

Appendix III

Fee Basis and Calculations

This Appendix contains descriptions of the facility Program categories and category indexes used as the fee basis. The method and equations for calculating the distribution of the State's costs and facility fees are also described.

A. Proposed Fee Basis

1. Current Hot Spots Facility Program Category Method

The ARB staff proposes to continue to use the same method for distributing the State costs among districts and for calculating facility fees used in fiscal years 1996-97 through 2000-2001. That method bases fees on the public health risk presented by a facility's air toxics emissions and on the workload required by the State and district to process the facility through the Program. Facilities are classified into six major Program categories according to risk, or prioritization score if risk assessment results are not available, based on the facilities' air toxics emissions and the potencies or toxicities of the emitted substances. Industrywide facilities are placed into a seventh category and charged a flat fee.

The seven major Program categories are Industrywide, Unprioritized, Tracking, Priority Score greater than or equal to 10, Risk greater than or equal to 10 to less than 50/million, Risk greater than or equal to 50 to less than 100/million, and Risk greater than 100/million. Each category is further subdivided by complexity defined by the number of Source Classification Codes (SCCs). Category indexes (ratios) are used to distribute State Program costs, and district costs among the Program categories.

The fee basis has a relationship to the resources expended by the State and the districts on a facility, and the health risk priority of that facility. Based on the districts' and State's experience, the range of complexity and the time required to accomplish the Hot Spots Program requirements varies, even among facilities in the same Program category. There is a range of effort required based primarily on the complexity of the facility. In order to account for those variances in complexity within a Facility Program Category, Source Classification Codes (SCCs) are used to identify facilities as simple, medium, or complex.

For fiscal year 2001-2002, the definitions to subdivide the fee categories to account for complexity remain the same. We define a facility with one or two process SCCs as simple; a facility with three, four, or five SCCs as medium; and a facility with more than five SCCs as complex. To count the number of unique processes at a facility only the first six digits of the eight digit SCCs are used. Information regarding how a facility should be categorized is supplied by the districts. The definitions of the facility Program categories are found in section 90701 of the Fee Regulation (title 17, California Code of Regulations).

The use of Program categories as the basis for distributing the State's cost and assigning facility fees is in accordance with both the direction of the ARB and H&SC section

44380(a)(3) because the Program categories are determined by toxic releases and health risk priority.

2. Other Changes to Fee Basis

We propose to continue exempting facilities from the Fee Regulation in three ways as was done in the fiscal year 1996-97 through 2000-2001 Fee Regulations. The exemptions are listed in section 90702(b) of the Fee Regulation. A facility is exempt from the distribution of the State's cost if:

- a) its prioritization score is less than 1.0 for cancer and non-cancer risk;
- b) its risk assessment result shows a potential cancer risk of less than one case per one million persons and a total hazard index of less than 0.1.
- c) it is a printing shop, wastewater treatment plant, crematorium, boat or ship building and repair facility, hospital or veterinary clinic using ethylene oxide, and meets an established de minimis throughput.

For facilities located in districts whose fees schedules are included in the State's Fee Regulation, these same exemptions apply, and facilities that meet at least one of the criteria would not pay a fee in fiscal year 2001-2002.

The Statewide Industrywide Facility Program Category includes four types of industrywide facilities, gasoline service stations, dry cleaners, autobody repair shops, and printing shops qualify as State Industrywide facilities. These four categories of facilities account for over 90 percent of industrywide facilities state-wide. Districts can add other facility categories to this State Industrywide category if the criteria outlined in section 90701(ad) are met. For fiscal year 2001-2002, these four categories will be assessed the State's cost of \$35. This would be consistent with the current resources devoted to evaluating industrywide facilities. For distribution of the State's cost only, other facility types not meeting the criteria for the State Industrywide category would be placed into the appropriate Facility Program Category.

Section C of this Appendix discusses how we calculated a State cost per category for this Staff Report and distributed the State's cost.

B. Category Indexes

The category indices for the State's cost reflect the resource requirements of both the ARB and OEHHA. Indices were established based on the State's experience with the Program since 1988. The resource indices used for districts' costs are based on information received from the districts.

