



Public Hearing to Receive Testimony on Proposed Amendments to Air District Regulation 3: Fees – Proposed Fiscal Year 2025-2026 Fee Regulation Amendments

Board of Directors Meeting

May 7, 2025

Fred Tanaka, Manager, Engineering Division

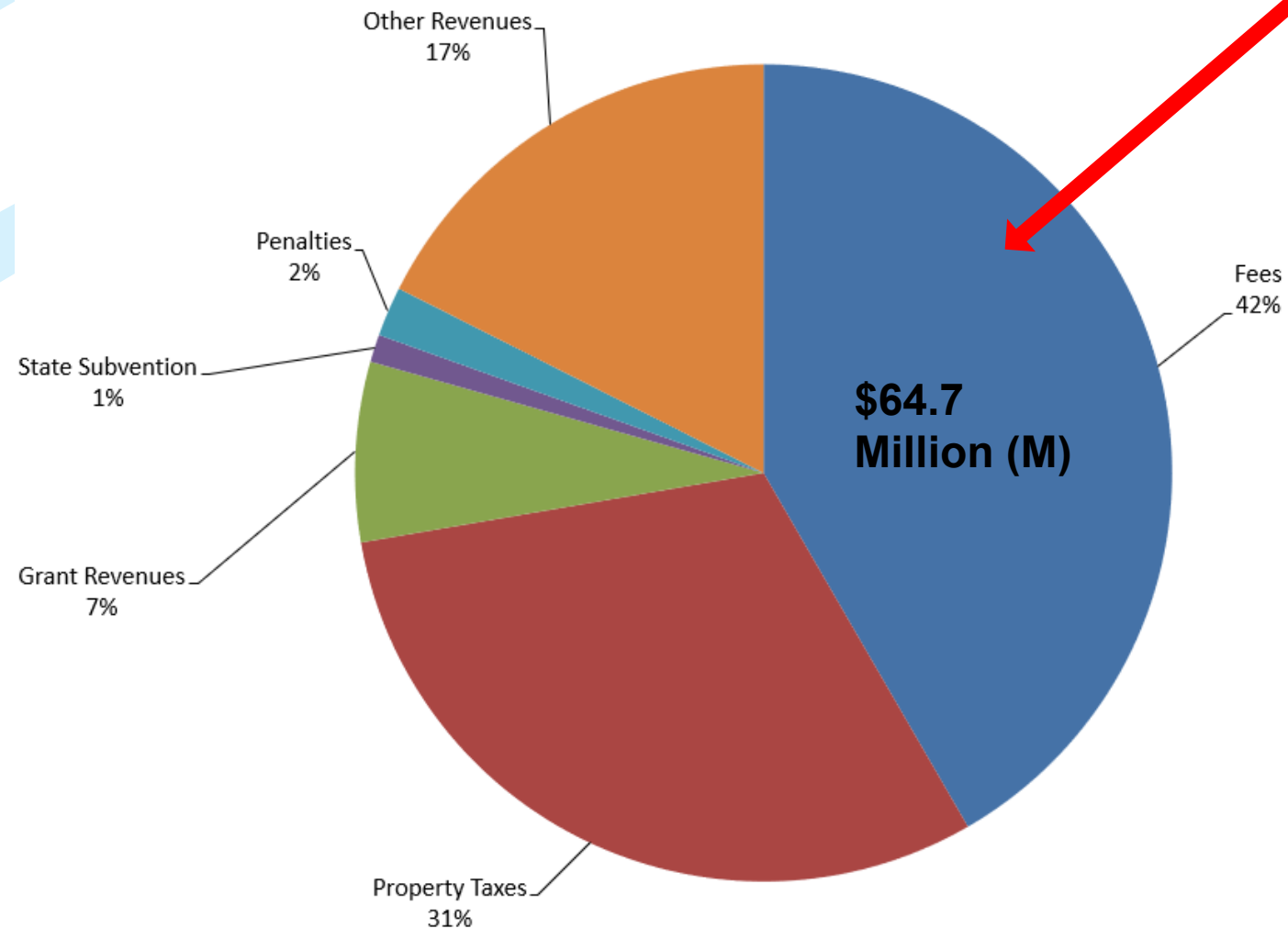
Mark Gage, Principal Air Quality Engineer, Engineering Division

Presentation Outline

- Cost Recovery Background
- Proposed Fee Regulation Amendments
- Amendment Impacts
- Budget and Rule Development Schedule
- Summary of Public Comments
- Receive Testimony and Comments

Cost Recovery Background

Revenue Sources in Fiscal Year End (FYE) 2024



- The Air District has many programs and activities that are funded with fees.
- Fees are governed by Regulation 3.
- Annually, we analyze whether revenue covers the cost of the work through **Cost Recovery**.

