BAY AREA AIR QUALITY MANAGEMENT DISTRICT

PROPOSED AMENDMENTS TO

BAAQMD

REGULATION 3, FEES

Prepared by

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June 7, 2000

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EXECUTIVE SUMMARY

The Bay Area Air Quality Management District is continuing the process of realigning permit processing fees and other District fees that was commenced in 1999 as a result of the "Phase One" recommendations of the Cost Recovery Study prepared by KPMG. One critical finding of this report indicated that the total fee revenues related to permit activities were falling approximately 60 percent below expenditures, or District costs related to the performance of these activities. In order to start closing this gap, the Board of Directors approved a 15 percent, across the board, increase of all District fees in June 1999. Those increases included a Consumer Price Index (CPI) adjustment of approximately 3 percent and a general increase of 12 percent.

This year it is recommended that all fees be increased again by Consumer Price Index (CPI) for the San Francisco Bay Area plus specific percentage increases for specific fee schedules. Therefore, permit fees will increase selectively by between 4.3 percent (the CPI increase) and 15 percent. In October 1999, the District commenced a new time accounting system to track more accurately the various personnel charges against all District programs and types of permitted sources. This data serves to justify the current proposed fee increase and will be very helpful in the future as the District strives to reach the goal of matching fee revenues with program expenditures/costs.

Hearing Board fees of Schedule A, have been extensively revised to include excess emission fees (Table I) and excess visible emission fees (Table II) for the first time. In addition, fees for activities not previous covered by Schedule A-Hearing Board Fees, have been proposed including fees for certain appeals, rehearings, and termination of abatement orders. The goal of these fee increases is also an attempt to recover the reasonable costs of this service.

The recommended increases in District fees for fiscal year 2000/2001 are listed below.

1. Permit Fee Revisions

- The addition of PM_{10} to the list of pollutants subject to Major Stationary Source fees and a reduction in the emission threshold that subjects a facility to Major Stationary Source fees (Reg. 3-213, 3-319, Schedule M);
- A 4% cost of living adjustment and an 11% increase in (a) the filing fee for New and Modified Sources (Reg. 3-302), (b) the filing and withdrawal fees for banking (Reg. 3-311), and (c) the fees for alternate compliance plans (Reg. 3-312);
- The deletion of a reduced fee for condition changes resulting from throughput increases and the creation of a reduced fee for administrative condition changes (Reg. 3-306);
- A 4% cost of living adjustment and 1% - 11% increases on Fee Schedules B, C, F, G-1, G-2, G-3, G-4 and N, and the addition of certain types of operations to Schedules G-1, G-2 and G-3; and
- A 4% cost of living adjustment and an 11% increase on Fee Schedules D, E, H, I, K, M and P.

2. Asbestos Operations and Aeration of Contaminated Soil

- A 4.3% cost of living adjustment (rounded up to the next dollar) for Schedule L, Asbestos Operations and Schedule Q, Aeration of Contaminated Soil and Removal of Underground Storage Tanks; and

3. Hearing Board Fees

- An increase in the general Hearing Board Fees;
- The addition of fees for appeals, rehearings, abatement order terminations and other Hearing Board activities that are not currently covered in Schedule A; and
- The addition of Attachment I and Tables I and II to Schedule A, in order to add new fees for excess emissions and excess visible emissions allowed by variances.

4. Postponement of Proposed Burn Permit Fee

At the April 17, 2000 and May 4, 2000 Public Workshops, District staff proposed a new Fee Schedule R that was intended to fully recover the projected $530,000/year cost associated with developing and implementing the a new smoke management program for the Bay Area. This new program was intended to be consistent with the Smoke Management Guidelines for Agricultural and Prescribed Burning ("Guidelines"), set forth in Title 17 of the California Code of Regulations. Recent revisions to the Guidelines, which were adopted by the California Air Resources Board (CARB) on March 23, 2000, are the driving force behind the need for this program.

Based on comments received at the public workshops, District staff has determined that additional time is necessary for staff to fully evaluate the recent CARB revisions and to allow adequate time for public participation during the development of the new burn permit fee schedule. Therefore, staff is postponing all revisions to Regulation 3 that concern the proposed burn permit fees. Staff expects to bring this issue back to the Board by Fall 2000.

