air pollution control district
SANTA BARBARA COUNTY

Staff Report for Rule 210 – Fees

Date: March 14, 2024

*Revised from March 7th version to include additional public comment

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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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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 33 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.

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, 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. 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 by these main points:

1) Revising the rates for existing fees to achieve an 85% cost-recovery rate, as described in the Board-adopted Cost Recovery Policy,[1]
2) Adding new fees for specific services and categories of equipment that were not previously addressed by the 1991 version of the fee rule,
3) Modifying the administrative procedures in the rule, and
4) Removing outdated fees and reorganizing the rule text.

[1] The Cost Recovery Policy was adopted at the January 2024 Board of Directors meeting and can be accessed at: www.ourair.org/wp-content/uploads/2024-01bd-f11.pdf

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 would be effective on July 1, 2024 and are anticipated to increase revenue by approximately $1.0 million in Fiscal Year 2024-25. Additional revenue is also anticipated to be collected in future years as specific existing fee schedules are increased by up to 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:

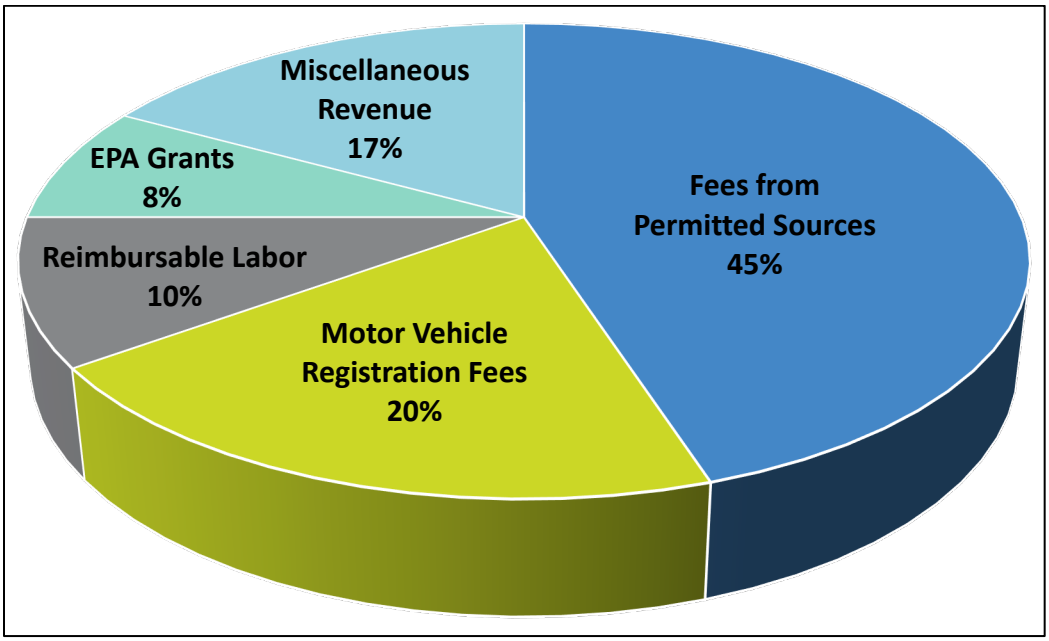
- The unincorporated areas of Santa Barbara County;
- The incorporated cities of Santa Maria, Guadalupe, Lompoc, Buellton, Solvang, Goleta, Santa Barbara, and Carpinteria;
- All federal lands within the county, including Vandenberg Space Force Base;
- The Channel Islands of San Miguel, Santa Rosa, Santa 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 is classified as nonattainment-transitional for the state ambient air quality standards for ozone, which is an air pollutant that is formed through the precursor pollutants of oxides of nitrogen (NOx) and reactive organic compounds (ROC). The county is also nonattainment for the state standard for PM_{10}, 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 inspections, 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 33 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 to 34 full-time positions, through a mix of retirements and permanently leaving select vacant positions unfilled. However, despite these prior efforts and prudent budgeting, 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) have higher annual fees, while allowing smaller permitted sources within the District to have fees that do not achieve full cost-recovery for specific programs.

The full Strategy and the Fee Study were presented to the District Board of Directors in October 2023.[2] 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).

[2] The Strategy and Fee Study can be accessed 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 memo[3] shows the fee rates for each schedule, as of July 1, 2023.

[3] The CPI fee memo can be accessed 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

Proposed Rule 210 Section	**Proposed Changes**
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.

Proposed Rule 210 Section	**Proposed Changes**
E. Governing Provisions	---
E.1 Payment of Fees and Penalties	Amended the delinquency penalty structure, 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], and Removed the 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

Current Rule 210 Section	**Proposed Rule 210 Section**
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	*Removed*
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	*Removed*
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	*Removed*
V.G. Refund of Filing Fee	E.1
V.H. Reevaluation Date	*Removed*
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 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 revaluations 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 in 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

4.3 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]

4.4 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 emission inventory program did not have a comprehensive calculation procedure for toxic pollutants in 1991, and so the initial fee structure used criteria pollutants (ROC, NOx, SOx, and PM) as a surrogate for toxics until better toxic pollutant information was available.

By 2005, the District's emission 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 "$/pound toxic pollutant" basis. The 2005 rule amendments were designed to be revenue

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

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).

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 pound threshold for larger sources is $840 based on the current fee rate ($0.42 per pound 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.

4.5 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.

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

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

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 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.

4.11 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.

4.12 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.

4.13 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 more	$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 PM_{10} standard, and in February 2024, the EPA lowered the federal $PM_{2.5}$ annual standard from 12.0 ug/m^3 to 9.0 ug/m^3.[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 PM_{10} 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/national-ambient-air-quality-standards-naaqs-pm

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 33 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 include an escalating penalty structure for invoices that are overdue. Staff proposes to assess a 10% penalty when the invoice is more than 30 days overdue (Day 61), an additional 20% penalty when the invoice is more than 60 days overdue (Day 91), and an additional 30% penalty when the invoice is more than 90 days overdue (Day 121). This results in an aggregated 60% penalty when the invoice is more than 90 days overdue. The proposed rule language will also allow delinquency penalties to be assessed to overdue invoices assessed on the Cost Reimbursement Basis. This escalating 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	10% delinquent penalty assessed. (10% total penalty)	10% delinquent penalty assessed. (10% total penalty)
Day 91	10% delinquent penalty assessed. (20% total penalty)	20% delinquent penalty assessed. (30% total penalty)
Day 121	10% delinquent penalty assessed. (30% total penalty)	30% delinquent penalty assessed. (60% total penalty)
Day 151	10% delinquent penalty assessed. (40% total penalty)	Suspension warning letter issued.
Day 165+	**1)** 10% delinquent penalties continue to be assessed for every 30-day period. (100% cap on AB 2588 fees) **2)** District may seek permit revocation through the Hearing Board.	Suspension letter may be issued. District may also seek permit revocation through the Hearing Board at any time. **<u>If suspended</u>:** **1)** Facility may submit an application to reinstate their permit and pay all overdue fees and penalties within 180 days; **2)** District staff may inspect the facility and issue a Notice of Violation (NOV) for operating with a suspended permit.

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 Study[9] 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	Future Cost Recovery	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
Total	**$2,048,403**	**$4,315,759**	**47%**	---	**78%**	**$3,366,652**

[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 the following:

1) Any of the new fees described in Section 4 of this staff report,
2) 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), and
3) The agricultural diesel engine registration fees in Schedule H. These fees were removed from the analysis to maintain program reciprocity with the San Luis Obispo County APCD, as allowed by District Rule 1201.

