

MEETING  
BEFORE THE  
CALIFORNIA AIR RESOURCES BOARD  
HEARING ROOM  
CALIFORNIA AIR RESOURCES BOARD  
2020 L STREET  
SACRAMENTO, CALIFORNIA  
THURSDAY, JULY 28, 1994  
9:45 A.M.

Nadine J. Parks  
Shorthand Reporter

i

I N D E X

iii

	PAGE
Proceedings	1
Call to Order and Roll Call	1
Opening Remarks by Chairwoman Schafer	1
AGENDA ITEMS:	
94-7-1 Public Hearing to Consider Amendments to Emission Control Regulations for 1995 and Later Model Utility and Lawn and Garden Equipment Engines	
Introductory Remarks by Chairman Schafer	2
Staff Presentation:	
Jim Boyd	
Executive Officer	3
Ron Haste	
Off-Road Controls Section	
Mobile Source Division	5
Questions/Comments	20
PUBLIC COMMENTS:	
Jed Mandel	
Engine Manufacturers Association	
-and-	
Outdoor Power Equipment Institute	34
Questions/Comments	41
Matthew Hall	
Portable Power Equipment Manufacturing Association	77
Questions/Comments	84
Peter Stucke, Ph.D.	
Portable Power Equipment Manufacturing Association	105

MEMBERS PRESENT

ii

Jacqueline Schafer, Chairwoman  
Eugene Boston, M.D.  
Joseph C. Calhoun  
Lynne T.. Edgerton  
M. Patricia Hilligoss  
John Lagarias  
Barbara Riordan  
Doug Vagin  
Harriett Wieder  
Staff:  
Jim Boyd, Executive Officer  
Mike Scheible, Deputy Executive Officer  
Mike Kenny, Chief Counsel  
K. D. Drachand, Chief, Mobile Source Division  
Bob Cross, Assistant Chief, Mobile Source Division  
Michael Carter, Chief, Off-Road Control Regulations Branch, MSD  
Jackie Lourenco, Manager, Off-Road Control Regulations Branch, MSD  
Ron Haste, Staff, MSD  
Michael Terris, Staff Counsel  
Peter Venturini, Chief, Stationary Source Division  
Don Ames, Assistant Chief, SSD  
Janette Brooks, Manager, Special Projects Section, SSD  
Roger Korenberg, Special Projects Section, SSD  
Kirk Oliver, Staff Counsel  
Jude Lounsbury, Acting Board Secretary  
D. D. Schneider, Secretary, Legal Office  
Andy Pendleton, Secretary  
Bill Valdez, Administrative Services Division

INDEX, continued. . .

iv  
PAGE

AGENDA ITEMS:	
94-7-1	111
Questions/Comments	
Entry into Record of Written comments by Jackie Lourenco	
Manager, Off-Road Controls Section	117
Mobile Source Division	118
Questions/Comments	
Official Closing of Record by Chairwoman, awaiting notice of 15-day comment period	122
Motion by Riordan to Approve Resolution 94-50	123
Discussion	123
Request by Lagarias to Staff	124
Restatement of Lagarias Request to Staff	125
Roll Call Vote	126, 127
Questions/Comments	127
Clarification of Request of Staff	127
Luncheon Recess	129
Afternoon Session	130
94-7-2	
Public Hearing to Consider Amendments to the Air Toxics Hot Spots Fee Regulation	
Introductory Remarks by Chairwoman Schafer	130
Staff Presentation:	
Jim Boyd	
Executive Officer	134

INDEX, continued. . .	PAGE <sup>v</sup>
AGENDA ITEMS:	
94-7-2 Roger Korenberg special Projects Section Stationary Source Division Questions/Comments	141
Continued Presentation by Mr. Korenberg Questions/Comments	141 142
Continued Presentation by Mr. Korenberg Questions/Comments	145 151
Continued Presentation by Mr. Korenberg Questions/Comments	153 157
PUBLIC COMMENTS: Tim Sturdavant San Diego Industrial Environmental Association Questions/Comments	170 174
Pat Leyden South Coast Air Quality Management District Questions/Comments	174 181
Walt Murray Manufacturers Council of the Central Valley Questions/Comments	189 192
John Hunter Northrup-Grumman	196

1

1 PROCEEDINGS

2 --oOo--

3 CHAIRWOMAN SCHAFFER: Good morning, ladies and

4 gentlemen. I'd like to call this meeting of the Air

5 Resources Board to order.

6 Would the Secretary please take the roll?

7 MS. LOUNSBURY: Bilbray?

8 Boston?

9 DR. BOSTON: Here.

10 MS. LOUNSBURY: Calhoun?

11 MR. CALHOUN: Here.

12 MS. LOUNSBURY: Edgerton?

13 MS. EDGERTON: Here.

14 MS. LOUNSBURY: Hilligoss?

15 MAYOR HILLIGOSS: Here.

16 MS. LOUNSBURY: Lagarias?

17 MR. LAGARIAS: Here.

18 MS. LOUNSBURY: Parnell?

19 Riordan?

20 SUPERVISOR RIORDAN: Here.

21 MS. LOUNSBURY: Vagim?

22 SUPERVISOR VAGIM: Here.

23 MS. LOUNSBURY: wieder?

24 Chairwoman Schaffer?

25 CHAIRWOMAN SCHAFFER: Here. I'd like to point

INDEX, continued. . .	PAGE <sup>vi</sup>
AGENDA ITEMS:	
94-7-2 Questions/Comments M. Dean High, P.E. Metal Finishing Association of Southern California Questions/Comments	197 201 206
Jeffrey Sickenger WSPA Matthew Dustin Executive Director California Paint Council Questions/Comments	212 214 215
Cindy Tuck California Council for Environmental and Economic Balance Entry into Record of Written Comments by Mr. Korenberg	217 219
Closing Comments by Mr. Boyd Questions/Comments	222 224
Statement by Chairwoman re Hot Spots Fee Invoices - Amendment to Resolution 94-51	226
Record Officially Closed to Await Notice of 15-day comment period Motion by Lagarias to Approve Resolution 94-51, as amended	228 229
Roll Call Vote	229, 230
Adjournment	231
Certificate of Reporter	232

2

1 that I believe supervisor wieder will be here later this

2 morning, and also point that Supervisor Bilbray and Mr.

3 Parnell are unavoidably absent today due to some conflicts

4 in their schedules.

5 I'd like to remind those of you in the audience

6 who would like to present testimony to the Board on any of

7 today's agenda items to please sign up with the Board

8 secretary over here to your right.

9 If you have any written statement, please give 20

10 copies to the Board secretary.

11 The first item on the agenda today is 94-7-1, a

12 public hearing to consider amendments to the emission

13 control regulations for 1995 and later model utility and

14 lawn and garden equipment engines.

15 The 1988 California Clean Air Act directed the Air

16 Resources Board to regulate emissions from off-road vehicles

17 and other mobile sources.

18 To comply with these requirements, the Board

19 adopted emission control regulations for utility and lawn

20 and garden equipment engines in 1990. Included in the ARB's

21 regulations are emission standards and certification and

22 compliance requirements.

23 Even though the United States Environmental

24 Protection Agency has recently proposed national off-highway

25 small engine emission standards that are based on the

1 and I would recommend that we take a brief pause while we  
 2 read the resolution. It's No. 94-50.  
 3 (Thereupon, there was a brief pause while  
 4 the members perused the resolution.)  
 5 CHAIRWOMAN SCHAFFER: This resolution, which the  
 6 Board has before it, No. 94-50, contains the staff's  
 7 recommendations. I'm happy to entertain a motion and a  
 8 second to adopt the staff proposal.  
 9 SUPERVISOR RIORDAN: I would so move, Madam  
 10 Chairman.  
 11 MR. CALHOUN: Second.  
 12 CHAIRWOMAN SCHAFFER: Motion by supervisor Riordan,  
 13 and Mr. Calhoun seconds the motion.  
 14 MR. LAGARIAS: Madam Chair?  
 15 CHAIRWOMAN SCHAFFER: Yes, Mr. Lagarias.  
 16 MR. LAGARIAS: Am I correct in understanding that  
 17 the petition that has come up will be reviewed by the staff  
 18 and they will be reporting to us?  
 19 (Thereupon, Mr. Lagarias turned on his  
 20 microphone.)  
 21 MR. LAGARIAS: That having reviewed the petition  
 22 presented to us today, that the staff will come back with an  
 23 assessment of this and come back to us in this regard?  
 24 MR. BOYD: Yes, if it's the wish of the Board, we  
 25 can make a formal report to the Board and public, or we can

1 give you a written recommendation, as we often have, on  
 2 these petitions.  
 3 But you will be apprised of our view of the  
 4 petition most certainly.  
 5 MR. LAGARIAS: Fine.  
 6 CHAIRWOMAN SCHAFFER: Okay. Very good.  
 7 If there is no further discussion -- yes, Dr.  
 8 Boston.  
 9 DR. BOSTON: Mr. Boyd, where does that leave us  
 10 with the one-wheel handheld edger? Is that something that  
 11 will be handled administratively?  
 12 MR. BOYD: No -- well, I think Mr. Cross gave you  
 13 an example of how that issue may be before you right now.  
 14 if you should so choose to modify the regulation, it can be  
 15 done within the context of today's noticed item. But it  
 16 would, you know, be part of the 15-day package if you wanted  
 17 to take an action to sort your way through that.  
 18 SUPERVISOR RIORDAN: Could it be done separate,  
 19 though, from the resolution?  
 20 MR. KENNY: I guess the easy response to that is  
 21 that the resolution really reflects what the Board is  
 22 directing the staff to do and what the Board is basically  
 23 adopting with regard to this regulation.  
 24 so, in the context of the matter before the Board  
 25 right now, it could be done separately from the resolution.