5. Summary of Proposed Changes

The proposed changes are expected to increase the District's permit revenues by an estimated $1,500,000 for fiscal year 2000-2001. Approximately $500,000 of this total will come from the 4.3 percent Consumer Price Index (CPI) adjustment. Lowering the applicability threshold for facilities subject to the Major Stationary Source Fees of Schedule M from 100 to 50 tons per year, and the addition of PM10 to the pollutants subject to these fees will increase revenues by approximately $255,000. The shifting of several categories of stationary sources from Schedule F, Miscellaneous Equipment, to sub-schedules G-1, G-2 and G-3 will account for an additional $68,000. Specifically, the following general fees and fee schedules of Regulation 3 will be revised.

- <u>Regulation 3, General Provisions: Section 103 Revised and Section 107 Added</u>
- <u>Regulation</u> 3, Definitions: Sections 207, 209, 213 and 224 Revised, Sections 214-222 Deleted, and Section 237 Added
- <u>Regulation 3, Standards: Sections 301, 302, 306, 311, 312, 318 and 319 Revised, Section 324 Deleted, and Sections 327 and 328 Added</u>

- Regulation 3, Administrative Requirements: Section 408 Revised and Sections 404 and 409 Deleted
- Schedule A, Hearing Board Fees plus new Attachment 1, Excess Emission Fee
- Schedule B, Combustion of Fuel
- Schedule C, Stationary Containers for the Storage of Organic Liquids
- Schedule D, Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants and Terminals
- Schedule E, Solvent Evaporating Sources
- Schedule F, Miscellaneous Sources (including shifting of specific source categories to Schedules G-1, G-2 and G-3)
- Schedule H, Semiconductor and Related Operations
- Schedule I, Dry Cleaners
- Schedule K, Solid Waste Disposal Sites
- Schedule L, Asbestos Operations
- Schedule M, Major Stationary Source Fees
- Schedule P, Major Facility Review Fees
- Schedule Q, Aeration of Contaminated Soil and Removal of Underground Storage Tanks

EFFECTIVE DATE

The proposed effective date of the amendments proposed above is July 1, 2000.

BACKGROUND

GENERAL FEE INCREASE

For the second year the District is relying on recommendations of the 1998-1999 KPMG Cost Recovery Study in order to align District fee revenues more closely with the costs of the related programs. Last year all District fees were increased, across the board, by 15 percent to begin the process of closing the significant gap between program revenues and the District costs related to conducting effective programs. Beginning in October of 1999, the District has been requiring employees to record more accurately time spent on specific programs. For the next fiscal year budget preparation, program managers will have a full year of cost data related to their programs. These time accounting records should allow the District to refine future fee adjustments.

The Health & Safety Code § 42311 allows the District to recover its estimated reasonable costs related to running a permit program, and to adjust fees annually to account for inflation. However, the District has historically subsidized the permit-related programs with other sources of revenue, including county property taxes and budget reserve funds.

For only the second time since 1991, the District is proposing a fee increase package that exceeds the increase in the Consumer Price Index (CPI). This year's proposals will result in the increase of various District fees between 4.3 percent (the CPI increase for 1999) and 15 percent. It is estimated that general fee revenues will increase by approximately 12 percent overall as a result of these proposals.

Table 1 below shows that, even with last fiscal year's 15 percent adjustment, permit fee rates, in real, inflation-adjusted dollars since 1989, are still approximately 10 percent less than the 40 percent inflation over this eleven-year period.

TABLE I

Year	*CPI*	*District Permit Fees*
1989	5.1%	0.0%
1990	4.5%	0.0%
1991	4.0%	10.0%
1992	3.2%	0.0%
1993	2.6%	0.0%
1994	1.4%	1.25%
1995	2.1%	0.0%
1996	2.2%	0.0%
1997	3.1%	0.0%
1998	2.8%	3.1%
1999	4.3%	15%
Compounded, 1989-99	**41.3%**	**32.0%**

The fee increase proposal for fiscal year 2000/2001 should help to bring fees into alignment with the overall inflation that has occurred over the last eleven years.

As can be seen in Figure 1 below, the total amount of permit fees collected by the District, adjusted for inflation, has declined steadily for most of the past decade. Last year's fee increase only partly offset this decline; fee revenue for the 1999/2000 fiscal year was still almost 15 percent less than 1990/1991 in constant dollar terms. The proposed permit fee increase, in conjunction with the District's projection of significant permit activity for the coming fiscal year, will help to offset the rest of this decline and increase inflation-adjusted revenue by 3.5% over 1990/1991. This would be the District's first real revenue increase in more than a decade.

