

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Draft Socioeconomic Assessment For Proposed Amendments to Regulation III–Fees May 2006

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EXECUTIVE SUMMARY

The proposed amendments to Regulation III focus on cost recovery of various source programs and clarification of existing rule language. There are two proposed options. Option One increases fee rates for permitting, annual renewal and emissions by 10 percent for each of the next three years. The increase in other fee rates will be at 3.65 percent for the fiscal year 2006-2007. The 3.65 percent fee rate increase is equal to the percentage change in the California consumer price index (CPI) between January 1, 2005 and January 1, 2006. Option Two proposes a one-year across-the-board fee rate increase at 3.65 percent.

The socioeconomic analysis herein examines the past trends of the AQMD revenue from various fees, sectoral distributions of these fees, and revenue impacts of both options.

The findings are summarized as follows:

- Despite that emissions have declined over the years, the revenue from emission fees have stabilized from 2003 to 2006.
- The manufacturing sector is the largest contributor to the AQMD emission fees, permit fees, and annual operating fees, although the share of this sector in the local economy is on the decline, parallel to the nationwide trend. The share of this sector in the revenue from emission fees, permit fees, and annual operating fees has declined since 2004.
- The top 20 emission sources contributing to emission fees are large businesses, mostly in the sector of refineries and energy.
- The amount of AQMD fees paid by each industry is small relative to the industry's production.
- AQMD revenues are expected to increase by \$2.6 million or 2.2 percent between fiscal years 2006-2007 and 2005-2006 under Option One. Excluding the one-time legal settlement of \$6.5 million for the fiscal year 2005-2006, revenues are expected to increase by \$9.1 million or 7.9 percent between fiscal years 2006-2007 and 2005-2006. Option Two would result in a revenue decrease by \$1.4 million or 1.3 percent. Excluding the one-time legal settlement of \$6.5 million for the fiscal year 2005-2006, Option Two would result in a revenue increase by \$5 million or 4.4 percent between the fiscal years 2006-2007 and 2005-2006. See Tables 5 and 6 for additional information.
- Small businesses are granted with a 50 percent discount of permit fee rates. Average permit and annual renewal fees on small sources are mostly below the average of similar fee categories in other air basins under Options One and Two.

INTRODUCTION

The AQMD General Fund generates revenues from a number of sources. The majority of AQMD revenues are derived from emission fees, annual operating 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 fees, reimbursement for work associated with the AB 2588 (toxic air contaminants) fees, and civil penalties/settlements.

Table 1 lists historical fee revenue for the prior two fiscal years and estimated revenue for the current 2005-2006 fiscal year by major fee category. Estimated revenue for 2005-2006 is calculated based on the general ledger as of February 28, 2006 for the entire fiscal year. In the fiscal year 2004-2005, emission fees, annual operating fees, and permit processing fees together represented 55 percent of the AQMD's actual total revenues. These fees are expected to account for 57 percent of total estimated revenues in the fiscal year 2005-2006.

Table 1: Actual and Estimated General Fund AQMD Revenues

Revenue Category	2003-2004 Actual*	2004-2005 Actual*	2005-2006 Estimated**
Emission Fees	\$19,497,850 (18%)	\$19,434,549 (17%)	\$20,192,000 (18%)
Annual Operating Fees	\$28,487,923 (27%)	\$28,876,817 (25%)	\$31,219,000 (27%)
Permit Fees	\$11,202,036 (11%)	\$14,114,680 (13%)	\$13,560,000 (12%)
Mobile Sources/Clean Fuels	\$16,740,121 (16%)	\$20,441,982 (18%)	\$20,816,000 (18%)
Other***	\$29,950,147 (28%)	\$30,053,383 (27%)	\$28,479,300 (25%)
Total Revenues	\$105,878,077	\$112,921,411	\$114,266,300

* Audited Financial Statements, 2003-2004 and 2004-2005 [AQMD (2003, 2005)].