1. State Program Indexes

In developing category indexes to distribute State Program costs, the staff considered public health risk, facility complexity, workload, and economic impact. State Program costs are generally programmatic in nature and affect all facilities. The Program indexes reflect this.

To account for differences in workload for facilities other than State Industrywide facilities, the staff assigned an index of one to the Tracking (Simple) category. For the Tracking (Medium) category, the staff assigned a Program index of one and a half and two for the Tracking (Complex) category.

The remaining Program indexes for fiscal year 2001-2002 are shown in Table III-1.

2. District Indexes

Results from a survey of districts were used to assign an index for each category of facility based on workload, complexity, and risk. The district category indexes are shown in Table III-1.

3. State Industrywide Facilities

For fiscal year 2001-2002, the staff is proposing to retain a flat fee of \$35 for State Industrywide facilities.

4. Fee Caps

Some small businesses may be found in categories assigned higher indices. To minimize the potential economic impact, these facilities may qualify to have their fees reduced if they meet the definition for small business contained in section 90701 of the Fee Regulation. The regulation caps fees for small businesses at \$300.

C. Fee Calculation Method

As described in Section A of this Appendix, ARB staff is proposing to update the State portion of the fee totals for fiscal year 2001-2002 based on new facility information. The staff calculated a cost per facility and distributed the State's cost based on updated numbers of facilities in risk categories received from the districts by July 1, 2001. This cost distribution is described in this Section.

The method used to allocate the State's costs for the Air Toxics Hot Spots Program and calculate facility fees is described below with equations. The State's costs are distributed based on the number of facilities a district has in each Hot Spots Program

Table III-1
Category Indexes

<u>Program Category</u>	<u>State Core Program Index</u>	<u>District Index</u>
Priority Score >10 (A)		
Simple	25	14
Medium	30	15
Complex	35	16
Risk \geq 10<50/million, Hazard Index >1 (B)		
Simple	45	17
Medium	50	18
Complex	55	19
Risk \geq 50<100/million (C)		
Simple	65	20
Medium	70	21
Complex	75	22
Risk \geq 100/million (D)		
Simple	85	23
Medium	90	24
Complex	95	25
Unprioritized (E)		
Simple	6	6
Medium	9	9
Complex	12	12
Tracking (F)		
Simple	1	1
Medium	1.5	1.5
Complex	2	2
State Industrywide (IW)	Flat	Flat

Note: The fee category code (A through F and IW) is given in parentheses after each Program Category.

category. The facility Program categories used for calculating fees in the equations below are defined in section 90701 of the Fee Regulation. The facility numbers used to distribute the State's costs and calculate facility fees were provided to ARB by the districts. For districts requesting ARB adoption of facility fees, the Hot Spots Program category of each facility will also be used. Employing the same method for allocation of the State's costs and for facility fees allows for greater consistency and equity.

1. Distribution of State and District Costs

The State's costs to be recovered are the total amount reasonably anticipated by the ARB and the OEHHA to implement and administer the Air Toxics Hot Spots Program for the specified fiscal year. The districts' costs are used only in calculating facility fees for the districts requesting ARB adoption of fee schedules for fiscal year 2001-2002.

For districts requesting the ARB to adopt fee schedules for them, flat fees are established for facilities in the seven major Program categories and their subcategories. Districts specify and provide justification for the fee amount for the facilities in the Industrywide category. Fees for facilities in the other six categories are calculated by adding the appropriate State cost per facility for the category to the district cost per facility. The districts' Program costs to be recovered by the regulation are distributed among facilities in all 18 categories by means of a flat per district, per facility cost for each of the Program categories. Districts may waive the fee for Industrywide facilities if certain criteria have been met. For districts requesting ARB adoption of fee schedules in fiscal year 2001-2002, if the fee for Industrywide facilities is waived this cost is apportioned among the fees of the other facilities in the district. A district with fees adopted in the State's Fee Regulation can choose to continue to assess the flat cost shown in Table 3 of the Fee Regulation or waive the fee for facilities it designates as Industrywide, including the State Industrywide facilities. If either of these options is chosen, the resulting difference will be apportioned among other facilities in the district.