1 But it also then be done really separately from this Board  
 2 action item right now. I guess the --  
 3 SUPERVISOR RIORDAN: In other words, you don't  
 4 prefer that method.  
 5 CHAIRWOMAN SCHAFFER: If I understand you, unless  
 6 it is an amendment to this resolution, then we should take  
 7 it up at a different time?  
 8 MR. KENNY: Correct.  
 9 CHAIRWOMAN SCHAFFER: Does any member of the Board  
 10 wish to propose an amendment to the resolution before us?  
 11 SUPERVISOR RIORDAN: Madam Chair, just in  
 12 thinking, and I was going to handle it immediately  
 13 thereafter, would be just some instruction for the staff to  
 14 look at the type of edger that we just viewed. And I speak  
 15 very specifically to that type of edger as opposed to what  
 16 Mr. Lagarias was talking about, his type of edger. But,  
 17 obviously, those are real clear. And just handle it  
 18 administratively.  
 19 That's what I wanted to do, but I didn't realize  
 20 you had to couple that into this resolution.  
 21 MR. KENNY: You're correct. Basically, my  
 22 assumption was that what you were going to suggesting was a  
 23 regulatory amendment, and that's why I was suggesting a  
 24 coupling of it into the resolution.  
 25 To the extent that you're suggesting an

1 administrative review by the staff, that can be done  
 2 informally.  
 3 SUPERVISOR VAGIM: That goes to posthole diggers,  
 4 too.  
 5 CHAIRWOMAN SCHAFFER: We'll get to that one in a  
 6 second.  
 7 (Laughter.)  
 8 CHAIRWOMAN SCHAFFER: Then, having a motion and a  
 9 second on Resolution No. 94-50, and hearing no amendments  
 10 proposed thereto, I would like to ask the Board secretary to  
 11 take the roll.  
 12 MS. LOUNSBURY: Boston?  
 13 DR. BOSTON: Yes.  
 14 MS. LOUNSBURY: Calhoun?  
 15 MR. CALHOUN: Yes.  
 16 MS. LOUNSBURY: Edgerton?  
 17 MS. EDGERTON: Yes.  
 18 MS. LOUNSBURY: Hilligoss?  
 19 MAYOR HILLIGOSS: Aye.  
 20 MS. LOUNSBURY: Lagarias?  
 21 MR. LAGARIAS: Yes.  
 22 MS. LOUNSBURY: Riordan?  
 23 SUPERVISOR RIORDAN: Aye.  
 24 MS. LOUNSBURY: vagim?  
 25 SUPERVISOR VAGIM: Aye.

1 MS. LOUNSBURY: Wieder?  
 2 SUPERVISOR WIEDER: Yes.  
 3 MS. LOUNSBURY: Chairwoman schaffer?  
 4 CHAIRWOMAN SCHAFFER: Aye.  
 5 MS. LOUNSBURY: Resolution 94-50 passes 9-0.  
 6 CHAIRWOMAN SCHAFFER: As I mentioned before, there  
 7 will be a 15-day comment period for this item.  
 8 Now, as Mr. Boyd has said, the staff will review  
 9 the petition that's before us and communicate to us any  
 10 conclusions that they have -- analysis and conclusions that  
 11 they may have with respect to that.  
 12 supervisor Riordan?  
 13 SUPERVISOR RIORDAN: My hope would be to add also  
 14 a request to staff just to look at those edgers that were  
 15 demonstrated to us today, those types of engines that maybe  
 16 we ought to consider them a little differently than we had  
 17 originally thought, and maybe come back with something  
 18 different.  
 19 MR. BOYD: We'd be glad to do that, Madam chair,  
 20 and to the extent we can, report on all the developments  
 21 when we weave our through it. And when I say report on all  
 22 the developments, I have a minor little concern about any  
 23 chilling effect on -- what has been occurring out there is  
 24 there are people out there trying to devise four-stroke  
 25 versions of that very same piece of equipment based upon the

1 CHAIRWOMAN SCHAFFER: With that understanding, the  
 2 staff needs no further clarification at this time. I'd like  
 3 to propose a break for the lunch hour, returning at about a  
 4 quarter to two for item 94-7-2.  
 5 Thank you very much.  
 6 (Thereupon, the luncheon recess was taken.)  
 7 --oOo--

1 existing regulation.  
 2 And I'd want to know the extent of that before  
 3 we'd recommend a change to see if that -- if somebody's put  
 4 a lot of effort into it, and this suddenly leaves them with  
 5 an investment for naught.  
 6 But, yes, it just adds to the complication, but we  
 7 will be glad. And, quite frankly, sitting here, I'm like  
 8 you, taking this in isolation, I would agree the juice isn't  
 9 worth the squeeze. But when you look at the whole orange  
 10 grove, why, it gets a little more complicated.  
 11 CHAIRWOMAN SCHAFFER: Mr. Lagarias.  
 12 MR. LAGARIAS: I'd like to advise the staff, in  
 13 considering that petition, with regard to extending the time  
 14 for the Tier I standard, that in no way sends a message that  
 15 the Tier II standards, which area due for '99, would be  
 16 relaxed in any way. They are still, first and foremost, a  
 17 requirement that we hold very high. And attempting -- we  
 18 would not look, I'd say, warmly on a petition that says,  
 19 because the time is too short between Tier I and Tier II, we  
 20 can't meet that.  
 21 CHAIRWOMAN SCHAFFER: supervisor Vagim.  
 22 SUPERVISOR VAGIM: In the same vein of the one-  
 23 wheel edger, on the current regulation, you have something  
 24 called "auger-earth," and I would like further examination,  
 25 hopefully, if that includes posthole diggers.

1 AFTERNOON SESSION  
 2 --oOo--  
 3 CHAIRWOMAN SCHAFFER: Good afternoon, ladies and  
 4 gentlemen. The item that the Board will take up this  
 5 afternoon is the second agenda item, No. 94-7-2.  
 6 Just a reminder to those who might like to testify  
 7 on the next agenda item to please sign up with the Board  
 8 Secretary sitting down here in the front to your right.  
 9 The next item on the agenda is a public hearing to  
 10 consider to consider amendments to the air toxics hot spots  
 11 fee regulation.  
 12 This fee regulation will be applicable for fiscal  
 13 years 94-95. The Toxics Hot Spots Act requires California  
 14 industries to inventory toxic emissions, to notify the  
 15 public where there are health risks; and, because of recent  
 16 changes in the law, to reduce significant emissions.  
 17 The Act also places extensive responsibilities on  
 18 local air districts, the Office of Environmental Health  
 19 Hazard Assessment, and the Air Resources Board -- the latter  
 20 two agencies being part of Cal-EPA.  
 21 The state develops and maintains a toxic emission  
 22 inventory, develops and reviews source test methods,  
 23 generates the tools used in health risk assessment, and  
 24 reviews health risk assessments.  
 25 The state also develops the inventory fee

1 regulations, provides assistance in the preparation of  
2 health risk assessments, and assists in public notification.

3 As required by amendments to the Toxics Hot Spots  
4 Act last year, the state is also preparing new health risk  
5 assessment guidelines and risk reduction guidelines.

6 The local districts work with the facilities to  
7 obtain the inventory information, prioritize facilities for  
8 health risk assessment, review the emissions and air quality  
9 modeling aspects of the health risk assessment, and work  
10 with facilities on implementing the law's public  
11 notification and risk reduction requirements.

12 The law requires that the state and local district  
13 costs to implement and maintain the hot spots program be  
14 recovered through fees assessed on facilities. The state  
15 fee regulation is designed to generate the revenue to cover  
16 the state's costs from all districts, as well as the local  
17 district costs in the 12 districts whose fee schedules we  
18 are adopting.

19 The ARB adopts district fee schedules when  
20 requested to do so by the districts. From the beginning of  
21 the program 1987, this Board recognized and many in industry  
22 supported the principle that the fees should be more closely  
23 related to the program requirements.

24 However, for the first years of the program,  
25 sufficient toxics emissions information, so criteria

1 pollutants were used as surrogates for the fees.

2 By 1992, the program was far enough along so that  
3 a change in calculating the fees was possible. The  
4 Legislature recognized this and amended the Toxics Hot Spots  
5 Act to require that the fees be based on toxic emissions and  
6 the level of health risk priority to the extent practicable.

7 The toxic emissions data for all sources was not  
8 fully available, so fees could not be based strictly on the  
9 quantity of toxic emissions. A new fee method was developed  
10 that uses, in addition to the workload and facility  
11 complexity, risk as its basis.

12 In this method, facilities which have a higher  
13 health risk priority pay higher fees. Examples of the  
14 higher priority facilities are those required to prepare  
15 health risk assessments or accomplish public notification.

16 In response to concerns that fees also should be  
17 related to the workload created by the source, a workload  
18 component was added. Under this approach, fees were  
19 proportional to the complexity of the facility and the  
20 relative workload to the district and the state.

21 The method adopted for fiscal year 1993-94 was  
22 adopted in cooperation with local air districts and affected  
23 industries and was widely supported at the time of its  
24 adoption.

25 The staff proposal for our consideration today

1 continues that same basic method, but with some important  
2 modifications. First, we are lowering the state's cost by  
3 about 18 percent, or over \$900,000. We are also proposing  
4 the lower the fee cap for small businesses from \$700 to  
5 \$300.

6 The staff also has general provisions which update  
7 district costs and the status of facilities in the program.  
8 These modifications were developed with widespread  
9 participation of local air districts and the affected  
10 industry.

11 We're all concerned with the cost of any program  
12 and with fees being paid by businesses. In 1993, the Air  
13 Resources Board and the Office of Environmental Health  
14 Hazard Assessment prepared a plan which projected the  
15 state's resource requirement for the hot spots program  
16 through fiscal year 1997 and '98.

17 The purpose of the plan was to program  
18 requirements with the goal of reducing resource needs and  
19 streamlining wherever possible.

20 In accordance with that plan, the Air Resources  
21 Board made the commitment to reduce the state's costs of the  
22 program by 40 percent by fiscal year 1997-98, as compared  
23 with the budget in fiscal year 1993-94.

24 That commitment is reflected in this year's  
25 proposal by the reduction in cost that I mentioned earlier.

1 At this point, I'd like to ask Mr. Boyd to introduce the  
2 item and begin the staff's presentation.

3 Mr. Boyd?

4 MR. BOYD: Thank you, Chairwoman Schafer. As the  
5 chairwoman has indicated regarding the fee proposal, the  
6 purpose of the regulation that we have before you this year  
7 and previous years is to allocate and to recover equitably  
8 the costs that local air pollution control districts, your  
9 own Board, and the State's Office of Environmental Health  
10 Hazard Assessment incur in carrying out the air toxics hot  
11 spots program.

12 The regulation before you identifies the dollar  
13 amount that each local air pollution control district is to  
14 remit to the state to recover the state's cost. Also, the  
15 regulation establishes fee schedules for those 12 districts  
16 in the state that have requested to be included in the state  
17 regulation. In other words, the 22 remaining districts have  
18 chosen to adopt their own method for assessing their own  
19 local fees.

