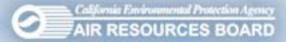
Proposed Amendments to the Nonvehicular Source, Consumer Products, and Architectural Coatings Fee Regulations

November 18, 2004



Basis for Today's Proposal

- Implement Legislature's further direction to shift portion of Stationary Source Program budget from General Fund to fee-based program
- Comply with requirement to relate fees to the activities of those paying fees

Presentation Outline

- Background
- Staff Proposal
- Economic and Other Impacts
- Public Outreach
- Summary and Recommendation



BACKGROUND



California Clean Air Act of 1988

- From FY 1989/90 to FY 2002/03, ARB collected \$3 million/year in fees
- Fees assessed on about 60 large facilities emitting 500 or more tons/year of specified pollutants
- Fees used to help recover costs of programs related to nonvehicular sources

Fiscal Year 2003/04 Changes

- In July 2003, the Board adopted regulations to implement AB 10X
- Fees to offset reductions in general fund support of ARB's stationary source program
- For FY 2003/04, the Legislature authorized ARB to collect a total of \$17.4 million in fees

Facility Provisions

- Lowered applicable threshold levels from 500 to 250 tons per year
- Provided three fee collection options, including allowing the Board to collect fees directly
- Included statutory cap on facility fees at \$13 million

Other Source Provisions

- Fees to be assessed on manufacturers of consumer products and architectural coatings whose products emit 250 tons per year or more of VOCs
- Required the Board to collect fees
- Fees used solely to mitigate or reduce air pollution created by consumer products and architectural coatings

General Provisions

- Specifies procedures to identify and assess fees, including calculations for a uniform emissions-based fee
- Provides opportunity for comment on preliminary estimates of emissions
- Allows fees to be adjusted for inflation

FY 2003/04 Cost Impacts

- Uniform fee of \$84/ton of emissions
- 79 Facilities
 - 128,000 tons \$10.8 million
- 68 Consumer Products and Architectural Coating Manufacturers

 79,000 tons
 6.6 million

FY 2004/05 Budget Changes

- The adopted FY 2004/05 Budget shifts an additional \$2.6 million to fees to provide further savings in general funding
- Total fee assessment raised to \$20 million
- Represents about half of the stationary source budget, and 15% of ARB's total budget

Staff Proposal



Proposed Amendments

- Apply only in fiscal years where the ARB is authorized to collect fees in excess of \$17.4 million
- Recover fees in excess of \$17.4 million from permitted facilities
- Other procedures generally remain unchanged from existing regulations

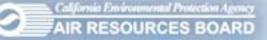
Rationale for Proposal

- Fees can only be used to recover program costs
- Program costs for consumer products and architectural coatings can be estimated different ways:
 - Emissions-based is \$6.9 million
 - Program based allocation is \$8.9 million
- Keeping fees at current levels avoids potential "nexus" problems relative to amount that can be recovered

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Rationale for Proposal

- Facility cap is \$13 million plus inflation each year
- Estimated fees for facilities to collect the entire \$2.6 million supplemental fee plus their share of \$17.4 million is about \$13 million
- Proposal meets statutory provisions and avoids nexus issues



District Collection Option

- Districts may collect supplemental fees
- Same process as specified in existing regulations
- Does not apply in FY 2004-2005 due to limited time frame



Two New Provisions

- Allows compliance with Legislative direction if particular amounts or percentages to be collected change
- Directs ARB to use any modified emissions threshold enacted by the Legislature

Economic and Other Impacts



Cost Impacts for FY 2004/05

- Supplemental fee is about \$23/ton of emissions
- Per facility fees range from \$6,000 to \$225,000
- Facilities pay \$1 million more than under existing regulations
- Facilities pay about 7% more than under existing regulations

Potential Impacts

- No significant environmental impacts
- No significant impact on the creation, elimination, or expansion of affected businesses, or jobs
- No adverse environmental justice impacts

Public Outreach

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Public Outreach

- Public workshop held on September 14
- All affected facilities notified of staff proposal
- Discussions with affected facilities and associations

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Issues



Applying the entire supplemental fees only to facilities



Summary and Recommendation

Summary

- Amendments enable us to recover amount authorized by the Legislature
- Applies if ARB authorized to collect fees in excess of \$17.4 million
- Meets nexus requirements
- New provisions allow compliance with future legislative direction

Recommendation

Adopt the proposed amendments

