

May 9, 2019

Via Email

Janet Whittick, CCEEB Director of Policy
Bay Area Project Manager
California Council for Environmental and Economic Balance
101 Mission Street, Suite 1440
San Francisco, CA 94105
janetw@cceb.org

Dear Ms. Whittick,

This email is in response to your comment letter dated March 21, 2019. The Bay Area Air Quality Management District (Air District) has received your comments on proposed Regulation 3: Fees.

Comment 1: CCEEB requests to work with Air District staff to better understand ongoing funding needs related to AB 617 programs, how they impact fee schedules, and how state funding has been allocated.

Air District Response to Comment 1: The Air District is happy to work with CCEEB and appreciates their support in securing State funding for our implementation of the Assembly Bill 617 (AB 617) program. Per Appendix F of the FYE 2020 Budget, the Air District assumes that AB 617 funding of \$4.8 million from the State continues for the next 5 years. AB 617 is a new major program being implemented by the Air District, so far nearly all of the activities associated with the program have been paid from the State grant. Beginning next fiscal year, AB 617 program activities that are recoverable by permit fees will be allocated to the Regulation 3 Fee Schedules. AB 617 permit fee recoverable work primarily includes the following activities: (1) Expedited BARCT rule development, (2) AB 617 CTR Emissions Inventory work, and (3) Engineering/Enforcement division staff support in the community process. Currently, funds not recoverable by grants are paid for from the Air District's General Fund. For more information on the Air District's funding needs related to the AB 617 program, please contact Greg Nudd, Deputy Air Pollution Control Officer, at gnudd@baaqmd.gov.

Comment 2: CCEEB requests to work with Air District staff to better understand the mix of revenue sources (including Schedule T) used to fund the Air District's climate protection programs and how GHG fees are utilized.

Air District Response to Comment 2: The revenue from Schedule T helps recover the costs of the Air District's climate protection program activities related to stationary sources of air pollution. The only revenue sources used to fund the climate protection programs are Schedule T, property taxes, and administrative costs covered by grants. The amount of revenue collected from Schedule T is dependent upon the actual greenhouse gas emissions emitted from regulated

facilities and this is dependent upon activity at the facility. In addition to fee increases for cost recovery, the Global Warming Potentials were updated in FYE 2017 and additional greenhouse gas pollutants were added. These changes also contributed to a small increase in fees since 2010.

Greenhouse gas activities involve many different programs and projects such as the development of the Methane Strategies and Organics Recovery Projects. In addition to the Climate Protection group, this work involves staff from Rule Development, Source Test, Compliance and Enforcement, Engineering, and Assessment, Inventory, & Modeling.

Increases at the schedule level are based on the average cost recovery for the past three years. When including climate protection activities from all Divisions, cost recovery for Schedule T is between 75 and 84% of expenditures. With Diesel Free by 33 and continued work on the Methane Strategies and Organics Recovery, the Air District will continue to be very active in climate protection and looks forward to working with CCEEB on these important initiatives.

Comment 3: CCEEB requests information on what services are being provided by outside contractors, since reliance on outside contractors is increasing. Outside contract costs have grown while during the same period, the District has increased personnel.

Air District Response to Comment 3:

The Air District is committed to focus on core programs while working on newly mandated initiatives from our Board of Directors and the California Air Resources Board (CARB). Current Air District initiatives include Climate Protection, Climate Tech Finance, Wildfire Response Programs, and Diesel Free by '33. Implementation of CARB's AB 617 requires new work by many different divisions including community risk reduction plans, accelerated Best Available Retrofit Control Technology implementation, criteria and toxics reporting, and monitoring. Professional services are used to help the Air District fulfil either mundane tasks, such as mass mail-outs which allow staff to work on more strategic and technical projects, or for more specialty functions, such as facilitators for community meetings.

The FYE 2020 budget shows a decrease of \$1.9 million budgeted for professional services and contracts from the approved FYE 2019 budget. A large majority of professional services and contracts are for grants and incentives are not supported by fees. Services that are supported by fees center around the issuance of permits and enforcement of Air District regulation, and are for modeling, emissions modeling, health risk assessments, mail-outs, and training for regulatory programs.