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 District's Cost Recovery Policy, District staff will continue to analyze the program activity costs and cost recovery for each fee schedule on an on-going basis. To complete this analysis, the District is developing a cost recovery tool that will be used in-house on an annual basis to calculate cost recovery for each fee schedule. Once the goal of 85% is reached for each fee schedule, the 12% fee increases will stop and will no longer apply. The District will include this analysis with the annual budget process every year.

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. These amendments are all administrative and do not change or alter the meaning of each rule.

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 need to be 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 $1.0 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 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%. Table 9.1 below demonstrates the fiscal impacts over the next four years, and supporting information for these calculations can be found in Appendix B.

Figure 9.1 – Fiscal Impacts of Amended Rule 210 - Fee Schedules[10]

		FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028
Operating Costs (Fee Schedules)		$4,315,759	$4,303,857	$4,456,214	$4,613,964	$4,777,298
Base Revenue (Fee Schedules)		$2,048,403	$1,927,061	$1,983,331	$2,041,244	$2,100,849
Fee Schedule Deficit		$2,267,356	$2,376,796	$2,472,883	$2,572,719	$2,676,449
Rule 210	Existing Fee Increases	---	$231,027	$473,515	$751,372	$863,547
	New & Modified Fees	---	$773,986	$796,587	$819,847	$843,786
Amended Operating Revenue		$2,048,403	$2,932,074	$3,253,432	$3,612,463	$3,808,182
Blended Cost Recovery[11]		47%	68%	73%	78%	80%

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

[10] Includes CPI and operating cost adjustments.
[11] Blended Cost Recovery represents the combined cost recovery of the existing fee schedules and the new & modified fees proposed under the Rule 210 amendments.

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. It is expected that pursuant to §15378(b)(4) of the State CEQA Guidelines, the action is "not a project" under CEQA because it is a government fiscal activity which does not involve any commitment to any specific project that may result in a potentially 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 & Stakeholder Engagement

10.1 Rule Workshops and Outreach

The District held a virtual public workshop to present, discuss, and hear comments on the draft rule package on December 14, 2023. Ahead of the workshop, on November 30, 2023, the District informed approximately 2,000 stakeholders, potentially affected sources, and subscribers on the District's public noticing listserv about the draft amendments. The District has also consistently published the draft rule and staff report prominently on its website.

At the workshop, District staff delivered a 30-minute presentation on the key points of the proposed changes. Staff then answered the questions from the public and asked for written comments pertaining to the rule amendments to be submitted by December 29, 2023 to be incorporated into the next steps in the rule development process. After the workshop, staff added a new function to the District's rules webpage where stakeholders could request a virtual office hours appointment. These appointments were available for 15-30 minute periods so the stakeholders would have an additional opportunity to ask their facility-specific questions to staff.

On December 14, staff also provided an update on the draft amendments to the Santa Barbara County Agricultural Advisory Council (AAC). At the meeting, staff received verbal comments pertaining to the annual increases to the existing fee programs, specifically, the agricultural engine registration fees.

10.2 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.

At the CAC meeting on November 2, 2023 in Buellton, staff conducted a briefing and overview of the draft Rule 210 amendments. The District then held a CAC Meeting to discuss the full draft revisions to District Rule 210, Fees on January 10, 2024 in Buellton. Staff provided a 30 minute presentation on all of the proposed changes, answered questions from the CAC members, and provided an opportunity for public comment. At the meeting, six members of the cannabis industry provided comments regarding the draft fee schedule for post-harvest cannabis operations. Due to the public comments, the CAC made a motion to continue the Rule 210 discussion item to allow staff adequate time to reevaluate the cannabis fees. For more information on the draft cannabis fees, please see the section below.

The District held a second CAC meeting on February 15, 2024 in Buellton. At the meeting, staff discussed three additional changes to the rule based on public comments.

1) Staff removed the draft fee schedules for cannabis and will instead rely on existing rule language to assess fees to the cannabis industry under the Cost Reimbursement Basis;
2) Staff revised the draft delinquency penalty amounts from 25% for every 30 days overdue [maximum 100% penalty] to an escalating structure of 10%, 20%, and 30% penalties for every 30 days overdue [maximum 60% penalty]; and

3) Staff removed the diesel agricultural engine registration fees from the annual fee increases to maintain program reciprocity with the San Luis Obispo County APCD, as allowed by Rule 1201.

After discussing the proposed changes and hearing all of the public comments on the fee rule, the CAC voted unanimously to approve staff's recommendation that the Board of Directors adopt the proposed amendments to District Rule 210, Fees. For a summary of the questions and comments at the January and February CAC meetings, please see Appendix D and E.

10.3 Post-Harvest Cannabis Operation Fees and Public Commenters

This section provides additional information surrounding the draft cannabis fee schedule that was originally proposed in the initial draft of Rule 210 revisions and the public comments provided at the CAC meetings. 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.[12]

The existing fee schedules of Rule 210 do not contain cannabis specific fees, and the fee schedules that can apply to cannabis operations do not adequately cover the associated costs with regulating and permitting this industry and responding to public complaints. Therefore, in the initial draft of the Rule 210 amendments (workshop version), staff proposed to create a cannabis fee schedule for post-harvest activities that was broken up into three distinct parts due to the various operations that can be permitted at these facilities. The proposal focused on assessing fees for building area, extraction equipment, and odor-control devices. However, based on public comments, staff removed the draft fee schedules for cannabis and will instead rely on existing rule language to assess fees to the cannabis industry. Specifically, Section A.2 of Rule 210 states that "For projects determined by the District to require additional analysis such that the use of Schedule A will not enable the District to recover its costs, the evaluation cost may instead be assessed on the Cost Reimbursement Basis as specified in Section C."

The cannabis industry is relatively new and the required time to permit, inspect, and verify compliance can vary greatly based on the equipment and operations at each individual facility. By using the Cost Reimbursement Basis, cannabis projects will be assessed fees for the actual time spent by staff on each specific facility. This proposal was discussed at the February 2024 CAC meeting, and it provides an effective solution to address the cost-recovery gap for permitting the cannabis industry. Consistent with the second motion made at the February 2024 CAC meeting, staff will provide an update to the CAC on permitting the cannabis industry under the Cost Reimbursement Basis in the Spring of 2025.

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

10.4 Public Hearings

In accordance with California Health and Safety Code §40725, the proposed amendments have been publicly noticed on March 7, 2024 and made available at the District offices and on the District's website. Furthermore, California Health and Safety Code §41512.5 and §42311(e) require two public hearings to be held prior to the adoption of any new fee. The first public hearing is scheduled for March 21, 2024 and the second public hearing is scheduled for May 16, 2024. Members of the public may attend each Board meeting and can provide comments on the proposed amendments prior to or at each hearing.

APPENDICES

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 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	Anticipated Number of Affected Units		Proposed Fee	Cost Recovery	FY 24/25 Increase
A	1.a	Minimum Permit Evaluation	50	Permits	$1,353	100%	$47,650
B	1.a	Emergency Engine Annual Review	417	First Engines	$657	100%	$204,697
			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	2	Initial Permits	$1,861	100%	$3,722
			15	On-going 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
							$773,986

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

Schedule	Items	Schedule Description	Current Revenue	Matrix Cost Recovery	Estimated Years of Increases	Future Cost Recovery	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
		Total	**$2,048,403**	**47%**	---	**78%**	**$3,366,652**

Table 3: Fiscal Impacts of Existing Fee Schedule Annual Increases[1]

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	---	---
		$224,472	**$229,054**	**$256,540**	**$87,674**	**$83,366**	**$88,863**	**$77,580**	**$85,392**	**$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 would 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 in accordance with the rule, 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: The District is not bound by a lead agency determination on CEQA if it was based on a CEQA exemption. Prior to issuing a permit, 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 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.