**Draft Budget and Draft Work Program Fiscal Year 2006-2007 [AQMD (2006a)].

***"Other" includes revenues from the ARB subvention, EPA grant, interest, lease income, source test/analysis fees, Hearing Board fees, penalties/settlements (including the one-time legal settlement of \$6.5 million), subscriptions, transportation program fees, a portion of AB 2588 fees, and miscellaneous fees.

Emissions have declined over the years as cleaner technologies were adopted. However, the revenue from emission fees have remained fairly stable in the past three years due to increases in fee rates. The estimated increase in revenue from annual operating fees in the fiscal year 2005-2006 is mainly due to the six percent fee rate increase in the fiscal year 2005-2006. Revenue increase from permit fees in the fiscal year 2004-2005 was mainly due to a 50 percent increase in expedited permit processing fee rates. The increase in mobile sources/clean fuels revenue in the fiscal year 2004-2005 was mainly due to transfer of funds from the Clean Fuel Fund to the General Fund for clean fuel projects.

REVENUE BY KEY INDUSTRY

The following sections examine the distribution of revenues from various fee categories among key industries. This analysis is designed to illustrate how much various industries would have paid in emission, permit, and annual operating fees and the share of those fees in the output of respective industries. It should be noted that this analysis has used the most recent available emission and permit data with existing fee rates to arrive at an approximate picture of current fee revenue by industry. The proposed amendments to Regulation III and their revenue impacts are also discussed in this report.

EMISSION FEES

Flat and emissions-based fees by key industry are shown in Table 2. Emission-based fees are estimated based on the existing Rule 301 emission fee rates for the fiscal year 2005-2006 and the most recent emission data from July 1, 2003 to June 30, 2004. These emissions are comprised of permitted and non-permitted emissions from the pollutants of NO_x, SO_x, ROG, TSP, CO, and specific organic gasses (SPOG) as well as toxic air contaminants listed in Table IV of Rule 301. The fiscal year 2003-2004 quarterly certification NO_x and SO_x emission data (sum of the last two quarters in 2003 and the first two quarters in 2004) were used for RECLAIM facilities. The most recent historical emissions were used because future emissions cannot be accurately projected at the industry level.

Flat emission fees are placed on any facility (\$81.89 per facility for the fiscal year 2005-2006 and beyond) with at least one active permit or open and billable permit application. Table 2 shows the amount of revenue that would have been collected for flat emission fees (\$2.2 million) and emissions-based fees (\$22.6 million) by industry.

Beginning this year, the North American Standard Industrial Classification System (NAICS) will be used to classify facilities into different industries. NAICS is a new industrial classification system that groups establishments into industries based on the activities in which they are primarily engaged. Facilities with similar production processes will be grouped together.

The services sector that is made of a large number of facilities would have a higher share of the flat emission fee. The manufacturing sector (NAICS 31-33) would have paid approximately \$17 million emissions-based fees, which represents 75.4 percent of the total emissions-based fee revenue. The petroleum and coal industry (NAICS 324) would have paid \$12.5 million (74 percent of the revenue in the manufacturing sector). The remaining manufacturing sectors would have contributed 26 percent of the emissions-based fee revenue in the manufacturing sector.

The sectors with a high concentration of small businesses, such as the retail trade and service sectors have a much smaller proportion of emissions-based fees than the sectors (e.g., manufacturing) with a lower concentration of small businesses. For example, out of the total \$22.57 million revenue from emissions-based fees, the share of the retail trade sector (which has many small businesses) would have been only \$0.28 million relative to \$17 million from the entire manufacturing sector. Similarly, the estimated emissions-based fee revenue from the service sector (NAICS 58-81) would have been only \$1.12 million.

