



air pollution control district
SANTA BARBARA COUNTY

DRAFT
Staff Report for Rule 210 – Fees

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Our Mission
*Our mission is to protect the people and the environment of
Santa Barbara County from the effects of air pollution.*

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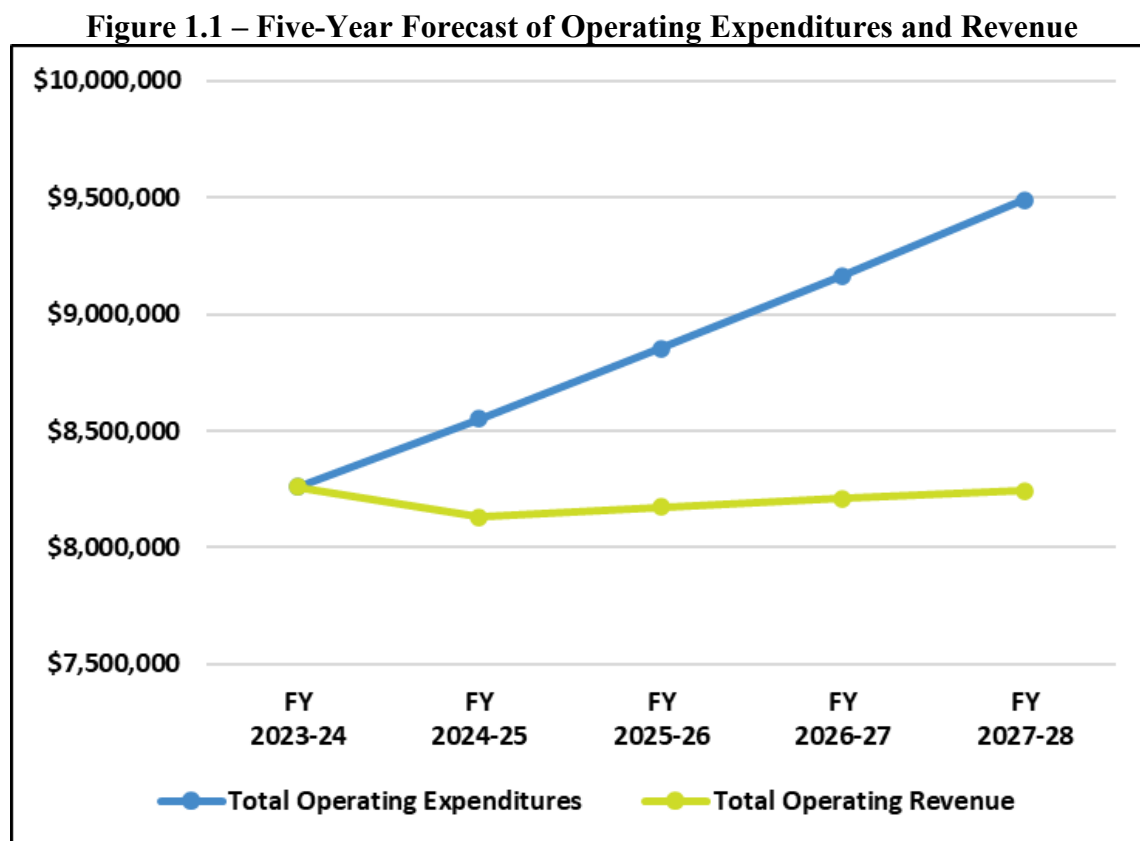
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1. Executive Summary

Santa Barbara County Air Pollution Control District's (District) Rule 210, Fees, is intended to recover District costs associated with programs related to permitted stationary sources and for other District activities mandated by state and/or federal regulations. The rule includes administrative and technical evaluation fees for the initial installation and operation of equipment that discharges air contaminants, ongoing fees to inspect and verify that operations continue to comply with all applicable requirements, and project-specific fees for other activities or programs in which staff time is expended.

Permit fees in Rule 210 have not been increased in more than 32 years, with the exception of the annual Consumer Price Index (CPI) adjustment which has failed to keep up with increased operating costs. During this time, the District has deferred fee increases by adhering to fiscally conservative principles. Specifically, in Fiscal Year 2018-19, the District implemented an agency reorganization which reduced staffing levels, streamlined the leadership structure, and enhanced efficiency efforts. With the Fiscal Year 2018-19 reorganization, the District was able to stave off raising fees on regulated industry beyond the annual CPI. However, the District now faces new challenges related to its fiscal stability with revenues projected to decrease due to changes in the oil and gas sector, rising costs, and a growing workload. The five-year forecast of these fiscal projections is shown below in Figure 1.1.



In 2022, the District hired Matrix Consulting Group to conduct a Cost Recovery and Fee Analysis Study (Fee Study) to review the existing fee schedules in Rule 210 and analyze the cost-of-service relationships between the District and the regulated community. The Fee Study

focused on the fees for the stationary source permitting and compliance programs, air quality planning, air toxics program, and source tests. The results of the Fee Study showed that the District is only recovering 47% of its costs to implement these mandated programs. This is due, in part, to the historical reliance on large sources, such as oil and gas facilities, to shoulder the bulk of the fees. The Fee Study also showed that there are several areas where the current fee schedules do not provide a mechanism for the District to recover costs for associated work.

In October 2023, the District presented the results of the Fee Study to its Board of Directors as part of a suite of recommendations designed to provide the District with a long-term mechanism to stay fiscally sound. One of the recommendations was to revise the District's fee rule, Rule 210, to ensure better cost-recovery from the District's stationary source program and align permit fees with individual program costs. The Rule 210 amendments can be summarized into four main points:

- 1) Revise the rates for existing fees to achieve an 85% cost-recovery rate,
- 2) Add new fees for specific services and categories of equipment that were not previously addressed by the 1991 version of the fee rule,
- 3) Remove outdated fees that are no longer applicable, and
- 4) Clarify the administrative procedures in the rule.

Based on discussion and direction from the Board of Directors at the October 2023 meeting, the proposed amendments to District Rule 210 will provide for a clear and consistent fee structure for the regulated community. Pending the Board of Directors approval, the proposed revisions, which would be effective on July 1, 2024, are anticipated to increase revenue by approximately \$1.2 million in Fiscal Year 2024-25. Additional revenue is also anticipated to be collected in future years as specific schedules are increased by 12% per year over the course of ten years to achieve an 85% cost-recovery rate.

2. Background

2.1 About the District / Budget

The District is one of 35 local air pollution control agencies in California established pursuant to California Health & Safety Code. The District is a “county” district, with the same jurisdictional boundaries as Santa Barbara County. The District’s permit jurisdiction area encompasses:

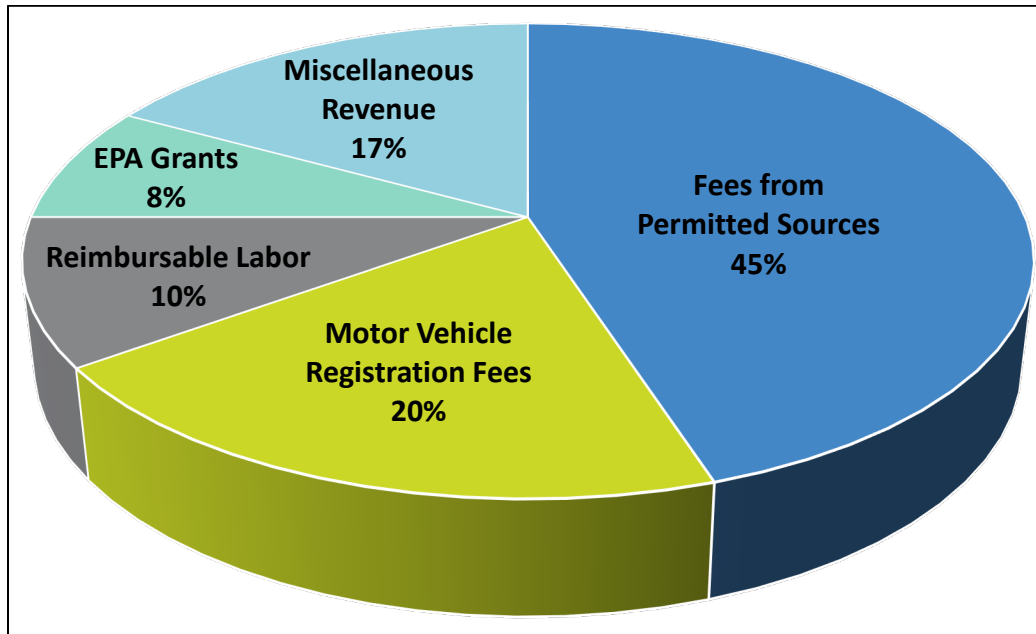
- The unincorporated areas of Santa Barbara County;
- The incorporated cities of Santa Maria, Guadalupe, Lompoc, Buellton, Solvang, Goleta, Santa Barbara, and Carpinteria;
- All federal lands within the county, including Vandenberg Space Force Base;
- The Channel Islands of San Miguel, Santa Rosa, Santa Cruz, and Santa Barbara; and
- All offshore emission sources for which the District is the corresponding onshore area.

Local air districts are charged with the enforcement of local air pollution control rules, the state’s non-vehicular air pollution regulations, and certain federal air pollution laws that have been delegated to local agencies. The primary method to regulate and control air pollution created by industrial and institutional sources and commercial businesses is through the issuance of stationary source permits.

Local air districts are also responsible for adopting and implementing air quality plans that seek to achieve and maintain the health-based state and federal ambient air quality standards. Santa Barbara County does not meet the state ambient air quality standards for ozone, which is an air pollutant that is formed through the precursor pollutants of oxides of nitrogen (NO_x) and reactive organic compounds (ROC). The county is also nonattainment for the state standard for PM₁₀, which is particulate matter that is less than 10 microns in aerodynamic diameter. For air quality planning purposes, emission inventories are needed to evaluate all polluting sources within the county. Emission inventories and projections also help determine if any new emission-control measures are needed to help attain the state and federal air quality standards. These air quality planning efforts, and the analyses of whether prior state and local emission control measures have been successful, are verified by the extensive air monitoring network that measures ambient air quality in the county.

In accordance with District Rule 210 and California Health and Safety Code, fees are assessed to permitted stationary sources to fund the work performed for the District’s programs. This includes stationary source permitting and inspection, complaint investigations, enforcement activities, air quality planning, emission inventory calculations, control measure development, control of air toxic contaminants, land use commenting, and air monitoring. Other sources of revenue include state and federal grants, automobile registration fees, and miscellaneous revenue such as fees from the state’s Portable Equipment Registration Program (PERP). These revenue sources also support other District programs, such as the grant program and public outreach and education. The District does not receive property tax revenue or County General Fund revenue to finance its operations. A breakdown of the operating revenue categories for Fiscal Year 2023-24 is shown below in Figure 2.1.

Figure 2.1 – Operating Revenue Categories for Fiscal Year 2023-2024



2.2 Long-Range Fiscal Strategy and Fee Study

Over the past 32 years since the last major overhaul to District Rule 210, the District workforce has decreased while at the same time staff workload has increased due to new state and federal mandates. The District has deferred fee increases during this period by adhering to fiscal principles that maximize efficiency and minimize costs. In Fiscal Year 2018-19, facing decreased oil and gas activity and associated revenue implications, the District implemented a fiscally conservative agency reorganization to reduce costs and enhance efficiency measures. Staffing levels were further reduced from 43 full-time positions to 34, through a mix of retirements and permanently not filling select vacant positions. However, despite prudent budgeting and prior efforts, costs continue to rise while revenue is anticipated to decline in the coming years.