Appendix D - Summary of CAC Discussion - January 10, 2024

The following document contains a summary of the questions and public comments raised during the Community Advisory Council meeting on January 10, 2024. Please note that some of the questions and comments have been reordered to group similar topics together. Also, additional information has been added to some of the Staff Responses to provide for a more thorough response. The five groupings in this document are listed as follows:

1) CAC Member General Questions on Rule 210, Fees
2) CAC Member Cannabis-related Questions
3) Public Comments Received at the CAC Meeting
4) Follow-up CAC Member Questions
5) General Comments from CAC Members

CAC Member General Questions on Rule 210, Fees

Question #1: What is the basis for the 85% cost recovery goal?

Staff Response: Matrix Consulting recommended an 85% cost recovery goal. Matrix identified that 100% is an ideal goal for an agency, but acknowledged that 100% is difficult at this point in time. The Bay Area AQMD and San Diego APCD started at 85% cost recovery when they went through a similar process with their fee rules.

Question #2: If permitted stationary source fees don't cover your expenses, how do you make up your budget?

Staff Response: Currently, the District is using other funding sources to cover the costs to implement the stationary source permit program. We receive state and federal grants, DMV fees, and some administrative funds to conduct grant programs such as the Carl Moyer Grant Program. We receive no taxpayer funds. Please see Figure 2.1 in the staff report which demonstrates the Operating Revenue by Category for Fiscal Year 2023-2024. While the District has been able to carry out the permit program using other funding sources, it is not the original intent of these funding sources to subsidize that program.

Question #3: What are the DMV fees used for?

Staff Response: Assembly Bill 2766 was adopted in 1990 to assess a $4 fee on each vehicle registration. These DMV fees provide a revenue stream for implementing the California Clean Air Act and programs to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement, and technical studies. When the DMV fees are freed up from subsidizing the permit program, the District could start other projects to put those funds back into the community.

Question #4: Are you prohibited from using the DMV funds as you have been for the permitting program?

Staff Response: It is not the legislative intent to use DMV fees to subsidize the stationary source permitting program. In 2020, the California State Auditor reviewed the San Diego County APCD's program and made recommendations that the DMV fees should be used to help reduce mobile source emissions instead of subsidizing the permit program. The Auditor also made recommendations to the

state legislature that each air district increase the transparency of, and promote accountability for, the use of the vehicle registration fees. Santa Barbara County APCD is not bound by this audit, but we incorporated the recommendations into the District's Cost Recovery Policy, where we aim to recover the costs for the stationary source program by assessing fees to the permitted sources.

Question #5: For businesses, we obviously want to avoid the delinquency penalty, but processing an invoice often takes time due to all the different departments and procedures needed to cut the check. Can we arrange for e-mailed invoices, or can we use an online payment system?

Staff Response: The Rule 210 language and invoices require the fees to be paid within 30 calendar days ("net 30"). However, the delinquency penalty is not assessed until day 61. Sources can request an e-mailed invoice and may pay for invoices through the District's online payment system. Sources may also pay by ACH or can arrange for a payment plan if the source calls the Fiscal Department to work out the details.

Question #6: When do the 12% increases for the existing fees start?

Staff Response: Pending Board approval, the initial increases would be effective on July 1, 2024 as they are already incorporated into the draft rule language. This clarification is described in the first few FAQs of the staff report.

Question #7: How much has the CPI increased the District's fees since 1991?

Staff Response: Since 1991, the District has adjusted its fees by 113% in accordance with the annual CPI changes. For example, the filing fee for an ATC permit was $230 in 1991 and it is $491 in 2023. The District uses an April-to-April calculation for each CPI adjustment based on the California calculator for all Urban Consumers. Please note that the full CPI change between 1991 and 2023 is 137%, as the District did not perform any CPI adjustments between 1991 and 1995.

Question #8: Did the Matrix report bring out a per capita cost comparison to other larger air districts?

Staff Response: Matrix Consulting did not provide any sort of per capita cost or comparison to the other air districts.

Question #9: You mentioned that the Matrix report did not evaluate the asbestos fees or the annual emission fees. Are you going to increase those two fees in the future?

Staff Response: For asbestos, the District currently implements the federal NESHAP (National Emission Standards for Hazardous Air Pollutants), but we are looking to develop our own rule that is more complete and easier to implement. We will review the cost recovery and fees associated with the asbestos program at that time. As for the annual emission fee, it wasn't evaluated by Matrix since it's hard to silo that fee to hourly work associated with a specific project. The annual emission fee is used for operational funds to cover tasks such as general planning review and maintaining the air quality monitoring stations. There are no plans to increase the annual emission fee beyond the CPI at this time.

Question #10: With Particulate Matter (PM) coming into the Air Quality Planning fee equation and industrial sources controlling their dust, will agricultural operations take any responsibility for their operations?

Staff Response: Additional requirements on agricultural fugitive dust would require a new prohibitory rule. At this time, we're focusing on the fee provisions in Rule 210. No regulations impacting agricultural fugitive dust are being considered.

Question #11: For the prorated discount for the first annual review cycle for diesel emergency engines, why are the Title V sources getting a lower discount than a non-Title V source?

Staff Response: As identified in Section 4.2 of the staff report, the first cycle of the emergency engine annual review fee will be prorated for permits that were recently reevaluated for a three-year period. The prorated discount amount takes into account the permit fees already charged for diesel emergency engines. Title V sources are currently assessed the Miscellaneous Equipment fee ($85.90 for a 3-year reevaluation permit) while non-Title V sources are currently assessed the Minimum Reevaluation fee ($535 for a 3-year reevaluation permit). Since the current Title V permit fees for emergency engines are lower than the non-Title V fees, the prorated discount is lower for Title V sources.

Question #12: Why is there no reduction for the number of nozzles at a gas station?

Staff Response: Gas station fees have had reduced revenue since the State switched the requirements from six-pack (6 nozzles per dispenser) to uni-hose (two nozzles per dispenser) dispensers about 15 years ago. When that happened, there was a large reduction in permit fees from this source category. For this Rule 210 project, we initially considered going away from the "per nozzle" fee and switching to a "throughput" fee, but it proved to be more complicated. We're proposing to stick with the existing "per nozzle" methodology to achieve cost-recovery.

Question #13: If a source pays an Interim Permit Approval Process (IPAP) fee, should they be given a reduction in the ATC (Authority to Construct) fee?

Staff Response: The IPAP fee was calculated to cover only the cost of creating and issuing the IPAP agreement. All of the work associated with an ATC permit still has to be performed, and issuing an IPAP agreement doesn't reduce the workload associated with the ATC permit.

CAC Member Cannabis-related Questions

Question #14: What are the emission implications of the cannabis industry and why is permitting the industry complicated?

Staff Response: The cannabis industry is a relatively new industry, and the Air District only regulates the post-harvest operations, as the growing and harvesting of cannabis are agricultural operations that are exempt from district permit. Post-harvest cannabis operations include processing (e.g., trimming, drying, curing, flash freezing, etc.) of the plants, the manufacturing process of turning the cannabis into oils and other products (e.g., extraction, refinement, etc.), and the distribution, storage, and/or packaging of the products. The California Health and Safety Code requires the District to regulate post-harvest cannabis operations because they emit air pollution.

