



# Fiscal Year 2024-25 Proposed Budget & Work Program

Public Consultation Meeting  
April 9, 2024

# Agenda:

- General Fund Budget Summary
- Expenditure Comparison
- Expenditures by Activity
- Revenue Comparison
- Revenue and Expenditure Uncertainties
- Estimate & Five-Year Projection
- Regulation III-Fees
- Annual Budget Timetable

# General Fund Budget Summary

	Fiscal Year 2023-24			Fiscal Year 2024-25
(\$ in millions)	Adopted	Amended *	Estimate	Proposed
Revenue	\$196.3	\$200.7	\$196.7	\$209.5
Program Cost	<u>\$196.3</u>	<u>\$205.4</u>	<u>\$200.7</u>	<u>\$211.4</u>
Change to Fund Balance	<u>\$0.0</u>	<u>-\$4.7</u>	<u>-\$4.0</u>	<u>-\$1.9</u>

\* Board approved changes through February 2024.

# Expenditure Comparison

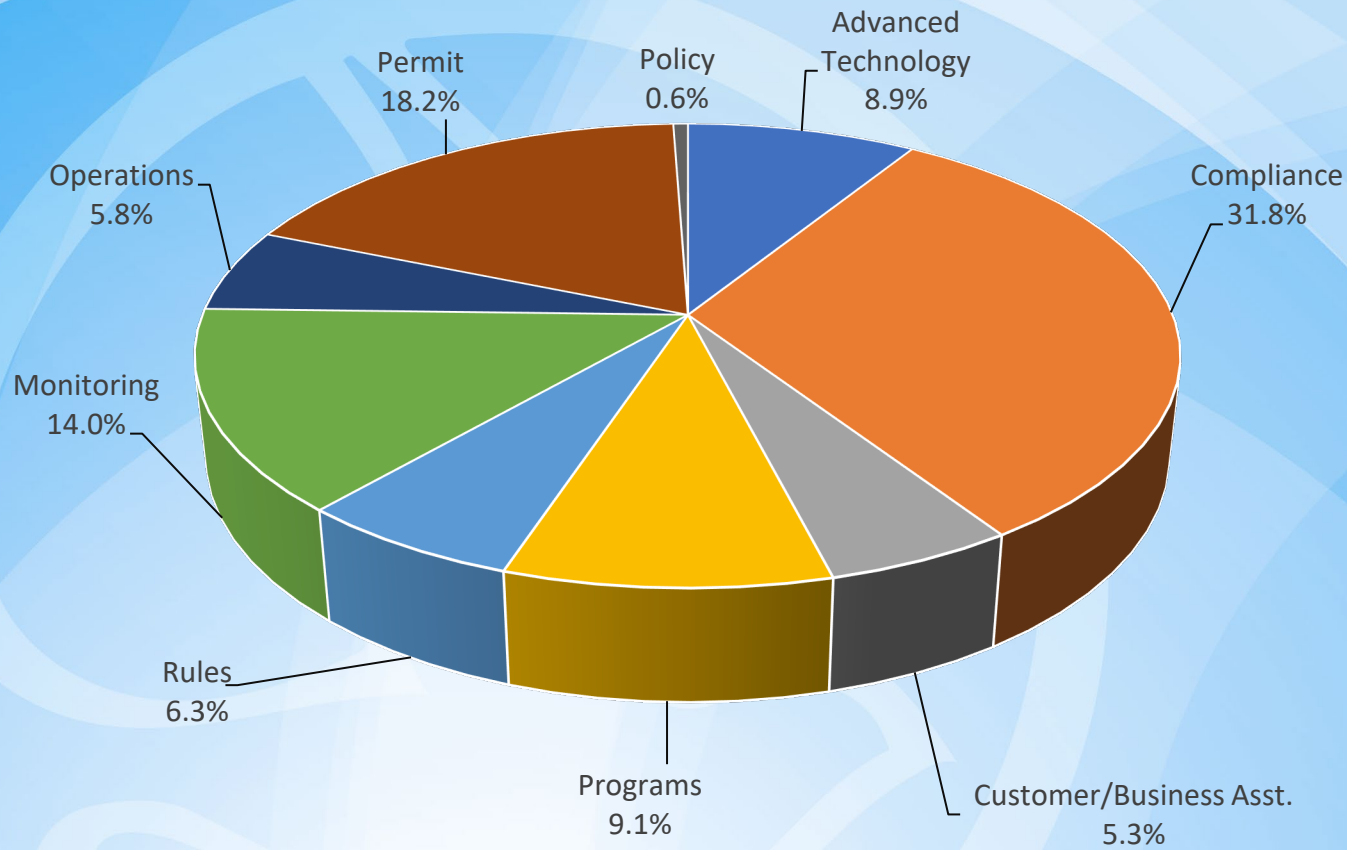
## FY 2023-24 Budget vs. FY 2024-25 Proposal