The direct costs of the District's permit program are budgeted at $15.3 million for the 2000/2001 fiscal year. Incorporating the proposed permit fee increases, the District's projected permit fee revenue for the coming fiscal year is $15.4 million. It should be pointed out that the District has made an optimistic projection of permit fee revenues for the upcoming fiscal year. Actual permit fee revenues are greatly affected by the economy and business factors that are out of the District's control. Therefore, a word of caution is appropriate. Although, in most years the actual permit fee revenues have exceeded District projections, in one recent year, actual revenues fell almost $1.0 million below the staff's projection.

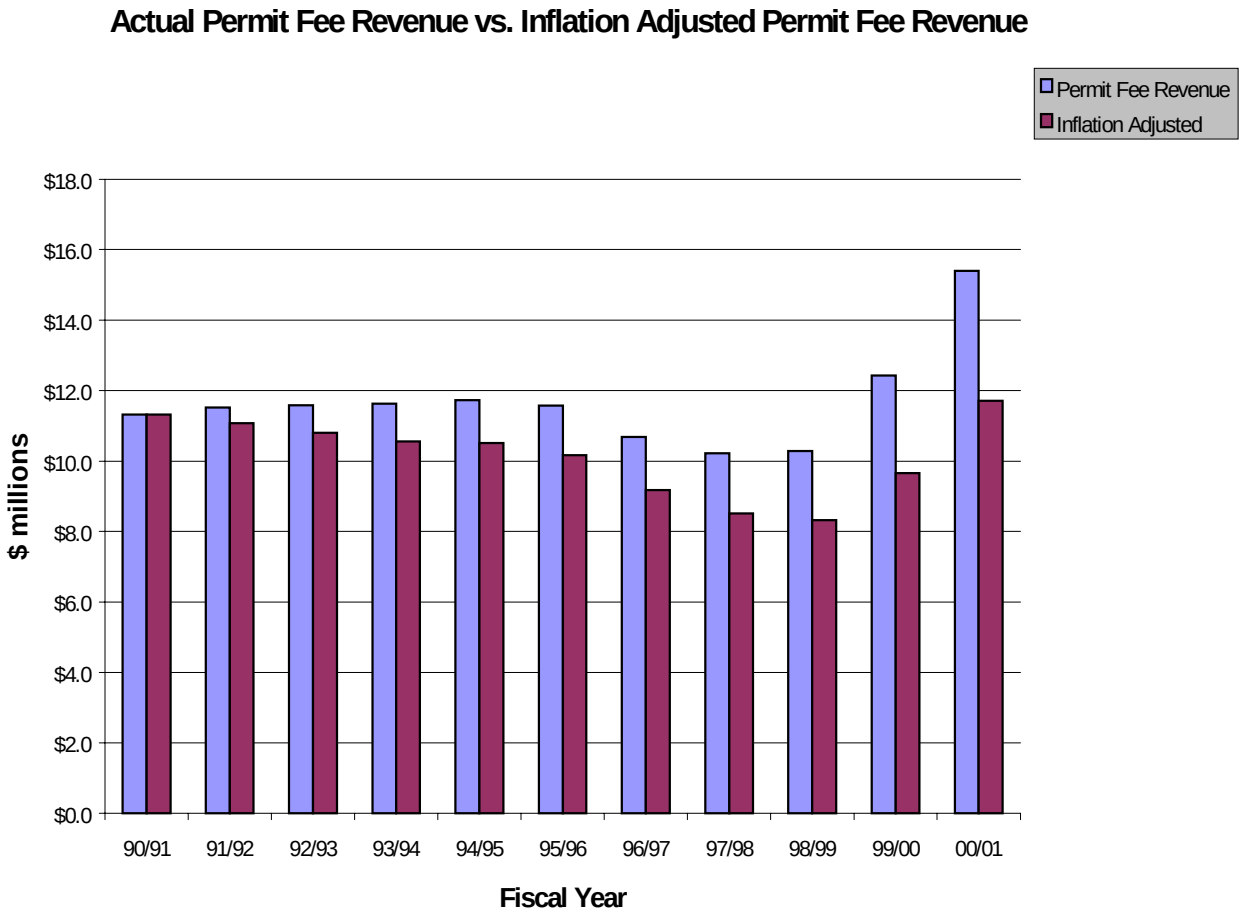
In analyzing this comparison of direct permit services cost versus permit fee revenues, keep in mind that the indirect costs of all District programs, which is approximately 40 percent, have not been taken into consideration.