20 Last year, as indicated, when the Board adopted a  
21 new method for calculating fees, we knew we were making a  
22 substantial change in the system. We shifted from basing  
23 fees on criteria pollutants, which is what the law  
24 originally anticipated, to a method more closely related to  
25 toxic emissions, which, again, was the legislators' intent.

135

1 The ARB, the ARB Fee Regulation Committee, which  
2 consisted of the ARB staff, local districts, and industry,  
3 everybody knew that many facilities would end up having to  
4 pay more. We realized at that time this would be a  
5 difficult transition. But now this step has been mostly  
6 accomplished.

7 In most areas of the state, there was a fairly  
8 extensive outreach program carried out to communicate this  
9 change last year, and to resolve the many, many questions  
10 that arose by -- in particular, small business people -- as  
11 to why there was a program change which, in some cases,  
12 resulted in a shift of fees.

13 Most of the 12 districts for whom we did adopt  
14 fees last year, have billed their facilities under the new  
15 system. This year, the district and state program total  
16 cost are about \$11.2 million. District costs account for  
17 about three-fifths of that total cost, or about \$7 million,  
18 and the remaining two-fifths is to cover the state's portion  
19 of the total program costs; the state being both the Air  
20 Resources Board and the Office of Environmental Health  
21 Hazard Assessment.

22 Now, as the Chairwoman noted, your staff is  
23 recommending continued reductions in the state's cost. As  
24 indicated, as we presented to the Board last year in our  
25 five-year plan to reduce state costs 40 percent, this year's

137

1 It's been an extremely open process. And, as a  
2 result, along the way, many adjustments were made as we  
3 developed the final recommendations. Particular attention  
4 was paid to reducing small business costs. And, as such, as  
5 indicated earlier, the \$700 small business cap that was  
6 adopted and in effect last year is proposed to be reduced to  
7 \$300 in this year's fee schedule.

8 With that introduction, now, I'd like to turn the  
9 program over to the staff and to Mr. Korenberg of the  
10 stationary source Division, who will present the proposed  
11 amendments to the regulation and give you some background  
12 about the proposal.

13 CHAIRWOMAN SCHAFFER: Go right ahead.

14 MR. KORENBERG: Thank you, Mr. Boyd.

15 Madam Chairwoman and members of the Board, my  
16 presentation today will discuss the staff's proposal to  
17 amend the air toxics hot spots fee regulation for fiscal  
18 year 1994-95.

19 For today's presentation, I will first give a  
20 short introduction, plus review the program responsibilities  
21 for the Air Resources Board, the Office of Environmental  
22 Health Hazard Assessment, or OEHHA, and the local air  
23 districts under the air toxics hot spots program.

24 Next, I'll discuss the program costs for the  
25 coming fiscal year and our program plans for the future.

136

1 proposal reflects roughly \$183,000 permanent reduction in  
2 state program costs. And we are keeping true to our long-  
3 term commitment to reduce the total program at the state  
4 level by 40 percent over that five-year period.

5 In addition, both the Air Resources Board and the  
6 Office of Environmental Health Hazard Assessment were able  
7 to carry over savings from last year's program to reduce the  
8 state revenue needs for the fiscal year 94-95 by about  
9 \$750,000. The net result, then, is that the state's revenue  
10 needs for the hot spots program will decrease a little over  
11 \$900,000 to \$4.2 million.

12 That's not to be confused with the budget  
13 reduction. That is just reducing the revenue need to  
14 support the program and, thus, is reflected in the fee  
15 schedule being somewhat less than otherwise would have to be  
16 whether or not those savings get carried over.

17 As in previous years, as the chairwoman indicated,  
18 we've worked very hard to develop a proposal that is  
19 equitable for sources, that's workable for the multiple  
20 districts that are involved, and that complies with the law.

21 We held three public workshops. We had six  
22 meetings with the Fee Regulation Committee, including local  
23 district representatives, and we met with industry and  
24 industry association representatives many times in  
25 developing the fee schedule.

1 Then, I'll describe the method we are using to  
2 calculate fees and review the process we used to come to  
3 that method.

4 Following that, I'll move on to the specific  
5 amendments which are contained in our staff report. I will  
6 conclude with the additional modifications we are proposing  
7 today.

8 Beginning with an introduction of our proposal  
9 then: In September, 1987, Assembly Bill 2588, the Air  
10 Toxics Hot Spots Information and Assessment Act, was signed  
11 into law. The goal of the Act is to determine the extent of  
12 toxic air emissions in California and their potential health  
13 implications.

14 This goal is reached through the activities  
15 outlined on the slide.

16 Prior to 1993, the program had three basic program  
17 elements -- emission inventory, risk assessment, and public  
18 notification.

19 In 1993, Senate Bill 1731, Calderon, added new  
20 requirements in the risk assessment area, shown in the  
21 second box on the slide, and added a fourth program element,  
22 risk reduction, shown in the green box.

23 In the risk assessment area, OEHHA evaluates the  
24 health impact of the assessment. As required by Senate Bill  
25 1731, OEHHA is in the process of developing new facility

1 risk assessment guidelines.  
 2 senate Bill 1731 also added risk reduction  
 3 requirements to the program. Facilities whose emissions of  
 4 toxics pose significant potential health risks are now  
 5 required to conduct a toxic risk reduction audit. Based on  
 6 the audit, they must also develop a plan that uses risk  
 7 reduction measures to reduce the risk below significance  
 8 levels defined by the districts.

9 The ARB is required to assist industries comprised  
 10 mainly of smaller businesses in complying with the risk  
 11 reduction audit and plan requirements of Senate Bill 1731.

12 The ARB is developing risk reduction guidelines to  
 13 help affected businesses identify potential emission points  
 14 in their facilities and provide a menu of risk reduction  
 15 options.

16 The Hot Spots Act established specific  
 17 requirements with regard to fees. The Act requires the ARB  
 18 to adopt a regulation that recovers the state's costs and  
 19 the districts costs if requested. State costs include those  
 20 incurred by OEHHA and the ARB. If a district chooses, it  
 21 may adopt its own fee rule.

22 The Board first adopted the air toxics hot spots  
 23 fee regulation in 1988. The fee regulation is amended each  
 24 year to reflect changes in program costs and in the number  
 25 of facilities subject to the program.

1 businesses, nonpayment, and uncertainty in the number of  
 2 facilities.

3 state costs are only one element of fees. As this  
 4 graph depicts, the district costs account for approximately  
 5 three-fifths of the total implementation costs.

6 CHAIRWOMAN SCHAFFER: Excuse me. Before you leave  
 7 that slide — you may be covering it in the future; I'm not  
 8 sure — but those are the district costs that are included  
 9 in this regulation, not the costs of the 22 districts that  
 10 have their own regulations?

11 MR. KORENBERG: No. This is for all 34 districts.

12 CHAIRWOMAN SCHAFFER: This is for all 34 districts.  
 13 All right. Very good. Thank you.

14 MR. KORENBERG: For fiscal year 94-95, 28 of the  
 15 34 districts are estimating decreases in district program  
 16 costs. District program costs are decreasing by  
 17 approximately 22 percent compared to fiscal year 93-94.

18 Total costs of the state and districts for fiscal  
 19 year 94-95 will be approximately 11.2 million. This figure  
 20 represents a 21 percent decrease from fiscal year 93-94.

21 Of the total program costs, approximately 62  
 22 percent of the cost is for the districts, 18 percent is for  
 23 the ARB, and 20 percent is for OEHHA.

24 As I mentioned earlier, we presented and the Board  
 25 approved last year a five-year plan to reduce the state's

1 As required by the law, each district must bill  
 2 facilities for air toxics hot spots fees whether the  
 3 district adopts its own fee rule or is included in the ARB's  
 4 fee regulation.

5 The existing fee regulation requires each district  
 6 to remit the district's share of the state's costs to the  
 7 ARB.

8 With that introduction, I'll go next to the  
 9 staff's proposal.

10 An important change we are proposing today is a  
 11 reduction in state program costs.

12 Pursuant to our five-year plan to reduce state  
 13 costs, our proposed costs for this year include a permanent  
 14 reduction of \$183,000. In addition, both the ARB and OEHHA  
 15 were able to carry over savings from prior years to reduce  
 16 the proposed costs for fiscal year 94-95. The ARB carried  
 17 over 150,000 and OEHHA carried over 600,000, for a total  
 18 reduction this year of \$933,00.

19 The proposed budget for ARB, with the reduction,  
 20 is about 2 million. The proposed budget for OEHHA, with  
 21 their reduction, is about 2.2 million. The combined total  
 22 for fiscal year 94-95 is 4.2 million, a reduction of 18  
 23 percent compared to last year.

24 As in previous years, an adjustment factor of five  
 25 percent is added to this amount too account for closing of

1 costs for the hot spots program.

2 The plan calls for a 40 percent reduction in  
 3 program requirements by fiscal year 1997-98. The reductions  
 4 were calculated using the state budget for 93-94 as the  
 5 baseline and were based on the assumption that we would have  
 6 no new legislative mandates.

7 The next slide illustrates how the state's costs  
 8 will be reduced through fiscal year 97-98.

9 This slide shows the state and district costs from  
 10 the beginning of the program, with state cost projections  
 11 through fiscal year 97-98. Our five-year plan calls for a  
 12 total reduction in state costs of 2 million, or about 40  
 13 percent, by fiscal year 97-98.

14 The fiscal year 93-94 costs reflect a \$500,000  
 15 reduction from the baseline state budget. Also, note that  
 16 the costs for fiscal year 94-95 are lower than projected in  
 17 the plan because of the \$750,000 carryover. The three  
 18 hatched bars on the right are our projections for costs  
 19 based on our five-year plan.

20 We do not have projections for the future district  
 21 costs but, if this year is an indication, district costs  
 22 will also go down in the future.

23 SUPERVISOR WIEDER: Excuse me. Let me ask you a  
 24 question before you go any further.

25 I've been waiting to hear what you would identify

143

1 that you -- I'm not on? (speaking of microphone) Thanks.

2 I've been waiting to hear what you would attribute  
3 the reduction of costs to. And up till now, other than the  
4 carryover, I haven't heard it identified.