The Fiscal Year 2023-28 Long-Range Fiscal Strategy (Strategy) was created to ensure that the District has sufficient resources to accomplish its mission and mandates into the foreseeable future. In preparing the Strategy, the District carefully evaluated changes to revenue, impacts to workload, current cost-recovery mechanisms for fee-based programs, existing and projected staffing, and potential cost reductions and revenue enhancements. To help compile the necessary information, the District hired Matrix Consulting Group in 2022 to conduct a Cost Recovery and Fee Analysis Study (Fee Study) to evaluate the existing fee schedules and ensure that they were appropriately recovering the costs for the variety of services provided by the District. The Fee Study also provided the District with a tool for understanding current service levels, the cost for those services, and how these fees for service can be revised consistent with California Health and Safety Code. The Fee Study showed that, overall, the District is only recovering 47% of its costs to implement the mandated programs. This is due, in part, to the progressive nature of our fee schedules where larger and higher emitting sources (typically, oil and gas facilities) shoulder a larger percentage of the fees, while allowing smaller permitted sources within the District to have fees that do not achieve full cost-recovery.

The full Strategy and the Fee Study were presented to the District Board of Directors in October 2023.¹ At the meeting, staff showed that despite the cost-recovery shortfall in fees, the District has operated with a balanced budget because other revenue sources, such as vehicle registration revenues, have filled the gaps in our various fee-funded programs. Ultimately, this practice is not sustainable, and the District should not be relying on these other revenue sources to subsidize permitting, compliance, and planning work. Of note, the California State Auditor has stated that while air districts have the discretion to utilize vehicle registration revenues for fee-related services, air districts should utilize those funds to help offset mobile emissions and improve air quality through those programs rather than subsidize permit holders. Hence, the Strategy recommended additional measures to safeguard the District’s financial health and long-term ability to continue fulfilling its mission to provide public health benefits for local communities. In analyzing the District’s fee rule, it became clear that there are several areas where the District is under-recovering or not assessing any fees for the work performed. To address these shortfalls, the Board directed staff to amend Rule 210 and incorporate fee increases of 12% per year over the course of ten years to achieve an 85% cost-recovery rate.

2.3 Fee Rule History and CPI changes

The District’s first rulebook was adopted on October 18, 1971. At that time, the fee rule was primarily a placeholder that stated that fees needed to be set at reasonable amounts based as much as possible on the cost of the services performed. Rule 210 went through a number of changes in the 1970s and 1980s to achieve this goal, with many of the changes effectively shifting the District’s revenue source from the County General Fund to those industries requiring District permits. Some of the main changes to the fee program are described below in Table 2.1.

Table 2.1 – Major Amendments to the District’s Fee Rules

| Year | Description |
|-------------|--|
| 1972 | Initial permit fees adopted based on the Los Angeles County APCD fee schedules. |
| 1976 | Added the triennial permit reevaluation fees. |
| 1980 | Updated the application filing fees and triennial permit reevaluation fees. |
| 1986 | Added the Annual Emission and Air Quality Planning (AQP) fee schedules. Added language to allow the fees to be adjusted along with the CPI. |
| 1990 | Formalized the Cost Reimbursement provisions and procedures. |
| 1991 | Added fee schedules for Air Toxics, the Asbestos Program, Source Tests, Lab Analyses, Requests for Permit Exemption, and Rock Crushers and Stacker Belts. Updated the Annual Emission and AQP fee schedules. |
| 2005 | Amended the Air Toxics fee schedule to be based on pounds of toxic pollutants emitted (instead of criteria pollutants as a surrogate for toxics). |
| 2007 | Adoption of Rule 213 and Rule 1201 to create a registration program for stationary and portable diesel engines used in agricultural operations in accordance with the state Airborne Toxic Control Measure (ATCM). |

¹ The Board item can be found online at: www.ourair.org/wp-content/uploads/2023-10bd-g3.pdf

Other than the annual adjustments due to the Consumer Price Index (CPI), the District has not proposed an increase in the Rule 210 fee schedules since 1991. The annual CPI adjustments, which are authorized under the existing rule text, were consistently administered beginning in 1996 after the District separated from the county structure and became an independent special district. To incorporate the annual CPI into Rule 210, the District publishes a fee memo every year at the beginning of July. The most recent memo² shows the fee rates for each schedule, as of July 1, 2023.

² The CPI fee memo can be found online at: www.ourair.org/wp-content/uploads/cpi-fees.pdf

3. Rule 210 – Reorganization and Summary of Changes

One of the goals of a rule development proceeding is to make sure that the affected rule is easy to read and understand. To that end, the District proposes to reorganize Rule 210 to provide for a clearer and simpler rule structure. The proposed Rule 210 structure and a short description of each section is listed below.

- **Scope and Purpose:** This overview text in Rule 210 lists the applicable sections of California Health and Safety Code that authorizes the District to assess fees to recover its costs for service.
- **Section A. Stationary Source Fees:** This section primarily describes the fees related to permitted stationary sources of air pollution.
- **Section B. Other Programs:** This section describes the fees associated with the “non-permit” programs that the District works on in accordance with local, state, or federal regulations.
- **Section C. Cost Reimbursement Basis (Time & Materials):** This section describes the procedures in which an applicant or permit holder sets up a Cost Reimbursement account, and the District directly charges the account for the actual time and materials spent on the project. This section is reserved for complicated projects that require more staff time, whereas most projects would use the designated fee schedules.
- **Section D. Hearing Board Fees:** This section describes the fees related to the District Hearing Board.
- **Section E. Governing Provisions:** This section describes the remaining requirements of Rule 210 that apply to all programs, such as the invoicing procedures and the ability to increase the fees annually in accordance with the CPI.
- **Fee Schedules A through H:** The specific fees that are described in Rule 210 are consolidated into seven different schedules. Each schedule groups similar program fees together.

To help the reader navigate between the proposed amendments to Rule 210 and the existing rule text, the following two tables are provided.

- Table 3.1 shows the expanded structure of proposed Rule 210, and it also provides a summary of the proposed changes in each subsection. For more information on the proposed changes, please see Sections 4 - 8 of this staff report and the FAQs in Appendix C.
- Table 3.2 shows the current structure of Rule 210 and where the language has been moved to in proposed Rule 210.

Table 3.1 – Proposed Rule 210 Structure and Major Changes

| <u>Proposed Rule 210 Section</u> | <u>Proposed Changes</u> |
|---|--|
| Scope and Purpose | --- |
| A. Stationary Source Fees | --- |
| A.1 Permit Application Filing Fees | --- |
| A.2 Permit Evaluation Fees | Added text for the Transfer of Ownership – Permit Split Evaluation Fee. |
| A.3 Recurring Fees | Added text for the Emergency Diesel Engine and Gasoline Dispensing Facility (GDF) Annual Review Fees. Modified text for the Air Quality Planning Fees to include PM and SOx. |
| A.4 Project Specific Fees | Added text for the School Public Notice Fee, Added text for the Health Risk Assessment (HRA) Screening Fee, Added text for the Interim Permit Approval Process (IPAP) Program Fee, Added text for the Confidential Information Handling Fees, Modified text for Sampling and Analysis Fees to address pass-through, Added text for the Monitoring/Data Acquisition System (DAS) Fee, and Added text for the CEQA Findings and Filing Fees. |
| B. Other Programs | --- |
| B.1 Asbestos Demolition and Renovation Program | --- |
| B.2 Agricultural Diesel Engine Registration Program | Moved text from Rule 213. |
| B.3 Emission Reduction Credit Program | Added text for the ERC Reissuance Fee. |
| B.4 Land-use Review | Clarified language. |
| B.5 Technical Reports | Moved text from Rule 211. |
| B.6 Areawide and Indirect Sources | --- |
| C. Cost Reimbursement Basis (Time & Materials) | --- |
| C.1 Reimbursable Costs | Removed “Overtime” and added “Services and Supplies” language. |
| C.2 Notice of Cost Reimbursement and Deposits | Clarified language. |
| C.3 Audits | Clarified language. |
| D. Hearing Board Fees | --- |
| D.1 Variance | Added text for the Product Variance Fees. |
| D.2 Permit/ERC Appeal | Clarified language. |
| D.3 Abatement Orders | Clarified language. |

| <u>Proposed Rule 210 Section</u> | <u>Proposed Changes</u> |
|---|--|
| E. Governing Provisions | --- |
| E.1 Payment of Fees and Penalties | Increased the delinquency penalties and added text on transaction fees. |
| E.2 Suspension and Reinstatement of Permit | New section to deter the non-payment of the required fees. |
| E.3 Use of Fee Schedules | Added text for the Minimum Evaluation Fee. |
| E.4 Consolidation of Existing Permits | --- |
| E.5 Annual CPI Adjustment | --- |
| E.6 Annual Fee Increases | New section to increase some of the existing fee schedules by up to 12% per year to achieve higher cost-recovery rates. |
| Schedule A - Equipment/Facility | Added the Minimum Evaluation Fee [A.1.a], Added the Post-Harvest Cannabis Operations Fees [A.11], and Removed Electrical Energy, Dry Cleaning, and Ethylene Oxide Sterilizer Fees. |
| Schedule B - Recurring Fees | Added the Annual Review Fee for Emergency Diesel Engines [B.1.a], Added the Annual Review Fee for GDFs [B.1.b], Added the Air Toxics Fee for small sources [B.3.a], and Modified Air Quality Planning Fees to include PM and SOx [B.4]. |
| Schedule C - Source Test | --- |
| Schedule D - Sample and Lab Analysis | Transitioned to pass-through lab analysis fees. |
| Schedule E - Asbestos Demolition and Renovation | --- |
| Schedule F - Other Stationary Source & ERC Fees | Added the Transfer of Ownership - Permit Split Evaluation Fee [F.4], Added the School Public Notice Fee [F.7], Added the Health Risk Assessment (HRA) Screening Fee [F.8], Added the Interim Permit Approval Process (IPAP) Program Fee [F.9], Added the Confidential Information Handling Fees [F.10], Incorporated the existing Monitoring/DAS Fee [F.11], Added the CEQA Findings and Filing Fees [F.12 and F.13], Added the ERC Reissuance Fee [F.14], Added the Reinstatement of Permit Fee [F.15]. |
| Schedule G - Hearing Board | Added the Product Variance Fees [G.3]. |
| Schedule H - Registration Programs | Moved the Agricultural Diesel Engine fee from Rule 213. |

Table 3.2 – Reorganization Table of Current Rule 210 Sections

| <u>Current Rule 210 Section</u> | <u>Proposed Rule 210 Section</u> |
|---|---|
| Scope and Purpose | Scope and Purpose |
| I. Fees for Sources With District Permits | A |
| I.A. Filing Fee | A.1 |
| I.B. Fee Schedule Basis | A.2, A.3 |
| I.C. Cost Reimbursement Basis for Fees | C |
| I.D. Source Test and Sampling Fees | A.4 |
| I.E. Other Fees | A.1, A.2 |
| I.F. Air Quality Plans | A.3 |
| I.G. Air Toxics Program | A.3 |
| I.H. Annual Emission Fee | A.3 |
| I.I. Programs Conducted by the ARB | <i>Removed</i> |
| II. Fees for Sources Which Do Not Require District Permits | --- |
| II.A. Fees for Asbestos Demolition and Renovation | B.1 |
| II.B. Fees for Determination of Permit Exemption | A.1 |
| III. Other Cost Reimbursement Activities | --- |
| III.A. Monitoring Fee | A.4 |
| III.B. Other Inspection and Enforcement Fees | <i>Removed</i> |
| III.C. Plans, Agreements, and Studies | A.4, B.4 |
| IV. Hearing Board Fees | D |
| IV.A. Variance | D.1 |
| IV.B. Permit Appeal | D.2 |
| IV.C. Abatement Orders | D.3 |
| V. Governing Provisions | E |
| V.A. Payment of Fees and Penalties | E.1 |
| V.B. Effective Date | Scope and Purpose |
| V.C. Annual Adjustment in Fees | E.5 |
| V.D. Use of Fee Schedules | E.3 |
| V.E. Consolidation of Existing Permits | E.4 |
| V.F. Rule Precedence and Applicability | <i>Removed</i> |
| V.G. Refund of Filing Fee | E.1 |
| V.H. Reevaluation Date | <i>Removed</i> |
| Schedule A - Facility/Equipment Fee Schedule | Schedule A |
| Schedule B-1 - Fee for Air Quality Plan | Schedule B |
| Schedule B-2 - Fee for Air Toxics Program | Schedule B |
| Schedule B-3 - Annual Emission Fee | Schedule B |
| Schedule C - Source Test Fees | Schedule C |
| Schedule D - Sample and Laboratory Analysis Fees | Schedule D |
| Schedule E - Asbestos Demolition and Renovation | Schedule E |
| Schedule F | Schedule F and G |

4. Rule 210 – New Fees

Pending Board of Directors approval, the following fees are proposed to be added in Rule 210 with an effective date of July 1, 2024. A brief history and the rationale for each amendment is included below. The derivations of each of the new fees are based on the estimated costs to cover staff time and materials for the activity, as shown in Appendix A. The fiscal impacts of each of these fees are included in Appendix B. Each new fee is proposed to achieve 100% cost-recovery for the work performed in accordance with the District’s proposed Cost-Recovery Policy.

