SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Draft Socioeconomic Impact Assessment of Proposed Amended Regulation III - Fees

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EXECUTIVE SUMMARY

A socioeconomic analysis was conducted to assess the potential impacts of Proposed Amended Regulation (PAR) III – Fees. This assessment provides analysis of the proposed amendments to Regulation III with fee impacts other than the CPI-based increase. It includes the estimated fee impacts by proposed amendment and by industry. It also includes a macroeconomic impact analysis, which projects how PAR III would impact the regional economy. A summary of the analysis and findings is presented below.

A separate socioeconomic analysis has been conducted to assess the potential impacts of the Rule 320 - Automatic Adjustment of Fees Based on Consumer Price Index (CPI), which was released on March 14, 2018. This CPI-based fee increase adjusts fees for the cost of inflation, thereby holding the real (adjusted for inflation) fee amount constant over time. The regional economic impact analysis included in this assessment is based on the real dollar value of fees, therefore it assumes the implementation of Rule 320 in all years of the analysis horizon.

Proposed Amendment with Fee Impacts	Fee increases are estimated for the following proposed amendments: • Refinery-Related Community Air Monitoring System Annual Operation and Maintenance (O&M) Fees • Rule 1466 Notification Fees • Facility Permit Reissuance Fees for RECLAIM Transition • Periodic Assessment Fees for an Existing Non-RECLAIM Continuous Emissions Monitoring Systems (CEMS), Fuel Sulfur Monitoring Systems (FSMS), or Alternative Continuous Emission Monitoring Systems (ACEMS) • Clean Air Solvent (CAS) and Clean Air Choices Cleaner (CACC) Certification Fees • Annual Review/Renewal Fee for Rule 1105.1, Rule 1118, and Rule 1123 Compliance Plans • Public Notice Publication Fees • Fees for Optional Catalyst Equivalency Evaluation • AB 2588 Potentially High Risk Level Facility Fees • AB 2588 Special Review Fees
Affected Industries	The industries affected by PAR III vary by proposed amendment. Overall, the proposed amendments would potentially affect every sector of the regional economy. The greatest number of potentially affected facilities are estimated to be in the manufacturing sector (NAICS 31-33), followed by the utilities sector (NAICS 22) and services sectors (NAICS 54-81).

Estimated Fee Increases	Based on the proposed amendments evaluated in this analysis, the overall fee impact of PAR III is estimated to be $1.29 million in Fiscal Year (FY) 2018-19, $5.82 million in FY 2019-20, and $4.99 million in FY 2020-21 and thereafter. The large increase from FY 2019-20 to FY 2020-21 results from the beginning of implementing the proposed Rule 1180 Community Air Monitoring System Annual O&M Fees, which are estimated to cost $4.57 million annually, all of which will be incurred by the eight affected petroleum refineries (NAICS 324110). The manufacturing sector, which includes the petroleum refineries, is estimated to experience the largest fee increase from the proposed amendments, with an increase of about $4.57 million on average over the 2018-2027 time period, representing a 97 percent share of the increase.
Projected Job Impacts of the Estimated Fee Increases	A macroeconomic job impact analysis was conducted based on the estimated increases in fees paid by the affected industries. This analysis projects an average annual increase of 57 jobs in the four-county region over a ten-year period (2018-2027). The positive job impact is a net result of projected increases in jobs in local government, professional, scientific, and technical services, and administrative and waste management services, combined with smaller decreases in the manufacturing and mining and oil and gas extraction sectors.

INTRODUCTION

Various fee schedules are specified in Regulation III – Fees to cover the Permitted Source Program, as well as additional fees authorized by the Legislature. In June 2017, the SCAQMD Governing Board approved fee increases for non-Title V facilities necessary to recover reasonable costs of its regulatory programs. It additionally approved fee increases for Title V facilities as a necessary response to a U.S. EPA Title V Program Evaluation Report (2016), which recommended that SCAQMD take measures to cover program funding deficits. PAR III – Fees continues these cost recovery efforts with 10 proposals that have potential fee impacts. These proposed amendments with fee impacts are in addition to the fee adjustments required by Rule 320 – Automatic Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees. The CPI-only socioeconomic impacts have been analyzed in the Draft Socioeconomic Impact Assessment for Rule 320, released on March 14, 2018 (see: http://www.aqmd.gov/docs/default-source/finance-budgets/fy-2018-19/draft-socioeconomic-assessment-for-automatic-cpi-increase_2018.pdf).

In order to examine the impact of the proposed amendments with fee impacts, this report quantifies the fee impact by each proposed amendment and by the potentially affected industries. These estimated increases in fees by industry are used as inputs into the macroeconomic job impact analysis along with the corresponding increase in SCAQMD spending to estimate the impact on jobs in the region. As noted above, the Rule 320 CPI-based fee adjustments have been examined in a separate assessment. This CPI-based fee increase adjusts fees for the cost of inflation, thereby holding the real (adjusted for inflation) fee amount constant over time. The regional economic impact analysis included in this assessment is based on the real dollar value of fees and therefore assumes the implementation of Rule 320 in all years of the analysis horizon. SCAQMD is required to undertake socioeconomic analyses by California Health and Safety Code (H&SC) Section 40440.8(a) for proposed rules and rule amendments that *"will significantly affect air quality or emissions limitations"*. Although PAR III – Fees does not satisfy this criterion, the analysis herein is presented to provide further information to the Governing Board and stakeholders on the impacts of PAR III.

PROPOSED RULE AMENDMENTS WITH FEE IMPACTS

1. Refinery-Related Community Air Monitoring System Annual O&M Fees

On December 1, 2017, the SCAQMD Governing Board adopted Rule 1180 – Refinery Fenceline and Community Air Monitoring in response to Assembly Bill (AB) 1647. AB 1647 added H&SC section 42705.6, which in addition to requiring fenceline air monitoring refineries, also requires air districts to design, develop, install, operate and maintain refinery-related community air monitoring systems. Rule 1180 includes cost recovery provisions for refinery-related community air monitoring systems. In order to recover costs incurred by SCAQMD to operate these monitoring systems, staff is proposing to amend Rule 301. The proposed amendment would require affected petroleum refineries to pay an annual fee to SCAQMD for operating and maintaining statutorily-required refinery-related community air monitoring system(s) in communities near these refineries.