5 What do you attribute the cost reduction that has  
6 taken place and what do you anticipate?

7 MR. AMES: Okay.

8 CHAIRWOMAN SCHAFFER: Mr. Ames.

9 MR. AMES: Yes. supervisor Wieder, some of the  
10 reductions have been made in areas -- the permanent  
11 reductions, for example, in areas of source testing. We've  
12 developed 30 toxic source test methods which are used for  
13 about 80 of the substances.

14 Now that that work is largely complete, we see  
15 opportunities to take reductions there. We will be scaling  
16 back some of our work in inventory over the next couple of  
17 years, for example. Right now, we have a need to retain  
18 those to do quality assurance.

19 The carryovers from staff savings, for example,  
20 filling vacancies with some of the new work that was  
21 required. Those are some of the carryover savings that we  
22 have, for example.

23 SUPERVISOR WIEDER: You know what comes to my  
24 mind, Madam Chairman, is that, inasmuch as the rationale for  
25 the fee assessment -- maybe not a rationale, but the reason

145

1 MR. AMES: I am hopeful that the rest of our  
2 presentation will help, also, to answer your question.

3 SUPERVISOR WIEDER: Okay.

4 CHAIRWOMAN SCHAFFER: Thank you. You may continue,  
5 Mr. Korenberg.

6 MR. KORENBERG: Before I discuss the other  
7 amendments we are asking you to consider today, I would like  
8 to briefly describe the fee calculation method we are using.

9 Last year, in response to direction from the Board  
10 and in response to new state law, the basis for calculating  
11 fees was changed. We moved away from basing fees on  
12 criteria pollutants and developed a new method based on  
13 health risk priority with a workload component.

14 Initially, for the hot spots program, the  
15 distribution of state costs and fees were based on criteria  
16 pollutant emissions, because a statewide toxics pollutant  
17 inventory was not yet developed.

18 Under this method, emitters of high amounts of  
19 criteria pollutants paid the highest fees. Fees were not  
20 related to the hot spots program requirements.

21 However, we were directed by the Board in June,  
22 1991, to consider an alternative basis for fees for fiscal  
23 year 93-94.

24 In addition, in 1992, the Hot Spots Act was  
25 amended by Senate Bill 1378. This bill required the ARB to

144

1 for it is to be cost defined on the fees.

2 We need to do, I think, a more definitive  
3 identification of administrative management in that regard  
4 to justify the fees and the regulations that, you know, we  
5 are going to determine that we have to do this, because  
6 that's how much it's going to cost.

7 It doesn't seem to -- so far, I'm not hearing --  
8 maybe I ought to let you finish. Maybe you will be a little  
9 more detailed than I've heard so far.

10 CHAIRWOMAN SCHAFFER: I guess the question, if I  
11 can elaborate then, is to try to get you in the presentation  
12 to distinguish between direct program costs and overhead  
13 costs, and the opportunity for savings.

14 SUPERVISOR WIEDER: Well, the fact that there  
15 obviously has been. I mean, if I were a client out there, a  
16 customer who was getting a statement, an invoice saying this  
17 is how much your fee is going -- because costs have gone up  
18 or we need to cover the costs. And then, on the other hand,  
19 you hear, well, costs are going down all of a sudden.

20 Now, why were they so high to begin with? I did  
21 hear you say that some of the work has been completed, so  
22 you're able to erase that.

23 I think you have to identify all the way down the  
24 line what to anticipate the costs are going to be and  
25 justify it.

1 adopt a regulation that bases fees on toxics emissions and  
2 facility risk priority to the extent practical.

3 Our proposal last year for a new fee basis was the  
4 result of a development process which began in 1992. To  
5 bring this proposal to the Board in July of 1993, we worked  
6 extensively with the districts, industry, and the general  
7 public. We held seven public workshops and numerous  
8 meetings with industry and district representatives.

9 The method adopted by the Board last year was a  
10 consensus reached among the districts and industry and, at  
11 the Board hearing, the method was widely supported.

12 At the Board hearing last year, we were directed  
13 to continue to work with the small oil producers to modify  
14 the definition of small businesses to make the provision  
15 more equitable.

16 We worked closely with the small oil producer  
17 industry associations and the districts for several months  
18 following the hearing and reached an agreement. As a result  
19 of that effort, we estimate that more than 85 percent of the  
20 smaller oil producers in the state now qualify as small  
21 businesses and pay reduced fees.

22 The fee method approach adopted last year balances  
23 the requirements of Senate Bill 1378 with facility  
24 complexity. We use a program category approach. We  
25 developed several program categories in our fee basis which

147

1 parallel the program elements I covered earlier.

2 As shown on this graph, there are six major  
3 program categories under this approach -- survey,  
4 industrywide, plan and report, risk assessment,  
5 notification, and audit and plan.

6 The facility categories are further subdivided to  
7 reflect facility complexity and relate to workload. The  
8 districts give us the information on facility counts per  
9 category and facility complexity that is used to calculate  
10 each district's share of the state's costs and facility  
11 fees.

12 The first three categories -- survey,  
13 industrywide, and plan and report -- refer to emission  
14 inventory categories. The fees are the lowest for the  
15 emission inventory categories and increase with risk  
16 priority and workload.

17 We believe that most small businesses fall into  
18 the first two categories -- survey and industrywide.

19 Now, I'd like to begin a discussion of the staff's  
20 proposed amendments for this year. This year, we are  
21 continuing with the same basic method for calculating fees  
22 as last year, but are proposing some refinements that were  
23 worked out with the districts and affected industry.

24 Developing the proposed changes to the fee  
25 regulation again required extensive coordination and

149

1 we propose to include the number of industrywide  
2 facilities when calculating each district's share of the  
3 state's costs. The state incurs a cost for all facilities  
4 subject to the Act; however, in previous years, the  
5 industrywide facilities were not included. At the  
6 recommendation of the Fee Committee, we will use \$15 per  
7 facility in our calculations.

8 Because the Santa Barbara District prepares all  
9 risk assessments for its facilities in a consistent manner,  
10 we have reduced the state's costs for risk assessments for  
11 the Santa Barbara District.

12 We also propose to subdivide the notification and  
13 audit and plan categories to reflect risk priority and  
14 increase the state portion of those fees. At the districts'  
15 request, we are also modifying the district share of fees  
16 for risk assessments to more accurately reflect district  
17 workload.

18 We propose to reduce the fee cap for facilities in  
19 the plan and report simple category from \$1,000 to \$800. We  
20 propose to add a fee cap for simple facilities whose risk  
21 assessment is being reviewed by the district. The new fee  
22 cap of \$2,000 would be at the option of the district.

23 We propose to reduce the fee cap for facilities  
24 qualifying as small businesses from \$700 to \$300. This  
25 change will pass some of these program cost savings to this

148

1 numerous meetings with district representatives, the Fee  
2 Regulation Committee, and the public.

3 The Fee Regulation Committee includes  
4 representatives from the districts, the ARB, and OEHHA.  
5 Representatives from all districts were invited to all  
6 meetings of the committee. The committee met twice and  
7 talked four times by telephone conference.

8 We held three public workshops on the proposed  
9 changes to the fee regulation. Notices of each workshop  
10 were sent to approximately 6,000 facility operators and  
11 members of the public.

12 In addition to the public workshops, we held 11  
13 meetings and teleconferences with representatives from the  
14 affected industries and industry associations.  
15 Representatives from environmental groups were also invited.

16 At each of these meetings and workshops, we  
17 received valuable input, comments, and suggestions to refine  
18 and improve the fee method. All of these were considered  
19 and many suggestions were incorporated into today's  
20 proposal.

21 As a result of our discussions and workshops over  
22 the last year, we are proposing several changes to refine  
23 and improve our method. The first proposed changes I'll  
24 discuss affect fee calculations. These amendments are all  
25 included in the staff report.

150

1 category of facilities.

2 These are the proposed amendments that affect fee  
3 calculations.

4 Next, I'd like to review the fees as presented in  
5 the staff report.

6 The state's portion of fees for a category is  
7 uniform across the state; however, because district costs  
8 vary, facility fees also vary between districts.

9 For fiscal year 94-95, for the 12 districts for  
10 which we are adopting fee schedules, the average fees, as  
11 calculated for the staff report, are as indicated.

12 Facility count is the number of facilities in  
13 those 12 districts. The industrywide average was calculated  
14 assuming the district does not waive the fee. These fees  
15 include both state and district costs.

16 I will explain the fee changes after we look at  
17 the average fees.

18 This slide shows the average fees for facilities  
19 in the risk assessment category.

20 SUPERVISOR VAGIM: Could you go back to that slide  
21 again? It's the previous slide.

22 Thank you.

23 MR. KORENBERG: And this slide shows the average  
24 fees for facilities in the notification and audit and plan  
25 categories. Note that there are no facilities in the simple

1 categories.

2 The average fee change for industrywide facilities  
3 is an increase of about 3 percent. Facilities that qualify  
4 as small businesses will have a decrease of 57 percent.  
5 Fees for all other facilities will increase an average of 14  
6 percent.

7 CHAIRWOMAN SCHAFER: I have a question at this  
8 point.

9 The industrywide category, they are -- are there  
10 any large businesses or are they all small businesses in the  
11 category which you've designated industrywide?

12 MR. KORENBERG: The definition for industrywide  
13 facilities states that the majority of the category should  
14 be comprised of small businesses. And those generally  
15 include categories like gas stations, dry cleaners, auto  
16 body shops. Those are typical industrywide facilities.

17 CHAIRWOMAN SCHAFER: But you could have some big  
18 businesses in that category?

19 MR. SCHEBLE: I think it's not strictly a small  
20 business. A gas station that's owned by a small business  
21 person would qualify; a gas station owned by a major oil  
22 company would equally qualify. So, it's --

23 CHAIRWOMAN SCHAFER: In the industrywide category.

24 MR. SCHEBLE: In the industrywide, because it's  
25 typically a small source that's handled by the district in

1 point. I mean, vapor recovery systems, et cetera, on those  
2 systems that -- where some of the industries have now,  
3 because of the criteria, are walking away from that into the  
4 risk assessment and have not had that level of work done on  
5 them before; is that correct?

6 MR. AMES: To some degree, that's true, supervisor  
7 vagim. But, in some instances, as far as the relative hot  
8 spot emissions have not previously been quantified. And so,  
9 there is a workload incurred by the districts and the Air  
10 Resources Board to perhaps do some pool source testing to  
11 assist those industries to quantify their toxic emissions.