Table 2: Estimated Emission Fee Revenue by Industry

Industry	NAICS	Flat Fee		Emissions-based Fees		
		MM\$	# of Co.	MM\$	%	# of Co.
Agriculture, Forestry, Fishing & Hunting	111	0.00	99	0.00	0.0%	3
Mining	21	0.03	341	0.41	1.8%	88
Oil and Gas Extraction	211	0.02	258	0.22	1.0%	69
Mining(except oil and gas)	212	0.01	83	0.19	0.9%	19
Construction	23	0.05	643	0.09	0.4%	53
Manufacturing	31-33	0.36	4,390	17.01	75.4%	966
Food Manufacturing	311	0.02	243	0.12	0.5%	47
Wood Products Manufacturing	321	0.01	143	0.04	0.2%	18
Petroleum and Coal Products Mfg.	324	0.02	257	12.51	55.5%	34
Chemical Manufacturing	325	0.03	317	0.58	2.6%	76
Nonmetallic Mineral Product Mfg.	327	0.02	299	0.68	3.0%	44
Primary & Fabricated Metal Mfg.	331-332	0.07	891	0.61	2.7%	232
Machinery Manufacturing	333	0.01	180	0.02	0.1%	20
Computer and Electronic Product Mfg.	334	0.02	288	0.08	0.4%	49
Electrical Equipment & Appliance Mfg.	335	0.01	121	0.01	0.1%	22
Motor Vehicle & Trans. Equipment Mfg.	336	0.02	235	0.50	2.2%	64
Other Manufacturing	312-339	0.12	1,416	1.85	8.2%	360
Utilities	22	0.07	909	1.38	6.1%	84
Transportation & Warehousing	48-49	0.03	352	0.53	2.3%	32
Information	51	0.07	867	0.03	0.1%	28
Publishing Industries, Except Internet	511	0.00	43	0.01	0.0%	15
Motion Picture & Sound Recording	512	0.01	69	0.01	0.0%	8
Internet Services	516,518	0.00	22	0.00	0.0%	0
Other Information	Other in 51	0.06	733	0.01	0.1%	5
Wholesale Trade	42	0.06	696	0.39	1.7%	77
Retail Trade	44-45	0.31	3,815	0.28	1.2%	41
Car & Parts Dealers	441	0.02	244	0.01	0.0%	10
Gas Stations	447	0.21	2,509	0.04	0.2%	12
Other Retail Trade	Other in 44-45	0.09	1,062	0.24	1.0%	19
Finance and Insurance	52	0.02	215	0.02	0.1%	7
Real Estate and Rental Leasing	53	0.05	662	0.02	0.1%	12
Services	54-81	0.72	8,823	1.12	4.9%	276
Professional and Technical Services	54	0.03	355	0.07	0.3%	23
Accommodation	721	0.02	186	0.03	0.1%	8
Food Services & Drinking Places	722	0.19	2,260	0.01	0.0%	3
Automotive Repairs & Maintenance	8111	0.17	2,122	0.46	2.0%	26
Dry Cleaning & Laundry Services	8123	0.15	1,836	0.09	0.4%	53
Health Care & Social Assistance	62	0.04	443	0.06	0.3%	46
Other Services	Other in 54-81	0.13	1,621	0.40	1.8%	117
Public Administration	92	0.10	1,253	1.10	4.9%	65
Unclassified*		0.30	3,711	0.19	0.8%	82
						0
Totals		\$2.19	26,776	\$22.57	100.0%	1,814

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

PERMIT FEES AND ANNUAL OPERATING FEES

Permit and annual operating fees by key 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. Permit fees also include other charges based on additional time and materials fees billed for AQMD staff time (if permitted by the applicable rule), and other fees as required (modeling, Title V fees, CEQA analysis fees, etc.) The fee is paid at the beginning of the permit application process. Permit fees in the analysis herein are based on the actual permit fees received from February 1, 2005 to January 31, 2006.

As Table 3 indicates, from February 1, 2005 to January 31, 2006, a total of \$14.3 million was received from 7,590 facilities that applied for permits to construct or operate. It should be noted that a facility could apply for multiple permits. The manufacturing sector paid \$5.4 million, or 38 percent of the total permit fee revenue collected. As with emission fees, for those facilities classified with NAICS codes, the majority of the permit processing fee revenue came from the manufacturing sector.