Comment 4: CCEEB comments that permit program fee increases should be in line with commensurate improvements in level of service. CCEEB members suggests that the time taken to process permits is slowing and despite staffing increases across many divisions, the Engineering Division has had only a modest increase since 2018 and is proposed to lose 2.5 FTEs in the FYE 2020 budget.

Air District Response to Comment 4: The approved number of FTE's in the Engineering Division has not changed. CCEEB is referring to the budgeted FTE allocation of work in the

engineering division programs. These engineering FTE allocations do not account for staff work outside of the Engineering Division. In addition to permits, the engineering staff work on other initiatives such as rule development, inventory and AB 617 implementation. The Air District balances its resources across its various programs and activities.

Permits are a core program of the Air District and the Engineering Division is budgeted to provide a high level of service to facilities. The Air District gives high priority to the timely review of permit applications and renewals. Due to the complexity, high visibility and controversial nature of permit applications today, the Air District is committed to transparency and public participation. Permit processing times can vary depending on how long it takes for the applicant to complete the application submission, how long it takes for the California Environmental Quality Act (CEQA) review process to be completed, and how long it takes the Air District to evaluate the application and fulfill public participation requirements. To help reduce permit processing times, the Air District has reorganized the Engineering Division. The Engineering Division is focusing on reducing overdue permit applications by updating its procedures for handling incomplete permit applications and prioritizing the work assigned to the evaluating engineers. To maintain consistency and efficiency, the Division continuously reviews its formal training program and is currently working on updating policies, procedures, permit manuals and permit templates.

Comment 5: CCEEB requests an accounting of Schedule W and Schedule X to better understand how these fees are being allocated. CCEEB also notes that Schedule X fees have been collected for the last three years even though the community monitoring portion of Rule 12-15 has not yet been deployed. They also ask for an estimate of how Schedules W and X fees may change in future years as these monitoring systems come online.

Air District Response to Comment 5: Schedule W and X fees were based initially on the best available cost estimates for Air District staff workload at the time. For example, Schedule W was based on estimated staff costs to review and approve the refinery emission inventories and crude slate information. However, the first sets of inventories received were significantly more complex than anticipated and the District spent additional time and effort verifying emissions from the sources with the largest emissions. With each successive set of inventories, staff has continued concentration and verification of additional source categories. When all categories and methods have been thoroughly reviewed and as experience is gained, we expect the effort to review and verify inventories to be streamlined. In addition, engineering staff have been updating and revising the Refinery Emissions Inventory Guidelines and working on the heavy liquid fugitives study. These efforts were not envisioned at the time of the fee's introduction.

Schedule X was based on projected capital costs to set up a community monitoring station amortized over 10 years. Schedule X costs are associated with the evaluation of existing monitors and planning, siting, and designing new monitors. Air District staff held public workshops (Richmond, Martinez Rodeo and Benicia) to work with communities near the refineries to implement the Regulation 12-15 monitoring. Monitoring plan approval is ongoing. Specific bill codes were created for these two fee schedules, so that employee timekeeping can be used to track costs. Each year, these fee schedule estimates are re-analyzed versus the Air District's cost recovery policy.

Comment 6: CCEEB requests more information on the interplay between Schedule N and implementation of Rule 11-18. Specifically, what portion of costs is attributed to AB 2588 inventories compared to Rule 11-18 implementation.

Air District Response to Comment 6: Schedule N is to pay for CARB's AB 2588 program fees as well as the Engineering Division staff required to work on the AB 2588 toxics emissions inventories, Rule 11-18 implementation costs for facility emissions review, and health risk assessments (HRAs) for facilities that are exempt from Rule 11-18. The Air District's costs for conducting New Source Review HRAs for permit applications are not fully covered by the HRA fees in the individual schedules. Schedule N covers this deficit between fee schedule HRA fees and actual costs. The costs for AB 2588 and Rule 11-18 are tracked based using bill codes. Since Rule 11-18 implementation has just started a few months ago, the costs attributed to AB 2588 inventories is a much larger portion of the costs versus Rule 11-18 implementation at this time. We would expect the Rule 11-18 portion to increase as more facilities are phased into Rule 11-18 HRAs.