The facilities affected by Rule 1180 are all petroleum refineries within SCAQMD's jurisdiction, with exemptions applicable to an owner or operator of a petroleum refinery that has a maximum capacity to process less than 40,000 barrels per day of crude oil. Eight major petroleum refineries are affected and they are classified under the industry of Petroleum Refineries (NAICS 324110), all of which are located in Los Angeles county.

The annual fees for community air monitoring are based on the estimated cost of operation and maintenance of a community air monitoring station, which are provided in Table 1. These costs may be applied toward partial deployments (i.e., less than a complete set of measurements at more than one site) or for distributed monitoring (i.e., several location pollutant monitoring). Also, a refinery could be responsible for the cost associated with a portion of a station (if downwind of more than one refinery), a single station, or multiple stations based on the need for adequate monitoring coverage.

The fee impact for this proposed amendment is estimated as the total of the Annual Operating and Maintenance Fee paid by all refineries, provided for in Proposed Amended Rule 301(aa). This results in a total fee impact for this proposed amendment of $4,573,201 annually, beginning in FY 2020-21.

Table 1: R1180 Community Monitoring Site Cost Estimate

Routine costs associated with site maintenance	$29,950
Electricity[1]	$7,200
Utilities[1]	$5,470
Land/Site Lease[1]	$14,400
Lavatory Rental[1]	$2,880
Data validation, analysis, and mapping[2]	$54,016
Routine costs associated monitoring equipment maintenance	$16,100
Calibration Gases[1]	$6,100
Maintenance Parts[1]	$10,000
Technical and laboratory labor	$335,477
One Air Quality Specialist at ½ effort, one Air Quality Instrument Specialist, one Air Quality Chemist at ⅒ effort, and one Program Supervisor at ⅒ effort[3]	
Total O&M Cost	**$435,543**

[1] Based on the 2012 station cost estimates for the Anaheim monitoring station.
[2] Based on the previous SCAQMD contracts for data visualization and mapping.
[3] Based on the FY 2017-18 Schedule of Burdened Rates (burdened hourly rate of $121.17 for Program Supervisor, $105.69 for Air Quality Specialist, $101.55 for Air Quality Chemist, and $86.17 for Air Quality Instrument Specialist). Includes salaries, benefits, overheads (e.g., share of utilities, insurance, payroll, systems, etc.). Annual staff labor cost at full effort is calculated with a 40-hour work week and 52 weeks per year.

2. Rule 1466 Notification Fee

Rule 1466 is a new rule which was adopted on July 7, 2017 and amended on December 1, 2017. The purpose of Rule 1466 is to minimize off-site fugitive dust emissions containing toxic air contaminants. Rule 1466 requires a facility to provide notifications to SCAQMD prior to beginning earth-moving activities and when ambient PM10 dust concentration limits are exceeded at Rule 1466 sites.

In order to recover costs incurred by SCAQMD, staff is proposing to amend Rule 301(x) for the purpose of adding a new fee for Rule 1466 notifications. The proposed fee for the Rule 1466 notification would be $62.92 per notification. Updated notifications will not be subject to this proposed fee.

The industries potentially affected by this notification fee are described in the Final Staff Reports for Proposed Rule 1466 (July 2017) and Proposed Amended Rule 1466 (December 2017). The majority of potentially affected sites are within the manufacturing sector (NAICS 31-33), many are also within the administrative and waste management services sector (NAICS 56), and the public administration sector (NAICS 92). Potentially affected sites may also be in the utilities (NAICS 22), transportation (NAICS 48), and real estate and leasing (NAICS 53) sectors.

The fee impact of this proposed is amendment is estimated based on the average annual number of sites affected by this rule as described in the Final Staff Report for PAR 1466 (December 2017), which is 10 per year. It is assumed that a site that complies with Rule 1466 requirements will need to notify SCAQMD only prior to the beginning of earth-moving activities and will not have a PM_{10} exceedance. Therefore, the affected site will not be required to submit more than one notification subject to the proposed fee. Thus, the annual cost of this proposed amendment is estimated to be $629 ($62.92/notification × 1 notification/year/site × 10 sites).

3. Facility Permit Reissuance Fees for RECLAIM Transition

In order to recover costs incurred by SCAQMD, staff is proposing to add a new fee for work performed to transition facilities that will be exiting the NOx RECLAIM program in accordance with Regulation XX and Regulation XI. In addition, staff is proposing provisions to recover costs related to work performed following transition from the NOx RECLAIM program for any facility that voluntarily elects to convert a transitioned facility permit to conventional command and control equipment-based permits. The initial flat fee and additional time and materials (T&M) fee schedule are shown in Tables 2 and 3.

Table 2: Initial Flat Fee Schedule for RECLAIM Transition

Number of Permitted RECLAIM NOx Sources	Non-Title V	Title V
Less than 10	$2,232	$3,160
Greater than or equal to 10 and less than 20	$4,651	$6,320
20 or more	$13,023	$21,067

Table 3: Hourly Fee Rates for Additional T&M for RECLAIM Transition

	Non-Title V		Title V	
Number of Permitted RECLAIM NOx Sources	Begin Charging Hourly Rate After (hrs)	T&M Rate ($/hr)	Begin Charging Hourly Rate After (hrs)	T&M Rate ($/hr)
Less than 10	12	$186.04	15	$210.67
Greater than or equal to 10 and less than 20	25	$186.04	30	$210.67
20 or more	70	$186.04	100	$210.67

The facilities potentially affected by this proposed amendment are the universe of NOx RECLAIM facilities. There are about 250 such facilities which span across many industries of the regional economy (Table A1). The majority of the facilities are in the manufacturing sector (NAICS 31-33), followed by the utilities sector (NAICS 22), and the transportation and warehousing sectors (NAICS 48-49). These facilities are located within all the four counties within SCAQMD's jurisdiction.