Operating permits must be renewed annually. An annual fee is assessed on the renewed permits to support continuing AQMD inspection and compliance activities and other permit related activities. A total of 27,254 facilities held annual operating permits on January 31, 2006. Using the existing annual operating fee rates, these facilities would have contributed \$31 million to the AQMD revenue (Table 3). The manufacturing sector would have had the largest share of annual operating fees, totaling \$11.7 million or 38 percent of the total annual operating fees.

TOXIC HOT SPOTS FEES

AB2588 toxic hot spots fees are calculated based on risks and priority scores for the fiscal year 2004-2005 and the existing fee rates in Table I of Rule 307.1. The total revenue (AQMD portion only) would have been \$1.31 million, of which the service sector's share is 32 percent, followed by the retail trade sector (24 percent), and manufacturing sector (9 percent).

SOURCE TESTING FEES

The revenue from source testing fees herein is based on the actual billed source test fees received by the Finance Department at the AQMD from February 1, 2005 to January 31, 2006. During this period of time, the source test fee revenue from Rules 304 and 304.1 was \$284,873. The manufacturing and utility sectors (NAICS 31-33 and 22) accounted for 64 percent of the \$284,873 revenue.

Table 3: Estimated Permit and Annual Operating Fee Revenue by Industry

Industry	Permit Fees			Annual Operating Fees		
	MM\$	%	# of Co.	MM\$	%	# of Co.
Agriculture, Forestry, Fishing & Hunting	0.08	0.6%	75	0.06	0.2%	39
Mining	0.20	1.4%	96	0.71	2.3%	342
Oil and Gas Extraction	0.14	0.9%	81	0.51	1.6%	259
Mining(except oil and gas)	0.07	0.5%	15	0.20	0.7%	83
Construction	0.20	1.4%	244	0.70	2.2%	652
Manufacturing	5.41	37.9%	1,147	11.66	37.6%	4,438
Food Manufacturing	0.31	2.1%	53	0.77	2.5%	244
Wood Products Manufacturing	0.07	0.5%	40	0.09	0.3%	149
Petroleum and Coal Products Mfg.	1.38	9.7%	68	2.63	8.5%	250
Chemical Manufacturing	0.67	4.7%	105	1.26	4.1%	322
Nonmetallic Mineral Product Mfg.	0.42	2.9%	81	1.17	3.8%	303
Primary & Fabricated Metal Mfg.	0.74	5.2%	247	2.05	6.6%	893
Machinery Manufacturing	0.05	0.4%	21	0.20	0.6%	184
Computer and Electronic Product Mfg.	0.27	1.9%	63	0.67	2.2%	288
Electrical Equipment & Appliance Mfg.	0.09	0.6%	18	0.25	0.8%	122
Motor Vehicle & Trans. Equipment Mfg.	0.23	1.6%	56	0.46	1.5%	239
Other Manufacturing	1.18	8.2%	395	2.11	6.8%	1,444
Utilities	0.67	4.7%	212	1.00	3.2%	920
Transportation & Warehousing	0.24	1.7%	88	0.69	2.2%	355
Information	0.23	1.6%	257	0.43	1.4%	890
Publishing Industries, Except Internet	0.01	0.1%	10	0.06	0.2%	45
Motion Picture & Sound Recording	0.02	0.1%	10	0.09	0.3%	70
Internet Services	0.00	0.0%	3	0.02	0.1%	22
Other Information	0.20	1.4%	234	0.26	0.8%	753
Wholesale Trade	0.49	3.4%	151	1.28	4.1%	705
Retail Trade	1.92	13.5%	1,750	5.68	18.3%	3,944
Car & Parts Dealers	0.06	0.4%	46	0.11	0.4%	246
Gas Stations	1.52	10.6%	1,356	4.72	15.2%	2,624
Other Retail Trade	0.34	2.4%	348	0.85	2.7%	1,074
Finance and Insurance	0.03	0.2%	46	0.12	0.4%	215
Real Estate and Rental Leasing	0.16	1.1%	140	0.41	1.3%	668
Services	1.59	11.1%	1,444	4.53	14.6%	9,003
Professional and Technical Services	0.17	1.2%	80	0.45	1.5%	354
Accommodation	0.02	0.2%	21	0.15	0.5%	189
Food Services & Drinking Places	0.04	0.3%	86	0.36	1.2%	2,298
Automotive Repairs & Maintenance	0.41	2.9%	417	0.93	3.0%	2,173
Dry Cleaning & Laundry Services	0.17	1.2%	415	0.52	1.7%	1,910
Health Care & Social Assistance	0.19	1.4%	97	0.51	1.6%	446
Other Services	0.58	4.1%	328	1.62	5.2%	1,633
Public Administration	0.45	3.2%	275	0.86	2.8%	1,265
Unclassified*	2.61	18.3%	1,665	2.87	9.2%	3,818
Totals	\$14.29	100.0%	7,590	\$31.01	100.0%	27,254