Cost Recovery Background

What programs/work (expenses) are supported by fees?*

Covered by Regulation 3 Fees	Not Covered by Regulation 3 Fees
<ul style="list-style-type: none">• Permitting programs• Notification programs (asbestos, open burn)• Inspections of regulated industries• Compliance assistance/enforcement of permitted and registered facilities• Source Testing at permitted facilities• Rule development for regulated industries• Emissions inventory from regulated industries• Facility-wide Health Risk Assessments	<ul style="list-style-type: none">• Ambient Air Monitoring• Climate change work for non-permitted sources• Communications• Mobile sources• Planning• Rule development for non-permitted sources• Strategic Incentives – “Grants” (e.g., wood-burning device replacement, Carl Moyer Program, Vehicle Buy-Back)

*These lists are not exhaustive.

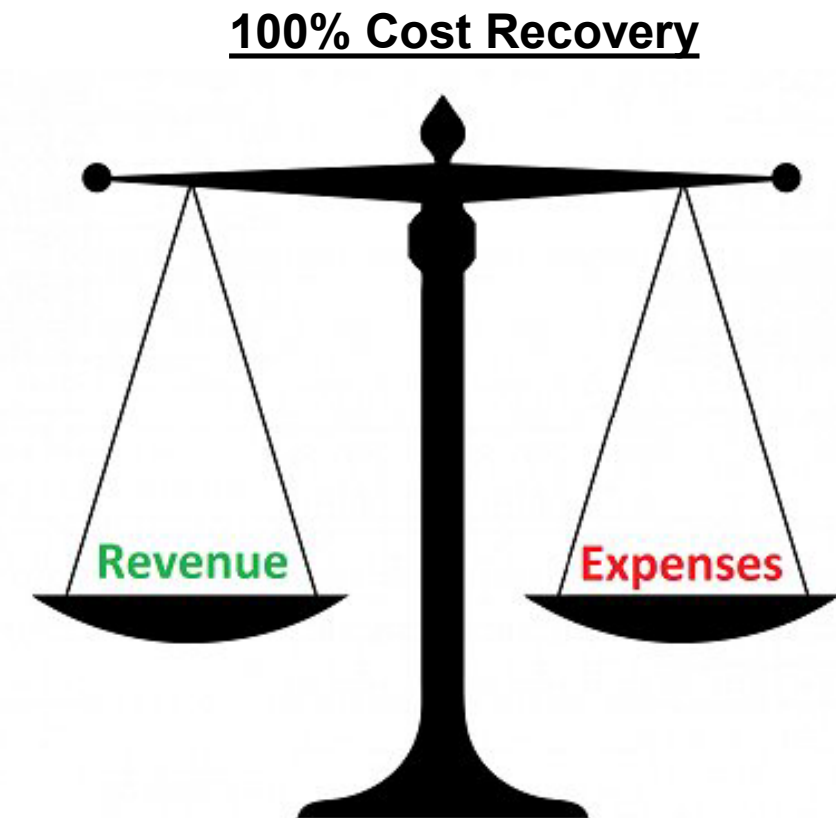
Cost Recovery Background

- Air District has the authority to recover the costs from its regulatory activities.
- In December 2022, the Board set a goal of 100% cost recovery.
- The Air District shall not “increase any existing fees for authority-to-construct permits or permits to operate by more than 15 percent in any calendar year.” California Health & Safety Code section 41512.7(b)