Manufacturing by far is the largest emission source due to the use of solvents with a high ROC (Reactive Organic Compound) content. Although the systems recycle the solvent, we've found that the

systems are achieving less than a 100% recycle rate. Cannabis manufacturing can be compared to operations like a distillation column at an oil and gas plant, as they require time for our engineers to review and permit. Facilities that only process, distribute, store, or package cannabis may have lower criteria pollutants, but they often have odors associated with them. We've found that there are a lot of variations among the cannabis facilities since they are not standardized and have their own specific ways of performing their operations.

As specified in the California Health and Safety Code, the District is required to observe and enforce air quality requirements such as rules and regulations, permit conditions, and nuisance for all sources of air pollution, including post-harvest cannabis sources. The focus of permitting cannabis operations is to ensure the criteria pollutant emissions are accurately quantified and controlled, and the odor-control equipment is working and being maintained properly. The District achieves this by conducting routine inspections, responding to air quality complaints, and reviewing records and reports. Staff has provided permitting information to cannabis stakeholders through notifications and advisories, and the District will continue to do more surveillance to identify all applicable facilities.

Question #15: How many cannabis complaints do you receive (relative to other types)?

Staff Response: It ebbs and flows and depends on the situation and the individual facility. We have had nuisance complaints related to post-harvest cannabis facilities that were impacting the surrounding community. We had to work with the facility to address the complaints, make sure the facility was operating with an Air District permit, and verify that the odor-control system changes were successful.

Question #16: The cannabis industry seems to be doing their due diligence with the County to have an odor abatement plan verified by professional engineers. These businesses can have narrow margins, so have you thought of combining efforts with the County?

Staff Response: All air quality regulations fall within the purview of the District. We often collaborate and look into the requirements from other agencies, but regardless of what other agencies require, the District's responsibility is to ensure that all air quality rules and regulations are being implemented in an equitable and efficient manner. Our engineers ensure the odor-control systems are being operated properly and the operators are following the required maintenance procedures. We have permit conditions that, when followed, should allow the facility to operate without causing an impact to the surrounding community. During the inspection, we review their records and make sure they're following their permit conditions. We're focusing our efforts to make sure that there is continued compliance. Also note that not all cannabis operations fall within County jurisdiction, as some are under City jurisdiction.

Question #17: Do your permits reference the County odor-abatement plans?

Staff Response: Our permits do not incorporate the County odor-abatement plans by reference, as enforceable conditions. Our permits require inspection and maintenance plans to ensure odor systems are inspected regularly and being maintained. We collect all the manufacturer literature for the control systems, and make sure we have permit conditions that provide for the successful on-going operation and maintenance of the system.

Public Comments Received at the CAC Meeting

Commenters #1-2: Amanda Clark & Whitney Collie - Coastal Blooms Nursery & Sublime Processing

The commenters focused on 3 requests:

1) The District should issue a waiver since it undermines the permitting under the County's (Planning & Development) system.
2) If using a recommended control system from the District's Advisory, the District should set a flat fee for the odor-control system, and
3) The District should set the odor-control fee by system, not by device.

The commenters informed the group that the County requires the facility to pay for a consultant and perform odor monitoring for the first five quarters of initial operation. If there are no complaints within those five quarters, the facility can then continue their odor-monitoring on their own. If there are complaints, the County can pull a cannabis facility's land use permit. The commenters also addressed the different land use determinations and jurisdictions, as cannabis facilities in the City of Goleta do not have this quarterly monitoring requirement.

Commenter #3: Ambrose Curry [aka "Kapono"] - Bay Kinetic

The commenter focused on incentivizing industry to move toward best practices, and not being punitive. The commenter proposed reducing fees for smaller emitters and increasing fees for manufacturing operations that use solvents. The commenter also provided information relating to the maintenance of odor-control systems, referencing the applicable ASTM for predicting carbon breakthrough in carbon canisters. The commenter noted that the County recently received $1.5 million to address odor issues through Geosyntec.

Commenter #4: Lindsay Cokeley – Local Cannabis Company

The commenter said that their facilities are triple-regulated, between the City, the County, and the District. The commenter recommended re-looking at the fee calculation for the square foot amount and adding definitions for how the fees would apply to the equipment types. The commenter recommended that the District should also consider looking at differences between cannabis operations. As an example, if a facility is using half the building space for just storage, the square foot fee is penalizing the storage operation compared to a facility that is using their whole building for more odorous processing operations.

Commenter #5: Mario De La Piedra - Farming First Holdings

The commenter said that his processing facility is in the middle of a residential neighborhood. The facility has already spent $500,000 on odor-abatement plans and is spending $33,000 per year on carbon replacement. The commenter offers tours of the facility to show how well the equipment works.

Commenter #6: Travis Nichter – Local Cannabis Processing Company

The commenter began by asking questions to District staff about the estimated income from the new cannabis fees, the number of facilities currently permitted, and the total number of facilities within the County. The commenter explained that his facility is 70,000 square feet with 10 carbon scrubbers of all the same type, so he believes that it's not going to take the District extra work to understand each individual scrubber. The commenter estimated his fees to be $70,000 under the draft rule language and

asked staff about the fee amount. Staff responded that the draft fee schedule was based on the workload for the permitting evaluations and compliance inspections that have been performed to date.

The commenter addressed learning curves and how he understands permitting the first facilities at the beginning probably took more time. The commenter asked the District to wait and re-evaluate the cannabis fees after more time is spent understanding the cannabis industry. The commenter noted that the fee proposal would have a significant impact on their operational cost.

The commenter verified that no combustion equipment is used for the drying process and the facility dehumidifies the cannabis in a closed loop system. The commenter was also asked if he was interested in the District's Cost Reimbursement Basis where the District assesses fees based on the hourly rates for staff time, but the commenter said he would have to look into it some more.

Follow-up CAC Member Questions

Question #18: Can the District reevaluate the cannabis costs in the future in 1-2 years from now?

Staff Response: Rule 210 can always be reopened in the future if there are new staff or industry efficiency measures that reduce the workload and fees associated with permitting and inspecting this industry. However, the District is currently under-recovering the cost to implement the permit program for the post-harvest cannabis operations.

Question #19: The public comments are very compelling. Does the District have any responses?

Staff Response: Staff has discussed potential options in response to the one written comment and one office hours appointment. We don't want to disincentivize the use of multiple odor-control devices, as we would rather facilities over-install control devices to prevent public nuisances. However, after hearing all the comments and public discussion, we'll want to bring this item back to the CAC in February after we evaluate this topic further. We will talk to both the County and the cannabis sources to gather additional input.

General Comments from CAC Members

- Suggested reevaluating the fee rule more regularly (every 5-10 years).
- Suggested showing a graph of how the proposed fee increases relate to the projected deficits.
- Clarified that the District is the appropriate agency to address nuisance and criteria pollutants, independent of what the County is doing for the cannabis industry. The role of the CAC is not to decide if the District is going to permit sources. The CAC is here to address the cost and cost estimates to the District.
- Suggested the District check in with the County to see how their cannabis program is working and how they evaluate the long-term maintenance of the odor-control systems, beyond the initial five quarters.
- Suggested the District establish definitions in the fee rule for cannabis operations. The definitions should address odor-control systems and the differences between storage, processing, and manufacturing operations.

- Suggested incentivizing the cannabis industry to go above minimum requirements and ensure smaller operators aren't unfairly affected by the fee structure.

- Suggested the District look at outreach options to ensure industries affected by the fee rule know of the changes, and once the rule is final and approved, ensure awareness and compliance.