For fiscal year 2002-2003 and beyond, the maximum amount a district that requests that ARB adopt their fees may charge a facility will be the State cost on a per-facility basis for all other facilities to recover district costs. Currently, Tables 3 and 4 allow a district to assess fees that are higher than the State cost per facility. Beginning in fiscal year 2002-2003, this will not be available unless the district adopts its own fee regulation. There continues to be no limit within this Program on the amount a district may charge any facility in any fee category as long as that district adopts its own regulation.

2. Table 1 of the Fee Regulation: Revenues to be Remitted to Cover the State's Costs

The proposed fee method recovers costs used by the State to administer and implement the Program. The staff is proposing a State budget of \$880,000 for fiscal year 2001-2002.

The cost for Program related activities is divided among the total number of facilities to arrive at a State cost per facility in each Program category. The total cost of State

Industrywide facilities (\$35 multiplied by the number of facilities) is subtracted from the State Program costs of \$880,000 to arrive at the State Program costs to be recovered. The number of facilities in each Program category is multiplied by the appropriate index for each category. The sum of these products is divided into the State Program costs recovered from core facilities to arrive at a Program unit cost. This unit cost is equal to the cost for a Tracking (Simple) facility since it has an index of 1. The unit cost is then multiplied by each index to arrive at a flat State cost for facilities in each Program category.

The following equations demonstrate the calculations to arrive at a Program cost per facility. In the following equations, these abbreviations will be used to describe the Program categories, and costs:

SIW = Industrywide	Us = Unprioritized (Simple)
Um = Unprioritized (Medium)	Uc = Unprioritized (Complex)
Ts = Tracking (Simple)	Tm = Tracking (Medium)
Tc = Tracking (Complex)	PSs = Priority Score >10 (Simple)
PSm = Priority Score >10 (Medium)	PSc = Priority Score >10 (Complex)
R1s = Risk ≥ 10 < 50 (Simple)	R1m = Risk ≥ 10 < 50 (Medium)
R1c = Risk ≥ 10 < 50 (Complex)	R5s = Risk ≥ 50 < 100 (Simple)
R5m = Risk ≥ 50 < 100 (Medium)	R5c = Risk ≥ 50 < 100 (Complex)
R10s = Risk ≥ 100 (Simple)	R10m = Risk ≥ 100 (Medium)
R10c = Risk ≥ 100 (Complex)	# = Number
uc = unit cost	D = District
S = State	

(1) Calculation of the State Program Unit Cost:

- a) Adjusted State Program Cost minus Industrywide cost = State Program Costs recovered from core facilities.
- b) # Facilities in Program Category X Index = Product

Using the Program indexes in Table III-1 and the total number of facilities reported in each Program category by the districts:

- c) Weighted Sum =

$$\begin{aligned}
 & (# Us X Us S Index) + (# Um X Um S Index) + (# Uc X Uc S Index) + \\
 & (# Ts X Ts S Index) + (# Tm X Tm S Index) + (# Tc X Tc S Index) + \\
 & (# PSs X PSs S Index) + (# PSm X PSm S Index) + \\
 & (# PSc X PSc S Index) + (# R1s X R1s S Index) + \\
 & (# R1m X R1m S Index) + (# R1c X R1c S Index) + \\
 & (# R5s X R5s S Index) + (# R5m X R5m S Index) +
 \end{aligned}$$

$(\# R5c \times R5c \text{ S Index}) + (\# R10s \times R10s \text{ S Index}) + (\# R10m \times R10m \text{ S Index}) + (\# R10c \times R10c \text{ S Index})$

- d) Adjusted State Program Cost / Weighted Sum from equation (1c) = Program Unit Cost
- e) Program Unit Cost from equation (1e) X Program Category Index = Program Facility Cost per Category

The calculation shown in equation (1f) is done for each facility Program category to attain the Program cost for that category.

Total District Share of State's Costs

The total share of the State's costs for a district is obtained by multiplying the number of facilities in each Facility Program Category by the State cost per facility. These products are summed to arrive at a district's portion of the State's cost.