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

RULE 2202 FEES

Rule 2202 (On-Road Motor Vehicle Mitigation Options) 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 AQMD 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 as their AQIP contribution. The latter goes to an escrow account which is not part of the General Fund.

The revenue from Rule 2202 fees herein is based on the actual billed Rule 2202 fees received by the Finance Department at AQMD from February 1, 2005 to January 31, 2006. During this time, \$770,003 was collected from Rule 2202 fees for ECRP, ERS, and AQIP. The service sector accounted for approximately 33 percent (\$239,738) of the Rule 2202 fee revenue. Forty percent of the revenue (\$115,307) came from the manufacturing sector.

SHARE OF MAJOR REVENUE SOURCES BY INDUSTRY

Approximately 64 percent of the AQMD's fiscal year 2005-2006 estimated revenue comes from the following major revenue categories: emission fees, annual operating fees, permit processing fees, source test fees, reimbursement for work associated with the AB2588 program fees, and a portion of Rule 2202 fees. Industry-specific permitting and emission activities for the fiscal year 2005-2006 cannot accurately be projected at this time. As a result, we have attempted to identify the potential economic impacts of Regulation III on various industry groups by determining the amount of fees which would have been paid by a given facility using the current fee rates and the facility's most recent permitting and emission activities. Table 4 shows the percentage that Regulation III (fees) are comprised of each industry's total output, as a surrogate measure of affordability for the industries in the District.¹ Collectively, this revenue would have amounted to approximately \$72 million.

As shown in Table 4, the amount of fees paid by each industrial sector is relatively small compared to that industry's output. This is especially the case with industries which are predominantly comprised of small businesses, such as retail trade (NAICS 44-45), and automotive and repair (NAICS 811). This is also the case for industries predominately comprised of large businesses, such as refineries (NAICS 324) and utilities (NAICS 22).

¹ The year 2003 output in 2004 dollars was used. The latest Bureau of Economic Analysis's GPP deflator for value added by industry was used to convert to 2004 dollar. Retrieved April 20, 2006 from http://www.bea.gov/bea/industry/gpotables/gpo_action.cfm