- Encouraged affected industries to share feedback with the District as soon as possible to allow the District to consider comments while the process is still underway.

Appendix E - Summary of CAC Discussion – February 15, 2024

The following document contains a summary of the questions and public comments raised during the Community Advisory Council meeting on February 15, 2024. Please note that some of the questions and comments have been reordered to group similar topics together. The four groupings in this document are listed as follows:

1) CAC Member Questions on the Three Additional Changes to Rule 210, Fees
2) Public Comments Received at the CAC Meeting
3) Staff Response to Public Comments Received at the CAC Meeting
4) Concluding Comments from CAC Members

CAC Member Questions on the Three Additional Changes to Rule 210, Fees

Question #1: How many companies are currently on the Cost Reimbursement Basis? And how do you determine the Cost Reimbursement rates?

Staff Response: Around 5% of the permitted stationary sources are on the Cost Reimbursement Basis, which is about 50 stationary sources. The District has flat rates for each job class that stay consistent throughout each fiscal year. The rates are then reassessed on July 1 to factor in changes to salaries, benefits, and overhead.

Question #2: Is the District required to put together a cost estimate and notify the applicant if there are any changes?

Staff Response: Yes, the initial estimate that the District compiles is for the first 90 days of work. We obtain a deposit for this amount and bill for our time once a month. Rule 210 provides for this protocol, and the deposit can be adjusted to ensure sufficient funds are available for the estimated workload.

Question #3: Do you feel that cannabis companies are incentivized to make improvements to their odor control equipment under the Cost Reimbursement Basis?

Staff Response: Yes, the cost reimbursement fee basis incentivizes companies to implement effective odor control systems to avoid potential compliance issues, such as odor impacts to the surrounding community. This is because compliance issues result in additional fees associated with the District staff time to investigate and document the situation, as well as work with the company until the issues are addressed. Although a permit application is required to install additional control devices, these permit modifications are expected to have lower costs than the costs associated with compliance issues.

Question #4: Do the delinquency penalty changes affect the budget?

Staff Response: The District's budget doesn't anticipate for penalty revenue, so the rule amendments to the delinquency penalty provision will not affect the budget.

Question #5: If the agricultural engine fee increase is removed from the rule, does it affect the budget?

Staff Response: Removing the agricultural engine fee increase from the proposed amendments will have a negligible impact since these fees make-up less than 1% of the budget.

Question #6: For the agricultural engine reciprocity condition, is San Luis Obispo (SLO) County APCD the only reciprocal county?

Staff Response: SLO County APCD and Ventura County APCD both have the reciprocity conditions built into their implementing agricultural engine rule. However, Ventura County APCD has not increased its agricultural engine fees in accordance with the CPI. Hence, only SLO County APCD is reciprocal at this time since their fees are within 15% of the SBCAPCD's fees.

Public Comments Received at the CAC Meeting

Commenter #1: Eric Edwards, Headwaters

The cannabis industry is nervous that under the Cost Reimbursement Basis, the inspection frequency will increase and we have no input. The Planning Department for Santa Barbara County has a similar system, and they can send 3-4 people that all get paid for by us. Northern California counties are cutting taxes on cannabis at this time, but Santa Barbara County is seemingly going the other direction and passing the bill to us.

Commenter #2: Hanna Brand, Autumn Brands

The commenter is concerned with the potential permit fees associated with moving or changing equipment at cannabis facilities, such as the fans and processing equipment. Cannabis facilities are actively trying to improve their process, but this is difficult to perform when they are unsure of the permit fees. These fee estimates are needed from a business standpoint.

Commenter #3: David Billeshauh, Pacific Dutch Group

The commenter stated that he has some post-harvest cannabis operations, and that the APCD mitigation requirements from 2017 have been incorporated into the County documents. Projects with odor-abatement plans are already complying with these requirements, and the commenter suggested that the APCD work with County Planning to make sure job responsibilities are shared and not duplicated.

Staff Response to Public Comments Received at the CAC Meeting

- Staff summarized our efforts since the last CAC meeting, which includes additional engagement with County Planning. We have and will continue to coordinate with agencies with jurisdiction over post-harvest cannabis facilities. All cannabis facilities that have been permitted by the APCD to date have implemented some form of odor abatement strategy and have installed odor-control equipment. The District's permitting requirements are complimentary to these odor control strategies and build off of their initial design and implementation through the District's ongoing inspection and maintenance activities.

- In response to comments about the District's regulatory authority for cannabis operations, staff shared that the District has regulatory authority for post-harvest cannabis operations. Specifically, the District is mandated by the California Health and Safety Code to regulate the criteria pollutant emissions and potential for nuisance from stationary sources of air pollution, including post-harvest cannabis operations. The District implements these mandates by issuing permits to ensure compliance, and by conducting routine inspections, responding to air quality complaints, and reviewing records and reports. These tasks are conducted by the District regularly and for the life of the project. The California Health and Safety Code mandates are independent of what other

agencies, such as the County, require for the cannabis industry. Nonetheless, we have and will continue to coordinate with agencies with jurisdiction over post-harvest cannabis facilities.

- In regards to the inspection frequencies, we have an inspection frequency policy which guides the implementation to be quarterly to every 3 years. Staff does not anticipate inspecting cannabis operations weekly, and we are not hiring brand new staff & engineers to spend a lot of time on cannabis. If we had staff shadow another staff member for training, the time spent on training would not be assessed to the facility.

- In regards to permit applications, District Rule 202 provides for an exemption for moving equipment at the facility. We can also make our permits flexible for certain equipment, which would allow for adding or substituting different exhaust fans at the facility.

Concluding Comments from CAC Members

- It looks like you listened to public comment and are providing reasonable solutions. If industry has questions on permits, they should call the District and ask for guidance to make a proper business decision. The District encourages pre-application submittal meetings to streamline the permitting process, and these are done free of charge.

Appendix F - Written Public Comments

COASTAL BLOOMS
NURSERY

December 21, 2023

RE: Amendments to District Rule 210, Fees
NOTICE OF OPPOSITION

Dear Santa Barbara County Air Pollution Control District:

Coastal Blooms Nursery writes in opposition to the amendments to District Rule 210, which impose unwarranted fees on the cannabis industry that will hamper legal businesses while indirectly benefiting the illicit cannabis industry.

We operate cultivation, processing, packaging, manufacturing, and retail locations. We pride ourselves on not only the quality and consistency of our products, but also our commitment to continue working with our community and County on the abatement of cannabis odor.

A key pillar of following through on our commitment to drive the ball forward on odor control has been continuous research, exploration, testing, deployment, and the operational refinement of odor control systems and technology. The proposed amendments will financially restrict our ability to continue to do so.

Specifically, we **oppose** the amendments to Rule 210 for the following reasons:

- **Unnecessary Redundancy:** Existing code already evaluates the efficacy of odor control technology (County Code Chapter 50, CZO Section 35-144U, LUDC Section 35.42.075). In unincorporated areas of the County, operators are required to have an Odor Abatement Plan (OAP) certified by a Professional Engineer or Certified Industrial Hygienist that is approved through the Land Use Permitting process. Once permitted and operating, the operator is required to pay for a County contractor to perform quarterly inspections that confirm the efficacy of the odor-control system. The District permitting odor-control devices undermines the discretion of the Planning and Development Department to evaluate OAPs and could ultimately exacerbate public nuisance rather than improve it. Comment #1-1

- **Counterproductive Prohibitions:** The odor-device fee structure proposed in the amendments do not incentivize cannabis operators to go above and beyond to ensure odor abatement. The District requires operators to undergo a modification of the permit and pay new fees every time an upgrade is made to the odor-control system. Best available Comment #1-2

control technology (BACT) is always evolving and should not be taxed. Operators should be encouraged to develop and deploy new methods to abate odor.