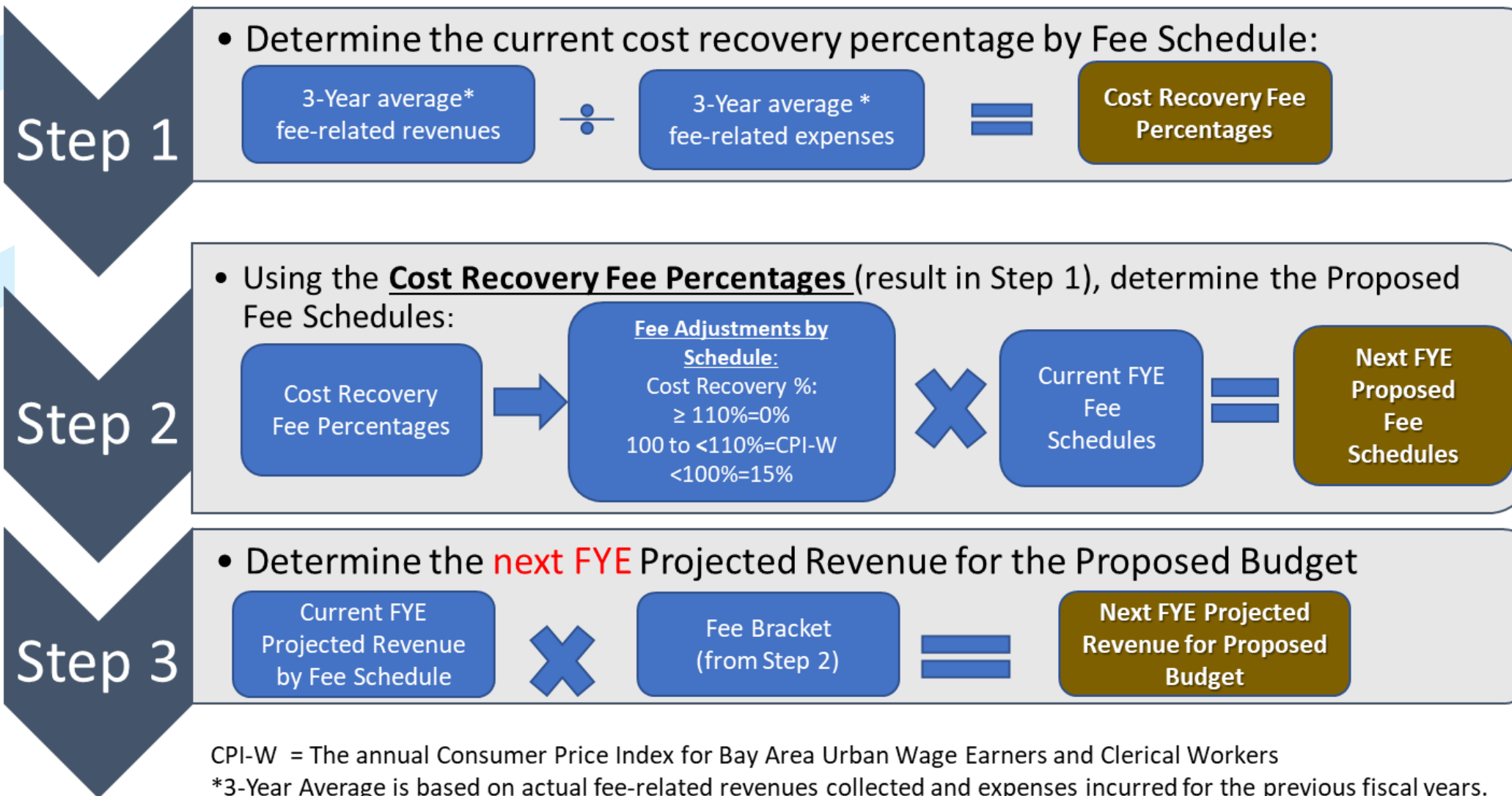
Cost Recovery Background (cont.)

Cost recovery is balancing the revenue collected with the expenses for the work.

- The ratio of revenue to expenses determines the level of cost recovery.
- The level of cost recovery determines how fees/fee schedules are amended and by what percentage.
- The cost recovery factors are not static.



