

Appendix VIII

Cost Estimates for Local and State Government Facilities

COST ESTIMATES FOR LOCAL AND STATE GOVERNMENT FACILITIES

A. INTRODUCTION

This analysis estimates the potential costs to local and State government facilities resulting from the proposed amendments to the Hot Spots Fee Regulation, sections 90700-90705, Title 17, California Code of Regulations (Fee Regulation) for fiscal year 2000-2001. The Fee Regulation is required by the Air Toxics "Hot Spots" Information and Assessment Act of 1987 as amended (Act) (Health and Safety Code sections 44300-44394). This analysis was conducted in compliance with section 11346.5 of the Government Code. Only local and State government owned facilities that are subject to the Fee Regulation have been addressed as provided for by the Government Code. The analysis covers facilities which are subject to fees because they either: (1) release the specified amounts of criteria air pollutants and meet the statute's requirements regarding the use, formulation, manufacture, or release of toxic air pollutants; or (2) are included on a district toxic inventory, report or survey.

Government facilities may be impacted by the Fee Regulation in two ways. First, the Air Resources Board (ARB) and the air pollution control and air quality management districts (districts) incur costs developing and implementing the Fee Regulation. These implementation costs are fully reimbursable because these agencies are authorized to impose fees sufficient to recover the costs of the mandated Hot Spots Program (Program). The Fee Regulation will recover the implementation costs.

Second, local and State government facilities must pay Hot Spots fees because they are subject to the requirements of the Act. These fees are compliance costs for local and State government facilities. Fees for facilities in districts for which the ARB adopts fee schedules are based on the quantity of air toxics emissions and the risk or toxicity of specific toxic substances. Facilities which pose the most significant health risks are assessed the highest fees. Facilities located in districts which adopt their own fee schedules are assessed fees in accordance with districts' rules. As detailed below, the cost per facility is not substantial and should be absorbable within existing budgets and resources.

The cost estimates set forth herein and summarized on the Fiscal Impact Statement are recurring, annual costs. In accordance with Health and Safety Code section 44380 and section 90704(a), Title 17, California Code of Regulations, the fees are reviewed and updated annually to accommodate changes in facility status and program costs.

B. LOCAL GOVERNMENT COSTS

Local government costs are comprised of implementation costs and compliance costs.

1. Implementation Costs - Districts

a. Statement of the Mandate

In accordance with the Fee Regulation, districts must notify facilities that they are subject to Hot Spots fees and collect the fees. After deducting their costs from the fees collected, each district must forward their portion of the State's cost to the ARB.

b. Assumptions

Total Program costs for all districts for fiscal year 2000-2001 are estimated to be \$2,810,476. Twenty-four districts provided estimates of fee implementation costs. For those districts, the cost of

implementing the fees averaged 10 percent of the total district cost for implementing the Hot Spots Program. We assume that this 10 percent is also appropriate for the other districts as well.

c. Calculation

$$\begin{aligned} \text{Fiscal year 2000-2001} \\ \text{Implementation Estimate} &= 0.1 \times \$2,810,476 \\ &= \$281,048 \end{aligned}$$

2. Compliance Costs

Compliance costs are the fees assessed local government-owned facilities. Fees for facilities in districts for which the ARB adopts fee schedules are based on the risks presented by the air toxics emissions of that facility. Facilities are sub-divided into several program risk categories based on the quantity of a facility's air toxics emissions and the cancer potency or toxicity of the emitted substances. When available, facility risk values are used. When risk values are unavailable, facility prioritization scores are used. Prioritization scores are assigned by the district based on the potency, toxicity, and quantity of hazardous materials released from the facility and the proximity of the facility to potential receptors.

The program risk categories are:

- Prioritization Score Greater Than 10.0
- Risk of 10.0 to Less Than 50.0 Per Million, or a Hazard Index Greater Than 1.0
- Risk of 50.0 to Less Than 100.0 Per Million
- Risk of 100.0 Per Million or Greater
- HRATracking (Prioritization Score Greater Than 10.0 and either of the following conditions; a) a Risk Greater Than or Equal to 1.0 and Less Than 10.0, **and** a Hazard Index Less Than or Equal to 1.0, or b) a Risk Less Than 10.0, **and** a Hazard Index Greater Than or Equal to 0.1 and Less Than or Equal to 1.0)
- Unprioritized

Two other categories are included: one for industrywide facilities and one for district tracking facilities (facilities whose prioritization scores are between 1 and 10).

Industrywide facilities are those that have not prepared an Individual Plan and Report and for which the district submits documentation for approval by the Executive Officer of the State Board, verifying that the facility meets the requirements of Health and Safety Code Section 44323(a)-(d). District tracking facilities are required to complete quadrennial emission inventory updates and are subject to district fees only.