Table 4: Share of Major Revenue by Industry

Industry (NAICS)	MMS\$	% of Total Fees	% of Output
Farm (agricultural products) (111-112)	0.10	0.13%	N/A
Forestry and logging; Fish., hunt., trapp. (113-114)	0.00	0.00%	0.00%
Agriculture and forestry support activities (115)	0.07	0.09%	0.02%
Oil and gas extraction (211)	0.91	1.25%	0.02%
Mining (except oil and gas) (212)	0.13	0.17%	0.02%
Support activities for mining (213)	0.36	0.49%	0.07%
Utilities (22)	3.18	4.39%	0.02%
Construction (23)	1.05	1.44%	0.00%
Wood product mfg. (321)	0.21	0.28%	0.01%
Nonmetallic mineral product mfg. (327)	2.30	3.18%	0.05%
Primary metal mfg. (331)	1.23	1.70%	0.03%
Fabricated metal product mfg. (332)	2.43	3.36%	0.02%
Machinery mfg. (333)	0.30	0.41%	0.00%
Computer and electronic product mfg. (334)	1.08	1.50%	0.00%
Electrical equipment and appliance mfg. (335)	0.38	0.52%	0.02%
Motor vehicle mfg. (3361-3363)	0.81	1.12%	0.01%
Transport equip. mfg. Excl. motor veh. (3364-3369)	0.47	0.64%	0.00%
Furniture and related product mfg (337)	0.75	1.03%	0.01%
Miscellaneous mfg (339)	0.39	0.54%	0.00%
Food mfg (311)	1.23	1.70%	0.01%
Beverage and tobacco product mfg (312)	0.25	0.35%	0.01%
Textile mills (313)	0.28	0.39%	0.02%
Textile product mills (314)	0.19	0.26%	0.01%
Apparel mfg (315)	0.14	0.19%	0.00%
Leather and allied product mfg. (316)	0.00	0.01%	0.00%
Paper mfg. (322)	0.56	0.78%	0.01%
Printing and related support activities (323)	1.10	1.52%	0.02%
Petroleum and coal products mfg. (324)	16.60	22.92%	0.09%
Chemical mfg. (325)	2.60	3.59%	0.01%
Plastics and rubber products mfg. (326)	1.75	2.41%	0.02%
Wholesale trade (42)	2.28	3.15%	0.00%
Retail trade (44-45)	8.59	11.86%	0.01%
Air transportation (481)	0.06	0.08%	0.00%
Rail transportation (482)	0.01	0.02%	0.00%
Water transportation (483)	0.00	0.00%	0.00%
Truck transp. couriers and messengers (484,492)	0.10	0.14%	0.00%
Transit and ground passenger transportation (485)	0.02	0.03%	0.00%
Pipeline transportation (486)	0.36	0.49%	0.05%
Scenic and sightseeing transportation (487-488)	0.27	0.37%	0.01%
Warehousing and storage (493)	0.71	0.98%	0.03%
Publishing industries, except Internet (511)	0.10	0.13%	0.00%
Motion picture and sound recording industries (512)	0.13	0.18%	0.00%
Internet services and data processing (516,518,519)	0.13	0.18%	0.00%
Broadcasting, except Internet; Telecomm. (515,517)	0.45	0.62%	0.00%
Monetary authorities (521,522,525)	0.12	0.16%	0.00%
Securities, commodity contracts, investments (523)	0.05	0.07%	0.00%
Insurance carriers and related activities (524)	0.07	0.09%	0.00%
Real estate (531)	0.48	0.67%	0.00%
Rental and leasing services (532,533)	0.18	0.25%	0.00%
Professional and technical services (54)	0.75	1.04%	0.00%
Management of companies and enterprises (55)	0.01	0.01%	0.00%
Administrative and support services (561)	0.52	0.71%	0.00%
Waste management and remediation services (562)	0.76	1.05%	0.02%
Educational services (61)	0.70	0.96%	0.01%
Ambulatory health care services (621)	0.24	0.33%	0.00%
Hospitals (622)	0.56	0.78%	0.00%

Table 4: Share of Major Revenue by Industry

Industry (NAICS)	MM\$	% of Total Fees	% of Output
Nursing and residential care facilities (623)	0.05	0.07%	0.00%
Social assistance (624)	0.05	0.06%	0.00%
Performing arts and spectator sports (711)	0.18	0.25%	0.00%
Museums, historical sites, zoos, and parks (712)	0.03	0.04%	0.00%
Amusement, gambling, and recreation (713)	0.12	0.17%	0.00%
Accommodation (721)	0.25	0.34%	0.00%
Food services and drinking places (722)	0.60	0.83%	0.00%
Repair and maintenance (811)	2.41	3.33%	0.02%
Personal and laundry services (812)	1.26	1.74%	0.02%
Membership associations and organizations (813)	0.16	0.22%	0.00%
Private households (814)	0.00	0.00%	0.00%
Government (92)	2.61	3.60%	N/A
Unclassified	6.25	8.63%	N/A
Total	\$72.43	100.00%	0.01%

The petroleum product sector, mainly refineries, would have paid \$16.6 million in various fees, which represents seven hundredths of one percent of the sector's output. Fees paid by the utilities sector would have been approximately two hundredths of one percent of its output. Overall, major AQMD fee revenue, as a whole, represents one-hundredth of one percent of the four-county economy's total output.