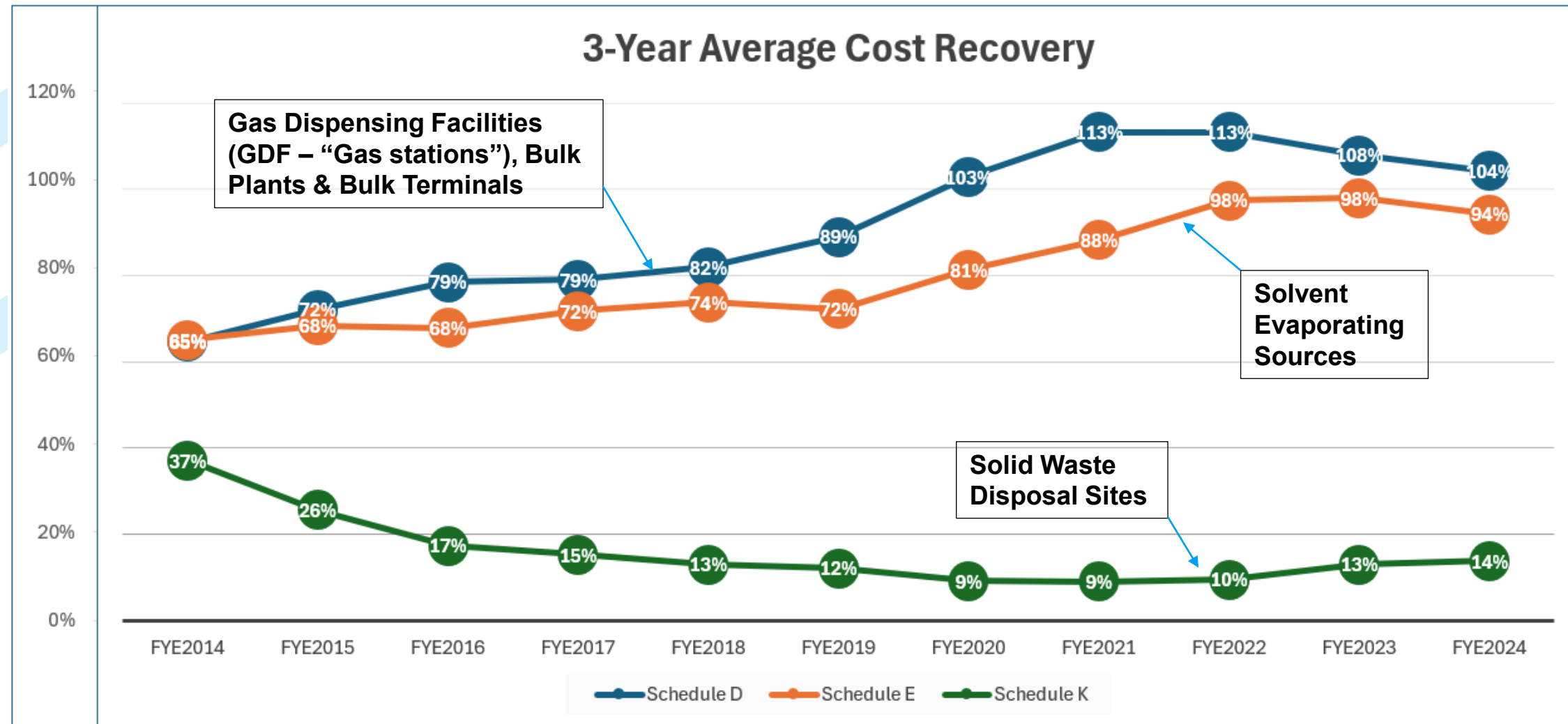
Cost Recovery Background (cont.)



Cost Recovery Background: Limitations

- Facilities or programs that are below cost recovery are not paying their fair share. The gap is closed with other revenue sources.
- Some fee schedules may take years to reach 100% cost recovery.
- Cost recovery analyzes past revenue and cost data.
- Cost recovery does not account for work backlog or level of service.
- Cost recovery does not account for required/future resource needs.
- A fee schedule's cost recovery rate does not reflect whether adequate resources exist.

Cost Recovery Background: Trends Example



Fiscal Year Ending 2023 updated with actual data since last year's presentation

Cost Recovery Background: Trends

Overall Cost Recovery

	FYE 2010	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024
By Year	63.8%	81.4%	81.2%	83.0%	84.7%	83.2%	83.8%	85.9%	92.3%	87.7%
3-Year Average		81.4%	82.2%	81.9%	83.0%	83.6%	83.5%	84.3%	87.4%	88.7%

Cost Recovery Background

2022 - 2024 Average Revenue	Number of Fee Schedules (Change from 2024)	Percent of Fee Schedule Revenue
110% or more of costs	5 (NC)	21.7
100 to <110% of costs	2 (+1)	32.4
95 to < 100% of costs	0 (-2)	7.0
75 to < 95% of costs	3 (+1)	15.1
50 to < 75% of costs	6 (+1)	21.7
25 to < 50% of costs	3 (NC)	1.3
Less than 25% of costs	2 (-1)	0.7

Specific fee schedule cost recovery levels are published in the Cost Recovery reports.

NC = No change

Cost Recovery Background: Strategies

Presented options at the December 18, 2024 Finance and Administration Committee meeting. The Committee direction was to stay the course on the cost recovery strategy.