Comment 7: CCEEB requests that the Air District include in its staff report a discussion of what activities within each Division the different fee schedules are meant to support.

Air District Response to Comment 7: The proposed 2020 Budget contains program descriptions and division narratives that describe the activities supported under each program. The Employee Handbook for Cost Recovery Timekeeping, which was distributed at the Budget and Finance Committee Meeting on March 22, 2019 and at the first public hearing for the proposed Regulation 3 amendments at the Board of Director's meeting on May 1, 2019, also contains descriptions of the activities for each billing code and fee schedule.

Comment 8: CCEEB requests staff to provide greater detail on each fee schedule as part of the staff report including revenue collected by fee schedule, total number of permittees paying into these fee schedules, as well as the trend over the last three years.

Air District Response to Comment 8: The 2019 Cost Recovery Report, that will be published along with the proposed fee regulation and staff report, will contain figures for both the "Fee Revenue and Program Costs by Fee Schedule for FYE 2018" and the "Fee Revenue and Program Costs by Fee Schedule, FYE 2016-2018, 3-Year Average". The Air District publishes this data annually. There are 10,856 facilities that pay fees. The number of facilities remains consistent between 10,000 and 11,000. In order to determine cost recovery, total revenues collected for each fee schedule are required rather than the number of facilities. Each facility may pay fees for any number of different fee schedules depending upon the sources at the facility. The Air District will consider the request to determine the number of facilities that pay into each fee schedule prior to next year's Regulation 3 rule development.

Comment 9: CCEEB would like to work with staff to better align the 24 fee schedules with the six Permit/Fees revenue categories in the Budget.

Air District Response to Comment 9: Attached is a chart that shows how each fee schedule category is aligned with the revenue categories in the Budget Book.

Thank you for your comments.

Regards,
--Barry

Barry G. Young
Senior Advanced Projects Advisor | Engineering Division
The Bay Area Air Quality Management District
375 Beale Street, Suite 600 | San Francisco, CA 94105
Office: 415.749.4721 | Fax: 415.749.4949
byoung@baaqmd.gov | www.baaqmd.gov
Please consider the environment before printing this e-mail.

Attachment

Fee Schedule Budget Rollup

A	Hearing Board	Hearing Board Fees (Variances)
B	Combustion of Fuel	Annual Plant Renewal (and Application) Fees
C	Storage Organic Liquid	Annual Plant Renewal (and Application) Fees
D	Gasoline Dispensing / Bulk Terminals	Annual Plant Renewal (and Application) Fees
E	Solvent Evaporation	Annual Plant Renewal (and Application) Fees
F	Miscellaneous	Annual Plant Renewal (and Application) Fees
G1	Miscellaneous	Annual Plant Renewal (and Application) Fees
G2	Miscellaneous	Annual Plant Renewal (and Application) Fees
G3	Miscellaneous	Annual Plant Renewal (and Application) Fees
G4	Miscellaneous	Annual Plant Renewal (and Application) Fees
G5	Miscellaneous	Annual Plant Renewal (and Application) Fees
H	Semiconductor	Annual Plant Renewal (and Application) Fees
I	Drycleaners	Annual Plant Renewal (and Application) Fees
K	Waste Disposal	Annual Plant Renewal (and Application) Fees
L	Asbestos	Asbestos Fees
N	Toxic Inventory (AB2588)	Toxic Inventory Fees (AB2588)
P	Major Facility Review (Title V)	Title V Permit (and Application) Fees
R	Registration	Registration Fees
S	Naturally Occurring Asbestos	Annual Plant Renewal (and Application) Fees
T	Greenhouse Gas	Greenhouse Gas Fees
V	Open Burning	Annual Plant Renewal (and Application) Fees
W	Refinery Emissions Tracking	Annual Plant Renewal (and Application) Fees
X	Community Air Monitoring	Annual Plant Renewal (and Application) Fees