The number of NOx RECLAIM facilities, both non-Title V and Title V, are categorized by the number of permitted RECLAIM NOx sources in Table 4, which corresponds with the fee schedules given in Tables 2 and 3. For ease of reference in this fee impact analysis, facilities with less than 10 permitted RECLAIM NOx sources are categorized as "small", those with 10 or more and less than 20 are categorized as "medium", and those with 20 or more are categorized as "large". The initial flat fee depends on a facility's size and whether or not is a Title V facility. The additional T&M fee is an hourly rate and only depends on whether or not the facility is Title V.

The fee impact of this proposed amendment is estimated based on the anticipated schedule for the sunsetting of NOx RECLAIM program. It is expected that permits will be transitioned for half of the facilities in each category during FY 2018-19 and the remaining half during FY 2019-2020. In addition, there are additional time and materials (T&M) fees that must be paid for permit processing that require more staff time than the hourly thresholds described in Rule 301(l)(16). As a conservative estimate intended not to underestimated cost and impacts, it is assumed that half of small facilities will require additional T&M charges and 75 percent of medium and large facilities will require an additional T&M charge. It is further assumed that the amount of T&M fees for a facility that requires it will be 50 percent of the base rate of hours.

Table 4: Number of Affected Facilities and Estimated Cost of Permit Transition Fee

Facility Size (Number of Permitted RECLAIM NOx Sources)	# of Facilities			Fees				
	Non-Title V	Title V	Total	Non-Title V	Title V	FY 2018-19	FY 2019-20	Total
Less than 10 (Small)	98	81	179	$272,363	$320,745	$298,924	$294,184	$593,108
10 or more and less than 20 (Medium)	13	28	41	$81,393	$240,164	$164,266	$157,290	$321,556
20 or more (Large)	4	25	29	$65,114	$726,812	$411,763	$380,163	$791,926
Total	**115**	**134**	**249**	**$418,869**	**$1,287,720**	**$874,953**	**$831,636**	**$1,706,589**

The total fee impact is estimated to be about $875,000 during FY 2018-19 and $832,000 during FY 2019-20. The total amount for the two year period is $1.71 million, of which about $419,000 is estimated to be paid by non-Title V facilities and $1.28 million is estimated to be paid by Title V facilities. Twenty-nine large facilities are estimated to pay the largest amount of fees at $792,000, followed by 179 small facilities with about $593,000 and 41 medium facilities with about $321,000, over the two year period.

4. Periodic Assessment Fees of an Existing Non-RECLAIM CEMS, FSMS, or ACEMs

In order to recover costs incurred by the SCAQMD, staff is proposing to add a new fee associated with SCAQMD periodic assessments of non-RECLAIM CEMS, FSMS, and ACEMS. The proposed fee for the periodic assessment would be $907.51, plus an additional fee of $172.01 per hour for time spent on the evaluation in excess of 10 hours up to a maximum total fee of $5,738.49.

The non-RECLAIM facilities affected by this proposed amendment are classified within many different sectors of the regional economy (see Appendix, Table A1). The majority of facilities are in the utilities sector (NAICS 22), followed by the manufacturing sector (31-33). This fee will also apply to current RECLAIM facilities once they have transitioned out of the NOx RECLAIM program, pursuant to the applicable rule. These facilities are located in all the four counties within SCAQMD's jurisdiction.

Staff has estimated that there would be five to 10 assessments subject to this fee per year, and the fee amount would not exceed the minimum processing fee as it is expected that no more than 10 hours of staff evaluation time would be required for each assessment. The fee impact for this proposed amendment is estimated based on the higher-end estimate of 10 assessments and the minimum fee of $907.51, and is therefore estimated to be approximately $9,075 per year.

5. <u>Fees for Clean Air Solvent (CAS) and Clean Air Choice Cleaner (CACC) Voluntary Certification</u>

In order to recover costs incurred by SCAQMD, staff is proposing to increase the fees charged when facilities voluntarily seek certification under the CAS and CACC programs administered by SCAQMD. The CAS certification fee will be increased from $835.46 to $1503.77, plus additional fees assessed at the rate of $135.77 per hour for time spent on the analysis/certification process in excess of 12 hours. The CACC certification fee will be increased from $880.18 to $1503.77, plus an additional fee of $300 for quantification of total nitrogen, total phosphorous, and trace metals by a contracting laboratory and additional fees assessed at the rate of $135.77 per hour for time spent on the analysis/certification process in excess of 12 hours.

Based on information from past program participants, applicants with products for certification are formulators who buy off-the-shelf components and combine them in a manner suitable for the product's intended use. They may also be resellers or consultants who buy products from elsewhere and relabel them for use within SCAQMD's jurisdiction. Businesses involved in these types of operations are best classified as Chemical Manufactuers (NAICS 327) and Chemical and Allied Products Merchant Wholesalers (NAICS 4246). Past program information indicates that none of the applicants are facilities located within SCAQMD's jurisdication.

The increase in certification fees for CAS and CACC samples is $668.31 ($1503.77-$835.46) and $623.59 ($1503.77-$880.18), respectively. CACC samples will be charged an additional $300 fee for the additional analysis that is contracted out to an third-party lab. It is expected that all samples will be billed at the flat rates. Data from the past five years of the certification program shows an average of 10 CAS samples per year and average of 5 CACC samples per year. Based on this information the fee impact is estimated to be $6,683 from CAS samples and $4,618. Taken together this yields an estimate of $11,301 as the annual fee impact for this proposed amendment.

6. <u>Annual Review/Renewal of R1105.1, R1118, and R1123 Compliance Plans</u>

In order to recover costs incurred by SCAQMD, staff is proposing new fees based on the addition of three types of compliance plans to Rule 306(h). The compliance plans being added to the rule include: Rule 1105.1 (Reduction of PM10 and Ammonia Emissions from Fluid Catalytic Cracking Units), Rule 1123 (Refinery Process Turnarounds), and Rule 1118 (Flare Monitoring and Recording Plan). Thus, non-Title V facilities with these newly added plans will have to pay an annual fee of $406.79; Title V facilities with these newly added plans would have to pay an annual fee of $460.64 for FY 2018-19 and $509.74 for FY 2019-20 and thereafter.