Revenue from Fee Schedule (3-year average)	FYE 2018	FYE 2019 & 2020	FYE 2021 (Covid)	FYE 2022	FYE 2023	FYE 2024 to Current
110% or more of costs	-	-	-	-	-	-
100 to <110% of costs	-	-	-	-	+15%	CPI-W
95 to < 100% of costs	CPI-W	CPI-W	-	CPI-W	+15%	+15%
85 to < 95% of costs	+7%	+7%	-	+7%	+15%	+15%
75 to < 85% of costs	+8%	+8%	-	+8%	+15%	+15%
50 to < 75% of costs	+9%	+9%	-	+9%	+15%	+15%
Less than 50% of costs	+9%	+15%	-	+15%	+15%	+15%

Proposed Fee Regulation Amendments

Proposed Changes to Fee Schedules

Revenue from Fee Schedule	Change in Fees	Fee Schedules	% of Fee Schedule Revenue
110% or more of costs	0%	C, L, N, R, T, V (except Marsh Management), X	21.7%
100 to <110% of costs	CPI-W 2.8% increase	B, D	32.4%*
Less than 100% of costs	15% increase	A, E, F, G1, G2, G3, G4, G5, H, K, P, S, V (Marsh Management fees only), W	45.9%

* Includes Schedule M revenue

Proposed Fee Regulation Amendments

Other Proposals

Schedule C – Stationary Containers for the Storage of Organic Liquids

- Align calculation for the Risk Assessment Fee (RAF) consistent with other schedules.

Schedule D.A – Gasoline Transfer at GDFs

- Increase the RAF by 15% in Schedule D.A.4.b consistent with existing GDFs for the same work.

Proposed Fee Regulation Amendments

Other Proposals

- Increase fees in Section 300, Schedule I and Schedule M by CPI-W.
- Update out-of-date references
- General language clean up

Proposed Fee Regulation Amendments

Update Small Business Definition: Section 3-209

Small Business: A business with no more than 10 employees and gross annual income of no more than \$750,000 that is not an affiliate of a non-small business.

Impact: Reduced Hearing Board fees & may qualify for reduced permit application fees.

Proposed change:

- Increase gross income limit from \$750,000 to \$1,500,000.

Amendment Impacts: Large Facilities

Petroleum Refineries

Annual Permit Fee Increase/Decrease By FYE							
	2024, % Fee Change			2025, % Fee Change			2026, Projected % Fee Change
	Predicted	Actual	2024 Renewal Fee	Predicted	Actual	2025 Renewal Fee	Proposed Budget
Chevron	8.1	1.6	\$4.5 million	8.5	9.3	\$5.0 million	9.7
Martinez Refining Co.	8.9	4.7	\$5.7 million	7.9	-0.2	\$5.7 million	4.4
Phillips 66	8.5	9.6	\$3.0 million	8.6	-6.2	\$2.8 million	3.8
Tesoro	-1.0	-21.6	\$1.5 million	9.1	16.5	\$1.9 million	-1.6
Valero	9.4	12.2	\$3.4 million	9.0	4.3	\$3.5 million	13.7

Amendment Impacts: Small Facilities

Facility Type	Current Renewal Fee: Not OBC	Current Renewal Fee: OBC	Proposed Renewal Fee: Not OBC	Proposed Renewal Fee: OBC
Backup Engine* (Schedule B)	\$547	\$626	\$563 2.8%	\$644 2.8%
GDF “Gas Station”** (Schedule Da)	\$2,781	\$3,180	\$2,859 2.7%	\$3,270 2.7%
Auto Body Shop* (Schedule E)	\$1,212	\$1,386	\$1,378 12.1%	\$1,576 12.1%
Coffee Roaster (Schedule F)	\$950	\$1,087	\$1,076 11.7%	\$1,231 11.7%
Dry Cleaning Machine (Schedule R)	\$259	\$259	\$259 0%	\$259 0%

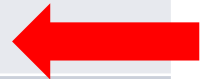
*Minimum fee – Permit fees are greater for larger engines

**Common configuration with 6 islands with 3-triple product nozzles

OBC = Overburdened community

Budget & Fee Regulation Schedule

Description	Date
Finance and Administration Committee briefing – Cost Recovery Strategy	December 18, 2024
Public workshop for Fee Regulation amendments	February 14, 2025
Written workshop comments on Fee Regulation due	March 17, 2025
Finance and Administration Committee briefing	March 19, 2025
Community Workshop on the Budget and Fee Regulation	April 10, 2025
Public hearing on budget & Fee Regulation to receive testimony	May 7, 2025
Written public hearing comments on proposed Fee Regulation due	May 16, 2025
Public hearing to consider adoption of budget and amendments to 16 fee schedules	June 4, 2025
Budget and fee amendments to 16 fee schedules effective, if adopted	July 1, 2025
Public hearing to consider adoption of amendments to 2 fee schedules	July 2, 2025



Summary of Public Comments

Key public comments received since April 16:

- There should be periodic workshops that report on expenditures and how service is improving with regards to high-fee schedules. (Western States Petroleum Association, WSPA)
- Staff should bill time to specific projects (e.g., facility, device) (WSPA)
- Concerned that some proposed fee increases are greater than the rate of inflation (City of Pinole)

Summary of Public Comments (cont.)