For each category, except industrywide and district tracking, Source Classification Codes (SCCs) further subdivide facilities based on complexity. The SCCs identify different processes at a facility. In general, facilities with multiple SCCs are more complex. Facilities with one or two SCCs are defined as simple, three to five SCCs are intermediate, and greater than five SCCs are complex.

Fees for facilities in districts that adopt their own fee schedule are based on their district's current Hot Spots fee rule.

a. Statement of the Mandate

Local government facilities are subject to the Fee Regulation if:

- (1) they release specified quantities of criteria pollutants and use, manufacture, formulate or release any of the substances referenced in Health and Safety Code section 44321, and contained in Appendix A to the Emission Inventory Criteria and Guidelines, incorporated by reference in section 93300.5, Title 17, California Code of Regulations, or

- (2) they are included on a district's toxic inventory, survey, or report referenced in Appendix A to sections 90700-90705, Title 17, California Code of Regulations.

b. Assumptions

Affected local government facilities are utilities, air, water and solid waste facilities; publicly owned treatment works (POTWs); general medical and surgical hospitals; transportation facilities; and general government facilities. Appendix A to this cost estimate is a list of local government facilities that will pay fees because they meet the criteria listed above. Appendix A also lists the estimated fee to be assessed each facility. The facility list and fees in Appendix A are the basis for this cost analysis. Appendix A was compiled from the lists of facility names provided to the ARB by the districts.

For fiscal year 2000-2001, 29 districts are calculating and assessing their own fees. For facilities located in these districts, the most recent fees paid by the facilities or estimated 2000-2001 fees were provided by staff of the districts. Most districts are not yet able to estimate facility fees for fiscal year 2000-2001.

In the six districts that have requested ARB adoption of their fee schedules, fees are based on the risks presented by the air toxics emissions of that facility. The information identifying the appropriate risk assessment results or prioritization scores was obtained from the districts. The fee rate for each risk category will remain the same as last year.

Over the last seven years, the State budget for the Fee Regulation has been reduced by approximately 77%. Historically, local government facilities have not had difficulty absorbing the fees. Therefore, we anticipate that the fees for fiscal year 2000-2001 will be absorbable by these facilities.

c. Exemptions

The ARB staff will continue to exempt facilities with low or no potential health risk from the Fee Regulation. Any facility that meets one of the exemption criteria in the Fee Regulation would not be assessed a fee for fiscal year 2000-2001 if located in a district whose fee schedule is in the State's Fee Regulation. For this analysis, we are assuming that air districts adopting their own fee rules will adopt similar exemptions.

d. Calculations

- (1) Utilities, Air, Water and Solid Waste Facilities

Appendix A lists 78 utilities, air, water and solid waste facilities.

Of this total, 1 facility is included in the "Risk of 100.0 Per Million or Greater" level, and will pay an estimated fee of \$12,201.

Six facilities are included in the "Prioritization Score Greater Than 10.0" level, and will pay estimated fees ranging from \$125 to \$5,275.

Nineteen facilities are included in the "HRA Tracking" level, and will pay estimated fees ranging from \$50 to \$7,979.

Seven facilities are included in the "Unprioritized" level, and will pay estimated fees ranging from \$0 to \$1,591.

Forty facilities are included in the "District Tracking" level, and will pay estimated fees ranging from \$0 to \$517.

Five facilities have been exempted from the Program and are no longer subject to Hot Spots fees.

Total costs for the utilities, air, water and solid waste facilities are estimated to be \$50,441.

(2) POTWs

Appendix A lists 35 POTWs.

Of this total, three facilities are included in the "Prioritization Score Greater Than 10.0" level, and will pay estimated fees of \$125 to \$559.

Ten facilities are included in the "HRA Tracking" level, and will pay estimated fees ranging from \$125 to \$4,862.

Two facilities are included in the "Unprioritized" level, and will pay estimated fees of \$0 and \$800.

Seventeen facilities are included in the "District Tracking" level, and will pay estimated fees ranging from \$0 to \$634.

Three facilities have been exempted from the Program and are no longer subject to Hot Spots fees.

Total costs for the POTWs are estimated to be \$16,951.

(3) General Medical and Surgical Hospitals

Appendix A lists 9 general medical and surgical hospitals.

Of this total, two facilities are included in the "Risk of 10.0 to Less Than 50.0 Per Million" level, and will pay estimated fees of \$7,387 and \$8,571.

Two facilities are included in the "HRA Tracking" level, and will pay estimated fees of \$648 and \$2,055.