4.1 Minimum Permit Evaluation Fees [Schedule A.1.a]

Most Authority to Construct (ATC) and Permit to Operate (PTO) permits are assessed fees based on the type, size, and amount of equipment at the facility, as prescribed in Schedule A. However, some of the existing equipment fee schedules do not cover the minimum costs to process the permit application. For example, if an oil and gas operator applies for a permit to install a single 15,000 gallon storage tank, the permit evaluation fee would be assessed using the “Stationary Container” schedule, which results in a minimum fee of \$85.34. This minimum fee would not cover the District’s costs to process the permit and perform the initial inspection.

For these Rule 210 amendments, staff proposes to include a minimum permit evaluation fee of \$1,353. If the aggregated total of all equipment on Schedule A is less than the minimum permit evaluation fee, then only the minimum evaluation fee will be assessed. This fee is based on the staff time to perform the evaluation, process the permit, and inspect the equipment. This fee would not apply to Gasoline Dispensing Facility (GDF) permits because GDFs are permitted as stand-alone facilities without any of the other equipment referenced in Schedule A.

4.2 Post-Harvest Cannabis Operation Fees [Schedule A.11]

Post-harvest cannabis operations and equipment require District permits due to the potential to release air contaminants. Cannabis operations that require a permit include processing (drying, trimming, curing, flash freezing, packaging, etc.), manufacturing (volatile extraction, non-volatile extraction, post extraction refinement, etc.), and the storage and distribution of the cannabis. The District began issuing advisories and permitting this source category beginning in 2019.³ However, the existing fee schedules do not adequately cover the associated costs with regulating and permitting this industry and responding to public complaints.

For these Rule 210 amendments, staff proposes to create a cannabis fee schedule for post-harvest activities that is broken up into three distinct parts due to the various operations that can be permitted at these facilities. The fees for each of these three parts were determined based on the hours of permitting and compliance time spent on an average facility between 2019 and 2021.

- 1) Any operation that manufactures, processes, stores, packs, or distributes cannabis shall be assessed a fee of \$690 per 1,000 square feet of building area and outdoor work area. This fee structure is similar to the structure adopted by the Mojave Desert AQMD, as larger operations will require more time to permit, inspect, and verify compliance.

³ District permitting information for the cannabis industry can be found at: www.ourair.org/cannabis/

- 2) Any operation that manufactures or processes cannabis shall be assessed a fee of \$872 per extractor. Extractors can use various types of ROC-containing solvents, and this fee will cover the costs to permit, inspect, and verify compliance for the extraction process.
- 3) Any operation that manufactures, processes, stores, packs, or distributes cannabis shall be assessed a fee of \$1,148 per odor-control device. Odor-control devices require additional time to evaluate the efficacy of the unit during permitting and inspections.

These three fees will be used for permitting post-harvest cannabis operations instead of the existing Schedule A fees for Miscellaneous Equipment, Stationary Containers, and Electric Motors.

4.3 Diesel-Fired Emergency Engine Annual Reviews [Schedule B.1.a]

In 2005, the District amended District Rule 202 to remove the permit exemption for diesel-fired emergency engines rated at 50 horsepower or greater, in accordance with the state Airborne Toxic Control Measure for Stationary Compression Ignition Engines. Once permitted, these engines often have minimal updates to the permit during a reevaluation cycle. Hence, while approving the 2005 rule amendments, the Board expressed concern about the fees for emergency engines and directed staff to reduce the fees for the reevaluation of these emergency units. Staff affirmed that the emergency engines would be assessed reevaluation fees based on the Miscellaneous Equipment schedule, as opposed to the higher Fuel Burning Equipment schedule listed in Rule 210, Schedule A. This resulted in the majority of the engine reevaluations being subject to the Minimum Reevaluation Fee.

For these Rule 210 amendments, staff proposes to transition the emergency engine program away from a triennial permit reevaluation cycle to an annual review cycle without any permit reevaluations. The annual review fee is proposed to be \$657 per engine, which is similar to the fees charged by neighboring air districts for these units. The review fee is based on staff time to verify compliance and is independent of the size of the emergency engine. If multiple engines are permitted at the same facility, each additional engine will be assessed a fee of \$328 to account for a 50% reduction in staff time to verify compliance for each additional engine. These review fees would not apply to stationary sources that are assessed fees under the Cost Reimbursement Basis.

The annual review fees are anticipated to be sent out every year in August. For the affected permits that were recently reevaluated for a three-year period, the total annual review fee for the first fee cycle will be prorated by \$30 per engine-year for Part 70 permits and \$175 per year for all remaining, non-Part 70 permits. These prorated amounts, as shown in Table 4.1 below, are based on the FY 2023-24 fee rates for the Miscellaneous Equipment Schedule and the Minimum Reevaluation Fee.

Table 4.1 – Transitioning Diesel Emergency Engine Reevaluations to Annual Review

| Date Range for Permit Issuance of Most Recent PTO or Reevaluation | Reduction in Annual Review Fee August 2024 | |
|---|--|--------------------|
| | Part 70 Operating Permit | Non-Part 70 Permit |
| July 2023 – June 2024 | \$60 per engine | \$350 |
| July 2022 – June 2023 | \$30 per engine | \$175 |
| June 2022 or earlier | None | None |

4.4 Gasoline Dispensing Facilities (GDFs) Annual Reviews [Schedule B.1.b]

Under the existing provisions of Rule 210, GDF permits with Phase II vapor recovery nozzles are assessed fees annually based on the number of nozzles permitted at the facility. There is also a provision in the existing rule where an additional reinspection fee can be assessed if the facility fails a compliance inspection and needs a reinspection to verify that the equipment meets all applicable rules and regulations.

For these Rule 210 amendments, staff proposes to revise the rule language to reflect the current process for GDF permits and inspections. Once issued, GDF permits do not typically require reissuance or renewal (approximately 10% of the GDFs may have their permits reissued annually to correct discrepancies), but inspection time is necessary to verify compliance. The annual review fee is proposed to be \$97.43 per nozzle to cover the costs of the compliance program. The annual review fees are anticipated to be sent out every year in August, and these fees would replace the existing renewal fees for GDFs that were previously invoiced after each facility inspection. These review fees would not apply to stationary sources that are assessed fees under the Cost Reimbursement Basis.⁴

4.5 Annual Air Toxics – Small Sources [Schedule B.3.a]

The initial toxics fee was established in 1991 to help implement the Assembly Bill (AB) 2588 “Hot Spots” program and the state ATCMs. The District’s inventory program did not have a comprehensive calculation procedure for toxic pollutants in 1991, and so the initial fee structure used criteria pollutants (ROC, NO_x, SO_x, and PM) as a surrogate for toxics until better toxic pollutant information was available.

By 2005, the District’s inventory program was modified to calculate the toxic pollutant data for the permitted stationary sources, and Rule 210 was amended to convert the fee structure to a “\$/lb toxic pollutant” basis. The 2005 rule amendments were designed to be revenue neutral, and no fee increases were incorporated at that time. Both the 1991 and 2005 rule language also included gatekeeper provisions that were designed to focus the toxic fees on the larger sources of pollution. Currently, a source is considered a large source of air toxics if it emits more than 2,000 pounds of toxic pollutants in a single year. However, toxics-related work is performed on all permitted sources within the county, even more so due to the recent state mandate associated with AB 617 and the Criteria Air Pollutant and Toxic Air Contaminant Reporting (CTR) regulation adopted by the California Air Resources Board (CARB).

⁴ There are currently no GDFs on the Cost Reimbursement Basis.

For these Rule 210 amendments, staff proposes to assess a flat air toxics fee for the smaller, permitted stationary sources of air toxics. The flat fee for smaller sources is proposed to be \$272 per year, whereas the toxic fee at the 2,000 lb threshold for larger sources is \$840 based on the current fee rate (\$0.42 per lb of air toxics). The flat air toxics fee would be included on the invoice for the annual emission fee, which is sent out between January and June every year. This fee will help cover the District's costs to implement its toxics program, including the new inventory and reporting requirements under the recent state mandates.

4.6 Transfer of Ownership – Permit Split Evaluation Fee [Schedule F.4]

When a permit is transferred from one owner to another, the new owner is required to submit a transfer of ownership application and the associated filing fee to the District within 30 days of the transfer. Applications to transfer an entire permit can be done quickly and efficiently, which is why there is no processing or evaluation fee associated with transferring an entire permit. However, some applicants request to transfer only a portion of the permitted equipment to a new owner. When this occurs, District staff needs to process new permits for the transferred equipment, making sure that the relevant conditions are included.

For these Rule 210 amendments, staff proposes to include an evaluation fee of \$1,047 to cover the cost of processing new permits during a partial transfer of ownership.

4.7 School Public Notice [Schedule F.7]

California Health and Safety Code §42301.6 requires the District to issue a 30-day public notice prior to issuing a permit to construct to a stationary source that increases the emissions of toxic air contaminants within 1,000 feet of a K-12 school. Historically, District staff have used general language in Rule 210 to assess the applicant a fee (not to exceed \$1,500) to cover some of the expenses associated with preparing and distributing the 30-day public notice.

For these Rule 210 amendments, staff proposes to add a processing fee of \$3,607, which will cover staff time and materials to distribute the notice to the nearby school(s), residents, and businesses.

4.8 Health Risk Assessment (HRA) Screening Fee [Schedule F.8]

The District evaluates health risk for new or modified facilities during the permit process when issuing new Authority to Construct permits. The goal for the District's new source review health risk program is to prevent a new or modified facility from creating a significant risk to the community. The District Board adopted health risk significance thresholds corresponding to projects with a calculated cancer risk of 10 in a million people or greater, or an acute or chronic hazard index over 1.0. If a new permit application is received, and the District determines the equipment or process has a potential to exceed these thresholds, a health protective HRA screening must be performed for the equipment/process. If the project passes the HRA screening, no further health risk analysis is required. Historically, District staff have performed HRA screenings at no cost for the project applicant. If the project fails the HRA screening, a refined HRA is required, which must be performed by the applicant and reviewed by the District under the Cost Reimbursement Basis.

For these Rule 210 amendments, staff proposes to add a fee for these HRA screenings. The fee is proposed to be \$877, which will cover staff time to perform the initial screening. This fee shall not apply to refined HRAs or stationary sources that are assessed fees on the Cost Reimbursement Basis.