(\$ in millions)	Fiscal Year 2023-24			Fiscal Year 2024-25
	<u>Adopted</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed</u>
Salaries & Benefits	\$160.5	\$163.8	\$159.1	\$174.5
Services & Supplies	32.1	35.2	35.2	31.5
Capital Outlays	1.7	4.4	4.4	3.4
Transfers Out	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total	<u>\$196.3</u>	<u>\$205.4</u>	<u>\$200.7</u>	<u>\$211.4</u>
Staffing (FTEs)	1,010	1,010		1,008

\* Board approved changes through February 2024.

# Expenditures by Activity

## FY 2024-25 Proposed Budget



Program	Activities
Compliance	Inspections, Investigations, PERP, Arch Coatings
Customer/Business Asst	Billings Services, Outreach, Public Records
Programs	AQMP, CEQA, Transportation
Rules	Rulemaking, Modeling
Monitoring	PM Sampling, Ambient Network/Air Analysis
Permits	Permit Processing/Services
Operations	Bldg Maint/Systems, IM, Fin, HR, Purchasing, Training
Policy	Outreach, Legislation, Advisory Groups/Governing Board
Advanced Technology	Mobile Sources/Carl Moyer, Clean Fuels, Prop 1B, MSRC

# Revenue Comparison

## FY 2023-24 Budget vs. FY 2024-25 Proposal

(\$ in millions)	Fiscal Year 2023-24			Fiscal Year 2024-25
	Budget	Amended*	Estimate	Proposed**
Emission Fees	\$20.5	\$20.5	\$21.9	\$21.9
Annual Renewal Fees	76.5	76.5	75.1	81.3
Permit Processing Fees	19.1	19.1	18.3	19.9
Area Sources	2.4	2.4	2.4	2.1
Mobile Sources	32.5	32.5	29.8	33.9
Transportation Programs	0.9	0.9	1.0	0.9
Other ***	<u>44.4</u>	<u>48.8</u>	<u>48.2</u>	<u>49.5</u>
<b>Total</b>	<b><u>\$196.3</u></b>	<b><u>\$200.7</u></b>	<b><u>\$196.7</u></b>	<b><u>\$209.5</u></b>

\* Amended Budget includes Board approved mid-year funding increases through February 2024. These increases are from state/federal grant revenue and transfers in from Clean Fuels Program Fund (MATES VI) and R1180.

\*\* FY 2024-25 Proposed revenue includes a 3.5% CPI fee increase with the second year of an additional 2% increase for annual operating and permit processing fees, approved in FY 2023-24. In addition, staff is proposing a 1.5% fee increase to annual operating and permit processing fees (In total 3.0% increase , 1.5% for each year in FY 2024-25 and FY 2025-26).

\*\*\* Other Revenue includes revenues from Federal & State Grants, State Subvention, Penalties/Settlements, "Hot Spots", Interest, PERP, Hearing Board, Source Test/Lab Analysis, Leases, Subscriptions, and Misc.

# Revenue & Expenditure Uncertainties

- Retirement Cost
- AB 617 Ongoing Funding
- Federal/State Funding
- Penalties/Settlements
- Inflation Impact on the Economy

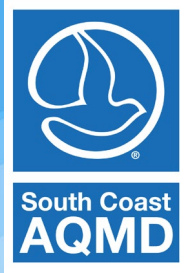
# FY 2023-24 Estimate and Five-Year Projection

(\$ in millions)	FY 23-24 Estimated	FY 24-25 Proposed	FY 25-26 Projected	FY 26-27 Projected	FY 27-28 Projected	FY 28-29 Projected
Authorized Staffing *	1,010	1,008	1,008	1,008	1,008	1,008
Vacancy Rate	11%	13%	13%	13%	13%	13%
Funded Staffing	899	877	877	877	877	877
Revenues **	\$196.7	\$209.5	\$211.7	\$214.4	\$215.9	\$218.5
Program Costs	\$200.7	\$211.4	\$224.3	\$230.6	\$235.2	\$235.2
Changes in Fund Balance	\$(4.0)	\$(1.9)	\$(12.6)	\$(16.2)	\$(19.3)	\$(16.7)
Unreserved Fund Balance (at Year-End)	\$83.7	\$81.8	\$69.2	\$53.0	\$33.7	\$17.0
% of Revenue	43%	39%	33%	25%	16%	8%

\* Includes a net 2 positions deleted in the FY 2024-25 Proposed Budget.

