly comprised of small businesses, such as retail trade, and for industries predominately comprised of large businesses, such as refineries.

The petroleum and coal products manufacturing industry (NAICS 324) paid a total of \$14.69 million in various fees, which represented four hundredths of one percent of the sector's output and less than fifth of a percent of the sector's value-added. Other industries that also paid among the highest amount of fees relative to their outputs or value-added were the pipeline transportation industry (NAICS 486), the mining industry (NAICS 212), the nonmetallic mineral product manufacturing industry (NAICS 327), and waste management and remediation services (NAICS 562). Overall, major SCAQMD fee revenue, as a whole, represented less than one-hundredth of one percent of the aggregate industry output or value-added in the four-county region.

**Table 4: Share of Major Revenue by Detailed Industry**

Industry Sector	NAICS	MMS\$	% of Total Fees	% of Total Output	% of Total Value-Added
Farm (Agricultural Products)	111-112	\$0.24	0.29%	0.00%	0.01%
Agriculture & Forestry support activities	115	\$0.07	0.08%	0.02%	0.02%
Oil & Gas Extraction	211	\$1.55	1.90%	0.02%	0.03%
Mining (except oil and gas)	212	\$0.63	0.77%	0.06%	0.09%
Support Activities for Mining	213	\$0.18	0.22%	0.03%	0.04%
Utilities	22	\$4.29	5.27%	0.03%	0.04%
Construction	23	\$1.80	2.22%	0.00%	0.01%
Wood Products Mfg.	321	\$0.16	0.19%	0.01%	0.03%
Nonmetallic Mineral Product Mfg.	327	\$1.88	2.31%	0.05%	0.12%
Primary Metal Mfg.	331	\$1.54	1.90%	0.02%	0.08%
Fabricated Metal Product Mfg.	332	\$3.87	4.76%	0.02%	0.04%
Machinery Manufacturing	333	\$0.63	0.77%	0.01%	0.01%
Computer & Electronic Product Mfg.	334	\$1.24	1.53%	0.00%	0.01%
Electrical Equipment & Appliance Mfg.	335	\$0.69	0.85%	0.01%	0.03%
Motor Vehicle Mfg.	3361-3363	\$0.37	0.45%	0.00%	0.02%
Transport Equip. Mfg. Excl. Motor Veh.	3364-3369	\$1.17	1.44%	0.00%	0.01%
Furniture & Related Product Mfg.	337	\$0.38	0.46%	0.01%	0.02%

<sup>8</sup> Output and Value-added data for 2014 by detailed industry were compiled by Regional Economic Modeling, Inc. (REMI). They are converted to 2016 dollars based on the GDP price index (available at: <https://www.bea.gov/>).