The potentially affected facilities are estimated based on the facilities with current plans that will begin to billed annually under the proposed amendments. These facilities are all classified as Title V and are comprised of nine petroleum refineries (NAICS 324110) and three industrial gas manufacturing facilities (NAICS 325120). All facilities are located within Los Angeles county.

The fee impact of this proposed amendment is estimated based on the Title V fee rate, which is applicable to all twelve affected facilities. The fee impact is estimated to be $5,528 for FY 2018-19 and increases to $6,117 thereafter, due to the increase in the Title V fee rate.

7. Public Notice Publication Fees

The proposed amendment to Rule 301 subparagraphs (j)(4)(A) and the proposed renumbered (m)(6)(A) would allow SCAQMD to bill the actual cost invoiced for public notice publication to a facility subject to the public noticing requirement and electing to pay SCAQMD to arrange for publication of its public notice. This is a change from the current fee schedule in Table IIB (Rule 301), which may not fully cover the invoiced amount of public notice publication.

Facilities potentially affected by this proposed amendment are any which may be subject to a public noticing requirement. Based on past data where SCAQMD arranged for publication of public notices, the affected industries are estimated. Table A1 in the Appendix shows number of affected facilities by industry that have had SCAQMD administer public notices for them during 2016-2107. The majority of facilities (59) are classified within the manufacturing sector (NAICS 31-33). This is followed by the services sector (NAICS 54-81), with 27 facilities, and the utilities sector with 15 facilities. These facilities are located within all the four counties within SCAQMD's jurisdiction.

The fee impact of this proposed amendment is estimated based on historical fee information from 2016 and 2017 (Table 5). These data show that the average revenue received from facilities over this two year period was about $80,200, while the average amount paid to publishers was about $111,000, implying a deficit of about $31,000 on average to SCAQMD for public notice publication. As this proposed amendment would equate the amount SCAQMD pays to publishers to the revenue facilities pay, the fee impact is estimated to be the historical average amount of the deficit, or about $31,000 per year.

Table 5: Public Notice Publication Revenue and Cost

	2016	**2017**	**Average**
Revenue from facilities	$74,241	$86,156	$80,198
Payments to publishers (Cost)	$81,945	$140,164	$111,055
Deficit	**-$7,704**	**-$54,008**	**-$30,856**

8. Fees for Optional Catalyst Equivalency Evaluation

In order to recover costs incurred by SCAQMD, staff is proposing to add a new fee for work performed on Catalyst Equivalency Evaluations. The new fee proposed by this amendment will be based on time incurred, billed at the hourly rate of $155.80 for non-Title V facilities, and for Title V facilities, the hourly rate would be $176.42 in FY 2018-19 and $195.23 in FY 2019-20 and thereafter.

The facilities affected by this proposed amendment are all facilities with active Selective Catalytic Reduction (SCR) permits. These facilities are classified within many sectors of the regional economy. Table A2 in the Appendix shows the number of affected facilities by industry classification. The greatest number of affected facilities are classified within the utilities sector (NAICS 22), this is followed by manufacturing sector (NAICS 31-33).

A typical review is expected to take approximately 15 hours. Therefore, the expected cost per evaluation is estimated to range between $2,300 and $3,000, depending on the applicable fee rate and the actual review time. Even though this is a new fee, it will serve to reduce overall costs for a facility over time. Without this proposal, facilities are currently required to submit a permit modification application every time they replace the catalyst on their SCRs. Though this new fee is expected to result in cost-savings over time for affected facilities, for purposes of the analysis it is conservatively assumed to result in no revenue change from the status quo.

9. AB 2588 Potentially High Risk Facilities Fees

In order to recover costs incurred by SCAQMD, staff is proposing to add new fees for the work undertaken by AB 2588 staff in determining Rule 1402 compliance for facilities designated as a Potentially High Risk Level Facility, as defined under Rule 1402. The proposed Potentially High Risk Level Facility Fees would be assessed on a T&M basis at the hourly rate of $172.88. A maximum of $100,000 per year per facility is also proposed for the Potentially High Risk Level Facility Fees to provide cost certainty for the affected facilities.

The facilities affected by this proposed amendment are those currently designated as Potentially High Risk Facilities, pursuant to Rule 1402. There are currently three facilities with this designation. These facilities are classified within the Fabricated Metal Manufacturing (NAICS 332) and Petroleum and Coal Products Manufacturing (NAICS 324) industries and are all located in Los Angeles county.

The fee impact will be based on the number of hours that are charged at the T&M fee rate of $172.99, with a cap of $100,000 per facility. Based on the review time for the three currently designated Potentially High Risk Level Facilities, it is not expected that staff would spend more than 600 hours of review time per year per facility. However, it is conservatively assumed here for purposes of socioeconomic analysis that the fee impact would be the $100,000 maximum per facility resulting in an estimated $300,000 per year for all three Potentially High Risk Level Facilities.

10. AB 2588 Special Reviews Fees

In order to recover costs incurred by SCAQMD, staff is proposing to add new fees related to the preparation or revision of an Air Toxics Inventory Report (ATIR) pursuant to Rule 1402, and to increase the current fee rate beyond the CPI adjustment for the preparation or revision of a Health Risk Assessment (HRA) pursuant to Rule 1402. The Fee would be assessed at the hourly rate of $150.62.

The facilities potentially affected under this proposed amendment would be any AB 2588 facility with a submitted air toxics inventory report that is prepared or revised by District personnel or a contractor engaged by the district. AB2588 facilities belong to many different sectors of the regional economy. The number of these facilities by industry classification is provided in Table A1 of the Appendix. The greatest number of facilities (200) are classified within the manufacturing sector (NAICS 31-33), followed by the services sector (NAICS 54-81), with 64 facilities.