12 MR. KORENBERG: Now, I would like to explain why  
13 the fee changes occurred.

14 The largest factor affecting fees this year is a  
15 shift in the number of facilities from the higher complexity  
16 categories to lower categories. Across the state, the total  
17 number of facilities in our program categories has remained  
18 close to the number we used last year.

19 However, in individual categories, the districts  
20 are reporting dramatic shifts. As the districts have billed  
21 the facilities and corrected their inventories, they have  
22 found fewer complex facilities than reported last year, as  
23 shown on the graph.

24 The net result of this shift is a leveling of  
25 fees. There are fewer facilities paying the highest fees,

1 terms of estimating the emissions. The costs incurred  
2 aren't real large per source.

3 CHAIRWOMAN SCHAFER: Okay. Now, the category that  
4 we entitle "small businesses," what's the salient  
5 characteristics for that?

6 MR. KORENBERG: The small business is, for our  
7 definition for fees, is a facility with 10 or fewer  
8 employees, annual gross receipts of less than \$1 million.

9 CHAIRWOMAN SCHAFER: "And" both of those  
10 conditions have to be met.

11 MR. KORENBERG: Yes.

12 SUPERVISOR VAGIM: Madam chair, isn't there also,  
13 for the industrywide, one of the precursors is that there  
14 has been significant work done in that particular industry  
15 on regulation already? They were a known quantity, at  
16 least, in their emissions?

17 MS. BROOKS: This is Janette Brooks. The  
18 distinction between industrywide and others is that the air  
19 district is preparing the inventory and the risk assessment,  
20 if necessary, for facilities rather than the facilities  
21 preparing them.

22 SUPERVISOR VAGIM: Right. But traditionally, most  
23 of those industries have fallen under some type of  
24 permitting process, to some degree have done inventories as  
25 well as a regulatory aspect. Service stations are a case in

1 so the remaining facilities each pay a slightly higher fee.

2 If the correct counts had been used last year, the  
3 fees would have decreased this year compared to last year.

4 Even though the number of complex facilities  
5 paying higher fees has decreased, this graph shows that the  
6 larger, more complex facilities still generate most of the  
7 revenue for the program.

8 I've just discussed the reason for the fee  
9 changes; however, this graph puts into perspective the fees  
10 paid by the majority of facilities. This graph shows that  
11 most of the facilities are in the lower fee ranges.

12 This slide shows the average fees for facilities  
13 in the risk assessment category.

14 In addition to the changes which directly affect  
15 fees, we have several other proposed changes to the  
16 regulation. These changes were also in the staff report.

17 We are proposing to include a labor tracking  
18 provision in our proposed changes. Under the proposal, the  
19 office of Environmental Health Hazard Assessment has agreed  
20 to track their time spent on risk assessment review during  
21 fiscal year 94-95.

22 The purpose of labor tracking is to establish a  
23 database that will be used to predict future workload.

24 We propose to include a provision in the  
25 regulation for a facility that becomes subject to the Act

1 after ARB adoption of the fee regulation. For example, if a  
2 new facility is required by the district to prepare an  
3 inventory plan and report during the applicable fiscal year,  
4 we are proposing that the facility pay the plan and report  
5 simple fee for that fiscal year. This provision is needed  
6 to allow districts to recover the costs associated with new  
7 facilities.

8 We propose to revise the list of districts that  
9 have requested the ARB to establish fee schedules as part of  
10 the fee regulation. If requested, the ARB adopts fee  
11 schedules for districts that submit district board approved  
12 costs by April 1.

13 We are adding fee schedules for three districts  
14 this year -- Imperial, Mariposa, and Yolo-Solano. And we  
15 are deleting schedules for three districts -- Calaveras,  
16 Placer, and Sacramento. Twelve districts are included in  
17 the state regulation and 22 districts will be adopting local  
18 fee rules.

19 We propose to update the fee schedules to reflect  
20 changes in anticipated state and district program costs,  
21 facility counts, and flat fees.

22 The San Luis Obispo and San Joaquin Valley Unified  
23 APCDs have also updated their district toxics inventories.

24 The administrative changes we are proposing  
25 clarify calculation procedures, add definitions for new

1 districts' share of the state's cost and facility fees.  
2 Facility count changes were not final when we last  
3 calculated fees; however, we estimate that the effect of  
4 making the modifications requested by the districts will  
5 result in increases in fees for some facilities and  
6 decreases in others.

7 The overall change is an average increase of about  
8 six percent. There will be no change in fees for small  
9 businesses.

10 In summary, in accordance with the plan we  
11 presented to the Board last year, costs for the program are  
12 decreasing. California businesses will pay nearly \$1  
13 million less this year than last year for state costs.

14 We are maintaining the basic concept of our fee  
15 calculation method and proposing minor modifications to  
16 reflect changes in the number and complexity of facilities.

17 This concludes my presentation. We would be happy  
18 to answer any questions you may have.

19 CHAIRWOMAN SCHAFFER: Thank you very much, Mr.  
20 Korenberg.

21 I'd like open it to questions from members of the  
22 Board right now. I have a couple myself. Supervisor Vagim?

23 SUPERVISOR VAGIM: Thank you, Madam Chair.

24 First of all, I want to go back just to understand  
25 one of those slides, and since we don't get those slides,

1 categories, update the dates for counting risk assessments  
2 being reviewed by the state, and update section references  
3 in the regulation.

4 I will now discuss modifications to the regulation  
5 that we are proposing today.

6 We are proposing an amendment regarding state  
7 adoption of district fees. The proposed amendment will  
8 allow a district, whose fee schedule is included in the fee  
9 regulation adopted by the Board, to have the option to adopt  
10 a district fee rule as a substitute for the state fee  
11 schedule. This is being done to provide additional  
12 flexibility to the districts.

13 We are also proposing an amendment to allow the  
14 state to waive a district's request to be included in the  
15 state fee regulation. This will conform the regulation with  
16 the statute.

17 Each year, districts submit changes that affect  
18 fees up to the Board hearing. We have received updates from  
19 31 districts regarding the number of industrywide  
20 facilities. In addition, since publication of our staff  
21 report, we have received facility count updates for the  
22 other categories from the following districts: Shasta,  
23 Northern Sierra, Sacramento, San Joaquin Valley, Bay Area,  
24 Mojave Desert, and Santa Barbara.

25 These facility count changes will affect

1 the flashcard effect sometimes has dwelling of what was on  
2 there as much as what we retain (sic).

3 The \$183,000 slice that you had on the fees that  
4 you were spreading across in the pie chart, was that the  
5 anticipation of business reduction increasing the costs to  
6 be in the fees? Is that what the \$183,000 was?

7 MR. VENTURINI: Supervisor Vagim, the \$183,000 is  
8 a permanent reduction. That's the second-year  
9 implementation of our five-year planned reduction.

10 SUPERVISOR VAGIM: Okay. So, that's the reduction  
11 under the five-year plan.

12 MR. VENTURINI: That's correct. And that's a  
13 permanent reduction.

14 SUPERVISOR VAGIM: And next year, that will be  
15 \$183,000, also?

16 MR. VENTURINI: We don't know precisely what it  
17 will be, but the plan is a 40 percent reduction from 93-94,  
18 and there will be another incremental reduction next fiscal  
19 year.

20 SUPERVISOR VAGIM: Okay. Now, just for clarify.  
21 How did we come up with the 40 percent reduction? Was that  
22 40 percent compared to a previous year?

23 MR. VENTURINI: It was based on fiscal year 93-94.  
24 And what we did last year, when we presented the five-year  
25 plan to the Board, is we took a look at the overall program,

1 as we were seeing over the next -- next five years, and we  
 2 recognized that basically last year's program was reaching  
 3 maturity, and the workload would be decreasing over time for  
 4 the state.

5 Also, last year, there were some significant  
 6 changes made to the emission inventory guideline  
 7 regulations, which we knew would reduce our workload in this  
 8 area.

9 so, we took a look at what workload reductions we  
 10 would envision as the program matures and work gets  
 11 completed, and projected out that over the next five years,  
 12 this would result us being able to accomplish savings in  
 13 state costs of the 40 percent over the fiscal years through  
 14 97-98.

15 MR. BOYD: supervisor Vagim, just to restate what  
 16 Peter said in perhaps a different way, as I indicated in my  
 17 introductory remarks, about 18 months ago, when we were  
 18 beginning work on last year's fee schedule program, we knew  
 19 that there would be a lot of concern, because we had two new  
 20 pieces of legislation that we had to take into account that  
 21 added workload at the state level, which we knew would  
 22 increase costs. And we recognized the state of the economy  
 23 and how that would be received.

24 And, furthermore, it was a year in which we were  
 25 changing the way costs were allocated, getting away from the

1 staff will have to tell me that. I don't know if we're  
 2 going down in equal equivalents. We will meet our  
 3 commitment. We'll be down 40 percent at the end of five  
 4 years.

5 I'm sure it will be in little bits and spikes. I  
 6 don't know what the 183 specifically is, but it's --

7 SUPERVISOR VAGIM: Okay.

8 MR. BOYD: -- this year's contribution to that.

9 SUPERVISOR VAGIM: And you take the 183 reduction,  
 10 and you put the rollover into it. That is actually bringing  
 11 the state's side of the cost or --

12 MR. BOYD: Well, it's bringing -- that's why I was  
 13 very careful in my introduction to say it's not bringing the  
 14 budget down. It's bringing the revenue need down for the  
 15 year.

16 SUPERVISOR VAGIM: Which corresponds --

17 MR. BOYD: which corresponds to the fees.

18 SUPERVISOR VAGIM: Fees, right.

19 MR. BOYD: Right.

20 SUPERVISOR VAGIM: So, for next year, you're not  
 21 going to, perhaps because of other things that you've had in  
 22 the reason for a rollover, may not have the rollover.

23 MR. BOYD: If there isn't a rollover, from this  
 24 year to next --

25 SUPERVISOR VAGIM: You might have fees going back

1 arbitrary criteria pollutant approach, which the Legislature  
 2 recognized, when they created the program, was the only way  
 3 you could raise fees for the program until you had more of a  
 4 handle on toxics.

5 we started the phase-in to a change, and that  
 6 phase-in was accelerated a little bit by stated interest of  
 7 the Legislature.