- **Unjust Treatment:** The proposed fees set an unreasonable precedent for departments to regulate an already overly-regulated industry. Many agricultural sectors emit odors but are not targeted as a public nuisance. Why should cannabis be singled out by yet another department? Comment #1-3

Alternate Solutions: The District's Cannabis Advisory recommends effective odor-abatement systems. If an operator uses a recommended system, the District should not have to confirm that the system is effective. The District will only have to confirm that the system was installed as promised. Therefore, the District should establish a base fee to permit recommended systems as an incentive for operators to use them. Comment #1-4

Operators that do not use a recommended system should be charged the permitting fee per system, not per device. The current permitting process is already set-up to determine efficacy of the overall odor-control system, not each device within the system. Moreover, odor-control devices are typically redundant throughout the system. Comment #1-5

Finally, the District should provide operators that have approved OAPs from other jurisdictions with waivers to eliminate permitting redundancy. The District could require operators to submit approved OAPs to receive a waiver so that it can confirm the operator is using an effective odor-control system. Comment #1-6

In summary, these amendments would be another detrimental blow to the County's struggling regulated cannabis marketplace if passed as written. For these reasons, Coastal Blooms Nursery respectfully opposes the amendments and requests that you consider other options to recover costs.

Sincerely,

Whitney Collie

Whitney Collie
Vice President of Compliance
Coastal Blooms Nursery

From: QuanHandley, Patty
To: Timothy J. Mitro
Cc: Rules; Diggins, Sean
Subject: Comments to Rule 210 "Invoicing Protocols"
Date: Wednesday, January 31, 2024 10:40:29 AM
Attachments: image001.png
image002.png

To: Santa Barbara County Air Pollution Control District
I have recently been made aware of the proposed changes to the existing Rule 210 regarding "invoicing protocols." I understand that my comments on this proposed rule are being submitted a month after the date published date for commenting on this proposed rule. However, I feel it is important to make my concerns known. I am writing specifically in regard to the proposed Day 61 delinquent penalties to be assessed at 25% of the total due. Assessing a 25% penalty is egregious, especially in light of the fact that 3-year permit renewal fees for Granite Construction Company (Granite) where I am employed are in the tens of thousand dollar range. With any corporations with a remote administration site (e.g., Granite's is in Watsonville, CA), there can be delays in requesting payment processing. A 25% penalty exceeds the previous penalty by a factor of 2.5x, and exceeds a standard CPI of 5% by a factor 5x! I believe that in order to promote businesses to remain operating in Santa Barbara County, the Rule 210 invoicing protocols should remain the same with Day 61 delinquent penalties assessed at 10% of the total due… Day 91 at 20%... Day 121 at 30%. I understand that the penalty for Day 151 and beyond should be harsher and include a suspension warning letter.

Comment #2-1

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+	**1)** Delinquent penalties continue to aggregate for every 30-day period. (100% cap on AB 2588 fees) **2)** District may seek permit revocation through the Hearing Board.	Suspension letter may be issued. District may also seek permit revocation through the Hearing Board at any time. **<u>If suspended</u>:** **1)** Facility may submit an application to reinstate their permit and pay all overdue fees and penalties within 180 days; **2)** District staff may inspect the facility and issue a Notice of Violation (NOV) for operating with a suspended permit.

I appreciate the SBCAPCD taking into consideration Granite Construction Company's comments here.

Sincerely,

PATTY QUAN-HANDLEY
Regional Environmental Manager
patty.quan-handley@gcinc.com
805-879-5316 805-722-0167
graniteconstruction.com

www.goodfarmersgreatneighbors.com

Comment #3-1

Attention: **Aeron Arlin Genet, APCD Control Officer**
ArlinggenetA@sbapcd.org
Alex Economou, APCD
AJE@sbapcd.org
Tim Mitro, Air Quality Engineer
MitroT@sbapcd.org

From: **Good Farmers Great Neighbors Trade Association**
Sam Rodriguez, Policy Director,
Sam@goodfarmersgreatneighbors.com
Sara Rotman, President
Stacey Wooten, Treasurer

RE: **APCD/Community Advisory Meeting**
Feb. 15th 2024
Agenda Item: Cost Recovery Recommendations for Cannabis Farmers and Manufacturers

First and foremost **Good Farmers Great Neighbors** looks forward to working in partnership with **SBAPCD staff** and helping to facilitate meetings, briefings, tours and working groups to better understand the **duali-licensing system** of the **State's Cannabis Regulated System**. To date, they are more than a **dozen combined local and state governmental agencies with oversight and jurisdictional** authority over the cannabis industry. Moreover, each cannabis business must receive a local and state permit or license to be fully operational -

more than 99% of the regulatory process requires applicants to obtain **CEQA** approval, **California Department of Fish and Wildlife** sign-off and **California State Water Resources** permission to name a few. At the State level it is an **extensive environmental and scientific review** of every application submitted to the **California Department of Cannabis Control**. It is a detailed, laborious and costly endeavor. No other industry in California has the same mandates and oversight!

Good Farmers Great Neighbors (GFGN) is an alliance of primarily outdoor, sungrown cannabis farmers, greenhouse operators, manufacturers and auxiliary businesses throughout the central coast. We advocate for a supportive legal and regulated market.

Our ***"Network"*** of ***"Best of Class"*** expertise unites cannabis farmers, distributors, manufacturers and supply chain vendors who are committed to exceed the required environmental and public health standards and also spur economic growth and community development. Thousands of workers are employed by local cannabis farmers and many farming operations are vertically integrated and also operate manufacturing and distribution facilities in the City of Lompoc.

In ***May of 2022***, our very own **U.S. Representative Salud Carbajal** underscored our value in the region in the Congressional Record declaring that *"...cannabis cultivation is not significantly different from farming strawberries, wine grapes, cut flowers, vegetables and other crops grown in the district [Santa Barbara and San Luis Obispo Counties] and throughout California. California Farmers are among the most productive and innovative in the world."*

As we all are aware, **California Farming** generates **1.2 million** jobs and **$263** billion in state revenues and cannabis cultivators remain active contributors to the state and local economies. However, both cannabis and non-cannabis producers are now facing headwinds with excessive regulations and out of state competition.

A couple of years ago our **'trade association'** partnered with other groups and organizations and commissioned the first comprehensive **"Cannabis Tax Study"** to help inform the **Governor and State Legislative Leaders** to include the **elimination of the cultivation tax** in a budget trailer bill. The "**Cannabis Tax Study"** underscored that **one-third of all cannabis sales in the market are being conducted in the illicit market** and hence, ***undermining the legal, licensed industry.*** It also highlights and outlines other regulatory hurdles of the disjointed dual licensing system compared to other states such as Oregon, Washington and Colorado. The **"Cannabis Tax Study"** produced by the not-for-profit **Reason Foundation** is attached for your review.

We remain supportive of reasonable and pragmatic oversight of all cannabis and non-cannabis farmers and manufacturers. That said, it is imperative that governmental agencies and sub-agencies take into account the total picture of regulatory oversight, costs and conditions already placed on all farmers that essentially are a vital contributor to the region's economic growth and job creation. Many of our members have attended and are planning to attend the upcoming Community Advisory Meeting on February 15th at 4:PM at the Sideways Inn.