The fee impact for this proposed amendment is conservatively estimated to be $20,000 per ATIR that needs to be prepared or revised by staff, based on a consultant's recent bid or about 150 hours of staff time. It is further conservatively assumed that there will be no more than three special reviews conducted during a year. Historically there has only been one HRA that has been subject to special review. Based on this information, the annual fee impact for this proposed amendment is estimated to be $60,000.

SUMMARY OF FEE IMPACTS OF PAR III

Of the ten proposed amendments with fee impacts, nine are estimated to result in positive fee increases for facilities, and one to result in fee savings for facilities. The fee impacts by proposed amendment are shown in Table 4 for FY 2018-19, FY 2019-20, FY 2020-21 and thereafter, and an annual average over 2018-2027. The average annual fee impact shown in Table 6 considers the cost over a 10-year period used for the analysis in this assessment. The annual average fee impacts over a 10-year horizon allows for comparison of the fee impacts of proposed amendments over a period of time by accounting for fees that may vary over time or are zero for certain years. The fee impacts in total are estimated be $1.29 million in FY 2018-19, $5.82 million in FY 2019-20, and $4.99 million in FY 2020-21. The Refinery-related Community Air Monitoring System Annual O&M Fees is the proposed amendment with the greatest fee impact. Other proposed amendments result in small fee impacts relative to the community air monitoring fee.

Table 6: Estimated Fee Impacts by Proposed Amendment

	Annual Fee Impact			
Proposed Amendment	**FY 2018-2019**	**FY2019-2020**	**FY 2020-2021 and thereafter**	**Average Annual[2] (2018-2027)**
Refinery-Related Community Air Monitoring System Annual O&M Fees	$0	$4,573,202	$4,573,202	$4,115,881
Rule 1466 Notification Fee	$629	$629	$629	$629
Facility Permit Reissuance Fees for RECLAIM Transition[1]	$874,953	$831,636	$0	$177,330
Periodic Assessment Fees for an Existing Non-RECLAIM CEMS, FSMS, or ACEMS	$9,075	$9,075	$9,075	$9,075
CAS and CACC Certification Fees	$11,301	$11,301	$11,301	$11,301
Annual Review/Renewal Fee for Rule 1105.1, Rule 1118, and Rule 1123 Compliance Plans	$5,528	$6,117	$6,117	$6,058
Public Notice Publication Fees	$31,000	$31,000	$31,000	$31,000
Fees for Optional Catalyst Equivalency Evaluation[3]	$0	$0	$0	$0
AB2588 Potentially High Risk Level Facility Fees	$300,000	$300,000	$300,000	$300,000
AB2588 Special Review Fees	$60,000	$60,000	$60,000	$60,000
Total	**$1,292,486**	**$5,822,960**	**$4,991,323**	**$4,711,274**

[1] Fees incurred during RECLAIM transition only. The transition is expected to be completed by the end of FY 2019-20.
[2] This is the average of annual fee impacts over a ten year horizon. It accounts for fees that may vary over time or are zero for certain years.
[3] This proposed amendment is expected to result in fee reduction for affected facilities, but is conservatively assumed to have no fee impact here for purposes of analysis.

As discussed in the previous section, the fee impacts from PAR III are estimated to be incurred by all industries within the regional economy. Table 7 shows the distribution of these fee impacts by industry, by FY and on average annually over a 10-year horizon. The manufacturing sector as a whole would incur the largest increase in fees with $0.84 million in FY 2018-19, $5.39 million in FY 2019-2020, and $4.93 million in FY 2020-21 and thereafter, which comprises a 97% share of the fee impacts of PAR III on average. Within the manufacturing sector the petroleum and coal products manufacturing industry (NAICS 324) will incur a 90% share of the fee impacts, primarily as a result of the refinery related community monitoring system O&M fees that will be incurred by facilities in this industry.