8 Knowing that this would all collide and create a  
 9 lot of concern -- and in working with the Fee Committee that  
 10 has a lot of industry representative, who indicated they'd  
 11 like to understand, you know, the workload increments that  
 12 were increasing the cost -- we worked at that time, then, to  
 13 also show how we recognized that this was all workload  
 14 driven and there would be some increase; and, then, over  
 15 time, there'd be a decrease. So, we -- to perhaps meet  
 16 their concerns, and allay some fears, and answer some  
 17 questions we knew would be forthcoming -- laid out a five-  
 18 year program of where the workload was going and then tried  
 19 to indicate -- to price it out. And it did then show,  
 20 roughly over five years, that we could decrease state costs  
 21 40 percent, and we committed to stick to that plan and more  
 22 or less do that over the five years in question.

23 SUPERVISOR VAGIM: so, the 183, then, equals one-  
 24 fifth of the 40 percent?

25 MR. BOYD: Well, it equals -- I don't know. The

1 up.

2 MR. BOYD: Well, we'll have to look at that. I  
 3 mean, that's an academic --

4 SUPERVISOR VAGIM: so, you can talk about 40  
 5 percent reductions all over the map. But if fees go up,  
 6 people have a hard time understanding that.

7 NOW --

8 MR. BOYD: I appreciate that.

9 SUPERVISOR VAGIM: The other issue is when -- I  
 10 know when districts did their inventory, and I think it was  
 11 not uncommon for districts, when they did do their  
 12 inventories, they overestimated their inventories. And I  
 13 know for a fact that San Joaquin Valley had overestimated  
 14 their inventory, and had to come back and redo their  
 15 inventory; thus, they reduced their staff needs, which kind  
 16 of corresponds with a reduction of cost.

17 Did CARB have the same effect? When the districts  
 18 reduced their staff needs, did CARB reduce their staff  
 19 needs?

20 MR. BOYD: We ate half of the San Joaquin Valley  
 21 recalculation based -- the error that was made in the number  
 22 of facilities reduced the cost; we quietly split that with  
 23 your district.

24 MR. SCHEIBLE: And most of the savings of the  
 25 \$183,000 is a result of a permanent cut that came under the

1 ARB budget last year of four positions. And what we see is,  
 2 over time, as the workload goes down, as there's less need  
 3 to develop monitoring methods, to do new inventory  
 4 development, to go to the more maintenance type of  
 5 operations, the staffing at the ARB devoted to this program  
 6 is going down.

7 And each time we do that, we get a permanent  
 8 change in our budget and we reflect it in the program costs.

9 SUPERVISOR VAGIM: The staff at the state level --  
 10 and particularly CARB -- does anyone know the makeup of the  
 11 staff function? In other words, what percentage is in  
 12 actual risk assessment and what percentage is in actual fee  
 13 calculation?

14 MR. SCHEIBLE: Yes. We have a detail by number of  
 15 person/years --

16 SUPERVISOR VAGIM: Okay. There is some  
 17 discussion--

18 MR. SCHEIBLE: -- by element.

19 SUPERVISOR VAGIM: Okay. There is some discussion  
 20 that about half the staff is devoted just to fee setting; is  
 21 that true?

22 MR. SCHEIBLE: The budgeted amount to fee setting  
 23 is very low, and I think the experience shows we're probably  
 24 underbudgeted in that area. It's one or two staff persons  
 25 are in that. But, obviously, because of the sensitivity of

1 groupings of those and work on them.

2 SUPERVISOR VAGIM: see, there seems to be some  
 3 point of disagreement or maybe not disagreement, maybe just  
 4 definition what the work there is to be done. For example,  
 5 service stations and dry cleaners are two cases in point,  
 6 classic cases in point, where a lot of work has been done  
 7 over the years of really what they are. I mean, you know  
 8 one dry cleaner for another. They have the same process.  
 9 You've already put regulations on what their emissions can  
 10 be and, et cetera, same way with service stations.

11 There are other industries out there that have not  
 12 had that particular work done on them, because their --  
 13 their criteria pollutants have not been very high, so we  
 14 haven't been hanging around them very much, so to speak.

15 so, now, all of a sudden, they show up on the risk  
 16 assessment because they do have -- they fall in that  
 17 category, and work has to be done.

18 what they don't understand, a lot of them, is the  
 19 fact that why is a guy who's just as small as they are or  
 20 even -- they even may be smaller, having a lot less fee than  
 21 they have; when, in fact, they had not really been a part of  
 22 the whole air emission program before, anywhere that you can  
 23 look. And now they fall into it.

24 And that, I don't think, was made as clear  
 25 statewide as it possibly could have, because it has caused

1 this issue, we've devoted a lot of resources to that that  
 2 haven't been budgeted.

3 SUPERVISOR VAGIM: so, that document is available  
 4 on staff makeup. And that would be important, I guess, to  
 5 see.

6 I don't know if it's in our document here or not,  
 7 but -- and I'll leave it for the next --

8 MR. SCHEIBLE: It is, and we can point it out.

9 SUPERVISOR VAGIM: Good. The other issue is in  
 10 the risk assessment. It was in the middle of your  
 11 presentation when the chair asked a question. I intercepted  
 12 with another question, and I want to follow up on that,  
 13 because your answer was interesting.

14 You say it was not really the reason for  
 15 industrywide to have a lower calculation than  
 16 nonindustrywide for the known risk assessment of either one  
 17 of those industries. You felt they had -- both -- the same  
 18 amount of work to be done on either side, right?  
 19 industrywide versus nonindustrywide?

20 MR. AMES: Not necessarily on a per-facility  
 21 basis, no.

22 SUPERVISOR VAGIM: Or per industry, period, by  
 23 definition.

24 MR. AMES: Per industry basis, like dry cleaners,  
 25 you could group them together, and maybe into three or four

1 some problems.

2 And I would hope that -- well, I'm sure they got  
 3 ahold of the information by now, because they all got their  
 4 bills. But that's when we heard about it.

5 But you follow what I mean? A lot of these  
 6 industries had never had the problem before, from an air  
 7 emission problem. That, all of a sudden, when you came back  
 8 from a risk assessment, they fell into a new program that  
 9 caused them to start having a look at awful large invoices  
 10 that they never had in an air program before.

11 so, that has caused problems. And I would hope  
 12 that -- and, later, when we get down the road here, Madam  
 13 chair, I want to just offer some suggestions for the future.  
 14 so, thank you.

15 CHAIRWOMAN SCHAFFER: Thank you. Are there any  
 16 more questions from members of the Board for the staff at  
 17 this time?

18 Yes, Dr. Boston.

19 DR. BOSTON: On the fee assessment, does the  
 20 toxicity of the pollutant bear into the formula in any way?  
 21 Are more toxic substances assessed a higher fee than a less  
 22 toxic substance?

23 MR. AMES: Generally, yes, Dr. Boston. In one of  
 24 our slides in the presentation, we had the step function  
 25 there to try to -- in an attempt to illustrate that, as your

1 relative toxicity in combination with workload increases,  
2 generally speaking, your fee increases.

3 DR. BOSTON: As the toxicity goes up, the workload  
4 increases?

5 MR. AMES: well, in combination of the above. we  
6 looked at many different alternatives -- at pure toxics  
7 only. And in some instances, you had small, medium  
8 businesses with extremely high fees. so, we struck a  
9 balance. And to the extent practical, tried to look at  
10 basing fees largely on toxics. But it's a combination of  
11 workload, facility complexity, and toxics.

12 MR. SCHEIBLE: I think the fee structure reflects  
13 the significance of the toxics release in terms of, if you  
14 have a significant toxic release -- in terms of the toxicity  
15 and the quantity -- you then will be going into the risk  
16 assessment phase of the program.

17 When you become a source that has to do a risk  
18 assessment, your fee goes up, because the workload on the  
19 control agencies goes up quite a bit.

20 If you go to notification -- and that's after the  
21 risk assessment -- it's actually quantified as being an  
22 appreciable risk or significant risk, then, again, you end  
23 up paying a higher fee.

24 so, it's reflected in an indirect way. so, you  
25 may emit a very toxic compound. But if you emit it in small

1 MR. AMES: If I can give an example --

2 CHAIRWOMAN SCHAFFER: sure.

3 MR. AMES: -- and illustrate one area we're  
4 working on right now that is strongly supported by the air  
5 districts and industry, is to move away from the paper forms  
6 to user-friendly PC computer programs so that small, medium,  
7 and large business alike can use this user-friendly program  
8 to report to the district.

9 This streamlines the districts' efforts as well as  
10 the ARB's efforts and, over the long run, will greatly  
11 reduce the work required to update facility information and  
12 so forth.

13 CHAIRWOMAN SCHAFFER: okay. How about sharing  
14 information -- or, perhaps we already do that to a large  
15 extent -- between the district and the state, including  
16 those districts for which we may not adopt fee schedules?

17 MR. BOYD: That's done, Madam Chair. I mean, we  
18 just have a common state inventory. In many cases, the  
19 districts collect the data, but in many areas, we don't --  
20 you know, we don't overlap or duplicate. One or the other  
21 does the activity, and we share the data. And we certainly  
22 share all the risk assessment knowledge. And, of course,  
23 the Office of Environmental Health Hazard Assessment is the  
24 central point for that information.

25 And, as they do work, it's utilized in other areas

1 amounts, then you will never trigger the risk assessment;  
2 so, you will pay the lower fees.

3 DR. BOSTON: okay.

4 SUPERVISOR VAGIM: if they're not industrywide.

5 CHAIRWOMAN SCHAFFER: I'd sort of like to get some  
6 discussion and maybe some of the witnesses will bring this  
7 out, also, on the question that supervisor Wieder raised.  
8 And that is that the reason that we're able to achieve these  
9 savings is that you're simply working through the workload  
10 process.

11 Are there any -- is any work being done, any  
12 analysis being done on ways -- and I don't know how much  
13 overhead is involved here -- but, you know, finding just  
14 ways of saving money so that when we get to the steady-state  
15 part of this program, when most of that work has been  
16 completed, we've identified the sources, and taken steps to  
17 mitigate their effects on the public health, that we can  
18 begin to anticipate shaving overhead costs.

19 You know, maybe this is going to require some  
20 planning if it starts now. And maybe I'm not well-enough  
21 acquainted with the details of the day-in and day-out  
22 workload on this. But has the staff given any thought to  
23 that?

24 MR. AMES: Yes, Madam Chairwoman.

25 CHAIRWOMAN SCHAFFER: Yes, Mr. Ames.

1 of the program. And all of that chips away at the need to  
2 do additional work.