Study: Eliminating the cultivation tax would double California's monthly cannabis tax revenue

California's high cannabis taxes, as much as $90 per ounce in some areas, are hurting legal farmers and businesses while the black market continues to capture two-thirds of cannabis sales.

Los Angeles (For Release May 4, 2022) — California could increase legal cannabis sales and bring in 123% more in total monthly cannabis-related tax revenue by 2024 by eliminating its cannabis cultivation tax, according to a new study published by Reason Foundation, Good Farmers Great Neighbors, and Precision Advocacy.

As a result of its high taxes, California's legal cannabis market has failed to meet expectations and is just one-third the size that would be expected based on its population and adult-usage rates found in surveys by the Substance Abuse and Mental Health Services Administration. Nearly two-thirds of cannabis sales in California are still taking place on the illicit market, the report estimates.

California's state and local taxes on legal cannabis can be as high as $90 per ounce, or $1,441 per pound. For comparison, legal cannabis taxes average $340 per pound in Oregon and $526 a pound in Colorado. Due to lower taxes and greater access to legal cannabis products, residents in neighboring Oregon spend 378% more per capita on legal cannabis and residents of Colorado spend 335% more per capita on legal cannabis products than Californians spend per capita.

"High cannabis taxes are the biggest reason California's legal cannabis market is struggling. Eliminating the cultivation tax is how the state can start to fix it," says Geoffrey Lawrence, director of drug policy at Reason Foundation and author of the study. "State leaders could double current monthly cannabis tax revenues by 2024 by eliminating the cultivation tax. Lower prices and increased sales of legal cannabis products would increase the government's general sales tax revenue and more than replace losses from the eliminated cultivation tax."

"We are experiencing first-hand a serious price compression in the California supply-chain in part as a result of the illegal market, high taxes and fees and a patchwork of inconsistent local taxes driving legal operators to the brink of a financial cliff," says Amy O'Gorman Jenkins, president of Precision Advocacy and legislative advocate of the California Cannabis Industry Association. "We cannot allow the largest cannabis market in the world to fail. This study provides a roadmap of tax policy solutions for the governor and state legislative leaders to consider immediately."

"Cannabis farmers throughout the state are experiencing the biggest challenges of their time. Many farmers are considering going fallow this year. For example, Busy Bee Organics, one of the first woman-owned, sun-grown farmers in Santa Barbara County, has already declared she's not planting this year," warns Sam Rodriguez, policy director of Good Farmers Great Neighbors, a collective of Santa Barbara County cannabis businesses and leaders. "California's cultivation tax is regressive and has only contributed to more and more uncertainty about the future of the state's cannabis farmland economy and whether it can survive. The immediate elimination of the cultivation tax

would be a first step in the right direction in a addressing critical issues impacting the state's entire legal cannabis market from seed to sale."

"The report provides a helpful roadmap for cannabis tax reform in California. In the end, it projects that even with substantial tax reductions, the state can expect total revenues to rise substantially in the next two years due to increased consumer demand. Substantive tax cuts therefore seem to be a feasible strategy for reducing demand for the illicit market, while still retaining reasonable revenues for the state programs funded in Prop. 64," Dale Gieringer, director of California NORML, writes in the study's foreword.

The study also recommends reducing retail excise taxes, which, combined with eliminating the cultivation tax, would help legal cannabis products better compete with the illicit market. It also encourages state leaders to examine revenue-sharing options and other policies that could incentivize California's local governments to stop banning the sale of legal cannabis products in their jurisdictions.

Oregon has one legal cannabis retailer for every 6,145 residents and Colorado has one legal retailer for every 13,838 residents while California has just one legal cannabis retailer for every 29,292 residents, the study finds. And since the vast majority of California localities have banned the sale of cannabis, more than half of the state's legal storefronts are located in just 18 cities.

"California's voters legalized cannabis, but there are massive sections of the state, basically large cannabis deserts, where adults have no access to legal cannabis products and still have to turn to the black market," Lawrence adds.

The full study, "The impact of California's cannabis taxes on participation within the legal market," is available here and here (.pdf).

About

Reason Foundation is a non-profit think tank that advances a free society and promotes free minds and free markets by producing respected public policy research and critically-acclaimed *Reason*.

Good Farmers, Great Neighbors is an alliance of mostly outdoor, sun-grown cannabis farmers and auxiliary businesses throughout the central coast that advocates for a supportive legal and regulated market.

Precision Advocacy is a Sacramento-based lobbying firm that brings over two decades of experience in state legislative and regulatory development, and public affairs at the state and local levels.

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COASTAL BLOOMS
NURSERY

March 12th, 2024

RE: Revisions to District Rule 210, Fees

Dear Santa Barbara County Air Pollution Control District Board of Directors:

Coastal Blooms Nursery appreciates the work that staff has done on revising Rule 210. The amendments are an improvement from the original proposal and we appreciate the time staff has taken to listen to the cannabis industry during this process. However, we respectfully ask that the Board require staff to reevaluate the Cannabis Permitting program.

Comment #4-1

Comment #4-2

We operate cultivation, processing, packaging, manufacturing, and retail locations. We pride ourselves on not only the quality and consistency of our products, but also our commitment to continue working with our community and County on abatement of cannabis odor. Over the past six years, our community has been vocal about their dedication to odor abatement and the County ensured the Land Use Permitting process closely examined our odor control technology and practices as a result.

As outlined in Chapter 35 of the Land Use and Development Code and the Coastal Zoning Ordinance, operators in unincorporated areas of the County are required to have an Odor Abatement Plan (OAP) certified by a Professional Engineer or Certified Industrial Hygienist that is approved through the Land Use Permitting process. The OAPs include but are not limited to: spec sheets, maintenance plans, best management practices, and response protocols. Once permitted and operating, the operator is required to pay for a County contractor to perform quarterly inspections for five quarters that confirms their odor control systems continued compliant operation. After the five quarters of contractor evaluation are complete, the County planning department inspects operations bi-annually to verify all operations including odor control systems are effective and in compliance with the operation's approved plans.

The District permitting odor-control devices undermines the discretion of the Planning and Development Department to evaluate OAPs and its six years of work to develop the Odor Abatement program thus far. The County has defined certain post-harvest cannabis operations (processing) as an agricultural operation as defined in County code of ordinances 50.2(i), whereas the District has not. Any conflicting enforcement or permit conditions from the District resulting in this or any other differing rules will not only confuse operators but will also

Comment #4-3

compromise the Planning and Development's permits and vice versa. If both programs are to continue existing in tandem, effective collaboration between the two governing agencies is essential for them to successfully mitigate air contaminants.

Comment #4-3 (continued)

Although the California Health and Safety Code is clear that Air Districts must permit sources that emit air contaminants, it does not specify the requirement to permit cannabis odor. In fact, the majority of California Air Districts don't have rules or programs to permit cannabis. Out of the 35 Air Districts in California, only 6 permit cannabis. 2 out of those 6 only permit cannabis manufacturers that conduct volatile and non-volatile extraction due to the use of solvents in both types of extraction processes. The remaining 3 permit odor control for various types of cannabis activity, and 1 of those only permits odor control that vents to the atmosphere.

Comment #4-4

Why do 94% of the Air Districts in California not permit post-harvest, storage, distribution, and packaging operations? Because these operations don't use solvents and they are typically conducted within enclosed warehouses outfitted with negative pressure systems and carbon scrubbers and other means of odor control that ensure the facility does not release air contaminants or vents to the atmosphere.