FUTURE RECOMMENDATIONS

In order to keep District permit fee revenues from falling below the cost of carrying out the District's permit related programs in keeping with the recommendations of the KPMG "Cost Recovery Study", the District has instituted the following long-term measures:

- Permit fees will be reviewed annually and adjusted every year, as necessary to account for inflation.
- The District will continue the recently instituted time accounting program, in order to accurately track all employee time charges against specific programs and to use this data in the future to align District fee schedule, as closely as possible, so that fee revenues will cover the cost of related program activities.

Figure 1



STATUTORY AUTHORITY FOR PROPOSED PERMIT FEE INCREASE

Health & Safety Code § 41512.7 establishes a statutory cap on the allowable annual percentage increase in permit fees and therefore limits the statutory authority for actual cost recovery for permit-related activities set forth in Health & Safety Code § 42311. The 15 percent cap on annual percentage increase for authority-to-construct permits or permits to operate in subdivision (b) of Section 41512.7 impacts a local air pollution control district's ability to recover its actual costs as authorized in Section 42311, subdivision (a). In practice, the 15 percent annual increase limitation circumscribes existing statutory authority for a local air pollution control district to recover its "actual costs for district programs for the immediately preceding fiscal year" as set forth in Health & Safety Code § 42311.

The 15 percent cap language in Section 41512.7 is not related to the increase, if any, in the Consumer Price Index as it relates to permit fee increases. The limiting language in Health & Safety Code § 42311(a) controls permit fee increases that are linked to

increases in the Consumer Price Index. Section 42311(a) states that any "adjustment [to the permit fee schedule] not [be] greater than the change in the annual California Consumer Price Index, as determined pursuant to Section 2212 of the Revenue and Taxation Code, for the preceding year."

The 1997 amendments to Section 41512.7 makes the 15 percent cap on allowable annual increases applicable to individual fee schedules for certain local air pollution control districts – including the Bay Area AQMD. The legislative change also mandated very specific requirements for the justification of an actual cost recovery permit fee system. Health & Safety Code § 41512.7 limits actual cost recovery pursuant to Health & Safety Code § 42311. The 1997 amendments to Health & Safety Code § 41512.7 apply the 15% annual fee increase limitation to individual fee schedules and does not apply that cap on total, aggregate increase in existing local air pollution control district fees.

OVERVIEW OF RULE CHANGES

The complete text of the proposed changes to District Regulation 3, Fees, is included in the appendix to this document. The proposed amendments to the regulation and each fee schedule are summarized below:

REGULATION 3—GENERAL

- Section 3-103: Change the term abatement equipment to abatement devices for consistency with other District Regulations and clarify that emissions from abatement equipment are subject to all emissions based fee schedules.
- Section 3-107: Move the exemption from source based fees for exempt sources from Section 404 to Section 107. For consistency with current practice, expand this exemption to include any source that is exempt from permit requirements pursuant to Regulation 2, Rule 1.

REGULATION 3—DEFINITIONS

- Section 3-207: In addition to a definition of the Permit to Operate Fee, this section describes the applicable fees for annual permit renewals. The language describing these applicable fees is being moved to a more appropriate location in the Standards section of this regulation. The new Section is 3-327: Permit to Operate, Renewal Fees.
- Section 3-209: Establish a single definition for a small business to be used for all District fee schedules. Reduce the maximum number of employees (from either 50, 25, or 10 employees to ten employees) and reduce the maximum annual gross income (from either $5 million, $2.5 million, or $1 million to $500,000) to ensure that the District's permit fee subsidy better applies to company in need of such assistance.
- Section 3-213: For the definition Major Stationary Source, add PM_{10} to the list of subject pollutants, and reduce the emissions threshold from 100 tons per year to 50 tons per year.
- Sections 3-214 through 3-222: Delete obsolete definitions of: fabrication area, solvent station, wet chemical station, siliconizing reactor, chemical vapor deposition reactor,

diffusion furnace, alloy and annealing furnaces, oxidation furnace, and photoresist line.

- Section 3-224: Delete language concerning the permit to operate expiration date to prevent conflicts with Section 3-408.
- Section 3-237: Add a definition for PM_{10}.