3 MR. AMES: One other illustration, if I may, is  
4 the streamlining of the inventory guidelines. Initially, to  
5 go through the first go-around and gather the information on  
6 emissions required a lot of source testing that had never  
7 been done before. And, so, once we had assurance that those  
8 numbers were reasonable and that the testing did not need to  
9 be every year or every other year, we were able to -- in the  
10 inventory guidelines, to substantially reduce the workload  
11 on source testing.

12 And this amounts to about an 85 percent reduction  
13 in cost to industry for testing and reporting.

14 CHAIRWOMAN SCHAFFER: if there are no further  
15 questions from Board members for the staff at this time, I'd  
16 like to begin the public testimony.

17 I understand one of our witnesses is on a short  
18 time schedule for a plane, so I will call Mr. Sturdavant  
19 first, San Diego Industrial Environmental Association. Are  
20 you here? Please come forward.

21 Good afternoon. Thank you for coming today.

22 MR. STURDAVANT: Thank you very much.

23 Madam Chairwoman and members of this governing  
24 Board, my name is Tim Sturdavant. I represent the San Diego  
25 Industrial Environmental Association, 43 member companies

1 that represent anywhere from utilities to aerospace to  
 2 electronics, ranging in the large manufacturing to the  
 3 medium to small manufacturing businesses.  
 4 I'd like to say that IEA, myself particularly,  
 5 have been a member of the Fee Regulation Committee that was  
 6 spoke of by the staff here, and have been involved in the  
 7 process for about two years. Pretty much, my attendance has  
 8 been there, so I'm sort of aware of the complications and  
 9 difficulties in trying to balance out the need to collect  
 10 the fees.  
 11 I'd like to start by saying -- giving a sincere  
 12 thanks and appreciation to ARB for opening up this process  
 13 to us, and to the OEHHA staff for participating as well.  
 14 And, in particular, we brought forth a concept, which you  
 15 saw on the slide, OEHHA labor tracking. That dovetails into  
 16 another program which we implemented in San Diego called fee  
 17 for service.  
 18 And fee for service is a mechanism where you can  
 19 assess a fee when you do work on behalf of a company, a  
 20 source, if you will. You track your hours. You charge  
 21 those hours, multiply them times an appropriate fee  
 22 schedule, and then factor in your overhead, and you bill  
 23 that company for the work performed.  
 24 It encourages companies to do a better job up  
 25 front in producing a health risk assessment. Or, in the

1 provide a good mechanism to track the work.  
 2 I'd like to also say that it's -- this whole  
 3 program has been a balancing act for all of us that have  
 4 been involved in the process. There are concerns on the  
 5 larger businesses and the medium business that small  
 6 business -- work is performed by the staff here on the  
 7 smaller businesses. And we have a concern that when work is  
 8 performed -- and there's a large number of them; in the case  
 9 of South Coast, there's 14,000 or better. When you add up  
 10 the number, even a small fee like \$50 represents a  
 11 significant amount in the overall fee recovery program. And  
 12 that's a cost that we wouldn't like to see the medium to  
 13 large businesses have to bear.  
 14 We totally support the "drive" that McCorquodale  
 15 sent forth with going to a toxics-based fee recovery  
 16 program. It does incentivize reducing emissions, which is  
 17 what this is all about, I would hope. And, concurrently, I  
 18 believe that, when we finally get to that stage, the program  
 19 maturity will get us all to a point where we can all not be  
 20 significant health risk facilities and totally get ourselves  
 21 to that level of contribution.  
 22 I would like to close by reiterating and affirming  
 23 our support for the fee regulation, as it's currently  
 24 proposed, and would encourage your Board to adopt it as  
 25 such. And, again, thank you very much for the invitation to

1 case -- I would entertain for future consideration, the risk  
 2 reduction audit and plans, because those area done on a  
 3 facility specific basis.  
 4 It encourages you to do good work up front, so  
 5 that by the time the district and subsequent OEHHA review  
 6 occurs, the time spent by the agency should be minimized  
 7 considerably.  
 8 It will not work, though, in areas where general  
 9 work is performed for the 2588 program as a whole. So, this  
 10 is a part of the program that affects primarily the  
 11 intermediate complex facilities, and we're encouraged by  
 12 OEHHA's acceptance of the labor tracking provisions this  
 13 year to get a database to understand what time's being  
 14 spent.  
 15 And our hope is that, next year, we can perhaps  
 16 begin to start billing sources based on that premise.  
 17 I want to also remind you that, in San Diego, all  
 18 of our billing done for permit review for criteria  
 19 pollutants and toxics on district work is on a fee-for-  
 20 service basis, and it works quite well.  
 21 And we're pleased with it. It's the one thing  
 22 that -- well, several things, but both industry and the  
 23 agency have no problems with it. And the agency went into  
 24 it kicking and screaming, as I would say, but you couldn't  
 25 get them to give it up now if you asked them to. They

1 speak here.  
 2 CHAIRWOMAN SCHAFFER: Thank you very much, Mr.  
 3 Sturdavant?  
 4 Are there questions from Board members for Mr.  
 5 Sturdavant? If not, thank you very much for making the time  
 6 to come and be with us today.  
 7 Yes, Ms. Edgerton?  
 8 MS. EDGERTON: I'd just like to comment that, sir,  
 9 your participation and that of so many people continues to  
 10 impress me so much. So many people do it on a volunteer  
 11 basis, and they work so hard on all of the committees around  
 12 the state to help to make our program work.  
 13 And I just wanted to comment that I appreciate it  
 14 very much.  
 15 CHAIRWOMAN SCHAFFER: Okay. Thank you very much.  
 16 The next witness is Ms. Pat Leyden, South Coast Air Quality  
 17 Management District.  
 18 Ms. Leyden. Good afternoon.  
 19 MS. LEYDEN: Thank you, Madam Chairwoman and  
 20 members of the Board.  
 21 Last year, we stood before you and recommended  
 22 that you adopt the regulations to set fees for the air toxic  
 23 hot spots program. We endorse the small business cap, and  
 24 express some concern over -- I think, as you heard from Jim  
 25 Boyd -- the changes that we knew would occur as we created

175

1 the new billing scheme and the potential impact that might  
2 have on some small and medium size businesses.  
3 since the start of the program, south coast has  
4 elected to be under the state adopted fee program. I know,  
5 anytime you talk about fees, you're in a tough hearing. And  
6 one of the things I'd like to say, as you begin this  
7 deliberation this afternoon, is that it is important to  
8 recognize the strength of the 2588 program.

9 we are just about to start to see the first  
10 benefits of this program in the south coast region. You may  
11 think you've been in this for a number of years, but this is  
12 a public notice program.

13 To get to the point where communities are noticed,  
14 you have to come all the way through the review, all the way  
15 through the risk reduction plan analysis process. And, this  
16 year, for the first time in the history of the program in  
17 southern California, we're about to send out our first  
18 public notices.

19 so, this program has the potential to be, I  
20 believe, one of the strongest and most comprehensive tools  
21 we have in California to reduce air toxics. And I think  
22 that needs to be kept in mind as we look at the fee issue.

23 The new fee methodology required the district to  
24 pull back and analyze 35,000 permits in order to develop  
25 this new billing list. Last summer, we knew, as you adopted

177

1 talking about a few more tiered steps into the program.  
2 We represent about 60 percent of the revenue in  
3 this program because we represent about 60 percent of the  
4 sources subject to these fees.

5 Last year, we held our costs flat. And, in fact,  
6 we have held our costs flat from the beginning of the  
7 program. This year, we've reduced our costs by almost a  
8 million dollars.

9 we want to also recognize that our colleagues at  
10 CARB have done the same by bringing their costs down.  
11 supervisor Wieder asked earlier how the cost  
12 reductions were accomplished at CARB. Let me answer that  
13 question for south coast.

14 when we started this program, we put 25 people on  
15 the program. We've held that staff constant for the last  
16 four years. This year, we laid off over a hundred people at  
17 the district. six of those people were involved in this  
18 program. That's how we've accomplished our cost savings.

19 That doesn't mean there's any less work to do;  
20 that simply means that there are fewer people to do it.

21 That's history. Let me talk a little bit about  
22 where we are today. This month, we mailed last year's  
23 bills. 2,749 individual sources received bills of between  
24 \$300 and \$12,000. 13,861 smaller companies received bills  
25 of a hundred dollars.

176

1 the methodology, that we would see fee reductions for some  
2 companies; we would see fee increases for others. But until  
3 we went through the process of applying the new methodology  
4 to existing permits, we could not have stood here and told  
5 you which kinds of companies would pay more and how much  
6 more.

7 And I'd like to take just a minute to explain  
8 that, because in hindsight, I wish we'd had the knowledge  
9 last year.

10 We issue permits by piece of equipment. Those  
11 35,000 companies represent over 100,000 equipment permits.  
12 The methodology that you adopted, as you have heard and as  
13 you know, is a surrogate for toxic emissions. You look at  
14 each piece of equipment. You quantify it by what type of  
15 process unit it is. You then count the number of process  
16 units in each facility. And that sets the stage for you to  
17 know if you have a simple, intermediate, or complex  
18 facility.

19 That took a fair amount of work on our part. Now,  
20 we know that a few sources will pay less and many medium-  
21 size sources will pay more.

22 Now, if we had known that a year ago, I believe I  
23 would have stood before you and urged you to phase in the  
24 fees in the program. You knew then and now that some small  
25 businesses needed capped. I think we could have been

1 of the 2,749 companies that received the larger  
2 bills, 369 of them were blessed by seeing a decrease. All  
3 the others saw significant increases.

4 We immediately set up a telephone hot line system  
5 that went in tandem with our bills. For the last two weeks,  
6 I've had eight individuals answering phone calls. It's been  
7 hard duty. some of the women have had to come off the line  
8 after a few hours, because the callers have been a bit  
9 abusive. There's been a lot of comforting going on as  
10 they've been answering those calls.

11 some of the people are confused and curious about  
12 the bills, but most of them are simply angry over getting a  
13 bill that is larger than bills they've seen before. And  
14 even the hundred dollar bills, as they go to companies that  
15 have not seen them before, have shared some concerns.