Comment #4-5

Alternate Solutions: Although we can only speak from our experience in the County of Santa Barbara, we know that other jurisdictions covered by the District require OAPs. The District could provide operators that have approved OAPs from other governing agencies with waivers to eliminate permitting redundancy. The District could require operators to submit approved OAPs to receive a waiver so that it can confirm the operator is using an effective odor-control system.

If the District needs to maintain authority over the air quality, they could require operators to submit approved OAPs and use them as an enforceable document instead of a permit. An enforceable document will allow the District to inspect annually and enforce when necessary, i.e. in the case of a complaint.

Comment #4-6

In summary, we are grateful for the work done to amend Rule 210 but respectfully ask the Board to require staff to reevaluate the Cannabis Permitting program.

Sincerely,

Whitney Collie

Whitney Collie
Vice President of Compliance
Coastal Blooms Nursery

Appendix G - Response to Written Public Comments

#	Summarized Comment	District Response
1-1	Unnecessary Redundancy: The District permitting odor-control devices undermines the discretion of the Planning and Development Department to evaluate Odor Abatement Plans.	Staff disagrees with the comment. Under District Rule 201 and California Health and Safety Codes §42300 et seq., any person who builds, erects, alters, replaces, operates or uses any article, machine, equipment, or other contrivance which may cause the issuance of air contaminants or the use of which may eliminate or reduce or control the issuance of air contaminants, shall first obtain an Authority to Construct for such construction or use. The District is the appropriate agency to address nuisance complaints and criteria pollutant emissions on an on-going basis, independent of what the County is doing. Furthermore, District permitting requirements apply to all operations within Santa Barbara County, not just the unincorporated areas subject to County requirements. The District works with lead agencies during the Land-use permitting process to make sure that the necessary air quality conditions are incorporated, thereby mitigating the project's environmental impacts and helping the facility comply with the District's rules on an on-going basis.
1-2	Counterproductive Prohibitions: The odor-device fee structure does not incentivize cannabis operators to go above and beyond to ensure odor abatement. The District requires operators to undergo a modification of the permit and pay new fees every time an upgrade is made to the odor-control system. Operators should be encouraged to develop and deploy new methods to abate odor.	Staff agrees with the public comment that the originally proposed odor control device fee structure did not incentivize operators to go above and beyond to ensure odor abatement. Based on this written public comment and the input provided at the January 2024 Community Advisory Council meeting, staff proposes to remove the draft cannabis fee schedule and will instead rely on existing rule language to assess fees on the Cost Reimbursement Basis. Operators are encouraged to utilize the necessary amount of control equipment to mitigate public nuisance complaints. However, pursuant to District Rule 201, applications for additional odor control devices are necessary to incorporate the equipment into the operating permit.

#	Summarized Comment	District Response
1-3	Unjust Treatment: The proposed fees set an unreasonable precedent for departments to regulate an already overly-regulated industry. Many agricultural sectors emit odors but are not targeted as a public nuisance. Why should cannabis be singled out by yet another department?	Under District Rule 303, the District is required to take enforcement action to abate odors and other air contaminants discharged from operations that create a public nuisance. This includes post-harvest operations, such as cannabis processing, storage, distribution, manufacturing, and retail operations that may emit odors. Whereas odors from agricultural operations (such as the growing and harvesting of cannabis) are specifically exempt from air district authority under §41705 of the California Health and Safety Code.
1-4	Alternate Solutions: The District's Cannabis Advisory recommends effective odor-abatement systems. If an operator uses a recommended system, the District should not have to confirm that the system is effective. Therefore, the District should establish a base fee to permit recommended systems as an incentive for operators to use them.	See response to Comment #1-2. Staff has removed the draft Cannabis fee schedule.
1-5	Alternate Solutions: Operators that do not use a recommended system should be charged the permitting fee per system, not per device. The current permitting process is already set-up to determine efficacy of the overall odor-control system, not each device within the system. Moreover, odor-control devices are typically redundant throughout the system.	See response to Comment #1-2. Staff has removed the draft Cannabis fee schedule.
1-6	Alternate Solutions: The District should provide operators that have approved OAPs from other jurisdictions with waivers to eliminate permitting redundancy.	See response in Comment #1-1. District Rule 201 requires any person who operates equipment that causes or eliminates air contaminants to obtain a District permit. The District is the appropriate agency to address nuisance complaints and criteria pollutant emissions on an on-going basis.

#	Summarized Comment	District Response
2-1	Assessing a 25% penalty at Day 61 is too high. Since some corporations have remote administration, there can be delays in payment processing. The delinquency penalty should remain at the existing amount of 10% every 30 days, but it can still incorporate harsher penalties after Day 151+.	As shown in the revised Section 7.1 and 7.2 of this report, Staff amended the penalty structure to remain at 10% at Day 61. Past that point, the penalties would escalate to an additional 20% penalty at Day 91 and an additional 30% penalty at Day 121. This penalty structure is designed to ensure the prompt payment of all invoices. Please note that the District provides multiple options to assist sources pay for their invoice. Sources can request e-mailed invoices and may pay for invoices through the District's online payment system. Sources may also pay by ACH if the source calls us to work out the details. So even if businesses have remote administration, staff affirm that a 60-day period to pay an invoice is sufficient.
3-1	We remain supportive of reasonable and pragmatic oversight of all cannabis and non-cannabis farmers and manufacturers. That said, it is imperative that governmental agencies take into account the total picture of regulatory oversight, costs and conditions already placed on all farmers that essentially are a vital contributor to the region's economic growth and job creation.	The comment goes beyond the scope of this project, which is focused on Rule 210, Fees. District staff cannot evaluate all non-air quality regulations and costs pertaining to the cannabis industry. Furthermore, the majority of the comment is focused on cannabis farming and cultivation, which are exempt from air district permitting requirements.
4-1	Coastal Blooms Nursery appreciates the work that staff has done on revising Rule 210. The amendments are an improvement from the original proposal and we appreciate the time staff has taken to listen to the cannabis industry during this process.	Thank you for the comment.

#	Summarized Comment	District Response
4-2	We respectfully ask that the Board require staff to reevaluate the Cannabis Permitting program.	The comment goes beyond the scope of this project, which is focused on Rule 210, Fees. Notwithstanding the above, staff has addressed the California Health and Safety Code mandates for permitting within the staff report. Air Districts are required to regulate the criteria pollutant emissions and potential for nuisance from stationary sources of air pollution, including post-harvest cannabis operations.
4-3	The District permitting odor-control devices undermines the discretion of the Planning and Development Department to evaluate OAPs and its six years of work to develop the Odor Abatement program thus far.	See response to Comment #1-1.
4-4	Although the California Health and Safety Code is clear that Air Districts must permit sources that emit air contaminants, it does not specify the requirement to permit cannabis odor.	As defined in California Health and Safety Code §39013 and District Rule 102, **"air contaminant"** includes, but is not limited to, smoke, charred paper, dust soot, grime, carbon, noxious acids, fumes, gases, **odors**, or particulate matter, or any combination thereof. *(Emphasis added)* Odors are included in the list of air contaminants, and so permitting requirements apply to cannabis odors in post-harvest operations.
4-5	In fact, the majority of California Air Districts don't have rules or programs to permit cannabis.	Staff disagrees with the comment. The District participates in various workgroups among the California Air Districts to discuss permitting requirements, and if such operations did occur in their region, the majority of Air Districts would permit post-harvest cannabis operations.
4-6	Alternate Solutions: The District could provide operators that have approved OAPs from other governing agencies with waivers to eliminate permitting redundancy.	See response to Comment #1-6.