- Air District should evaluate the increase in permit cost to representative small, medium, and large businesses over the last 8 years. (California Council for Environmental and Economic Balance, CCEEB)
- Service is not improving, and costs are not being adequately contained. (CCEEB)
- Air District should delay fee increases until after the Corrective Action Plan has been implemented (CCEEB)
- Air District should forecast fee increases for 3-5 years so the regulated community can plan ahead. (CCEEB)

Recommended Action

No action is requested today – this public hearing is for considering and taking public testimony on the proposed amendments only.*

The Board of Directors will consider adoption of the proposed amendments to fee schedules A, B, D, E, F, G-1 through G-5, H, K, P and W, and other related changes, on **June 4, 2025**.

The Board of Directors will consider adoption of the proposed amendments to fee schedules S and V on **July 2, 2025**.*

*Any proposed amendments to Schedules L, R, S or V require two public hearings that are at least 30 days apart.

Questions?

For more information:

Fred Tanaka

Manager

Engineering Division

ftanaka@baaqmd.gov



Bay Area Clean Air Foundation

Board of Directors Meeting

May 7, 2025

Minda Berbeco, PhD, Consultant

Danica Winston, Consultant

Bay Area Clean Air Foundation

AGENDA: 22

Bay Area Clean Air Foundation (Foundation) Background



Created in 2008 to:

- Provide financial, administrative, programmatic, and other forms of support to the Air District; and
- Engage in activities that further such purpose

2024 Progress & Updates

Off-site Mitigation Funds: Mission Rock Project

- \$62,500 expended in project funding and \$6,200 in administrative funds
- 48 Vehicle Buy Back scrappage projects in San Francisco

Reformulated Gas Settlement Fund

- Has funded three cycles (from 2009 – 2025)
- 3rd and final cycle: \$1.71 million (M) funds awarded
 - Eight projects funded; currently in monitoring phase

2025 Workplan

- Continue to monitor active projects and award remaining prior year revenue: \$257,000 - Shoreline Terminals LLC
- Oversee and administer currently funded projects
- Respond to new requests for Foundation to provide offsite mitigation support for California Environmental Quality Act
- Continue to evaluate opportunities for donations and new funding

2024 Financial Summary

	Reformulated Gas Funds	Shoreline Terminal	Air District Subsidy	Total
January 1, 2024 Beginning Cash Balance	714,413.33	257,115.72	-	971,529.05
Operating Revenues				
Interest Income	184.14	48.72	-	232.86
Funds Received	408,734.00	-	31,195.28	439,929.28
Total Revenues	408,918.14	48.72	31,195.28	440,162.14
Operating Expenses				
Administrative Overhead/Support		-	23,641.47	23,641.47
Reformulated Gas Projects	451,967.00	-	-	451,967.00
Tax Filing Services	-	-	4,800.00	4,800.00
Insurance	-	-	1,683.81	1,683.81
Other charges	18.00	3.00	1,070.00	1,091.00
Total Expenses	451,985.00	3.00	31,195.28	483,183.28
December 31, 2024 Ending Cash Balance	671,346.47	257,161.44	-	928,507.91

Proposed 2025 Amended and 2026 Budget

	Original Budget Calendar Year 2025		Amended Budget Calendar Year 2025		Budget Calendar Year 2026
Revenues/Sources					
Interest Income	200		200		200
General Fund Subsidy	10,600		21,500		21,600
Total Revenue	10,800		21,700		21,800
Transfer from/(to) Cash Balance	5,000		120,000		-
Total Revenue/Sources	\$ 15,800		\$ 141,700		\$ 21,800
Expenditures					
Administrative Overhead/Support	10,000		15,000		15,000
Program/Project Distributions	-		120,000		-
Tax Filing Services	4,200		4,900		5,000
Insurance Premium	1,500		1,700		1,700
Other Charges	100		100		100
Total Expenditures	\$ 15,800		\$ 141,700		\$ 21,800

Foundation Officers and Directors 2024 & 2025

2024 Officers

- Dr. Philip M. Fine, President
- Stephanie Osaze, CFO*
- Lisa Fasano, Secretary
- Somerset Perry, General Counsel

2024 Directors

- Arsenio Mataka
- Regan Patterson, PhD
- Karen Schkolnick

*CFO = Chief Financial Officer

2025 Officers

- Dr. Philip M. Fine, President
- Stephanie Osaze, CFO
- Lisa Fasano, Secretary
- Somerset Perry, General Counsel

2025 Directors

- Arsenio Mataka
- Regan Patterson, PhD**
- Karen Schkolnick**

** Pending reappointment by the Bay Area Air District Board as sole member

Recommended Action

- Approve the Foundation Board's Adoption of the Amended 2025 Budget and the 2026 Budget
- Reappoint Foundation Board members Karen Schkolnick and Regan Patterson to two-year terms as Directors of the Foundation

Questions?