Table 7: Fee Impact of the PAR III by Industry

Industry	NAICS	Fee Impact of PAR III				
		FY 2018-2019	FY 2019-2020	FY 2020-2021 and thereafter	Average Annual (2018-2027)	Share of Fee Impact
Agriculture, Forestry, Fishing & Hunting	**111-115**	**$0**	**$0**	**$0**	**$0**	**0.0%**
Mining	**21**	**$63,526**	**$60,395**	**$277**	**$12,613**	**0.3%**
Oil and Gas Extraction	211	$45,902	$43,640	$221	$9,131	0.2%
Mining (except oil and gas)	212-213	$17,625	$16,755	$55	$3,482	0.1%
Construction	**23**	**$0**	**$0**	**$0**	**$0**	**0.0%**
Manufacturing	**31-33**	**$843,107**	**$5,392,890**	**$4,931,984**	**$4,569,187**	**97.4%**
Food Manufacturing	311	$37,011	$35,271	$1,872	$8,726	0.2%
Wood Products Manufacturing	321	$140	$140	$140	$140	0.0%
Petroleum and Coal Products Mfg.	324	$206,662	$4,775,782	$4,688,944	$4,249,400	90.6%
Chemical Manufacturing	325	$59,376	$56,914	$6,815	$17,081	0.4%
Nonmetallic Mineral Product Mfg.	327	$34,444	$32,878	$2,819	$8,988	0.2%
Primary & Fabricated Metal Mfg.	331-332	$312,152	$307,281	$213,764	$232,954	5.0%
Machinery Manufacturing	333	$3,686	$3,512	$172	$858	0.0%
Computer and Electronic Product Mfg.	334	$22,539	$21,495	$1,455	$5,568	0.1%
Electrical Equipment & Appliance Mfg.	335	$4,884	$4,710	$1,370	$2,056	0.0%
Motor Vehicle & Trans. Equipment Mfg.	336	$51,007	$48,746	$5,327	$14,237	0.3%
Other Manufacturing	312-339	$111,205	$106,160	$9,303	$29,179	0.6%
Utilities	**22**	**$163,168**	**$155,861**	**$15,585**	**$44,371**	**0.9%**
Transportation & Warehousing	**48-49**	**$66,896**	**$63,765**	**$3,647**	**$15,983**	**0.3%**
Information	**51**	**$3,514**	**$3,340**	**$0**	**$685**	**0.0%**
Publishing Industries, Except Internet	511	$0	$0	$0	$0	0.0%
Motion Picture & Sound Recording	512	$0	$0	$0	$0	0.0%
Internet Services and data processing	518, 519	$0	$0	$0	$0	0.0%
Other Information	Other in 51	$3,514	$3,340	$0	$685	0.0%
Wholesale Trade	**42**	**$3,875**	**$3,702**	**$362**	**$1,047**	**0.0%**
Retail Trade	**44-45**	**$10,962**	**$10,441**	**$421**	**$2,477**	**0.1%**
Car & Parts Dealers	441	$0	$0	$0	$0	0.0%
Gas Stations	447	$0	$0	$0	$0	0.0%
Other Retail Trade	Other in 44-45	$10,962	$10,441	$421	$2,477	0.1%
Finance and Insurance	**52**	**$3,514**	**$3,340**	**$0**	**$685**	**0.0%**
Real Estate and Rental Leasing	**53**	**$7,364**	**$7,016**	**$336**	**$1,707**	**0.0%**
Services	**54-81**	**$58,782**	**$56,868**	**$20,129**	**$27,668**	**0.6%**
Professional and Technical Services	54	$8,170	$7,822	$1,143	$2,513	0.1%
Accommodation	721	$10,597	$10,075	$55	$2,111	0.0%
Food Services & Drinking Places	722	$0	$0	$0	$0	0.0%
Automotive Repairs & Maintenance	8111	$0	$0	$0	$0	0.0%
Dry Cleaning & Laundry Services	8123	$0	$0	$0	$0	0.0%
Health Care & Social Assistance	62	$6,761	$6,761	$6,761	$6,761	0.1%
Other Services	Other in 54-81	$33,254	$32,210	$12,170	$16,283	0.3%
Public Administration	**92**	**$13,545**	**$13,023**	**$3,003**	**$5,059**	**0.1%**
Unclassified**	**N/A**	**$42,303**	**$40,390**	**$3,651**	**$11,190**	**0.2%**
Totals		**$1,280,556**	**$5,811,030**	**$4,979,393**	**$4,692,673**	**100.0%**

*Excludes the fee impacts of R1466 Notification Fees, which are minimal, and CAS and CCAC fees, which are not expected to be incurred by facilities within SCAQMD's jurisdiction.

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

MACROECONOMIC IMPACTS ON THE REGIONAL ECONOMY

The REMI model (PI+ v2.1.2) was used to assess the total socioeconomic impacts of PAR III fee increases and the corresponding SCAQMD revenue increase. It links the economic activities in the counties of Los Angeles, Orange, Riverside, and San Bernardino, and for each county, it is comprised of five interrelated blocks: (1) output and demand, (2) labor and capital, (3) population and labor force, (4) wages, prices and costs, and (5) market shares.[1]

The assessment herein was performed relative to a baseline scenario where none of the PAR III fee increases are implemented. PAR III would create a policy scenario under which the affected facilities would incur additional estimated annual costs of $1.29 million in FY 2018-19, $5.82 million in FY 2019-20, and $4.99 million in FY 2020-21 and following years (Table 6). As these fee increases are recommended for cost recovery purposes of mostly-mandated existing and future activities, the baseline scenario represents a situation where SCAQMD is not able to fully cover its costs and is in a deficit situation. For purposes of the macroeconomic impact analysis, the estimated fee increase was converted from FY to calendar year and was analyzed for a 10-year period from 2018 to 2027, where the highest level of fee increase is realized by 2021 and is held constant for following years of the analysis horizon. The macroeconomic impact analysis is based on the real dollar value of fees, therefore it assumes the implementation of Rule 320 in all years of the analysis horizon.

The impact of the proposed new fees and fee rate increases was simulated with the REMI model using estimates of the fee increase, along with the corresponding increase in SCAQMD revenue. The estimated increase in fees by industry (Table 7) were input into the REMI model as an increase in production cost for the affected industries.[2] The resulting increase in SCAQMD revenue was input in the REMI model as an increase in local government spending, distributed by the proportion of population in each of the four counties.[3] This modeling approach assumes a balanced government budget, where an increase in revenue, relative to the baseline scenario, must be equivalent to an increase in

[1] Within each county, producers are made up of 66 private non-farm industries, three government sectors, and a farm sector. Trade flows are captured between sectors as well as across the four counties and the rest of U.S. Market shares of industries are dependent upon their product prices, access to production inputs, and local infrastructure. The demographic/migration component has 160 age/gender/race/ethnicity cohorts and captures population changes in births, deaths, and migration. (For details, please refer to REMI online documentation at http://www.remi.com/products/pi.)

[2] CAS & CACC fees and public notice publication fees may include cost elements that are associated with work performed by a third party. However, SCAQMD has been paying and will continue to pay the invoiced amount billed to the District by the third-party. Therefore, there will be no change in sales for the third-party.

[3] Instead of using the default “local government spending” policy variable in REMI, staff elected to use a “custom local government spending” policy variable that it considers to more accurately reflect the SCAQMD spending portfolio. This custom policy variable has a lower proportion of local government spending going into the construction industry and proportionately allocates the difference to local government and professional services sectors. The simulation using this custom policy variable results in a prediction of a lower net job gain than would have been found with the default policy variable. This follows the approach taken in the Socioeconomic Assessment of the PAR III Fees from June 2017.

government spending.[4] In addition, there are certain cost elements of the operation and maintenance of refinery-related community air monitoring systems that are not associated with work performed by SCAQMD staff, as described in Table 1. Accordingly, these costs are modeled as an increase in spending for corresponding industries. This includes spending on operational needs such as utilities, equipment rental, and real estate leases, which will increase sales (Table 8).