REVENUE IMPACTS OF PROPOSED AMENDMENTS

The proposed amendments to Regulation III include focus on cost recovery of various source programs and clarification of existing rule language. There are two proposed options. Option One increases fee rates for permitting, annual renewal and emissions by 10 percent for each of the next three years. The increase in other fee rates will be at 3.65 percent (percentage change in California CPI between January 1, 2005 and January 1, 2006) between the fiscal year 2006 and 2007. Option Two proposes a one-year across-the-board fee rate increase at 3.65 percent.

OPTION ONE

Option One would result in an increase of \$2.55 million in revenue (or 2.2 percent). Table 5 shows the change between the estimated fiscal year 2005-2006 revenue at the existing fee rates and the projected revenues for the next three fiscal years as a result of Option One. The projected fiscal year 2006-2007 revenue also includes the anticipated changes in the coming fiscal year. For individual categories, revenue from emission, annual operating, permitting, and source testing fees are expected to increase 9.5 percent, 11.4 percent, 27 percent, and 34 percent, respectively, between fiscal years 2005-2006 and 2006-2007. Fees from the "other revenues" category would experience a decrease of 26 percent because of a substantial one-time legal settlement in 2005. [Excluding the one-time legal settlement of \\$6.5 million for the fiscal year 2005-2006, revenues are expected to increase by \\$9.1 million or 7.9 percent between the fiscal years 2006-2007 and 2005-2006.](#)

OPTION TWO

Option Two would result in a decrease of \$1.44 million in the overall revenue (or 1.27 percent). Table 6 shows the change between the estimated fiscal year 2005-2006 revenue at the existing fee rates and the projected fiscal revenues for the next three fiscal years as a result of Option Two. The projected fiscal year 2006-2007 revenue also includes the anticipated changes in the coming fiscal year. For individual categories, revenue from emission, annual operating, permitting, and source testing fees are expected to increase 3.31 percent, 5.1 percent, 22 percent, and 34.8 percent, respectively, between fiscal years 2005-2006 and 2006-2007. Hearing board fees will decrease by three percent. In addition, fees from the “other revenues” category would experience a decrease of 26.4 percent revenue because of a substantial one-time legal settlement in 2005. [Excluding the one-time legal settlement of \\$6.5 million for the fiscal year 2005-2006, Option Two would result in additional revenue of \\$5 million or 4.4 percent between the fiscal years 2006-2007 and 2005-2006.](#)

SUMMARY

The above analysis summarizes the economic impact of Regulation III on facilities regulated by AQMD and on AQMD's revenue. The amount of AQMD fees paid by each industry is small relative to the industry's economic output. AQMD revenues are expected to increase by 2.5 percent under Option One and decrease by 1.2 percent under Option Two.