REGULATION 3—STANDARDS

- Section 3-301: Expand the applicability of Hearing Board Fees to cover all Hearing Board activities and not just variances.
- Section 3-302: Increase the filing fee for permit to construct and operate applications from $198 per source to $228 per source (approximately 15 percent increase).
- Section 3-306: Modify the fees for a change in permit conditions by deleting the reduced fee for increases in throughput, creating a new reduced fee (equal to the filing fee) for administrative condition changes, and clarifying the applicability of permit to operate fees for other condition changes.
- Section 3-311: Increase emission reduction credit (ERC) banking fees from $198 per source or ERC withdrawal to $228 per source or withdrawal (approximately 15 percent increase).
- Section 3-312: Increase fees for emission caps and alternate compliance plans from $500 per source to $575 per source (15 percent increase), and raise the maximum fee from $5000 to $5750 (15 percent increase).
- Section 3-318: Delete references to Section 2-2-413 because this section on public notice to schools is redundant to Section 2-1-412 and staff is proposing to delete Section 2-2-413 in a separate rule amendment.
- Section 3-319: Reduce the emissions threshold for major stationary sources from 100 tons per year to 50 tons per year, and add PM_{10} to the list of subject pollutants.
- Section 3-324: Delete this section that establishes fees for registering portable equipment that was permitted in another District under the CAPCOA Portable Equipment Registration Rule, because staff is proposing to delete the existing permit exemption for such equipment in a separate rule amendment. Such equipment will be governed by the State's Portable Equipment Registration Program.
- Section 3-327: Add this new section to more clearly describe the fees required for annual renewal of the permit to operate. Move the fee requirements previously described in Sections 3-207 and 3-408 to this new section.
- Section 3-328: Add fees for reimbursement of costs incurred by the State Office of Environmental Health Hazard Assessment (OEHHA) for risk assessment reviews.

REGULATION 3—ADMINISTRATIVE REQUIREMENTS

- Section 3-404: Delete this section and move the fee exemption for sources that are exempt from permit requirements to Section 3-107.
- Section 3-408: Move language requiring annual renewal of the permit to operate to Section 3-327.

- Section 3-409: Delete this section, because a dry cleaner facility will no longer be considered a single source. As described in Schedule I, each dry cleaning machine drum will now be considered to be a source.

REGULATION 3—FEE SCHEDULES

- Schedule A: Add Hearing Board fees for several Hearing Board activities that currently have no charges. Increase Hearing Board fees for large companies by $70 to $540. For small businesses, increase fees for variances exceeding 90 days from $115 per application to $150 per application. Reduce most other Hearing Board fees for small businesses from $60 to $50. Add excess emissions fees of $1.00 per pound of air contaminants, $5.00 per pound of specified toxic air contaminants, and $1.12 per percentage of excess opacity. Although the Hearing Board is not part of the permit program, fees collected do not come close to covering its operating costs. This is only the third time Hearing Board fees have been increased since 1977.
- Schedule B: Increase minimum fees by 15 percent in order to be consistent with other fee schedules. Increase other fees by 6 to 7 percent.
- Schedule C: Increase minimum fees by 15 percent in order to be consistent with other fee schedules. Increase other fees by approximately 5 percent due to cost of living increases.
- Schedule D: Increase all fees by approximately 15 percent.
- Schedule E: Increase all fees by approximately 15 percent.
- Schedule F: Increase minimum initial and permit to operate fees by approximately 15 percent.
- Schedule G-1: Increase initial and permit to operate fees by approximately 15 percent. Modify the format of the table that describes which sources are subject to G Schedules. Move the following sources from Schedule F to Schedule G-1:
  - Organic and inorganic chemical manufacturing equipment that processes at least 1000 gallons per hour or at least 5 tons per hour
  - Reactors with a capacity of at least 1000 gallons
  - Specified glass manufacturing operations that handle dry materials (conveyors, elevators, weigh hoppers, and storage bins)
  - Crushers processing minerals, mineral products, glass, waste products, wood, wood or green waste, or similar materials. (Mineral crushers are already subject to G-1)
  - Grinders processing minerals, mineral products, glass, waste products, wood, wood or green waste, or similar materials. (Cement grinders are already subject to G-1)
  - Loading and unloading operations at bulk plants or bulk terminals excluding gasoline or gasohol loading and unloading that are subject to Schedule D
  - Various petroleum refining processing units including alkylation, benzene saturation, chemical treating, converting, MTBE manufacturing, and other miscellaneous process units
  - Specified waste water treatment operations at industrial facilities (excluding petroleum refineries) including oil-water separators, strippers, and storage ponds