\*\* CPI projections include the following: : FY 2024-25 – 3.5% & 2.0% & 1.5% on Annual Operating and Permit Fees; FY 2025-26 – 3.0% & 1.5% on Annual Operating & Permit Fees; FY 2026-27 – 2.4%; FY 2027-28 – 2.6% & FY 2028-29 – 2.7%

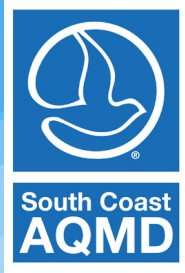




# Annual CPI-Based Fee Increase (Rule 320)

- Fees updated to cover cost of inflation pursuant to Rule 320 –Automatic Adjustment Based on Consumer Price Index (CPI)
  - Upcoming automatic adjustment = 3.5% <sup>1</sup>
  - Applicable to most fee rates in Regulation III
    - Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, and 316
- Some Fees Excluded from Automatic CPI Adjustment
  - Fee rates set by state law
    - Return check fees in various rules, Enforcement Inspection Fees for PERP Program [Rule 301 (w)], Maximum Fees for Small Businesses [Rule 307.1 (d)(2)(D)], and State-specific Facility Fees in Rule 307.1 Table 1
  - Rule 311 (c) Air Quality Investment Program Fees
  - Rule 1180 Community Air Monitoring System Annual O&M Fees (Rule 301 (aa)(2))

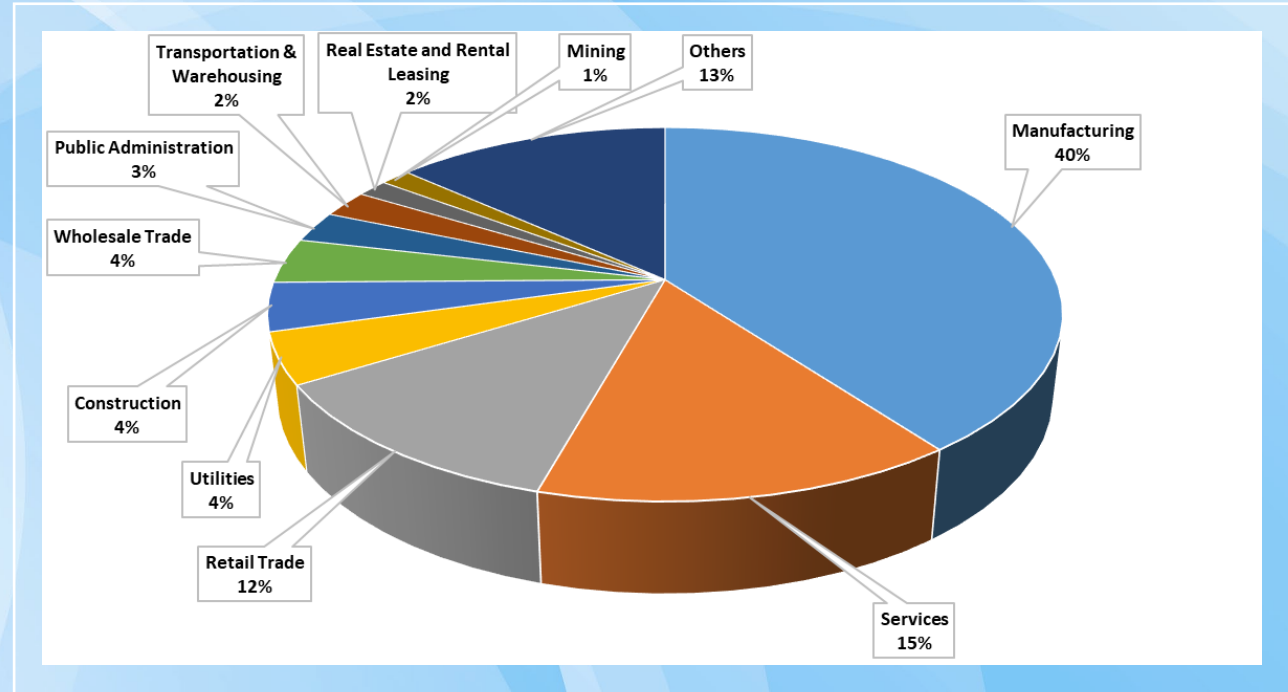
1. <https://www.dir.ca.gov/oprl/capriceindex.htm>