(2) Calculation of a District's Total Share of the State's Cost:

- a) Total District Portion of State's Cost:
 $(\# SIW \times \$35) + (\# Us \times Us \text{ uc}) + (\# Um \times Um \text{ uc}) + (\# Uc \times Uc \text{ uc}) +$
 $(\# Tm \times Tm \text{ uc}) + (\# Tm \times Tm \text{ uc}) + (\# Tc \times Tc \text{ uc}) + (\# PSs \times PSs \text{ uc}) +$
 $(\# PSm \times PSm \text{ uc}) + (\# PSc \times PSc \text{ uc}) + (\# R1s \times R1s \text{ uc}) +$
 $(\# R1m \times R1m \text{ uc}) + (\# R1c \times R1c \text{ uc}) + (\# R5s \times R5s \text{ uc}) +$
 $(\# R5m \times R5m \text{ uc}) + (\# R5c \times R5c \text{ uc}) + (\# R10s \times R10s \text{ uc}) +$
 $(\# R10m \times R10m \text{ uc}) + (\# R10c \times R10c \text{ uc})$

3. Table 2 of the Fee Regulation: District Program Costs to be Recovered Through the Fee Regulation

The districts' Program costs shown in Table 2 of the Fee Regulation are provided by each district.

4. Table 3 of the Fee Regulation: Facility Fees

For districts requesting the ARB to adopt its fee schedule, a fee is assigned based on the Program category of a facility. All facilities in a district in the same Program category will pay the same flat fee. The following calculations are based on numbers each district supplied to the ARB.

Before calculating a district cost per facility, the costs a district will recover by assessing fees to Industrywide facilities are subtracted from the district's total cost. If a district

decides to waive the fee for Industrywide facilities, other facilities in the district will be recovering the State's cost assessed to the district for its Industrywide facilities. In determining the fee schedule, indexes were developed from information received from the districts which account for public health risk, workload, priority, and complexity. From the information received from districts, the State developed a category index for each Program category. These indices are shown in Table III-1.

The number of facilities in each Program category is multiplied by the corresponding district index. These products are summed and the district cost shown in Table 2 of the Fee Regulation is divided by this sum to arrive at a unit cost. The unit cost is the district cost for a Tracking (Simple) facility. The Tracking (Simple) unit cost is multiplied by each index to arrive at a cost per facility in the other Program categories.

(3) Calculation of District Cost per Facility:

a) # Facilities in Program Category X Index = Product

Using the District indices in Table III-1 and the total number of facilities reported in each Program category by the district:

b) Weighted Sum =

$$\begin{aligned}
 & (\# U_s \times U_s \text{ D Index}) + (\# U_m \times U_m \text{ D Index}) + (\# U_c \times U_c \text{ D Index}) + \\
 & (\# T_s \times T_s \text{ D Index}) + (\# T_m \times T_m \text{ D Index}) + (\# T_c \times T_c \text{ D Index}) + \\
 & (\# P_{Ss} \times P_{Ss} \text{ D Index}) + (\# P_{Sm} \times P_{Sm} \text{ D Index}) + \\
 & (\# P_{Sc} \times P_{Sc} \text{ D Index}) + (\# R_{1s} \times R_{1s} \text{ D Index}) + \\
 & (\# R_{1m} \times R_{1m} \text{ D Index}) + (\# R_{1c} \times R_{1c} \text{ D Index}) + \\
 & (\# R_{5s} \times R_{5s} \text{ D Index}) + (\# R_{5m} \times R_{5m} \text{ D Index}) + \\
 & (\# R_{5c} \times R_{5c} \text{ D Index}) + (\# R_{10s} \times R_{10s} \text{ D Index}) + \\
 & (\# R_{10m} \times R_{10m} \text{ D Index}) + (\# R_{10c} \times R_{10c} \text{ D Index})
 \end{aligned}$$

c) District Cost / Weighted Sum from equation (3b) = District Unit Cost

d) District Unit Cost from equation (3c) X District Index = District Cost per Facility

The calculation shown in equation (3d) is done for each facility Program category to attain the District cost for that category.

For the districts whose fee schedules are included in the Fee Regulation, the total cost per facility is the sum of the flat district Program category cost added to the flat State Program category cost.

e) Facility Fee = District Cost per Facility calculated from equation (3d) + State Cost Calculated in equation (1d)

To calculate the total cost a district is to recover for both State and district costs, the total number of facilities in a Program category is multiplied by the fee obtained from equation (5e). These products from each facility Program category are summed to obtain the total cost recovered. Facility fees are shown in Table 3 of the Fee Regulation.