- Schedule G-2: Increase initial and permit to operate fees by approximately 15 percent. Modify the format of the table that describes which sources are subject to G Schedules. Move the following sources from Schedules B, F or G-1 to Schedule G-2:
  - Dryers and mixers used in asphaltic concrete manufacturing (These sources will now be charged per Schedule B or G-2, whichever results in the highest fee.)
  - Incinerators burning hazardous waste or solid waste, excluding those burning exclusively human or animal remains or pathological waste (These sources will now be charged per Schedule B or G-2, whichever results in the highest fee.)
  - Strippers processing petroleum refining waste water (Some of these sources are already subject to Schedule G-2. This revision clarifies that all petroleum refinery wastewater strippers are subject to G-2, regardless of the inert gas - air, nitrogen, or other - used.)
- Schedule G-3: Increase initial and permit to operate fees by approximately 5 percent. Modify the format of the table that describes which sources are subject to G Schedules. Move the following sources from Schedules B or G-1 to Schedule G-3:
  - Incinerators burning medical waste, excluding those burning exclusively pathological waste (These sources will now be charged per Schedule B or G-3, whichever results in the highest fee.)
- Schedule G-4: Increase initial and permit to operate fees by approximately 5 percent. Modify the format of the table that describes which sources are subject to G Schedules.
- Schedule H: Delete obsolete language and increase all fees by approximately 15 percent.
- Schedule I: Change the basis for dry cleaner fees from one set of fees per facility to one set of fees per source, where a source is now defined as each dry cleaning machine drum. Increase both minimum fees and surplus capacity fees by approximately 15 percent.
- Schedule K: Change the basis for solid waste disposal site fees from tonnage disposed per year to the activity status of the solid waste disposal site. Charge higher fees for active disposal sites (sites that are currently accepting waste) than for inactive or closed disposal sites (sites that have gas collection and control systems but that are no longer accepting waste for disposal). Fees for inactive or closed sites are consistent with Schedule G-1. Fees for active sites are consistent with Schedule G-2. Add a reduced initial fee for applications that involve gas collection system modifications only. Increase fees overall by approximately 15 percent.
- Schedule L: Increase all asbestos operation fees by approximately 4.3 percent (rounded top the next highest dollar) due to cost of living increases.
- Schedule M: Reduce the emissions threshold from a facility emitting 100 tons per year or more to one emitting 50 tons per year or more. Increase emission fees from $41.50 per ton to $47.70 per ton (15 percent increase) for Organic Compounds, Sulfur Oxides and Nitrogen Oxides. Add a fee of $47.70 per ton of PM_{10}.
- Schedule N: Increase the variable F_T (total amount of fees to be collected) by 5 percent due to cost of living increases. This change does not require any modifications to the language of Schedule N.

- Schedule P: Increase all major facility review fees for Title V and Synthetic Minor facilities by 15 percent. Clarify that the monitoring fee applies to continuous emission monitors or parametric emission monitoring systems but not to general parametric monitors (such as temperature or flow rate monitors) that do not calculate emissions.
- Schedule Q: Increase the fee for aerating contaminated soil or removing underground storage tanks by 4.3 percent (rounded to the next highest dollar) due to cost of living increases.

RULE DEVELOPMENT PROCESS

The proposed revisions to Regulation 3, Fees were discussed during a Public Workshop held on April 17, 2000. In addition, a second Public Workshop was held on May 4, 2000, to discuss the proposed revisions to Regulation 3 that would affect wildland vegetation management and wildlife management fires.

At the April 17, 2000 and May 4, 2000 Public Workshops, District staff proposed a new Fee Schedule R that was intended to fully recover the projected $530,000/year cost associated with developing and implementing the a new smoke management program for the Bay Area. This new program was intended to be consistent with the Smoke Management Guidelines for Agricultural and Prescribed Burning ("Guidelines"), which are found in Title 17 of the California Code of Regulations. Recent revisions to the Guidelines, which were adopted by the California Air Resources Board (CARB) on March 23, 2000, are the driving force behind the need for the program.

Based on comments received at the public workshops, District staff have determined that additional time is necessary for staff to fully evaluate the recent CARB revisions and to allow adequate time for public participation during the development of the new burn permit fee schedule. Therefore, staff is postponing all revisions to Regulation 3 that concern the proposed burn permit fees. Staff expects to hold additional Public Workshops on proposed burn permit fees and to bring this issue back to the Board of Directors by the fall of this year.