4.9 Interim Permit Approval Process (IPAP) Fees [Schedule F.9]

The District has 180 days from the date of application completeness to issue or deny an ATC pre-construction permit. The District typically meets this timeline, with most ATC applications issued by the 120-day mark. However, some applicants do not want to wait for the issuance of the ATC permit, especially if the application is for a simple permit project such as replacing a storage tank or a broken boiler. In response to industry's concerns, the District developed the Interim Permit Approval Process (IPAP) in 2012 to allow certain projects to commence construction before receiving an ATC permit. The IPAP program involves an enforceable agreement between the applicant and the District that bridges the gap between application completeness and ATC permit issuance. An IPAP agreement is, in essence, a temporary ATC permit with some additional caveats. Specific criteria for requesting IPAP approval include:

- The permit application has been deemed complete, and it clearly defines the project description, emissions, and equipment being proposed;
- The project does not require lead agency approval from another agency or, if it does require approval, that approval has already been obtained. If the District is the lead agency for the project, the project must be exempt under our CEQA Guidelines document;
- The project does not require a Best Available Control Technology (BACT) determination, an Air Quality Impact Assessment (AQIA), a refined health risk assessment, or public notice. The BACT exception may be waived in certain cases where the District has determined that the application clearly meets BACT requirements;
- The proposed project is similar to other projects previously permitted by the District and does not present unique permitting challenges; and
- The source agrees to the terms and conditions of the IPAP program.

The IPAP program does not directly save the District time since the ATC permit still needs to be issued. However, the IPAP program has been beneficial to industry, and it is a service that is often requested to allow applicants to construct their project when all air quality regulations are expected to be met.

For these Rule 210 amendments, staff proposes to include an IPAP approval fee of \$917, which will cover the additional staff time to review the eligibility of each request and issue the IPAP agreement. This fee would only be assessed if the IPAP is approved.

4.10 Confidential Handling Fees [Schedule F.10]

California Government Code §6254.7 describes which information in a permit is a public record and which information can be considered a trade secret. Specifically, information pertaining to the emissions of a facility are public records, but trade secrets may be requested by the applicant to remain confidential. "Trade secrets," as used in this section, may include, but are not limited to, any formula, plan, pattern, process, tool, mechanism, compound, procedure, production data,

or compilation of information which is not patented, which is known only to certain individuals within a commercial concern who are using it to fabricate, produce, or compound an article of trade or a service having commercial value and which gives its user an opportunity to obtain a business advantage over competitors who do not know or use it.

The District explains the confidentiality process on its permit application forms and on the annual throughput (“production data”) reports by providing a link to the District’s policy on the handling of confidential information.⁵ If an applicant’s request for confidentiality is approved by the District, staff will generate two versions of all documents (permits, evaluations, inspection reports, etc.); one confidential version with all confidential information highlighted, and one public version with all confidential information redacted, and take additional measures to ensure confidential information is not released to the public.

For these Rule 210 amendments, staff proposes to include a Confidential Handling Fee of \$1,861, which would be assessed upon the issuance of the first permit for an application that contains confidential information. Each reevaluation of the permit thereafter shall be assessed a smaller fee of \$1,452 to cover the ongoing costs associated with handling any confidential information.

4.11 CEQA Findings Fees [Schedule F.12]

When a project applicant applies for a District permit, the District utilizes our *Environmental Review Guidelines for the Implementation of the California Environmental Quality Act (CEQA)* to implement the requirements of the CEQA Statute (Public Resources Code §21000 et seq.) and State CEQA Guidelines (14 Cal. Admin. Code §15000 et seq.). The District evaluates the project and prepares any necessary documentation and/or findings required by CEQA prior to permit issuance. When issuing District permits, the District acts as either a Lead Agency or Responsible Agency.

When acting as a Responsible Agency, the District coordinates with the Lead Agency (usually County/City planning departments) to ensure that the air quality impacts of the project are adequately addressed and the District can rely on the Lead Agency’s CEQA determination. As part of District permit issuance, the District must prepare various findings when relying on the Lead Agency’s analysis of the project, and in some instances, prepare subsequent CEQA analysis/documentation. The District also acts as the CEQA Lead Agency for projects that do not require a discretionary permit from any other local or state agency. In these cases, the District must prepare support and findings for its determination on the environmental review requirements for the proposed project prior to permit issuance.

For these Rule 210 amendments, staff proposes to include a CEQA Findings fee of \$1,296 to cover District staff time for evaluating and preparing CEQA findings when acting as either a Lead Agency – for projects that rely on a CEQA exemption other than the list of exempt projects listed in Appendix A of the District’s Environmental Review Guidelines – or as a Responsible Agency – for projects that rely on an Environmental Impact Report or Mitigated Negative Declaration. For complex projects, the Control Officer may assess the CEQA findings fee on a case-by-case basis to evaluate whether a project is exempt in accordance with Appendix A of the

⁵ Handling of Confidential Information Policy: www.ourair.org/wp-content/uploads/6100-020.pdf

District's Environmental Review Guidelines or when the District relies on a Lead Agency's CEQA exemption. Larger projects will continue to be assessed all CEQA fees on the Cost Reimbursement Basis.

4.12 CEQA NOE/NOD Filing Fee [Schedule F.13]

If the District determines that a project qualifies for an exemption from CEQA review, a Notice of Exemption (NOE) may be filed by the District with the County of Santa Barbara Clerk of the Board after project approval. Filing a NOE starts a 35-day statute of limitations period on legal challenges to the District's decision that the project is exempt under CEQA. If a NOE is not filed, a 180-day statute of limitations will apply. As standard practice, the District files a NOE when relying on the common-sense exemption afforded by CEQA Guidelines §15061(b)(3). On a case-by-case basis, the District may file a NOE for other classes of exemptions.

The District's CEQA determination may also result in a filing of a Notice of Determination (NOD) when the District acts as a responsible agency and relies on another agency's CEQA document (e.g., a negative declaration (ND), a mitigated negative declaration (MND), or an Environmental Impact Report (EIR)), or when the District acts as a lead agency and prepares a CEQA document for a non-exempt project.

For these Rule 210 amendments, staff proposes to include a NOE/NOD filing fee of \$538 to cover the costs of staff time to prepare and conduct the filing and the handling fees assessed by the County for filing the NOE/NOD. This fee would not be assessed if the District is the lead agency and needs to adopt or certify its own ND, MND, or EIR since the costs for these situations would be covered under the Cost Reimbursement Basis.

4.13 ERC Reissuance Fees [Schedule F.14]

Emission Reduction Credits (ERCs) can be registered pursuant to Rule 806 when a company reduces air emissions beyond what is required by permits and rules. Once registered, ERCs are assets that can be used by their owner or sold to other companies that need to offset any increases in their stationary source emissions. In accordance with Rule 806, ERC certificates are renewed every five years, and the District analyzes the credits to verify that the ERCs continue to be real, surplus, permanent, quantifiable, and enforceable. Currently, a filing fee is required to register, renew, transfer, or return an ERC to the source register.

For these Rule 210 amendments, staff proposes to include an ERC reissuance fee of \$986 for staff time to reissue any destroyed or lost ERC certificate. The reissuance fee would also apply to projects where an ERC certificate is partially used and needs to be reissued, since these projects would not submit a filing fee. Both of these actions require staff time to review the application, issue the ERC certificate, and update the ERC Source Register.

4.14 Product Variance Fees [Schedule G.3]

The District Hearing Board is a quasi-judicial body established to hear appeals of permit decisions, petitions for variances from District Rules and Regulations, and petitions for abatement orders submitted by the Control Officer. The Hearing Board is a panel made up of five members appointed by, but acting independently of, the Board of Directors. General

provisions and procedures for the Hearing Board are codified in California Health and Safety Code and listed in the District's rulebook under Regulation V.

For these Rule 210 amendments, staff proposes to add a type of variance called the "Product Variance" to the fee schedule. Product variances were codified in California Health and Safety Code §42365 – 42372 during the 1994 legislative session, and they can be requested if the manufacture, distribution, offering for sale, application, or use of a product is, or will be, in violation of any District rule or regulation.

Product variances are intended to provide a more workable process for categorical variances from a District rule. For example, a new architectural coating can be developed by a manufacturer to serve a specific industry or business purpose. If the new coating does not comply with District Rule 323.1, a product variance may temporarily allow for the product to be used while the District conducts any necessary rule amendment proceedings. A product variance essentially allows multiple companies to use the new technology on a temporary basis instead of requiring each company that wants to use the product to individually apply for a variance. Staff does not envision any product variances to be needed, but the proposed fee is included to be consistent with California Health and Safety Code.

5. Rule 210 – Modified and Clarified Fees

Pending Board of Directors approval, the following fees are proposed to be modified or clarified in Rule 210 with an effective date of July 1, 2024. A brief history and the rationale for each amendment is included below. The fiscal impacts of each of these fees are included in Appendix B.

5.1 Air Quality Planning Fees [Schedule B.4]

Air Quality Planning (AQP) fees help fund the preparation of air quality plans and other District activities that are necessary for the attainment and maintenance of state and federal ambient air quality standards. Since 1989, District staff has been compiling triennial updates to our ozone plan which focuses on the precursor pollutants of ROC and NOx. Hence, the existing AQP fees in Rule 210 only address those stationary sources of pollution that emit ROC and NOx. Small sources of pollution (those that are permitted or have actual emissions of <10 tons per year of the affected pollutants) are not assessed an air quality planning fee, while the larger sources of pollution pay a progressively higher fee based on their emissions. Table 5.1 below shows the current Rule 210 AQP fee schedule.

Table 5.1 – Existing AQP Fee Structure

| EMISSION RANGE (tons per year) | AIR QUALITY PLANNING FEE (FY 23-24) |
|--|---|
| 0 to < 10 | \$0 |
| 10 to < 25 | \$66.59 per ton |
| 25 to < 100 | \$100.93 per ton |
| 100 or greater | \$133.18 per ton |

Most of the District’s planning efforts over the last 30 years have been focused on reducing the precursor pollutants of NOx and ROC. However, the District is still nonattainment for the state PM₁₀ standard, and the EPA is currently reviewing and may be lowering the federal PM_{2.5} (particulate matter smaller than 2.5 microns in diameter) standard.⁶ Particulate matter is composed of fine mineral, metal, smoke, and dust particles that have been suspended in the air and that can harm the lungs. For health reasons, the District is most concerned with inhalable PM₁₀ and PM_{2.5}, since particles of these sizes can permanently lodge in the deepest and most sensitive areas of the lungs, and can aggravate many respiratory illnesses including asthma, bronchitis, and emphysema. High levels of particle pollution have also been associated with a higher incidence of heart problems, including heart attacks.

For these Rule 210 amendments, staff proposes to include both PM and SOx (sulfur oxides) in the AQP fee calculation. Hence, the emission range would be calculated based on the total emissions of ROC, NOx, PM, and SOx. Both PM and SOx are already included in the annual emission fee calculation, and SOx is a precursor pollutant that leads to PM formation. This proposal will allow the District to focus more planning efforts on reducing regional PM concentrations.

⁶ www.epa.gov/pm-pollution/proposed-decision-reconsideration-national-ambient-air-quality-standards-particulate

5.2 Sample and Laboratory Analysis Fees [Schedule D]

Prohibitory rules in the District's rulebook often include specific test methods to verify if a material complies with an applicable standard. Currently, Schedule D in Rule 210 addresses the costs for eight different lab analyses such as fuel analyses, vapor pressure tests, and asbestos content tests. The fees in Schedule D were added into the rule in 1991, and they were based on the actual analysis costs provided by a local laboratory and District staff time to coordinate the test.

In practice, the District includes all required sampling for a permitted stationary source in their operating permit. The permittee arranges for the testing to occur, and the results are submitted to the District for review. Hence, the sampling and lab analysis fee schedule has not been used, but the schedule may be needed for future situations where the District needs to verify that the permittee or other responsible entity complies with the applicable regulations.

For these Rule 210 amendments, staff proposes to include a \$287 fee for staff labor to coordinate the analysis, as shown in Appendix A to this staff report. In addition to this fee, all laboratory fees would be assessed on a "pass-through" basis, which is necessary since the applicable test methods and costs from a laboratory have changed over the last 32 years. The rule language would also outline the process to assess these fees, which includes notifying the operator about the sampling procedures and the estimated fees prior to conducting the sampling.