Miscellaneous Mfg.	339	\$0.71	0.87%	0.00%	0.01%
Food Mfg.	311	\$1.91	2.34%	0.01%	0.03%
Beverage and Tobacco Product Mfg.	312	\$0.41	0.50%	0.00%	0.01%
Textile & Textile Product Mills	313-314	\$0.41	0.50%	0.01%	0.04%
Apparel, Leather & Allied Product Mfg.	315-316	\$0.05	0.06%	0.00%	0.00%
Paper Mfg.	322	\$0.40	0.49%	0.01%	0.02%
Printing & Related Support Activities	323	\$0.58	0.71%	0.01%	0.03%
Petroleum and Coal Products Mfg.	324	\$14.69	18.05%	0.04%	0.17%
Chemical Mfg.	325	\$2.69	3.30%	0.01%	0.02%
Plastics and Rubber Products Mfg.	326	\$1.40	1.72%	0.01%	0.04%
Wholesale Trade	42	\$3.88	4.77%	0.00%	0.01%
Retail Trade	44-45	\$10.37	12.74%	0.01%	0.02%
Air Transportation	481	\$0.06	0.07%	0.00%	0.00%
Rail Transportation	482	\$0.02	0.02%	0.00%	0.00%
Water Transportation	483	\$0.02	0.02%	0.00%	0.00%
Truck Transportation	484	\$0.13	0.16%	0.00%	0.00%
Couriers & Messengers	491-492	\$0.04	0.05%	0.00%	0.00%
Transit & Ground passenger Transportation	485	\$0.10	0.12%	0.00%	0.01%
Pipeline Transportation	486	\$0.65	0.79%	0.08%	0.11%
Scenic & Sightseeing Transportation	487-488	\$0.65	0.80%	0.01%	0.01%
Warehousing & Storage	493	\$0.30	0.37%	0.00%	0.01%
Publishing Industries, Except Internet	511	\$0.07	0.09%	0.00%	0.00%
Motion Picture & Sound Recording Industries	512	\$0.23	0.28%	0.00%	0.00%
Internet Services & Data Processing	518-519	\$0.08	0.10%	0.00%	0.00%
Broadcasting, Except Internet	515	\$0.12	0.14%	0.00%	0.00%
Telecommunications	517	\$0.42	0.52%	0.00%	0.00%
Monetary Authorities	521-522, 525	\$0.19	0.23%	0.00%	0.00%
Securities, Commodity Contracts, Investments	523	\$0.23	0.28%	0.00%	0.00%
Insurance Carriers & Related Activities	524	\$0.10	0.12%	0.00%	0.00%
Real Estate	531	\$1.26	1.55%	0.00%	0.00%
Rental & Leasing Services	532-533	\$0.29	0.36%	0.00%	0.00%
Professional and Technical Services	54	\$1.70	2.09%	0.00%	0.00%
Management of Companies & Enterprises	55	\$0.05	0.06%	0.00%	0.00%
Administrative & Support Services	561	\$2.27	2.79%	0.00%	0.01%
Waste Management & Remediation Services	562	\$2.04	2.50%	0.05%	0.10%
Education Services	61	\$1.26	1.55%	0.01%	0.01%
Ambulatory Health Care Services	621	\$0.57	0.70%	0.00%	0.00%
Hospitals	622	\$0.91	1.12%	0.00%	0.01%
Nursing & Residential Care Facilities	623	\$0.15	0.19%	0.00%	0.00%
Social Assistance	624	\$0.12	0.15%	0.00%	0.00%
Performing Arts & Spectator Sports	711	\$0.08	0.10%	0.00%	0.00%
Museums, Historical Sites, Zoos, and Parks	712	\$0.03	0.04%	0.00%	0.01%
Amusement, Gambling, and Recreation	713	\$0.42	0.52%	0.00%	0.01%
Accommodation	721	\$0.34	0.41%	0.00%	0.01%
Food Services & Drinking Places	722	\$0.76	0.93%	0.00%	0.00%
Repair & Maintenance	811	\$3.05	3.75%	0.03%	0.04%
Personal & Laundry Services	812	\$1.24	1.53%	0.01%	0.02%
Membership Associations and Organizations	813	\$0.36	0.44%	0.00%	0.01%
Government	92	\$1.94	2.39%	0.00%	0.00%
Unclassified*	N/A	\$0.97	1.19%		
Totals		\$81.40	100%	0.005%	0.008%

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

## REVENUE IMPACTS OF PROPOSED FEE RATE INCREASE BY INDUSTRY

Rule 320 requires annual adjustment of most fee rates in Regulation III by an amount equal to the change in CPI, which is 2.5 percent for the period of December 2015 to December 2016 unless the Board decides in a rulemaking hearing to forgo the CPI increase. Based on the FY 15-16 emissions and current equipment and activity profile of individual facilities, the fee rate increases from the 2.5 percent CPI increase are expected to increase total SCAQMD revenue by approximately \$2.03 million. In the event SCAQMD staff proposes any additional increases in fees beyond the CPI, a separate socioeconomic report will be prepared.

Table 5 shows the distribution of these fee changes across the affected industries. It includes the majority subset of the fees subject to the CPI-based rate increase. They include emission fees, permit processing fees, annual permit renewal fees, toxic hot spot fees, source test fees, and a portion of Rule 2202 fees.

The manufacturing sector as a whole would experience the largest increase in fees (approximately \$0.88 million for about 4,000 facilities), followed by the services sector (approximately \$0.38 million for about 11,000 facilities), the retail trade sector (approximately \$0.26 million for about 4,000 facilities), and the remaining sectors accounting for \$0.51 million. Within the manufacturing sector, the petroleum and coal products manufacturing industry, mostly comprised of refineries, will face an increase of around \$0.37 million, or 18 percent of the overall increase.