Two facilities are included in the "District Tracking" level, and will pay estimated fees of \$125 each.

Three facilities have been exempted from the Program and are no longer subject to Hot Spots fees.

Total costs for general medical and surgical hospitals are estimated to be \$18,911.

(4) Transportation Agencies

Appendix A lists 13 transportation agencies.

Two facilities are included in the "Prioritization Score Greater Than 10.0" level, and will pay estimated fees of \$836 and \$6,654.

Six facilities are included in the "District Tracking" level, and will pay estimated fees ranging from \$0 to \$125.

Four facilities has been exempted from the Program and are no longer subject to Hot Spots fees.

Total costs for transportation agencies are estimated to be \$8,265.

(5) General Government Facilities

Appendix A lists 4 general government facilities.

One facility is included in the “Unprioritized” level, and will pay an estimated fee of \$800.

Three facilities are included in the “District Update” level, and will pay estimated fees ranging from \$0 to \$517.

Total costs for general local government facilities are estimated to be \$1,442.

3. Conclusions

SUMMARY OF ESTIMATED LOCAL GOVERNMENT COSTS

Implementation Costs (Districts)	\$281,048
Compliance Costs	
-1 Utilities; Air Water, and Solid Waste Facilities	\$50,441
-2 POTWs	\$16,951
-3 General Medical and Surgical Hospitals	\$18,911
-4 Transportation Agencies	\$8,265
-5 General Government Agencies	\$1,442
Compliance Costs Subtotal	\$96,010
Total Cost to Local Government	\$377,058

District implementation costs are not reimbursable from the State within the meaning of section 6 of Article XIII B of the California Constitution and Government Code sections 17500 et seq., because these local facilities have the authority to levy fees sufficient to defray the costs for the mandated Program (Government Code section 17556(d)). The fees collected pursuant to Health and Safety Code section 44380 are intended to recover, in full, the costs of district implementation of the Program. Districts are required to collect the fees and, after deducting their costs, transmit to the State the amount set forth in the Fee Regulation for recovery of the State's costs.

A high percentage of treatment works are publicly owned. Their costs of compliance with the proposed regulation are not reimbursable by the State within the meaning of Article XIII B, section 6 and Government Code sections 17500 et seq., because POTWs are authorized, by enabling statutes, to levy service charges to cover the costs associated with the mandated Program.

C. STATE GOVERNMENT COSTS

State government costs are comprised of implementation costs and compliance costs.

1. Implementation Costs - ARB

a. Statement of the Mandate

The ARB performs tasks to develop, implement and administer the Fee Regulation, as required by the Act. The implementation costs for the ARB will be recovered by fee collections in accordance with sections 90700-90705, Title 17, California Code of Regulations.

b. Assumptions

Approximately 1.0 person year (PY) is utilized by the ARB to develop and implement the amended Fee Regulation. The Office of Environmental Health Hazard Assessment (OEHHA) incurs no implementation cost to develop the Fee Regulation.

c. Calculation

The total cost of this function is approximately \$76,000 per year. This is based on a professional staff person budgeted at \$76,000 per year.

$$\begin{aligned} \text{Fiscal year 2000-2001} \\ \text{Implementation Estimate} &= 1.0 \text{ PYs X } \$76,000/\text{year} \\ &= \$76,000 \end{aligned}$$

2. Compliance Costs

Compliance costs are fees assessed to State government-owned facilities. Fees for State government-owned facilities in districts for which the ARB adopts fee schedules are based on the risks presented by the emissions of that facility. Fees for facilities in districts that adopt their own fee schedule are based on their district's current Hot Spots fee rule.

a. Statement of the Mandate

State government facilities are subject to the Fee Regulation if:

- (1) they release specified quantities of criteria pollutants and use, manufacture, formulate or release any of the substances referenced in Health and Safety Code section 44321, and contained in Appendix A to the Emission Inventory Criteria and Guidelines, incorporated by reference in section 93300.5, Title 17, California Code of Regulations, or
- (2) they are included on a district's toxic inventory, survey, or report referenced in Appendix A to sections 90700-90705, Title 17, California Code of Regulations.

b. Assumptions

Affected State facilities include general government agencies, general medical, surgical, and psychiatric hospitals, correctional institutions, and universities and community colleges. Appendix B to this cost estimate is a list of the State's facilities which are assessed fees because they meet the criteria listed above. Appendix B also lists the estimated fee to be assessed each facility. The facility list and fees in Appendix B are the basis for this cost analysis. Appendix B was compiled from the lists of facility names provided to the ARB by the districts.