5.3 Data Acquisition System (DAS) Fee [Schedule F.11]

Several of the largest stationary sources within the county are required to install, operate, and maintain monitoring equipment that measures ambient pollution, meteorological data, and/or continuous emission data from their permitted equipment or from a nearby monitoring station. This data is then transmitted and stored on the District's Data Acquisition System (DAS) to assess any air pollution impacts from the stationary source and to verify compliance with the operating conditions in the permit. The District recovers its costs for this program under the existing language in Rule 210, which allows the fees for each stationary source to be incorporated into permit conditions or agreements.

For these Rule 210 amendments, staff proposes to clarify the existing DAS fee by incorporating the current fee amount directly into Rule 210. After including the CPI adjustment, the fee amount for FY 24-25 is \$1,323 per monitoring parameter for six months of operation. The DAS fee is consistent among all the permitted stationary sources, and so incorporating it into the fee rule will provide an additional level of clarity for both the existing stationary sources and for any new stationary sources that may be required to telemeter data to the District. All other monitoring fees, such as those associated with the operation of the Industrial monitoring stations within the District's Air Monitoring Network, shall continue to be specified in the Permit to Operate for the stationary source.

6. Rule 210 – Removed Fees

The following fees are proposed to be removed from Rule 210. A brief history and the rationale for removing each fee is included in the analysis.

6.1 Electrical Energy Fee Schedule [Schedule A]

The electrical energy fee schedule was incorporated into the District's fee rule in 1972, and it was based on the fee schedule from the Los Angeles County Air Pollution Control District (predecessor to South Coast AQMD). The fee schedule is primarily intended to be used on large electric equipment, except for electric motors. Currently, there are three permitted facilities within Santa Barbara County that have permitted electric ovens, screens, and applicators, which are all assessed fees under the electrical energy fee schedule. Since the existing electrical energy equipment are all small units, they are assessed the minimum fee of \$85.34 under the schedule.

For these Rule 210 amendments, staff proposes to remove the electrical energy equipment schedule. This change will result in a negligible impact to the three permitted sources that are currently assessed fees since the equipment would be transitioned to the minimum fee for miscellaneous equipment. This change is being proposed as it effectively consolidates the number of schedules listed in the rule.

6.2 Dry Cleaning Equipment Fee Schedule [Schedule A]

Dry cleaning operations were one of the first permitted source types in the 1970s due to their use of petroleum solvents and perchloroethylene. Although perchloroethylene has been phased out in accordance with the state Airborne Toxic Control Measure (ATCM) for Dry Cleaning Operations (17 CCR §93109), many dry cleaning businesses continue to use ROC-containing petroleum solvents to perform their operations. Currently, there are 12 permitted dry cleaning facilities within Santa Barbara County that use petroleum solvents, and these facilities typically do not have any other permittable equipment at the site.⁷

For these Rule 210 amendments, staff proposes to remove the dry cleaning equipment schedule, which would effectively transition the dry cleaning equipment to the minimum evaluation and reevaluation fees. This change is being proposed because the dry cleaning equipment schedule does not adequately recover staff costs, and the removal also effectively consolidates the number of schedules listed in the rule.

6.3 Ethylene Oxide Sterilizer Fee Schedule [Schedule A]

The Ethylene Oxide (EtO) sterilizer fee schedule was adopted in 1989 concurrently with the adoption of District Rule 336 – Control of Ethylene Oxide Emissions. This prohibitory rule and fee schedule were necessary at the time since CARB was in the process of finalizing the Ethylene Oxide Airborne Toxic Control Measure (ATCM) for Sterilizers and Aerators (17 CCR §93108). EtO is primarily used as a sterilant in the production of medical equipment or for sterilizing supplies at hospitals.

⁷ Dry cleaning operations usually have natural gas water heaters, but the water heaters are small enough to be exempt from permit requirements.

During the 1989 rule proceeding, there were nine known sources who used at least one ethylene oxide sterilizer. All nine of these sources have since shutdown or switched to alternative methods to sterilize their equipment, and no new EtO operations are expected to be permitted in the future. Hence, this fee schedule is proposed to be removed, and it will not affect any permitted sources.

6.4 Cooling Tower Compliance Plans [Schedule F]

The fee schedule for Cooling Tower Compliance Plans was adopted in January 1990 concurrently with the adoption of District Rule 335 – Hexavalent Chrome Cooling Towers. This prohibitory rule and fee schedule were necessary at the time since CARB finalized the ATCM for Chromate Treated Cooling Towers (17 CCR §93103). Hexavalent chromium was historically used in cooling towers for corrosion control, and Rule 335 required facilities to discontinue using hexavalent chromium in cooling towers by July 1, 1990. The fees in Rule 210 covered the costs for District staff to review the facility compliance plans and verify compliance with the regulation.

During the 1990 rule proceeding, there was only one known source who used hexavalent chromium in its cooling tower. This source has since complied with the requirements of District Rule 335 and stopped using hexavalent chromium. Since the necessary work under this rule is complete and cooling towers can no longer use hexavalent chromium, the fee schedule for the compliance plan is no longer necessary. Hence, this fee schedule is proposed to be removed, and it will not affect any permitted sources.

6.5 Atmospheric Acidity Protection Program (AAPP) Administrative Fees [Schedule F]

As authorized by California Health and Safety Code §39904, AAPP fees were historically assessed by CARB on stationary sources that emitted 500 tons or more per year of either sulfur oxides (SOx) or nitrogen oxides (NOx). These fees were used by CARB to determine the nature and extent of potential damage to public health and the state's ecosystem due to atmospheric acidity. To cover District costs for the collection of the AAPP fees for CARB, a small administrative fee was included in the 1991 amendments to District Rule 210.

The AAPP was eventually discontinued in 1994 and the authorizing language in California Health and Safety Code was fully repealed in 2012 per Assembly Bill 1459. Hence, the administrative fee for this program can be removed from Rule 210, and it will not affect any permitted sources.

6.6 California Clean Air Act (CCAA) Administrative Fees [Schedule F]

As authorized by California Health and Safety Code §39612, CCAA fees were historically assessed by CARB on stationary sources that emitted 500 tons or more per year of any nonattainment pollutant or its precursors. The fees were used by CARB to help recover the costs of State programs related to nonvehicular sources. To cover District costs for the collection of the CCAA fees for CARB, a small administrative fee was included in the 1991 amendments to District Rule 210.

In 2003, the State Legislature enacted Assembly Bill (AB) 10X which made a number of changes to the CCAA program. Specifically, it lowered the applicability threshold from 500 tons to 250 tons of nonattainment pollutants, and it authorized CARB to collect the fees directly

instead of requiring the air districts to collect the fees. Hence, the administrative fee for this program can be removed from Rule 210 since CARB can directly collect any required CCAA fee. This change will not affect any permitted sources.⁸

⁸ Stationary sources within Santa Barbara County have been below the 250 ton threshold for the last 15 years and are not currently assessed the CCAA fees from CARB.

7. Rule 210 – Governing Provisions

The following section describes the proposed amendments to the Governing Provisions, which describe the District’s invoicing procedures and the fee increases over time. A brief history of each provision and the rationale for amending it is included in the analysis.

7.1 Delinquency Penalties

In accordance with the existing rule provisions, all invoices are due within 30 calendar days of the date that they are issued. If payment is not received within 30 days, District staff shall promptly notify the entity in writing that the payment is overdue and remind them that delinquency penalties (or “late fees”) will be imposed if payment is not received within 60 calendar days of the invoice date. The existing delinquency penalty is 10% of the originally invoiced amount, and it increases by 10% for each 30-day period that the invoice is overdue.

Delinquent payments have been slowly increasing over time, and it takes additional staff time and effort to follow up and collect the outstanding invoices. Such processing includes reminder phone calls about the invoice due, production and mailing of a delinquent letter and invoice, and inspector surveillance and follow-up with the facility in question. If additional enforcement methods are necessary, the costs to the District increase exponentially, especially if the case is brought before the Hearing Board or referred to legal counsel.

For these Rule 210 amendments, staff proposes to increase the delinquency penalty to 25% of the originally invoiced amount for each 30-day period that the invoice is overdue. The penalty would be capped at an upper limit of 100%, which would occur when the invoice is 120 days overdue. The proposed rule language will also allow delinquency penalties to be assessed to overdue invoices assessed on the Cost Reimbursement Basis. This increased penalty structure is a deterrent measure to ensure prompt payment of all District invoices. Fewer late payments will result in less time spent by staff in trying to collect these fees.

7.2 Permit Suspension & Reinstatement Filing Fees [Schedule F.16]

As described in the Delinquency Penalty section above, District staff make multiple attempts to collect the fees for work performed by the District. If a facility does not respond to any of these notices by paying the fees and associated penalties, staff’s only option under the existing rule text is to bring the matter before the Hearing Board. The Hearing Board may then issue an abatement order to directly order the facility to halt all operations that emit air contaminants, or the Hearing Board may permanently revoke the facility’s permit. This process is time consuming for District staff and the Hearing Board itself, and so a new protocol is being proposed.

For these Rule 210 amendments, staff proposes to add rule language that if payment is not received within 150 calendar days of the invoice date, staff will begin the process of suspending the operator’s permit. To do this, staff will notify the owner/operator, in writing, that the existing permits for the stationary source may be suspended unless all prior fees and associated penalties are paid within 14 calendar days. If payment is not received within 14 days, staff could then issue a suspension letter and any operation of the equipment shall constitute a violation of the District’s Rules and Regulations. Using the suspension and Notice of Violation (NOV) process is more expedient and efficient compared to bringing the item to the Hearing Board, and so it can be used to further promote the payment of fees on time.

If the permit holder wants to reactivate a suspended permit, the permit holder will need to submit an application to reinstate the permit along with the associated reinstatement filing fee of \$1,355. A permit may only be reinstated within 180 days of the suspension date, and District staff will not work on the reinstatement application until all prior fees and associated penalties have been paid. Table 7.1 below provides an overview of the proposed invoicing protocol, as it demonstrates the progressive steps taken by the District to promote the payment of fees on time. The table compares the existing steps to the proposed steps under these rule amendments.

Table 7.1 – Existing and Proposed Rule 210 Invoicing Protocols

| Day # | Existing Rule 210 Protocol | Proposed Rule 210 Protocol |
|-----------------|---|--|
| Day 1 | Invoice issued. | Invoice issued. |
| Day 31 | Invoice due. Written notice/reminder of invoice. | Invoice due. Written notice/reminder of invoice. |
| Day 61 | Delinquent penalty assessed. (10% total penalty) | Delinquent penalty assessed. (25% total penalty) |
| Day 91 | Delinquent penalty assessed. (20% total penalty) | Delinquent penalty assessed. (50% total penalty) |
| Day 121 | Delinquent penalty assessed. (30% total penalty) | Delinquent penalty assessed. (75% total penalty) |
| Day 151 | Delinquent penalty assessed. (40% total penalty) | Suspension warning letter; and Delinquent penalty assessed. (100% total penalty) |
| Day 165+ | <p>1) Delinquent penalties continue to aggregate for every 30-day period. (100% cap on AB 2588 fees)</p> <p>2) District may seek permit revocation through the Hearing Board.</p> | <p>Suspension letter may be issued. District may also seek permit revocation through the Hearing Board at any time.</p> <p><u>If suspended:</u></p> <p>1) Facility may submit an application to reinstate their permit and pay all overdue fees and penalties within 180 days;</p> <p>2) District staff may inspect the facility and issue a Notice of Violation (NOV) for operating with a suspended permit.</p> |

7.3 Transaction Fees

In accordance with Government Code §6159, the District allows some types of services and fees to be paid for through credit cards, debit cards, and electronic fund transfers. These options

provide our clients with payment flexibility, and they improve the District’s collection efforts. However, accepting credit cards, debit cards, and electronic fund transfers can often include the associated cost of “convenience charges” or other charges from the processing company. A resolution was authorized by the District Board in 2018 to pass those direct costs associated with the use of these payment types on to the card/account holder, not to exceed the costs incurred by the District. Language is now proposed to be included in Rule 210 to clearly inform the public about these transaction fees.