## SUMMARY

The above analysis provides background information on SCAQMD revenue and summarizes the economic impact on facilities regulated by SCAQMD of the automatic consumer price index (Rule 320) increase. Based on the fee categories examined in the analysis and last year's activity levels, SCAQMD revenues are expected to increase by \$2.03 million as a result of this fee rate increase. However, the amount of SCAQMD fees paid by each industry remained small relative to the industry's economic output or value-added (less than 0.01 percent overall).

**Table 5**  
**Revenue Impact of the Fee Rate Increase by Industry Sector**

Industry	NAICS	Revenue Change Due to 2.5% CPI Adjustment	Percent of Total CPI Increase
<b>Agriculture, Forestry, Fishing &amp; Hunting</b>	<b>111-115</b>	<b>\$7,611</b>	<b>0.37%</b>
<b>Mining</b>	<b>21</b>	<b>\$58,941</b>	<b>2.90%</b>
Oil and Gas Extraction	211	\$38,723	1.90%
Mining (except oil and gas)	212-213	\$20,218	0.99%
<b>Construction</b>	<b>23</b>	<b>\$45,094</b>	<b>2.22%</b>
<b>Manufacturing</b>	<b>31-33</b>	<b>\$879,439</b>	<b>43.22%</b>
Food Manufacturing	311	\$47,696	2.34%
Wood Products Manufacturing	321	\$3,950	0.19%
Petroleum and Coal Products Mfg.	324	\$367,241	18.05%
Chemical Manufacturing	325	\$67,229	3.30%
Nonmetallic Mineral Product Mfg.	327	\$47,065	2.31%
Primary & Fabricated Metal Mfg.	331-332	\$135,414	6.65%
Machinery Manufacturing	333	\$15,664	0.77%
Computer and Electronic Product Mfg.	334	\$31,107	1.53%
Electrical Equipment & Appliance Mfg.	335	\$17,348	0.85%
Motor Vehicle & Trans. Equipment Mfg.	336	\$38,406	1.89%
Other Manufacturing	312-339	\$108,319	5.32%
<b>Utilities</b>	<b>22</b>	<b>\$107,267</b>	<b>5.27%</b>
<b>Transportation &amp; Warehousing</b>	<b>48-49</b>	<b>\$48,947</b>	<b>2.41%</b>
<b>Information</b>	<b>51</b>	<b>\$23,050</b>	<b>1.13%</b>
Publishing Industries, Except Internet	511	\$1,760	0.09%
Motion Picture & Sound Recording	512	\$5,656	0.28%
Internet Services and data processing	518, 519	\$2,092	0.10%
Other Information	Other in 51	\$13,543	0.67%
<b>Wholesale Trade</b>	<b>42</b>	<b>\$96,979</b>	<b>4.77%</b>
<b>Retail Trade</b>	<b>44-45</b>	<b>\$259,324</b>	<b>12.74%</b>
Car & Parts Dealers	441	\$9,979	0.49%
Gas Stations	447	\$164,311	8.07%
Other Retail Trade	Other in 44-45	\$85,034	4.18%
<b>Finance and Insurance</b>	<b>52</b>	<b>\$12,944</b>	<b>0.64%</b>
<b>Real Estate and Rental Leasing</b>	<b>53</b>	<b>\$38,722</b>	<b>1.90%</b>
<b>Services</b>	<b>54-81</b>	<b>\$383,687</b>	<b>18.86%</b>
Professional and Technical Services	54	\$42,428	2.09%
Accommodation	721	\$8,397	0.41%
Food Services & Drinking Places	722	\$18,908	0.93%
Automotive Repairs & Maintenance	8111	\$65,682	3.23%
Dry Cleaning & Laundry Services	8123	\$21,965	1.08%
Health Care & Social Assistance	62	\$43,783	2.15%
Other Services	Other in 54-81	\$182,525	8.97%
<b>Public Administration</b>	<b>92</b>	<b>\$48,602</b>	<b>2.39%</b>
<b>Unclassified*</b>	<b>N/A</b>	<b>\$24,268</b>	<b>1.19%</b>
<b>Totals</b>		<b>\$2,034,876</b>	<b>100%</b>

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

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