5. Small Business Fee Cap Calculation

The Fee Regulation includes a provision to cap the fee of any business meeting the small business definition contained in section 90701(ab) at \$300. This definition only applies to districts requesting ARB adoption of fee schedules. Districts have provided us with the number of facilities in each category that would qualify for this fee cap.

To provide this exemption, other facilities in the district are assessed the difference between the actual Program category fee and the \$300 fee cap. The number of small businesses in a district multiplied by the difference between the fee and \$300 is added to the district cost. The district fee calculation is redone after subtracting these facilities.

(4) Calculation of the District Cost per Facility Including the Small Business Fee Cap:

$$\begin{aligned} \text{Unit Cost} = & \text{District Cost} + \text{Small Business Exemption Cost} / (\# \text{ Us X Us Index}) + \\ & (\# \text{ Um X Um Index}) + (\# \text{ Uc X Uc Index}) + (\# \text{ Ts X Ts Index}) + \\ & (\# \text{ Tm X Tm Index}) + (\# \text{ Tc X Tc Index}) + (\# \text{ PSs X PSs Index}) + \\ & (\# \text{ PSm X PSm Index}) + (\# \text{ PSc X PSc Index}) + \\ & (\# \text{ R1s X R1s Index}) + (\# \text{ R1m X R1m Index}) + \\ & (\# \text{ R1c X R1c Index}) + (\# \text{ R5s X R5s Index}) + \\ & (\# \text{ R5m X R5m Index}) + (\# \text{ R5c X R5c Index}) + \\ & (\# \text{ R10s X R10s Index}) + (\# \text{ R10m X R10m Index}) + \\ & (\# \text{ R10c X R10c Index}) \end{aligned}$$

The resulting unit cost from this calculation replaces the unit cost calculated in equation (5c). This new district unit cost and the other newly calculated costs per facility are added to the State cost per category to arrive at new facility fees.

6. Unprioritized (Simple) Fee Cap of \$800

Districts having their fee schedules calculated by the ARB may also request to cap their Unprioritized (Simple) fee at \$800 if it does not result in a shortfall. The State cost for a Unprioritized (Simple) facility is subtracted from \$800. This is the amount of district cost that can be recovered from Unprioritized (Simple) facilities. This amount multiplied by the number of Unprioritized (Simple) facilities becomes a fixed cost to be subtracted from the total district cost to be recovered. The district cost equation is rerun without the Unprioritized (Simple) facilities.

(5) Calculation of the District Cost per Facility Including Unprioritized (Simple) Fee Cap:

- a) $\$800 - U_s \text{ Cost} = \text{Amount of District Cost to be Collected from each } U_s.$
- b) $\# U_s \times \text{Amount from equation (5a)} = \text{Amount to Subtract from District Cost Total.}$
- c)
$$\begin{aligned} \text{Unit Cost} = & \text{District Cost} - \text{Amount from equation (5b)} / (\# U_m \times U_m \text{ Index}) + \\ & (\# U_c \times U_c \text{ Index}) + (\# T_s \times T_s \text{ Index}) + (\# T_m \times T_m \text{ Index}) + \\ & (\# T_c \times T_c \text{ Index}) + (\# P S_s \times P S_s \text{ Index}) + (\# P S_m \times P S_m \text{ Index}) + \\ & (\# P S_c \times P S_c \text{ Index}) + (\# R 1_s \times R 1_s \text{ Index}) + (\# R 1_m \times R 1_m \text{ Index}) + \\ & (\# R 1_c \times R 1_c \text{ Index}) + (\# R 5_s \times R 5_s \text{ Index}) + (\# R 5_m + R 5_m \text{ Index}) + \\ & (\# R 5_c \times R 5_c \text{ Index}) + (\# R 10_s \times R 10_s \text{ Index}) + \\ & (\# R 10_m \times R 10_m \text{ Index}) + (\# R 10_c \times R 10_c \text{ Index}) \end{aligned}$$

The district unit cost per facility calculated by the above equation (5c) replaces the district unit cost calculated in equation (3) or equation (4). This new district unit cost and the other newly calculated costs per facility are added to the State cost per category to arrive at new facility fees and an Unprioritized (Simple) fee of \$800.