7.4 Existing Fee Increases Over Time – Matrix Fee Study

California Health and Safety Code §41512.7 prevents any existing fees for Authority to Construct permits or Permits to Operate from being increased by more than 15% in any calendar year. Hence, the District may not increase its permit fees beyond this statutorily limited percentage in any calendar year in response to changing conditions. The Matrix Fee Study⁹ showed the overall cost-recovery is currently 47% for the District’s existing fees, and it will take a multi-year, phased approach for the agency to reach its cost-recovery goal of 85% due to this restriction in the Health and Safety Code.

Based on guidance and direction provided by the District’s Board of Directors, staff proposes to increase the existing fee schedules listed below by up to 12% per year, beginning on July 1, 2024. The annual increase would be applied by fee schedule, and the increases for a fee schedule will stop when the schedule reaches 85% cost-recovery based on the Matrix Fee Study results. As shown in Table 7.2, this means that one of the schedules will achieve 85% cost-recovery after one year, but other schedules will need four to eight years to meet the cost-recovery goal. Schedule F would be the only schedule that cannot meet the cost-recovery goal after the ten year period due to the limits prescribed in the Health and Safety Code. These increases are in addition to the annual CPI adjustments that are performed every year, but the total increase would not exceed 15% in any calendar year.

Table 7.2 – Matrix Fee Study Results with Proposed Increases Over Time

| Fee Schedule | Current Annual Revenue | Total Annual Cost | Current Cost Recovery | Estimated Years of Increases | Cost Recovery At End | Annual Revenue at End |
|--------------------------|------------------------|--------------------|-----------------------|------------------------------|----------------------|-----------------------|
| A - Equipment/Facility | \$1,157,439 | \$1,923,856 | 60% | 4 | 85% | \$1,635,277 |
| B - Air Toxics | \$113,970 | \$259,352 | 44% | 6 | 85% | \$220,449 |
| B - Air Quality Planning | \$344,135 | \$428,347 | 80% | 1 | 85% | \$364,095 |
| C - Source Tests | \$105,321 | \$178,882 | 59% | 4 | 85% | \$152,050 |
| F - Other Fees | \$294,193 | \$1,429,956 | 21% | 10 | 64% | \$913,720 |
| G - Hearing Board | \$33,344 | \$95,366 | 35% | 8 | 85% | \$81,061 |
| H - Ag Engine | \$24,360 | \$70,701 | 34% | 8 | 85% | \$60,096 |
| Total | \$2,072,763 | \$4,386,460 | 47% | --- | 78% | \$3,426,748 |

⁹ The Matrix Fee Study can be found online at: www.ourair.org/wp-content/uploads/2023-10bd-g3.pdf

This proposal to increase the existing fees in each schedule would not apply to any of the new fees described in Section 4 of this staff report, and the increases would also not apply to the schedules that were not evaluated in the Matrix Fee Study (such as the annual emission fees in Schedule B or the asbestos fees in Schedule E). Also, it's important to note that the Matrix Fee Study represents a snapshot in time, as the results are based on data and records from recent fiscal years. Hence, the proposal to increase the fees based on this snapshot excludes any forecasted revenue decreases and cost-of-service increases that may occur in the future. In accordance with the Matrix Fee Study, District staff anticipates reevaluating the cost-recovery on an on-going basis.

8. Other Affected District Rules

The following section describes the changes being made to other District rules due to the reorganization of District Rule 210, as described in Section 3 of this staff report. Since these are administrative changes, the revised text for these rules will be made available prior to the public notice for the Board Hearings.

8.1 Consolidation of Rule 211 – Technical Reports

Rule 211 was part of the initial District rulebook in 1971, and it describes the basic provisions to assess fees for the various projects that the District could be asked to work on. The current language in Rule 211 is shown below:

“Information, circulars, reports of technical work, and other reports prepared by the District for special interest groups or individuals, may be charged for by the District in a sum not to exceed the cost of preparation and distribution of such documents. The charge will be based on direct labor hours used, supplies and service expended, and indirect costs incurred. All such monies collected shall be turned into the general funds of the said District.”

To simplify and consolidate the rulebook, most of this language has been moved to Rule 210 under Section B.5 – Technical Reports. Rule 211 can then effectively be repealed.

8.2 Consolidation of Rule 213 – Fees for Registration Programs

Rule 213 was adopted in 2007 to coincide with the diesel agricultural engine registration requirements in District Rule 1201 and the State ATCM for Stationary Compression Ignition Engines (17 CCR §93115). To simplify and consolidate the rulebook, the language in Rule 213 has been moved to Rule 210 under Section B.2, Agricultural Diesel Engine Registration Program, and the fee was moved to Rule 210, Schedule H. Rule 213 can then effectively be repealed.

8.3 Other Affected District Rules

Other rules within the District’s rulebook contain references to specific sections in Rule 210. Since Rule 210 is proposed to be reorganized, the references in the rules listed below are being updated to provide for a clear and consistent rulebook. Removal of outdated information and other minor formatting changes are also incorporated, where applicable.

- District Rule 203 – Transfers
- District Rule 342 – Boilers, Steam Generators, and Process Heaters (5 MMBtu/hr and greater)
- District Rule 359 – Flares and Thermal Oxidizers
- District Rule 361 – Boilers, Steam Generators, and Process Heaters (2 - 5 MMBtu/hr)
- District Rule 364 – Refinery Fenceline and Community Air Monitoring
- District Rule 370 – Potential To Emit – Limitations for Part 70 Sources
- District Rule 502 – Filing Petitions
- District Rule 806 – Emission Reduction Credits
- District Rule 1201 – Registration of Agricultural Diesel Engines

9. Rule Impacts and Other Rule Evaluations

9.1 Fiscal Impacts

There are more than 1,000 facilities/entities subject to the fees in District Rule 210. The impact on individual facilities will vary depending on the size and number of emission sources. For most existing permitted sources, their permit fees will increase by 12% per year for the next 3 years. The revisions to Rule 210 will increase revenue by approximately \$1.2 million in Fiscal Year 2024-25 due to both the new fees proposed and the 12% increase to existing fees that do not meet the cost-recovery goals outlined in the District's proposed Cost-Recovery Policy. Additional revenue is also anticipated to be collected in future years as specific schedules are increased by 12% per year over the course of ten years to achieve a cost-recovery rate of 85%. The calculations for these impacts can be found in Appendix B. These amendments will help close the \$1.2 million shortfall in the District's budget that is expected within the next five-year period.

9.2 Environmental Impacts

California Public Resources Code §21159 requires the District to perform an analysis of the reasonably foreseeable environmental impacts if a rule or regulation sets a performance standard or requires the installation of pollution-control equipment. The proposed rule amendments are administrative in nature and do not involve performance standards or pollution-control equipment. Therefore, there is no reasonable possibility that the proposed amendments will have a significant effect on the environment.

9.3 California Environmental Quality Act (CEQA) Requirements

The California Environmental Quality Act (CEQA) requires environmental review for certain actions. This rulemaking project consists of amending the District's fee rule to adequately recover the costs for service. Pursuant to §15061(b)(3) of the State CEQA Guidelines, the project is not subject to CEQA as it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment. A CEQA determination will be made when the proposed rule package is brought to the District Board for adoption.

9.4 Socioeconomic Impacts

California Health and Safety Code §40728.5 requires air districts with populations greater than 500,000 people to consider the socioeconomic impact of any new rule if air quality or emission limits are significantly affected. Based on the 2020 census data, the population of Santa Barbara County was approximately 450,000 persons. Using the expected growth rates for the County, the current population estimate is still below the 500,000 person threshold. Furthermore, the proposed amendments will not strengthen an emission limitation. Therefore, the District is not required to perform a socioeconomic impact analysis for the proposed rule amendments.

10. Public Review

Rule Workshops

The District will hold a virtual public workshop to present, discuss, and hear comments on the draft rules on December 14, 2023. To inform the public about the workshop, District staff mailed or e-mailed a notice to all permit holders, ERC holders, owners of agricultural engine registrations, and other potentially affected entities on November 30, 2023. Staff also e-mailed the notice to everyone who subscribed to the electronic noticing subscription list, and information about the workshop was shared through the District's social media accounts. The draft rules and staff report were made available at the District offices and on the District's website, beginning on November 30, 2023. Written comments pertaining to the rule amendments are requested to be submitted by December 29, 2023.

Community Advisory Council

To facilitate the participation of the public and the regulated community in the development of the District's regulatory program, the District created the Community Advisory Council (CAC). The CAC is composed of representatives appointed by the District's Board of Directors. Its charter is, among other things, to review proposed changes to the District's Rules and Regulations and make recommendations to the Board of Directors on these changes. After the public workshop, the District will bring the rule amendments to the CAC. Members of the public may attend the CAC meeting and provide additional public comment at that time.

Public Hearings

In accordance with California Health and Safety Code §40725, the proposed amendments will be publicly noticed and made available at the District offices and on the District's website prior to the first public hearing before the Board of Directors. Furthermore, Health and Safety Code §41512.5 requires two public hearings to be held prior to the adoption of any new fee not associated with the permit program. Although most fees being amended are related to the permit program, some of the District activities can be performed for non-permitted sources (e.g., source tests and laboratory analyses). The first and second public hearing are anticipated to be scheduled in the spring of 2024. Members of the public may attend each Board meeting and can provide comments on the proposed amendments prior to or at each hearing.

Appendix A - Derivation of New Fees

In accordance with California Health and Safety Code, the following tables present the estimated costs to cover District services related to permitted stationary sources and other activities authorized by local, state, and federal regulations. The derivations are based on timecard data for recent fiscal years along with supplemental time estimates, as needed, demonstrating the number of hours needed for each type of employee for the given task and any additional materials or fees connected to the task. The tables show that the proposed fees in Rule 210 are designed to achieve 100% cost-recovery for the work performed.