Table 5
Revenue Impact of Option One*

Category	Estimated FY 2005- 2006 Revenue	% Change in Fee Rates	Projected FY 2006- 2007 Revenue	Changes in Revenue 2006-2007		Projected FY 2007- 2008 Revenue	Changes in 2007-2008 Revenue		Projected FY 2008-2009 Revenue	Changes in 2008-2009 Revenue	
				\$	%		\$	%		\$	%
Emission Fees	\$20,192,000	10%	\$22,125,200	1,933,200	9.57%	\$24,120,503	3,928,503	19.46%	\$25,473,228	5,281,228	26.16%
Annual Operating Fees	\$31,219,000	10%	\$34,798,650	3,579,650	11.47%	\$38,312,835	7,093,835	22.72%	\$41,795,820	10,576,820	33.88%
Permit Processing Fees	\$13,560,000	10%	\$17,228,702	3,668,702	27.06%	\$18,855,090	5,295,090	39.05%	\$20,230,568	6,670,568	49.19%
Mobile Source/Clean Fuels	\$20,816,000	N/A	\$21,018,100	202,100	0.97%	\$21,506,800	690,800	3.32%	\$21,973,800	1,157,800	5.56%
Source Test & Lab Analysis	\$355,900	3.65%	\$478,863	122,963	34.55%	\$496,341	140,441	39.46%	\$513,820	157,920	44.37%
Hearing Board Fees	\$645,000	3.65%	\$673,725	-21,275	-3.06%	\$698,316	53,316	8.27%	\$722,907	77,907	12.08%
Transportation Program Fees	\$883,400	3.65%	\$838,529	-44,871	-5.08%	\$869,135	-14,265	-1.61%	\$899,741	16,341	1.85%
Other Revenues**	\$26,595,000	N/A	\$19,657,300	-6,937,700	-26.09%	\$19,067,500	-7,527,500	-28.30%	\$18,999,900	-7,595,100	-28.56%
Total	\$114,266,300	N/A	\$116,819,069	2,552,769	2.23%	\$123,926,520	9,660,220	8.45%	\$130,609,784	16,343,484	14.30%

*Estimated fiscal year 2005-2006 and projected fiscal year 2006-2007 revenues from Draft Budget and Draft Work Program Fiscal Year 2006-2007.

** Other Revenues includes revenues from State subventions and State grants, EPA grant and other federal revenue, interest, lease revenue, penalties/settlements, subscriptions, and miscellaneous revenue.

Table 6
Revenue Impact of Option Two—3.65% Fee Rate Increase*

Category	Estimated FY 2005- 2006 Revenue	% Change in Fee Rates	Projected FY 2006- 2007 Revenue	Changes in Revenue 2006-2007		Projected FY 2007- 2008 Revenue	Changes in 2007-2008 Revenue		Projected FY 2008-2009 Revenue	Changes in 2008-2009 Revenue	
				\$	%		\$	%		\$	%
Emission Fees	\$20,192,000	3.65%	\$20,859,518	667,518	3.31%	\$21,416,061	1,224,061	6.06%	\$21,462,439	1,270,439	6.29%
Annual Operating Fees	\$31,219,000	3.65%	\$32,807,830	1,588,830	5.09%	\$34,017,119	2,798,119	8.96%	\$35,215,021	3,996,021	12.80%
Permit Processing Fees	\$13,560,000	3.65%	\$16,557,696	2,997,696	22.11%	\$17,300,347	3,740,347	27.58%	\$17,739,431	4,179,431	30.82%
Mobile Source/Clean Fuels	\$20,816,000	N/A	\$21,018,100	202,100	0.97%	\$21,506,800	690,800	3.32%	\$21,973,800	1,157,800	5.56%
Source Test & Lab Analysis	\$355,900	3.65%	\$478,863	122,963	34.55%	\$496,341	140,441	39.46%	\$513,820	157,920	44.37%
Hearing Board Fees	\$645,000	3.65%	\$673,725	-21,275	-3.06%	\$698,316	53,316	8.27%	\$722,907	77,907	12.08%
Transportation Program Fees	\$883,400	3.65%	\$838,529	-44,871	-5.08%	\$869,135	-14,265	-1.61%	\$899,741	16,341	1.85%
Other Revenues**	\$26,595,000	N/A	\$19,584,599	-7,010,401	-26.36%	\$18,770,700	-7,824,300	-29.42%	\$18,318,900	-8,276,100	-31.12%
Total	\$114,266,300	N/A	\$112,818,860	-1,447,440	-1.27%	\$115,074,819	808,519	0.71%	\$116,846,059	2,579,759	2.26%

*Estimated fiscal year 2005-2006 and projected fiscal year 2006-2007 revenues from Draft Budget and Draft Work Program Fiscal Year 2006-2007.

** Other Revenues includes revenues from State subventions and State grants, EPA grant and other federal revenue, interest, lease revenue, penalties/settlements, subscriptions, and miscellaneous revenue

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