For more information:

Minda Berbeco, PhD

Consultant

mberbeco@baaqmd.gov



Consideration of State Legislation

Board of Directors Meeting

May 7, 2025

Alan Abbs

Legislative Officer

Legislative and Government Affairs

Recommended Action

Adopt the following positions on current State Legislation introduced as an Assembly Bill (AB) or a Senate Bill (SB):

1. **Support AB 674 (Connolly)** – Clean Cars 4 All Program
2. **Support AB 1106 (Rodriguez)** – State Air Resources Board: regional air quality incident response program
3. **Support AB 1352 (Solache)** – Community air protection programs: financial support
4. **Support SB 69 (McNerney)** – Clean Cars 4 All Program
5. **Work With Author AB 914 (Garcia)** – Air pollution: indirect sources: toxic air contaminants
6. **Watch SB 34 (Richardson)** – Air pollution: South Coast Air Quality Management District: mobile sources: public seaports

The Policy, Grants, and Technology Committee voted to recommend these items for Board adoption at its meeting on April 16, 2025.

AB 674 (Connolly)

Clean Cars 4 All Program

This bill would make changes to the Clean Cars 4 All program that could result in more predictable incentive funding to air districts currently implementing a program.

Status: Introduced on February 14, 2025, and amended on March 10, 2025, to include substantive language. This bill was double-referred to the Assembly Transportation Committee and the Assembly Natural Resources Committee. The bill passed the Assembly Transportation Committee on April 7, 2025, and passed the Assembly Natural Resources Committee on consent on April 21, 2025. The bill will next be heard in the Assembly Appropriations Committee on April 30, 2025.

Committee Recommendation: Support

AB 1106 (Rodriguez)

State Air Resources Board: regional air quality incident response program

This bill would require the state board to expand its incident air monitoring program, subject to an appropriation by the Legislature for those purposes, to provide support for a regional network of air quality incident response centers operated by air districts.

Status: Introduced on February 20, 2025, and amended on March 24, 2025. This bill was referred to the Assembly Natural Resources Committee and passed on April 28, 2025. The bill will next be heard in the Assembly Appropriations Committee – hearing date pending.

Committee Recommendation: Support

AB 1352 (Solache)

Community air protection programs: financial support

This bill would continuously appropriate 10% of the annual proceeds of the fund to the state board to provide funding for purposes of awarding grants, providing technical assistance, supporting community participation, and offering incentives in connection with specified programs to improve air quality, thereby making an appropriation.

Status: Introduced on February 21, 2025, and amended on March 24, 2025, to include substantive language. This bill was referred to the Assembly Natural Resources Committee – hearing date pending.

Committee Recommendation: Support

SB 69 (McNerney)

Clean Cars 4 All Program

This bill would authorize a participating air district to submit a disbursement request to the state board for an amount equal to its previous 4 months of expenditures under the program if it determines that its balance of available funding for the program is less than the total amount of its expenditures under the program over the previous 4 months.

Status: Introduced on January 14, 2025, was gut and amended on March 24, 2025, and amended on April 24, 2025. This bill was referred to the Senate Environmental Quality Committee and passed on consent on April 23, 2025. The bill will next be heard in the Senate Appropriations Committee on May 5, 2025.

Committee Recommendation: Support

AB 914 (Garcia)

Air pollution: indirect sources: toxic air contaminants

This bill would require the California Air Resources Board to develop and enforce rules related to indirect sources of emissions, establish a fee for such sources, and directions on rule development mechanism.

Status: Introduced on February 19, 2025, and amended on March 24, 2025, to include substantive language. This bill was referred to the Assembly Natural Resources Committee and passed on April 28, 2025. The bill will next be heard in the Assembly Appropriations Committee – hearing date pending.

Committee Recommendation: Work With Author

SB 34 (Richardson)

Air pollution: South Coast Air Quality Management District: mobile sources: public seaports

This bill would, until January 1, 2036, prohibit the South Coast Air Quality Management District from adopting, considering adopting, or requiring that any local agency or city enforce any regulation or indirect source rule to address pollution from any mobile source that is already subject to regulation by the state board and that is associated with an operation at any public seaport or marine terminal facility at a public seaport.