For fiscal year 2000-2001, 29 districts are calculating and assessing their own fees. For facilities located in these districts, the most recent fees paid by the facilities or estimated 2000-2001 fees were provided by districts' staff. Most districts are not yet able to estimate facility fees for fiscal year 2000-2001.

In the six districts with fee schedules adopted by the ARB, State-owned facilities will pay the fee associated with the applicable risk or toxicity of their air toxic emissions. The information identifying the appropriate risk assessment results or prioritization scores was obtained from the districts. The fee rate for each risk category will remain the same as last year.

Over the last seven years, the State budget for the Fee Regulation has been reduced by approximately 77%. Historically, State government facilities have not had difficulty absorbing the fees. Therefore, we anticipate that the fees for fiscal year 2000-2001 will be absorbable by these facilities.

c. Exemptions

The ARB staff will continue to exempt facilities with low or no potential health risk from the Fee Regulation. Any facility that meets one of the exemption criteria in the Fee Regulation would not be assessed a fee for fiscal year 2000-2001 if located in a district whose fee schedule is in the State's Fee Regulation. For this analysis, we are assuming that air districts adopting their own fee rules would adopt similar exemptions.

d. Calculations

(1) General Government Agencies

Appendix B lists one general government facility.

The facility is included in the "HRA Tracking" level, and will pay an estimated fee of \$2,055.

Total costs for State-owned general government facilities are estimated to be \$2,055.

(2) General Medical, Psychiatric, and Surgical Hospitals

Appendix B lists one general medical, surgical, or psychiatric hospital.

The facility is included in the "HRA Tracking" level, and will pay an estimated fee of \$213.

Total costs for general medical, psychiatric and surgical hospitals are estimated to be \$213.

(3) Correctional Institutions

Appendix B lists 13 correctional institutions.

Three facilities are included in the "Prioritization Score Greater Than 10.0" level, and will pay estimated fees of \$0 and \$2,055.

Three facilities are included in the "Unprioritized" level, and will pay estimated fees ranging from \$0 to \$703.

Seven facilities are included in the "District Tracking" level, and will pay estimated fees of \$0.

Total costs for correctional institutions are estimated to be \$4,767.

(4) Colleges and Universities

Appendix B lists 23 universities, colleges, and community colleges.

Of this total, four facilities are included in the "HRA Tracking" level, and will pay estimated fees ranging from \$0 to \$648.

Twelve facilities are included in the "Unprioritized" level, and will pay estimated fees ranging from \$0 to \$3,877.

Six facilities are included in the "District Tracking" level, and will pay estimated fees ranging from \$0 to \$517.

One facility has been exempted from the Program and is no longer subject to Hot Spots fees.

Total costs for universities, colleges and community colleges are estimated to be \$10,563.

3. Conclusions

SUMMARY OF ESTIMATED STATE GOVERNMENT COSTS

Implementation Costs (ARB)	\$76,000
Compliance Costs	
-1 General Government Agencies	\$2,055
-2 General Medical, Surgical and Psychiatric Hospitals	\$213
-3 Correctional Institutions	\$4,767
-4 Universities, Colleges and Community Colleges	\$10,563
Compliance Costs Subtotal	\$17,598
Total State Costs	\$93,598

The ARB will recover its implementation costs through fees authorized by Health and Safety Code section 44380 and sections 90700-90705, Title 17, California Code of Regulations.

D. SUMMARY

The costs for implementing the fee regulations for fiscal year 2000-2001 are summarized in the following table.

	<u>Costs</u>		
	<u>Local</u>	<u>State</u>	<u>Total</u>
Fee Implementation	\$281,048	\$76,000	
Compliance	\$96,010	\$17,598	
TOTAL	\$377,058	\$93,598	\$470,656

E. SOURCES OF WORKING DATA

1. Implementation

Estimated fee rule implementation costs from 24 districts.
District Fee and Cost Survey: April 1, 2000.

2. Compliance

Total fees provided by the districts from March 31, 2000, to June 1, 2000.

Letter from Sacramento Metro Air Quality Management District on March 31, 2000.

Facsimiles from Yolo-Solono Air Quality Management District on May 16, 2000; Amador County Air Pollution Control District on May 16, 2000; Ventura County Air Pollution Control District on May 18, 2000.

Electronic mail from Monterey Bay Unified Air Pollution Control District on June 1, 2000.

Information from Districts by the July 1, 2000 deadline for those districts that ARB is adopting a fee schedule for: Antelope Valley Air Pollution Control District, Great Basin Unified Air Pollution Control District, Imperial County Air Pollution Control District, Lassen County Air Pollution Control District, Mojave Desert Air Quality Management District, and Santa Barbara County Air Pollution Control District.