| Schedule A.1.a – Minimum Evaluation Fee | | | |
|--|---------------------------|-------------------------|------------------------------|
| Task | AQ Engr. III | AQ Spec. III | Div Mgr. or Supv. |
| Permit Evaluation | 2.34 | -- | 0.66 |
| Compliance Inspection | -- | 2.28 | 0.72 |
| Total Estimated Hours | 2.34 | 2.28 | 1.38 |
| FY 24-25 Fee Rate | \$219.43 | \$191.74 | \$291.99 |
| Estimated Cost | \$1,353.59 per permit | | |
| Proposed Fee in Rule | \$1,353 per permit | | |

| Schedule A.11 – Post-Harvest Cannabis Operations | | | |
|---|-------------------------|-------------------------|-------------------------------|
| Task | AQ Engr. III | AQ Spec. III | Div. Mgr. or Supv. |
| Per 1,000 sq. ft. | 0.88 | 1.49 | 0.72 |
| Per Extractor | 1.14 | 1.86 | 0.91 |
| Per Odor Controlling Eqmt. | 1.50 | 2.45 | 1.20 |
| FY 24-25 Fee Rate | \$219.43 | \$191.74 | \$291.99 |
| | Estimated Cost | Proposed Fee | |
| Per 1,000 sq. ft. | \$690.34 | \$690 | |
| Per Extractor | \$872.82 | \$872 | |
| Per Odor Controlling Eqmt. | \$1,148.13 | \$1,148 | |

| Schedule B.1.a – Annual Diesel Emergency Engine Review | | |
|--|---|---------------------------|
| Task | AQ Spec. III | Div Mgr. or Supv. |
| Compliance Inspection | 6.00 | 1.00 |
| Compliance Program Support | 4.50 | 0.75 |
| Estimated Hours per Facility | 10.50 | 1.75 |
| FY 24-25 Fee Rate | \$191.74 | \$291.99 |
| Facilities with Emergency Engines | 417 | |
| Estimated Program Cost | \$1,052,606 per 3-year period; or \$350,869 per year | |
| | First Engine | Additional Engines |
| Affected Engines | 417 | 234 |
| Adjustment Factor | 100% | 50% |
| Cost per Engine | \$657.06 per year | \$328.53 per year |
| Proposed Fee in Rule | \$657 per year | \$328 per year |

| Schedule B.1.b – Annual GDF Review | | | |
|------------------------------------|---------------------------|--------------|--------------------|
| Task | AQ Spec. III | AQ Engr. III | Div. Mgr. or Supv. |
| Compliance Inspection | 0.23 | -- | 0.07 |
| Compliance Program Support | -- | 0.11 | 0.03 |
| Total Estimated Hours | 0.23 | 0.11 | 0.10 |
| FY 24-25 Fee Rate | \$191.74 | \$219.43 | \$291.99 |
| Estimated Cost | \$97.43 per nozzle | | |
| Proposed Fee in Rule | \$97.43 per nozzle | | |

| Schedule B.3.a – Annual Air Toxics - Small Sources (< 2,000 lbs) | | | |
|--|------------------------------------|--------------|--------------------|
| Task | Permit Tech | AQ Engr. III | Div. Mgr. or Supv. |
| Total Program Oversight | 0.25 | 0.78 | 0.22 |
| Total Estimated Hours | 0.25 | 0.78 | 0.22 |
| FY 24-25 Fee Rate | \$150.38 | \$219.43 | \$291.99 |
| Estimated Cost | \$272.99 per stationary source | | |
| Proposed Fee in Rule | \$272 per stationary source | | |

| Schedule D - Sampling and Lab Analysis | |
|---|---------------------------|
| Task | AQ Spec. III |
| Coordinate Testing with Lab | 1.50 |
| Total Estimated Hours | 1.50 |
| FY 24-25 Fee Rate | \$191.74 |
| Estimated Cost | \$287.61 per sampling |
| Proposed Fee in Rule | \$287 per sampling |

| Schedule F.4 - Transfer of Ownership/Operator - Permit Split Evaluation | | | | |
|--|---------------------------|---------------------|---------------------|---------------------------|
| Task | Permit Tech | AQ Engr. III | AQ Spec. III | Div. Mgr. or Supv. |
| Update Database Records | 0.66 | -- | -- | -- |
| Generate Draft & Final Permits | -- | 2.34 | -- | -- |
| Issue Final Permit | -- | -- | -- | 0.66 |
| Inspection Report | -- | -- | 0.50 | 0.50 |
| Total Estimated Hours | 0.66 | 2.34 | 0.50 | 1.16 |
| FY 24-25 Fee Rate | \$150.38 | \$219.43 | \$191.74 | \$291.99 |
| Estimated Cost | \$1,047.31 per permit | | | |
| Proposed Fee in Rule | \$1,047 per permit | | | |

| Schedule F.7 - School Public Notice | | | | | |
|--|--------------------------------|---------------------|---------------------------|--------------------|-------------|
| Task | Permit Tech | AQ Engr. III | Div. Mgr. or Supv. | Office Tech | PIO |
| Obtain School Mailing Labels | 1.00 | -- | 0.50 | -- | -- |
| Draft School Notice | -- | 0.50 | -- | -- | -- |
| Issue School Notice | 1.00 | -- | -- | 9.00 | 0.75 |
| Respond to Public Comments | -- | 2.00 | 1.00 | -- | -- |
| Total Estimated Hours | 2.00 | 2.50 | 1.50 | 9.00 | 0.75 |
| FY 24-25 Fee Rate | \$150.38 | \$219.43 | \$291.99 | \$113.71 | \$185.77 |
| Mailing Materials Cost | \$1,081.80 per application | | | | |
| Estimated Cost | \$3,607.07 per application | | | | |
| Proposed Fee in Rule | \$3,607 per application | | | | |

| Schedule F.8 - HRA Screening | |
|---|----------------------------|
| Task | AQ Engr. III |
| HRA Completeness Review | 0.50 |
| Toxic Emission Calculations and Modelling | 2.00 |
| Permit Attachment Write-up | 1.50 |
| Total Estimated Hours | 4.00 |
| FY 24-25 Fee Rate | \$219.43 |
| Estimated Cost | \$877.74 per screening |
| Proposed Fee in Rule | \$877 per screening |

| Schedule F.9 - IPAP Program | | | |
|------------------------------|------------------------------|--------------|--------------------|
| Task | Permit Tech | AQ Engr. III | Div. Mgr. or Supv. |
| IPAP Eligibility Review | -- | 0.50 | 0.50 |
| IPAP Document Preparation | 1.00 | 0.50 | -- |
| IPAP Issuance | -- | 0.50 | 0.50 |
| IPAP Compliance Support | -- | -- | 0.50 |
| Total Estimated Hours | 1.00 | 1.50 | 1.50 |
| FY 24-25 Fee Rate | \$150.38 | \$219.43 | \$291.99 |
| Estimated Cost | \$917.52 per application | | |
| Proposed Fee in Rule | \$917 per application | | |

| Schedule F.10 - Confidential Handling | | | | | | |
|---------------------------------------|-----------------------------------|--------------|--------------------|---------------------------------|--------------|--------------------|
| Task | Initial | | | Reevaluation | | |
| | AQ Engr. III | AQ Spec. III | Div. Mgr. or Supv. | AQ Engr. III | AQ Spec. III | Div. Mgr. or Supv. |
| Application Review | 1.00 | -- | 0.50 | -- | -- | -- |
| PSA Data Entry | 0.20 | -- | -- | -- | -- | -- |
| Information Check-Out | -- | -- | 0.50 | -- | -- | 0.50 |
| Permit Preparation | 2.00 | -- | 0.50 | 2.00 | -- | 0.50 |
| Inspection Preparation | -- | 3.00 | 0.50 | -- | 3.00 | 0.50 |
| Total Estimated Hours | 3.20 | 3.00 | 2.00 | 2.00 | 3.00 | 1.50 |
| FY 24-25 Fee Rate | \$219.43 | \$191.74 | \$291.99 | \$219.43 | \$191.74 | \$291.99 |
| Estimated Cost | \$1,861.39 per initial permit | | | \$1,452.07 per reevaluation | | |
| Proposed Fee in Rule | \$1,861 per initial permit | | | \$1,452 per reevaluation | | |

| Schedule F.12 - CEQA Findings | | |
|------------------------------------|---------------------------|--------------------|
| Task | AQ Spec. III | Div. Mgr. or Supv. |
| Confirmation of CEQA Determination | 3.00 | -- |
| Prepare CEQA Findings for Permit | 3.00 | 0.50 |
| Total Estimated Hours | 6.00 | 0.50 |
| FY 24-25 Fee Rate | \$191.74 | \$291.99 |
| Estimated Cost | \$1,296.43 per permit | |
| Proposed Fee in Rule | \$1,296 per permit | |

| Schedule F.13 - CEQA NOE/NOD Filing | | | |
|---|-------------------------|--------------|--------------------|
| Task | Permit Tech | AQ Spec. III | Div. Mgr. or Supv. |
| Prepare Draft NOE/NOD | -- | 1.00 | -- |
| Review and Sign NOE/NOD | -- | -- | 0.50 |
| Physical Filing with Clerk of the Board | 1.00 | -- | -- |
| Total Estimated Hours | 1.00 | 1.00 | 0.50 |
| FY 24-25 Fee Rate | \$150.38 | \$191.74 | \$291.99 |
| County Clerk Filing Fee | \$50 per filing | | |
| Estimated Cost | \$538.11 per filing | | |
| Proposed Fee in Rule | \$538 per filing | | |

| Schedule F.14 - ERC Reissuance | | |
|-----------------------------------|------------------------------|--------------------|
| Task | AQ Engr. III | Div. Mgr. or Supv. |
| ERC Document Preparation | 2.00 | -- |
| ERC Issuance | 0.50 | 0.50 |
| Update Source Register & Database | -- | 1.00 |
| Total Estimated Hours | 2.50 | 1.50 |
| FY 24-25 Fee Rate | \$219.43 | \$291.99 |
| Estimated Cost | \$986.57 per application | |
| Proposed Fee in Rule | \$986 per application | |

| Schedule F.15 - Reinstatement of Permit | | | |
|--|---------------------------|---------------------|---------------------------|
| Task | Permit Tech | AQ Spec. III | Div. Mgr. or Supv. |
| Issue Permit Suspension Warning Letter | -- | -- | 1.00 |
| Issue Permit Suspension Letter | -- | -- | 1.00 |
| Confirm Operations Ceased Following Suspension | -- | 2.20 | 0.50 |
| Issue Permit Reinstatement Letter | -- | -- | 1.00 |
| Update Database Throughout Process | 1.00 | -- | -- |
| Total Estimated Hours | 1.00 | 2.20 | 3.50 |
| FY 24-25 Fee Rate | \$150.38 | \$191.74 | \$291.99 |
| Estimated Cost | \$1,594.17 per permit | | |
| Proposed Fee in Rule | \$1,594 per permit | | |

| Schedule G.3 - Product Variance | | | | |
|--|-----------------------------|---------------------------|------------------------|---------------------------|
| Task | Initial | | After 3 Months | |
| | AQ Spec. III | Div. Mgr. or Supv. | AQ Spec. III | Div. Mgr. or Supv. |
| Review Variance Petition | 2.00 | 0.50 | -- | -- |
| Compile Variance Findings | 11.20 | 2.30 | -- | -- |
| Attend Hearing | 2.00 | 2.00 | -- | -- |
| Additional Tracking and Reporting | -- | -- | 3.04 | 0.96 |
| Total Estimated Hours | 15.20 | 4.80 | 3.04 | 0.96 |
| FY 24-25 Fee Rate | \$191.74 | \$291.99 | \$191.74 | \$291.99 |
| Estimated Cost | \$4,315.97 per petition | | \$863.19 per month | |
| Proposed Fee in Rule | \$4,315 per petition | | \$863 per month | |

Appendix B - Fiscal Impacts

Table 1: Estimated Fiscal Impacts of New and Modified Fee Schedules

| Schedule | Item | Fee Type | Number of Affected Units | | Proposed Fee | Cost Recovery | FY 24/25 Increase |
|-----------------|-------------|-------------------------------------|---------------------------------|--------------------|---------------------|----------------------|--------------------------|
| A | 1.a | Min Permit Evaluation | 50 | Permits | \$1,353 | 100% | \$47,650 |
| | 11 | Cannabis – Permit Evaluations | 7 | Permits | \$15,624 | 100% | \$91,469 |
| | 11 | Cannabis – 3 yr Reevaluations | 19 | Permits | \$15,624 | 100% | \$82,758 |
| B | 1.a | Emergency Engine Annual Review | 417 | First Engines | \$657 | 100% | \$204,697 |
| | 1.a.i | Emergency Engine Annual Review | 234 | Additional Engines | \$328 | 100% | \$37,880 |
| | 1.b | GDF Phase II Annual Review | 1,018 | Nozzles | \$97.43 | 100% | \$68,583 |
| | 3.a | Annual Air Toxics - Small Sources | 867 | Stationary Sources | \$272 | 100% | \$235,824 |
| | 4 | Annual Air Quality Planning | 547 | Tons (PM + SOx) | Varies (>10 tons) | -- | \$75,111 |
| D | --- | Sample & Lab Analysis | 0 | Analyses | \$287 | 100% | \$0 |
| F | 4 | Transfers – Permit Split Evaluation | 1 | Permit | \$1,047 | 100% | \$1,047 |
| | 7 | School Public Notices | 8 | Permits | \$3,607 | 100% | \$16,856 |
| | 8 | HRA Screenings | 19 | Applications | \$877 | 100% | \$16,663 |
| | 9 | IPAP Program | 36 | Permits | \$917 | 100% | \$33,012 |
| | 10 | Confidential Handling - Initial | 2 | Permits | \$1,861 | 100% | \$3,722 |
| | 10.a | Confidential Handling - On-going | 15 | Permits | \$1,452 | 100% | \$7,260 |
| | 11 | Data Acquisition System (DAS) | 141 | Parameters | \$1,323 | -- | \$0 |
| | 12 | CEQA Findings | 12 | Permits | \$1,296 | 100% | \$15,552 |
| | 13 | CEQA NOE/NOD Filing | 6 | Permits | \$538 | 100% | \$3,228 |
| | 14 | ERC Reissuance | 7 | Certificates | \$986 | 100% | \$6,902 |
| | 15 | Reinstatement of Permit | 0 | Permits | \$1,594 | 100% | \$0 |
| G | 3 | Product Variance | 0 | Variances | \$4,315 | 100% | \$0 |
| | | | | | | | \$948,213 |