Status: Introduced on December 2, 2024, amended on March 24, 2025, April 10, 2025, and April 21, 2025. This bill was double-referred to the Senate Environmental Quality Committee and the Senate Transportation Committee. The bill passed the Senate Environmental Quality Committee on April 23, 2025, and passed the Senate Transportation Committee on April 28, 2025. The bill will next be heard in the Senate Appropriations Committee – hearing date pending.

Committee Recommendation: Watch

Recap: Recommended Action

Adopt the following positions on current State Legislation introduced as an Assembly Bill (AB) or a Senate Bill (SB):

1. **Support AB 674 (Connolly)** – Clean Cars 4 All Program
2. **Support AB 1106 (Rodriguez)** – State Air Resources Board: regional air quality incident response program
3. **Support AB 1352 (Solache)** – Community air protection programs: financial support
4. **Support SB 69 (McNerney)** – Clean Cars 4 All Program
5. **Work With Author AB 914 (Garcia)** – Air pollution: indirect sources: toxic air contaminants
6. **Watch SB 34 (Richardson)** – Air pollution: South Coast Air Quality Management District: mobile sources: public seaports

The Committee voted to recommend these items for Board adoption at its meeting on April 16, 2025.

Questions/Feedback

For more information:

Alan Abbs | aabbs@baaqmd.gov



Community Benefit Fund Disbursement Plan

Board of Directors Meeting

May 7, 2025

Latasha Washington
Community Advisory Council Member



Recommended Action

Approve the Community Advisory Council's (CAC) recommendation of "The People's Air Grant Program" with a direct grantmaking process for the disbursement of the Community Benefit Fund in a total amount of \$3 million

Background

- The Air District Board of Directors established the Community Benefit Fund, a one-time allocation of \$3 million (M) intended to be community-directed and to benefit communities overburdened by air pollution.
- On March 20, 2025, the CAC voted to recommend “The People’s Air Grant Program” with a direct grantmaking process, including CAC and environmental justice community members in the project application review and selection process.
- On April 9, 2025, the Community Equity, Health, and Justice Committee voted to recommend that the Board approve the Community Advisory Council’s recommendation of “The People’s Air Grant Program.”

Grant Program Goals

- Grantees of the program would seek to advance one or more of the following:
 - Improve air quality and reduce local air pollution disparities, with a focus on communities most affected by air pollution and environmental injustices (impacted communities).
 - Equip impacted communities with tools and resources to reduce air pollution and improve public health outcomes.
 - Provide health care resources for people experiencing health problems resulting from exposure to air pollution.

Eligible Applicants & Projects

- Applicants must be community members from Bay Area counties and require a 501(c)(3) nonprofit or public agency partner.
- Projects must focus on improving air quality, reducing pollution disparities, and supporting environmental justice communities.
- Projects should align with at least one of the Air District's Strategic Plan goals and the CAC's Environmental Justice Priorities.
- Projects must demonstrate majority of benefits directed to low-income communities.

Funding Tiers

- Tier 1: \$75,000 annually (\$150,000 over 2 years per project)
- Tier 2: \$100,000 annually (\$200,000 over 2 years per project)
- Tier 3: \$200,000 annually (\$400,000 over 2 years per project)

Grant Administration & Accountability

- **Award Process:** Grants awarded through formal agreements with monitoring requirements
- **Reporting Requirements:**
 - Interim reports (6 months) and annual evaluations
 - Review of project outcomes related to making progress toward pollution reduction and/or health improvements
- **Non-Compliance Measures:**
 - Return of unspent funds
 - Possible termination of agreements for failure to meet commitments

People's Air Grant Program Timeline

Estimated Timeframe	Direct Grantmaking Process
May 2025	Air District Begins Implementing Program
May 2025	Stage 1: CAC Prioritizes Project Types
May - October	Research and implement new policy, outreach and selection process to support community reviewers, select community reviewers.
October 2025	Stage 2: Detailed Proposal Development based on Project Types
November 2025	Stage 3: Proposal Review by CAC Ad Hoc Committee and Staff
January-February 2026	CAC & Community Equity, Health, and Justice (CEHJ) Comm. Consider Slate of Projects for Recommendation to the Board of Directors
March 2026	Board of Directors Considers Projects for Approval
April 2026	Grant Agreements Final
April 2026 - March 2028	Project Implementation

Recommended Action

Approve the Community Advisory Council's (CAC) recommendation of "The People's Air Grant Program" with a direct grantmaking process for the disbursement of the Community Benefit Fund in a total amount of \$3 million

Questions?

For more information:

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