Table 8: Community Monitoring Industries Incurring Cost vs. Benefiting from Spending

Source of Recurring Community Monitoring Costs	REMI Industries Incurring Compliance Costs (NAICS)	REMI Industries Benefitting from Compliance Spending (NAICS)
Equipment Installation and Calibration	Petroleum Refineries (324110)	*Recurring Cost:* Professional, Scientific, and Technical Services (54)
Real estate lease		*Recurring Cost:* Real Estate (531)
Operations - Utilities		*Recurring Cost:* Utilities (21)
Operations - Equipment rental		*Recurring Cost:* Rental and lease (532)
Operations – Labor (community monitoring)		*Recurring Cost:* Public Administration (92)[3]

Employment

Based on these inputs into the REMI model, the macroeconomic impacts of the estimated fee increases on the regional economy were simulated. The total effect on jobs consists of the effect on the directly affected sectors combined with the indirect and induced effects, which result as increased industry costs and government spending cascade through the regional economy. The overall PAR III fee increases are projected to lead to a net gain of 57 jobs on average per year above the baseline scenario job forecast from 2018 to 2027 (Table 9). The net gain of jobs is a result of a gain in jobs from increased SCAQMD spending and foregone jobs in the industries most affected by the proposed fee increases. The foregone jobs are most concentrated in the mining, oil and gas extraction sector with two jobs foregone followed by the manufacturing sector with one job foregone. These jobs foregone either occur in industries most significantly affected by the fee increase or industries which are significant intermediate suppliers to the affected industries. The jobs gained from the increase in SCAQMD spending are most highly concentrated in the local government sector, which includes SCAQMD and all other local government agencies in the region, along with gains in industries servicing the local government sector, such as professional, scientific, and technical services. It also includes job gains in sectors related to the O&M of refinery-related community monitoring sites, aside from the government sector.

[4] This increase in revenue and equivalent increase in spending is relative to the baseline scenario, where SCAQMD is not fully recovering cost and is in a deficit situation.

Table 9: Projected Job Impacts of Proposed Fee Rate Increases by Sector

Sector	NAICS	Jobs			Average Annual (2018-2027)		
		2019	2023	2027	Jobs	Baseline Jobs	% Change
Agriculture, Forestry, Fishing, and Related Activities	11	0	0	0	0	29,915	0.000%
Mining, Oil and Gas Extraction	21	0	-2	-3	-2	22,782	-0.008%
Utilities	22	0	0	0	0	19,655	0.000%
Construction	23	0	2	-1	1	509,373	0.000%
Manufacturing	33	-1	-1	-2	-1	619,897	0.000%
Wholesale Trade	42	0	0	0	0	520,619	0.000%
Retail Trade	44-45	0	2	1	2	1,019,074	0.000%
Transportation and Warehousing	48-49	0	1	0	1	418,732	0.000%
Information	51	0	0	0	0	345,931	0.000%
Finance and Insurance	52	0	2	1	2	493,492	0.000%
Real Estate and Rental and Leasing	53	0	2	2	2	596,142	0.000%
Professional, Scientific, and Technical Services	54	1	11	9	9	887,699	0.001%
Management of Companies and Enterprises	55	0	-1	-1	0	118,339	0.000%
Administrative and Waste Management Services	56	1	4	3	3	827,079	0.000%
Educational Services	61	0	1	1	1	258,452	0.000%
Health Care and Social Assistance	62	1	5	4	4	1,398,071	0.000%
Arts, Entertainment, and Recreation	71	0	0	0	0	362,362	0.000%
Accommodation and Food Services	72	0	3	3	3	816,264	0.000%
Other Services, except Public Administration	81	0	2	2	2	740,108	0.000%
State and Local Government	92	10	36	34	31	1,038,452	0.003%
Total		**13**	**68**	**54**	**57**	**11,042,436**	**0.001%**

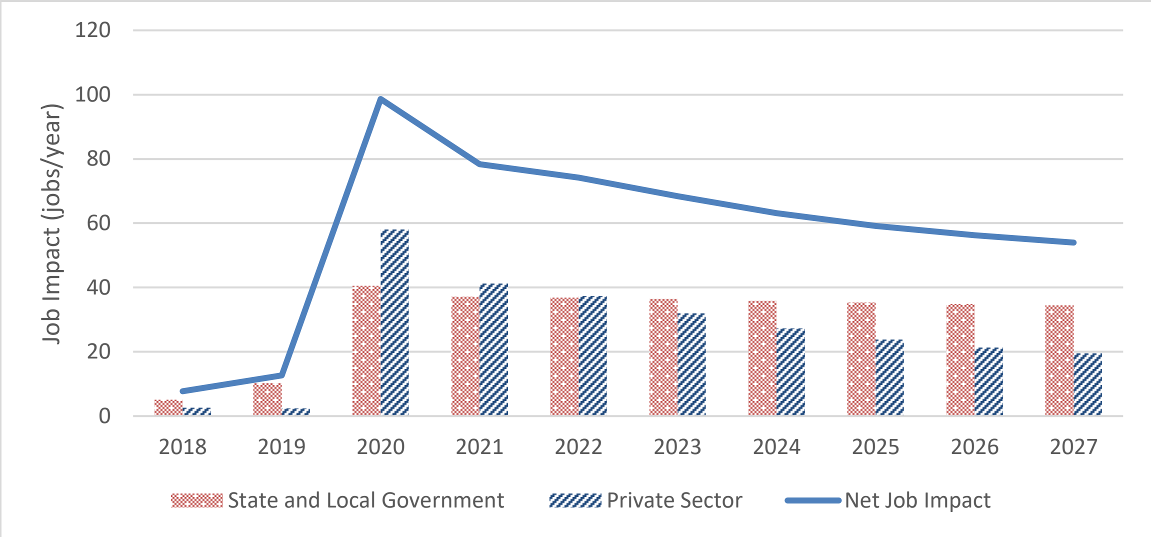
It should be noted that, as the baseline scenario represents a deficit situation for SCAQMD, direct job gains estimated for the local government sector include potentially prevented staffing reductions, which may occur if the deficit situation continues at SCAQMD. At the same time, the sector's direct job gains may also include new positions added to perform new and/or expanded program functions to meet recently adopted SCAQMD rules and state mandates. However, the potential employment impact pertinent to SCAQMD is not specifically considered in this job impact analysis due to modeling constraints.[5] Overall, these changes in jobs are very small relative to the size of the regional economy (11.1 million payroll and self-employment jobs), representing a change of about 0.001 percent.