Staff have considered and addressed all other comments made at the Public Workshops or provided to the District by May 4, 2000. All comments submitted in writing have received written responses.

ASSOCIATED IMPACTS

EMISSIONS IMPACTS

There will be no direct emission increases or decreases as a result of these proposed amendments.

ECONOMIC IMPACTS

Health & Safety Code § 42311, subdivision (a) provides that an air pollution control district may recover, through its schedule of annual fees, the estimated reasonable costs of district programs related to permitted stationary sources. In addition, a district may adopt, by regulation, a schedule of fees to be assessed on area-wide or indirect sources of emissions which are regulated, but for which permits are not issued -- to recover the costs of district programs related to these sources. Health & Safety Code § 42311(g).

Based on this statutory authority, the District can recover its administrative and regulatory costs for programs related to stationary, area-wide and indirect sources under its jurisdiction. Therefore, the proposed amendments to Regulation 3 - Fees, by definition, are not expected to cause or create any adverse economic impacts. The fees merely represent cost recovery for important regulatory services. Finally, the proposed amended fee regulation will enable the District to continue to provide a consistent high level of service to the affected permit holders and fee payers.

Impact on small businesses is expected to be insignificant. Most small business only operate one or two sources which generally only pay the minimum permit renewal fee. The annual permit fee for each of these sources is currently $100; under the proposal, this fee will be raised to $115 per source.

The proposal would increase District revenue by an estimated $1,527,000 per year.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

The California Environmental Quality Act (CEQA), Public Resources Code Section 21000 et seq., and the CEQA Guidelines, 14 CCR 15000 et seq., require a government agency, such as the BAAQMD, that undertakes or approves a discretionary project to prepare documentation addressing the potential impacts of that project on all environmental media. If an agency's approval action on a project is considered exempt, CEQA does not apply. The District's proposed fee increase is statutorily exempt from the requirements of the California Environmental Quality Act as stated in the CEQA Guidelines Section 16061, subdivision (b)(3) and Section 15273: "CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies..." *See also* Public Resources Code Section 21800(b)(8).

CALIFORNIA HEALTH AND SAFETY CODE

Section 40728.5 of the Health and Safety Code requires districts to assess the socioeconomic impacts of amendments to regulations that, "...will significantly affect air quality or emissions limitations." This regulatory proposal has direct costs associated with the increase in permit fees, however, does not fall within the scope of an amendment that significantly affects air quality or emissions limitations. This section, therefore, does not apply.

Under Health & Safety Code § 40920.6, the District is required to perform an incremental cost analysis for a proposed rule. This analysis is required, "Prior to adopting rules or regulations for best available retrofit control technology pursuant to Sections 40918, 40919, 40920, and 40920.5, or for a feasible measure pursuant to Section 40914…." The

purpose of this section is to identify increments of technology that meet the emission reduction objectives of the proposed rule, where possible, and to calculate the cost-effectiveness of each increment. As this proposal does change regulatory standards or impose additional emission limitations, this section is not applicable.

Section 40727.2 of the Health and Safety Code imposes new requirements on the adoption, amendment, or repeal of air district regulations. It requires a district to identify existing federal and district air pollution control requirements for the equipment or source type affected by the proposed change in district rules. The district must then note any differences between these existing requirements and the requirements imposed by the proposed change. This fee proposal does not impose a new standard, make an existing standard more stringent, or impose new or more stringent administrative requirements. Therefore, Section 40727.2 does not apply.

Pursuant to Health & Safety Code § 40727, regulatory amendments must meet findings of necessity, authority, clarity, consistency, non-duplication, and reference. The proposed amendments to Regulation are:

- Necessary to fund the District's efforts to attain federal and state air quality standards;
- Authorized by Health and Safety Code, Sections 42311, 42311.2, 41512.7, 42364 and 40 CFR Part 70.9;
- Clear, in that the amendments are written so that the meaning can be understood by the affected parties;
- Consistent with other District rules, and not in conflict with any state or federal law;
- Not duplicative of other statutes, rules or regulation; and
- Implements and references Health and Safety Code, Sections 42311, 42311.2, 41512.7, 42364 and 40 CFR Part 70.9.

The proposed amendments have met all legal noticing requirements and have been discussed with interested parties. Staff recommends adoption of the proposed amendments.