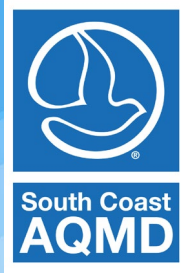


# Socioeconomic Impacts of Rule 320 CPI Adjustments

- Potential impacts of the 3.5% fee increase are analyzed in the Draft Socioeconomic Report for Adjustment Based on CPI
- Released March 15, 2024
- FY 2022-23 fee revenue:
- Total emission-based fees: \$20.7 million
- Total permit processing fees and permit renewal fees: \$81.9 million
- Total fees paid by industry is small relative to these industries' regional economic output
- $\leq 0.011\%$  overall
- CPI adjustment currently estimated to increase revenue by approximately \$4.02 million

FY 2022-2023 Share of All Major Fee Revenue by Sector





# Overview of Proposed Rule Amendments with Fee Impacts



## **Proposal 1:**

Additional Permit  
Related Fee Increase of  
3% (Beyond the  
California CPI of 3.5%)

## **Proposal 2:**

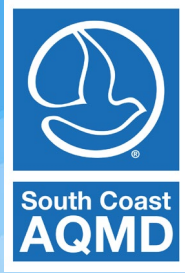
Amend Rule 301  
Permit Fee Schedules  
for UV/EB/LED Curing

## **Proposal 3:**

Amend Rule 301  
New abbreviated  
reporting filing fee

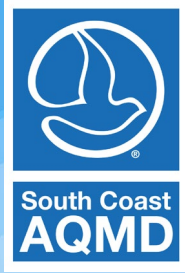
## **Proposal 4:**

Amend Rule 304.1  
Analyses fees for  
testing pursuant to  
Rule 304



# Proposal 1 - Additional Increase in Permit Related Fees (Beyond the California CPI of 3.5%)

- Background
  - South Coast AQMD faces some challenges for the upcoming years, including higher operating costs due to recently completed labor contracts, increased cost for services and products, and contingency for unavoidable costs
  - For FY 2024-2025, the proposed budget indicates a deficit of ~\$3.2 million
  - An assessment of revenue and expenditure numbers determined that the deficit is primarily due to stationary source expenditures
    - Example of stationary source expenditures: permit processing, monitoring, compliance, rule development, source testing
    - Revenue to fund stationary source expenditures is generated from permit related fees (e.g., annual operating fees and permit processing fees)



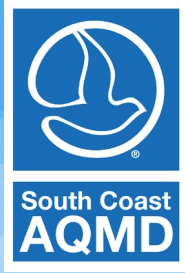
# Permit Related Fee Adjustment

- Staff is proposing to adjust permit processing, annual renewal, and plan fees set forth in Regulation III by an increase of 3% to address the agency-wide deficit due to stationary source expenditures
  - The fee adjustment will be phased in over two years (1.5%, 1.5%) in accordance with the requirements under the Health & Safety Code



# Proposal 2 - Amend Rule 301 Permit Fee Schedules for UV/EB/LED Curing

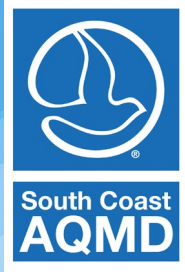
- Background
  - Rule 301 Table 1A (control equipment) and Table 1B (basic equipment) establish the fee schedule for permitted equipment
  - Equipment with more complex evaluations are designated a higher fee schedule
  - Stakeholder requested a reduced fee schedule for UV/EB/LED curing technology as it has zero NOx emissions and much lower VOC emissions
- Staff is proposing to consider this request to allow lower emission technology equipment to be subject to a lower fee Schedule
  - Table 1A – Add a new control equipment category for “Spray Booth exclusively using UV, EB, or LED Curing”
  - Table 1B – Add a new basic equipment category for “Roller Coater exclusively using UV, EB, or LED Curing”
    - The above two new categories to be subject to Schedule A
- Conditions to ensure no toxics and low VOC materials are used



# Proposal 3 - Amend Rule 301

## New Abbreviated Reporting Filing Fee

- Background
  - CARB's recent Criteria and Toxics Reporting (CTR) Regulation requires annual reporting of criteria pollutant and air toxics emissions from most permitted facilities
  - Facilities reporting emissions data to comply with CTR are potentially subject to emissions fees levied by local air district
  - CARB allows certain facilities (industries) to comply by submitting a simpler "abbreviated report"
    - South Coast AQMD exempts abbreviated reporting facilities from paying any applicable TAC fees
  - In 2023, South Coast AQMD experienced a 500% increase in the number of AER submissions
    - Of the 6,250 submitted reports, over 3,500 were abbreviated
    - Upon full implementation in 2027, could result in over 2,000% increase
- Key proposed changes
  - This amendment proposes to levy a \$106.48 fee on each abbreviated report submission
    - Fee will recover costs associated with the large increase in reporting
      - Responding to facility inquiries, developing/updating guidance documents & tutorials, updates to AER webtool