Figure 1 illustrates the net change in jobs over the 2018-2027 time period. The first year impact of approximately eight job gains increases to about 99 jobs in the third year due to the increased spending from the community air monitoring O&M spending. Following

[5] As common in economic modelling, each economic sector is represented by the average behavior of all entities belonging to that sector. Therefore the REMI model's representation of an average local government agency will not precisely predict any specific staffing changes, timing of changes, nor specific labor costs of SCAQMD.

2020, the net job gains will diminish, as jobs foregone in the affected industries increase and local government job decrease.

Figure 1: Job Impacts of the Proposed Amendments by Year



CONCLUSION

Based on the proposed amendments, the fee impact of PAR III is estimated to be $1.29 million in FY 2018-19, $5.82 million in FY 2019-20, and $4.99 million in FY 2020-21 and thereafter. The manufacturing sector is estimated to incur the greatest increases in fees, followed by the utilities sector. Based on the estimated fee increases by industry and the corresponding increases in SCAQMD revenue, the macroeconomic job impact of the estimated fee increase was simulated. The job impact analysis projects a net gain in jobs over the 2018-2027 period relative to the baseline scenario, resulting primarily from prevented job losses and job gains in local government and jobs foregone in mining and oil and gas extraction and manufacturing. Ultimately, the projected job impact is very small relative to the regional economy, representing a change of about 0.001 percent.

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APPENDIX

Table A1: Estimated Number of Affected Facilities by Proposed Amendment

Industry	NAICS	R1180 Community Monitoring Fees	RECLAIM Transition	Non-RECLAIM, CEMS, FSMS, ACEMS	R1105.1, 1118, 1123 Compliance Plans	Public Notice Publication	Optional Catalyst Equivalency Evaluation	AB2588 Potentially High Risk Facilities	AB2588 Special Review Fees
Agriculture, Forestry, Fishing & Hunting	**111-115**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Mining	**21**	**0**	**18**	**5**	**0**	**0**	**4**	**0**	**35**
Oil and Gas Extraction	211	0	13	4	0	0	4	0	24
Mining (except oil and gas)	212-213	0	5	1	0	0	0	0	11
Construction	**23**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3**
Manufacturing	**31-33**	**8**	**138**	**32**	**12**	**59**	**33**	**3**	**200**
Food Manufacturing	311	0	10	5	0	2	3	0	6
Wood Products Manufacturing	321	0	0	0	0	1	0	0	0
Petroleum and Coal Products Mfg.	324	8	26	11	9	21	15	1	27
Chemical Manufacturing	325	0	15	3	3	4	6	0	24
Nonmetallic Mineral Product Mfg.	327	0	9	4	0	3	1	0	11
Primary & Fabricated Metal Mfg.	331-332	0	28	0	0	9	3	2	66
Machinery Manufacturing	333	0	1	0	0	0	0	0	1
Computer and Electronic Product Mfg.	334	0	6	0	0	2	0	0	6
Electrical Equipment & Appliance Mfg.	335	0	1	1	0	1	0	0	6
Motor Vehicle & Trans. Equipment Mfg.	336	0	13	1	0	7	1	0	20
Other Manufacturing	312-339	0	29	7	0	12	4	0	33
Utilities	**22**	**0**	**42**	**43**	**0**	**15**	**39**	**0**	**53**
Transportation & Warehousing	**48-49**	**0**	**18**	**2**	**0**	**4**	**1**	**0**	**14**
Information	**51**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**5**
Publishing Industries, Except Internet	511	0	0	0	0	0	0	0	0
Motion Picture & Sound Recording	512	0	0	0	0	0	0	0	5
Internet Services and data processing	518, 519	0	0	0	0	0	0	0	0
Other Information	Other in 51	0	1	0	0	0	0	0	0
Wholesale Trade	**42**	**0**	**1**	**4**	**0**	**1**	**2**	**0**	**19**
Retail Trade	**44-45**	**0**	**3**	**0**	**0**	**2**	**2**	**0**	**9**
Car & Parts Dealers	441	0	0	0	0	0	0	0	0

Industry	NAICS	R1180 Community Monitoring Fees	RECLAIM Transition	Non-RECLAIM, CEMS, FSMS, ACEMS	R1105.1, 1118, 1123 Complian ce Plans	Public Notice Publication	Optional Catalyst Equivalency Evaluation	AB2588 Potentially High Risk Facilities	AB2588 Special Review Fees
Gas Stations	447	0	0	0	0	0	0	0	0
Other Retail Trade	Other in 44-45	0	3	0	0	2	2	0	9
Finance and Insurance	**52**	**0**	**1**	**0**	**0**	**0**	**1**	**0**	**0**
Real Estate and Rental Leasing	**53**	**0**	**2**	**1**	**0**	**1**	**2**	**0**	**2**
Services	**54-81**	**0**	**11**	**30**	**0**	**27**	**22**	**0**	**64**
Professional and Technical Services	54	0	2	0	0	1	1	0	5
Accommodation	721	0	3	1	0	0	0	0	0
Food Services & Drinking Places	722	0	0	0	0	0	0	0	0
Automotive Repairs & Maintenance	8111	0	0	0	0	0	0	0	0
Dry Cleaning & Laundry Services	8123	0	0	0	0	0	0	0	0
Health Care & Social Assistance	62	0	0	8	0	9	8	0	22
Other Services	Other in 54-81	0	6	21	0	17	13	0	37
Public Administration	**92**	**0**	**3**	**5**	**0**	**1**	**8**	**0**	**15**
Unclassified*	**N/A**	**0**	**11**	**42**	**0**	**4**	**1**	**0**	**2**
Totals		**8**	**249**	**164**	**12**	**111**	**115**	**3**	**421**

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