Table 2: Matrix Fee Study Results with Proposed Increases Over Time

| Schedule | Items | Schedule Description | Current Revenue | Matrix Cost Recovery | Estimated Years of Increases | Cost Recovery At End | Revenue at End ¹ |
|--------------|-----------|-----------------------------|--------------------|----------------------|------------------------------|----------------------|-----------------------------|
| A | 1.b, 2-10 | Equipment/Facility | \$1,157,439 | 60% | 4 | 85% | \$1,635,277 |
| B | 3.b | Annual Air Toxics | \$113,970 | 44% | 6 | 85% | \$220,449 |
| | 4 | Annual Air Quality Planning | \$344,135 | 80% | 1 | 85% | \$364,095 |
| C | All | Source Tests | \$105,321 | 59% | 4 | 85% | \$152,050 |
| F | 1-3, 5-6 | Other Fees | \$294,193 | 21% | 10 | 64% | \$913,720 |
| G | 1-2, 4-5 | Hearing Board | \$33,344 | 35% | 8 | 85% | \$81,061 |
| H | All | Registration Program | \$24,360 | 34% | 8 | 85% | \$60,096 |
| Total | | | \$2,072,763 | 47% | --- | 78% | \$3,426,748 |

Table 3: Fiscal Impacts of Existing Fee Schedule Annual Increases¹

| Schedule | Items | FY 24/25 Increase | FY 25/26 Increase | FY 26/27 Increase | FY 27/28 Increase | FY 28/29 Increase | FY 29/30 Increase | FY 30/31 Increase | FY 31/32 Increase | FY 32/33 Increase | FY 33/34 Increase |
|----------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| A | 1.b, 2-10 | \$138,893 | \$155,560 | \$174,227 | \$9,159 | --- | --- | --- | --- | --- | --- |
| B | 3.b | \$13,676 | \$15,318 | \$17,156 | \$19,214 | \$21,520 | \$19,595 | --- | --- | --- | --- |
| | 4 | \$19,960 | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| C | All | \$12,639 | \$14,155 | \$15,854 | \$4,081 | --- | --- | --- | --- | --- | --- |
| F | 1-3, 5-6 | \$35,303 | \$39,540 | \$44,284 | \$49,598 | \$55,550 | \$62,216 | \$69,682 | \$78,044 | \$87,409 | \$97,899 |
| G | 1-2, 4-5 | \$4,001 | \$4,481 | \$5,019 | \$5,622 | \$6,296 | \$7,052 | \$7,898 | \$7,348 | --- | --- |
| H | All | \$2,923 | \$3,274 | \$3,667 | \$4,107 | \$4,600 | \$5,152 | \$5,770 | \$6,244 | --- | --- |
| | | \$227,395 | \$232,328 | \$260,207 | \$91,781 | \$87,966 | \$94,015 | \$83,350 | \$91,636 | \$87,409 | \$97,899 |

¹ Excludes CPI adjustments.

Appendix C - Frequently Asked Questions (FAQs)

The following text provides rule clarifications in the format of frequently asked questions. Topic sections are provided to group similar questions together.

| Topic Section | FAQs |
|---|-------------|
| General Rule Implementation | #1 - 5 |
| Recurring Fee Implementation | #6 - 9 |
| Delinquency Penalties and Permit Suspension | #10 - 12 |
| Miscellaneous | #13 - 18 |

Topic: General Rule Implementation

- 1) **Question:** If the rule amendments are adopted by the Board of Directors, when would the rule be effective?

Response: The rule amendments would be effective on July 1, 2024. Any new and modified fees addressed in the rule will start to be assessed on and after this date, even if a permit application was submitted prior to July 1, 2024.

- 2) **Question:** Will the new fees be increased by the CPI on July 1, 2024?

Response: No, the new fees will not be increased by the CPI on July 1, 2024 since they are established based on the FY 2024-25 billing rate.

- 3) **Question:** Will the existing fees be increased by the CPI on July 1, 2024?

Response: Yes, the existing fees are anticipated to be increased by the CPI. Since the amendments to Rule 210 are proposed to be effective on July 1, 2024, both the CPI of 4.2% and the first annual increase for the affected schedules (pursuant to Rule 210, Section E.6) are already incorporated directly into the proposed rule language.

- 4) **Question:** Is there a limit to the annual increases for existing fees?

Response: Yes, California Health and Safety Code §41512.7 limits existing ATC and PTO fee increases to no more than 15% in a single year. Building off this requirement, staff proposes to limit all existing fee increases to a maximum of 15% per year to provide for a simpler rule and to ensure that the increases are not excessive.

5) **Question:** How can I verify the annual fee increases and the CPI for each schedule?

Response: The District publishes a fee memo at the following website www.ourair.org/district-fees/ every year at the beginning of July. The fee memo explains the CPI increases and it will also explain the annual fee increases prescribed in Rule 210, Section E.6. For example, since the CPI adjustment will be 4.2% on July 1, 2024, only 10.8% of the 12% increase allowed by Rule 210, Section E.6 will be applied to the existing schedules for the first year to prevent the total increase from exceeding 15%.

Topic: Recurring Fee Implementation

6) **Question:** When are the Recurring Fees invoiced?

Response: Please see the calendar below for the typical invoicing time frames for the existing recurring fees and the proposed time frame for the annual reviews for emergency diesel engines and GDFs.

| Recurring Fee Calendar | |
|---|--------------------------------|
| Recurring Fee | Invoice Issued |
| Permit Reevaluations | 3 years from last PTO issuance |
| Air Quality Planning | January |
| Annual Emission and Air Toxics | January - June |
| Agricultural Diesel Engine Registrations | February |
| Annual Reviews for Emergency Diesel Engine and GDFs | August |

7) **Question:** Why is there a 6-month time range where the Annual Emission and Air Toxics fees are invoiced?

Response: Annual Emission and Air Toxics fees are typically invoiced between January and June each year. Since these fees are based on the actual emissions from each stationary source, District staff can't process all the fees until the necessary throughput ("production data") records are received. Each stationary source is required to submit their throughput records by March 1 every year, but there may be delays in the source's throughput submittal, which would effectively delay the District's issuance of these two fees.

- 8) **Question:** I know I need to cancel my permit in the near future. Is there a specific date that I should request to cancel my permit by to stop any new Annual Emission, Air Toxics, or Air Quality Planning fee invoices from being created? Would this also apply to the new Annual Review fees for emergency diesel engines and GDFs?

Response: To be excluded from the annual billing cycle, the source must submit a request to cancel their permit, in writing, prior to July 31. This applies to the Annual Emission, Air Toxics, and Air Quality Planning fees as well as the proposed Annual Review fees. Requests may be submitted electronically by sending an e-mail to engr@sbcapcd.org. Please note that a request to cancel a permit may not be acted upon until all prior invoices and enforcement actions are resolved.

- 9) **Question:** I have portable equipment that is currently permitted by the District, but it won't operate in Santa Barbara County for the next year. Can the permit be inactivated so the recurring fees don't accrue?

Response: No. All recurring fees must be paid within 30 days of the invoice, and the failure to do so will result in delinquency penalties and permit suspension.

Topic: Delinquency Penalties and Permit Suspension

- 10) **Question:** I recently purchased an existing, permitted operation within Santa Barbara County, and so I'm looking to submit a Transfer of Ownership form. However, the District has informed me that the permit has outstanding fees and delinquency penalties associated with it. Can the delinquency penalties be waived since I'm a new operator?

Response: No. The District cannot waive the delinquency penalties at the time of transfer. All prior fees (including delinquency penalties) must be provided with the application to transfer ownership.

- 11) **Question:** My permit has been suspended due to the failure to pay the fees, but I need to operate in Santa Barbara County again. Can I submit a brand new application rather than paying the outstanding fees and delinquency penalties for the existing permit?

Response: No. All prior fees (including delinquency penalties) must be provided with the application to reinstate the permit.

- 12) **Question:** For stationary sources that have two separate operators, what happens if one of the operators fails to pay the applicable fees?

Response: If the operators share a single permit, the permit will be suspended. However, if the operators each have their own permit for the stationary source, the District may suspend only those permits belonging to the delinquent operator.

Topic: Miscellaneous

- 13) **Question:** I already have a cost reimbursement account with the District and I need to submit a new permit application with the required filing fee. Can I authorize the District to charge the filing fee to my account?

Response: Yes, you can authorize the District to charge the filing fee to your account. The “Services, Equipment, Supplies, and Materials” section that has been added to the rule clarifies that a Cost Reimbursement account can cover “the cost of filing any required documents.”

- 14) **Question:** Can I request to have my permit application expedited by requesting District staff to work overtime?

Response: No, there is currently no process to allow District permitting staff to work overtime to expedite a permit. This is because permitting staff are classified as FLSA (Fair Labor Standards Act) exempt. The Rule 210 language for overtime has been removed to prevent any confusion on the potential for overtime work.

- 15) **Question:** If the lead agency determined my project to be exempt under CEQA, why would the District need to assess a CEQA findings fee?

Response: District staff must conduct a review of the project to determine whether the project may qualify for an exemption from CEQA. There are several different types of exemptions that the District may consider and evaluate for applicability including: an exemption afforded by statute, an exemption pursuant to a categorical exemption, the common sense exemption from CEQA, and/or the District’s *List of Exempt Projects* as specified in *Appendix A* of the District’s *Environmental Review Guidelines*. In many cases, such reviews are relatively straightforward and involve minimal staff time. In other cases, the exemption determination involves more extensive effort, including information requests and documentation to provide the substantial evidence necessary to support the District’s determination.

16) **Question:** What is the Increment Fee and how does it relate to the Annual Emission Fee?

Response: The Increment Fee is a mitigation fee assessed to some of the larger stationary sources within the District under Rule 805 - Air Quality Impact Analysis (AQIA). The Increment Fee is based on the maximum modeled concentration of the projected peak emissions year for the project, and the fee depreciates by 10% per year over a 10-year project life. Only a handful of these evaluations have been performed in the District.

During the 1986 amendments to Rule 210, language was added that required the Annual Emission Fee to be reduced by the Increment Fee. However, the old rule language effectively negates any mitigation efforts since it simply takes the fees from one District program and transfers it to another District program. Hence, the language allowing for this adjustment is proposed to be removed from Rule 210.

17) **Question:** On the source testing schedule, what's the timeframe for source testing additional engines to qualify for the reduced fee?

Response: To qualify for the reduced fee schedule for source testing multiple engines, all engines must be source tested on the same day.

18) **Question:** I have additional questions about the District's fee program and the proposed amendments.

Response: For more information or assistance on the existing fee program, please visit www.ourair.org/apcd-permit-process/ or call the District's Business Assistance Line at (805) 979-8050 or send an e-mail to engr@sbcapcd.org. For questions and comments on the proposed amendments to District Rule 210, please contact staff at (805) 979-8329 or send an e-mail to rules@sbcapcd.org.