# Proposal 4 - Amend Rule 304.1

## Analyses fees for testing pursuant to Rule 304

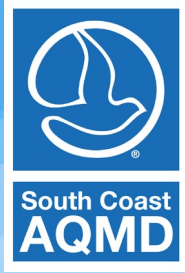
### ○ **Background**

- South Coast AQMD Rule 304.1 establishes “Analyses fees for testing pursuant to Rule 304.” Such fees are subdivided into: (a) Laboratory Analyses Fees; (b) Emissions Testing and Analyses Fees; and (c) Ambient Air Analyses Fees
- The description of some of these sampling, analysis, monitoring, and source testing activities is not up to date and does not reflect current practices and the use of existing equipment
- This proposal seeks to update the description of the “Type of Test[s]” under Rule 304.1, and to include additional “Ambient Air Analyses Fees” for the use of modern air monitoring equipment and for site development and decommissioning.

### ○ **Key proposed changes**

- (a) Laboratory Analyses Fees: some of the compounds listed in this section will be analyzed by an outside laboratory. Labor costs for laboratory analyses performed by District staff during weekends, Mondays, and holidays will be subjected to a 50% surcharge
- (b) Emissions Testing and Analyses Fees: Labor costs for installation and operation of equipment, and for laboratory analyses performed by District staff during weekends, Mondays, and holidays will be subjected to a 50% surcharge. Mileage fees will be charged on a case-by-case basis using current Internal Revenues Mileage Rates



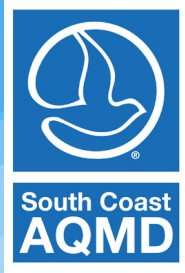


# Proposal 4 - Amend Rule 304.1

## Analyses fees for testing pursuant to Rule 304

- **Key proposed changes (continued)**

- (c) Ambient Air Analyses Fees: The description of some monitoring activities has been updated. Additional fees for conducting survey measurements using mobile monitoring platforms, portable instrumentation and grab sample collection has been added, along with new fees for site development and decommissioning. Labor costs for installation and operation of equipment, and for laboratory analyses performed by District staff during weekends, Mondays, and holidays will be subjected to a 50% surcharge. Mileage fees will be charged on a case-by-case basis using current Internal Revenues Mileage Rates



# Proposed Amendments to Regulation III – Summary of Fee Impacts

Proposed Amendments	FY 2024-25 (in millions)	FY 2025-26 (in millions)	FY 2026-27 and thereafter (in millions)
Additional Increase to Permit Related Fees (Beyond the California CPI of 3.5%) (1.5% for FY 2024-5; 1.5% for FY 2025-6)	\$1.5	\$3.0	\$3.0
Amend Rule 301 By Lowering Permit Fee Schedules For UV/EB/LED Curing	Savings - unquantified	Savings – unquantified	Savings - unquantified
Amend Rule 301 For New Abbreviated Reporting Filing Fee	\$0.18	\$0.14	\$0.86
Amend Rule 304.1 For Analysis Fees for Testing Pursuant to Rule 304	Costs - unquantified	Costs – unquantified	Costs - unquantified
<b>Total</b>	<b>\$1.68*</b>	<b>\$3.14*</b>	<b>\$3.86*</b>

*\*Excludes 1) unquantified potential savings and costs 2) 2<sup>nd</sup> Year of 2% permit fee increase to address workload*

# Fiscal Year 2024-25 Budget Timeline

<b>Date</b>	<b>Activity</b>
Friday, March 15 <sup>th</sup>	Socio Economic Report (CPI only) Posted
Tuesday, April 2 <sup>nd</sup>	Budget Document Completed/Posted
Thursday, April 4 <sup>th</sup>	Budget Advisory Committee (BAC) Meeting
Tuesday, April 9 <sup>th</sup>	Public Consultation Meeting
Friday, April 12 <sup>th</sup>	Governing Board Special Study/Workshop
Monday, April 15 <sup>th</sup>	Public Comments/BAC Recommendations due to Governing Board
Friday, May 3 <sup>rd</sup>	Governing Board Meeting - Budget Adoption