16 Many of those bills are to dry cleaners. I heard  
17 supervisor vagim ask about dry cleaners before. One of the  
18 things I think we have done pretty well is we've put a  
19 number of multilingual people on the small bill hotline.  
20 And we have found, by being able to — many of our dry  
21 cleaners are Korean. By being able to speak to them in  
22 their own language, it has taken many an angry call and  
23 turned it into a call that ended friendly.

24 They simply needed to understand the program. And  
25 many of those phone calls have ended with individuals

1 saying, "I'm happy that the district is doing the  
 2 industrywide risk assessment study, and that it is not  
 3 something that I have to do myself."  
 4 I wanted you to know that. To date, we've  
 5 received close to 2,000 phone calls during this two-week  
 6 period. About 27 percent of the companies receiving bills  
 7 \$800 or larger have called to complain, about 10 percent of  
 8 the companies receiving hundred dollar bills.  
 9 There is no question that we are on the right  
 10 conceptual track with this fee program. No one can argue  
 11 the concept that the cost of work should be the cost paid  
 12 for. That basic premise of a nexus between actual work and  
 13 cost is correct.  
 14 However, for us in the south coast, these bills  
 15 are still not truly based on toxic emissions. They are  
 16 based on the complexity of the source being a surrogate to  
 17 assess the toxicity of the emissions.  
 18 We recently let a contract to begin to enter into  
 19 a computerized database all of the toxic emissions data that  
 20 we have for all of these sources. And, again, I hope to be  
 21 here next year before you with a true toxic emissions  
 22 inventory.  
 23 As we build that inventory, we look forward to  
 24 working with your staff for possible future refinements in  
 25 this methodology, refinements that may well recognize what

1 you to adopt the proposals put before you today by your  
 2 staff, and thank you for giving me some time with you this  
 3 afternoon.  
 4 CHAIRWOMAN SCHAFFER: Thank you very much, Ms.  
 5 Leyden. Are there questions from Board members for this  
 6 witness?  
 7 Yes, supervisor Wieder.  
 8 SUPERVISOR WIEDER: Thank you, Pat, as usual, in  
 9 your very concise and articulate way and your candor, you've  
 10 placed the issues right before us.  
 11 But, again, I'm hearing something that's been  
 12 bothering me through this whole process, and it's really  
 13 being articulated for me at the end of the long road. And  
 14 that is the recognition that the intent to identify the cost  
 15 as to its true application, cause complying. I guess the  
 16 problem is, how do you identify what those costs were and  
 17 what they will be. And that still is troublesome to me.  
 18 My question that I have to ask of staff -- and  
 19 maybe you can answer, too, Pat, because you are asking for  
 20 the district to gain -- to establish their own regs in the  
 21 future. Will there be any uniformity to this? I mean, you  
 22 know, the dry cleaners, the service stations, and up in  
 23 Pat's part of the state, will probably have similar  
 24 problems. But then, will the costs applied be different?  
 25 Will the regs be different?

1 the total toxic load is at those facilities, not simply the  
 2 complexity of the facility.  
 3 We recommend that your regulations clearly  
 4 indicate that south coast can maintain the option of  
 5 adopting our own regulations this year, even after your  
 6 Board acts. However, our first priority will be to continue  
 7 what has been a long and successful partnership with your  
 8 staff on these regulations.  
 9 We work well together. I think we solve problems  
 10 well together, and we want to continue that in this program.  
 11 As we look at the regulations in the year to come,  
 12 the first issue for us will be to build a better toxic  
 13 inventory, as I indicated. The second is to match as close  
 14 as possible the true costs of this program on large sources.  
 15 The sources that saw the fee breaks are the biggest and  
 16 largest emitters in Southern California.  
 17 Our second goal is to accelerate the industrywide  
 18 risk analysis in order to minimize of 2588 on small  
 19 businesses. We look forward to continue to working with  
 20 CARB on the computerized risk analysis process, and we  
 21 recognize that here's one area where we think a couple of  
 22 other districts in the state are doing really state-of-the-  
 23 art work. And we look forward to piggybacking off of that  
 24 process with them.  
 25 Madam chairwoman and members of the Board, I urge

1 Will there be a responsibility at our level here  
 2 to have some uniformity? So, I don't know who's going to  
 3 give me those answers.  
 4 CHAIRWOMAN SCHAFFER: Mr. Venturini, would you like  
 5 to try?  
 6 MR. VENTURINI: Let me try to give it a shot.  
 7 For the districts which have requested us to adopt  
 8 the regulation for them -- for example, this year there are  
 9 12 districts -- the methodology is basically applied  
 10 uniformly across those districts.  
 11 For the other 22 districts that choose to adopt  
 12 their own fee method, there may be -- they may not be  
 13 uniform amongst those districts. But those districts chose  
 14 to come up with their methodology, because they felt they  
 15 were better able to deal with the situations in their local  
 16 districts.  
 17 One of the things that we on the Committee, each  
 18 year as we discuss this, is for the districts that have  
 19 requested to adopt for is to strike a balance in coming up  
 20 with a method that will work fairly and equitably amongst a  
 21 number of sometimes very diverse districts. Because we're  
 22 adopting methods for districts like south coast and for some  
 23 many smaller -- smaller districts.  
 24 I don't know. Does that get to --  
 25 SUPERVISOR WIEDER: No, it sure doesn't. It even

183

1 begs some more questions.

2 There is not really a justification that I'm  
3 hearing at all for determining how this program should be  
4 dealt with across the board. And I do recognize that there  
5 were some mistakes made, and you had not done this before,  
6 and everybody's finding their way.

7 But this is almost acknowledgment, which really  
8 frightens me, of people saying, "Nah, nah, nah, that's the  
9 way government operates."

10 There are many of the industries -- I think we  
11 have to recognize the fact the point that Pat made, and I  
12 think that's something to back up to, that there are many  
13 industries who are being touched, affected, and communicated  
14 by the regulatory agencies in air control throughout the  
15 state -- the districts, the state, et cetera, and have never  
16 had that encounter before.

17 I think that, in itself, is a problem. I don't  
18 know whether we've got a lot more homework to do, in spite  
19 of all the so-called public hearings. I do know at our own  
20 district board, we're very conscious and conscientious about  
21 wanting to deal with the small business community. That is  
22 something that this state Board certainly has been concerned  
23 with and very, very responsible towards -- not just the  
24 small business, but the total business community -- all  
25 working towards achieving the same goal to the best of their

185

1 approved this new methodology in '93; during this last year,  
2 with further discussion with the Fee Committee and the  
3 interested parties, we enhanced and refined that  
4 methodology.

5 And I'm sure that the experience we've gained this  
6 year with the program will lead us to further improvements  
7 and refinements in that methodology this next year. And  
8 it's all been geared to moving this program more and more  
9 toward a program which relates the fees to toxics emissions  
10 from facilities.

11 CHAIRWOMAN SCHAFFER: Offhand, do you -- have you  
12 calculated the percent of sources that fall within our fee  
13 schedule, because we've adopted the schedule for those 12  
14 districts?

15 If the South Coast is 60 percent and San Joaquin  
16 valley must be a pretty hefty percent of the 34 districts,  
17 how many are subject to the same fee schedule? What percent  
18 I mean.

19 MR. AMES: Roughly about 80 percent I would say.

20 CHAIRWOMAN SCHAFFER: That 80 percent already  
21 adopts our fee schedule.

22 MR. AMES: And one other point I would like to  
23 make is that the state portion of fees, like facilities are  
24 apportioned the same amount statewide, even though districts  
25 may apportion their fees very differently for similar

184

1 ability, and that's cleaning up the air.

2 so, having said all that, I think that there needs  
3 to take a hard look at establishing uniformity, whether the  
4 districts -- you know, I don't know, Pat, if you'll  
5 appreciate this. I know the independence that the south  
6 coast, my own district and wants to have, because we carry  
7 such a large proportion of the responsibility and the burden  
8 by virtue of the size.

9 There are those businesses that have statewide  
10 associations. I don't know if you've heard from them yet,  
11 but I bet you you're going to down the road as their members  
12 from Pat's part of the state talk to the people in my part  
13 of the state.

14 so, I think that's something that we've learned  
15 from them this past four years that we ought to do something  
16 about.

17 MR. VENTURINI: supervisor, let me just -- maybe I  
18 can help clarify in terms of the uniformity.

19 The methodology is applied uniformly across all  
20 those districts. So, in the development in the Fee  
21 Committee, the basic formula is derived, then it is applied  
22 uniformly amongst all those districts that have requested us  
23 to develop the fee method.

24 And you're correct. Each year, we learn and we  
25 improve the methodology, just as last year the Board first

1 sources.

2 SUPERVISOR WIEDER: okay. Thank you.

3 CHAIRWOMAN SCHAFFER: Yes, supervisor Vagim?

4 SUPERVISOR VAGIM: Thank you, Madam Chair. I  
5 guess I'm not sure what to learn from all your phone calls,  
6 but maybe you don't send bills out and call them last  
7 year's, and not expect to get phone calls.

8 San Joaquin valley, I guess, sent theirs out  
9 earlier. I'm sure we got a lot of phone calls. And I'm not  
10 sure if it's because of the delay or not. But there are  
11 some issues that I think that could have been handled a  
12 little bit more -- and I don't know where this, if there's  
13 any blame at all, because everyone's feeling their way  
14 through this program -- in a statewide kind of an even keel,  
15 so to speak, and that is the definition of an industrywide  
16 versus an industrywide.

17 And the way I understand, it was up to each  
18 district to make that definition. And, in some cases, we  
19 defined some industries or some applications where there  
20 were emissions to be not industrywide, because there wasn't  
21 much known about them before. And that's where a lot of the  
22 phone calls came in.

23 And I don't know if you've had the same problem,  
24 but --

25 MS. LEYDEN: I think our process was very clearly

186

1 in the board room. We happened, at the same time we were  
 2 going through this analysis on fees, to be in the process of  
 3 about six months of hearing before our governing board on  
 4 what for us is called Rule 1402, a rule designed to reduce  
 5 risk from existing sources.  
 6 so, it's sort of a BARCT rule for toxic reduction.  
 7 Because we were in that hearing room, many sources by type  
 8 of industry petitioned the Board to be designated  
 9 industrywide sources.  
 10 And you mentioned dry cleaners and gas stations,  
 11 they've been industrywide from the beginning through this  
 12 process. Chrome platers were assigned by the Board to the  
 13 industrywide category. so, too, studio film laboratories  
 14 were assigned to the industrywide category.  
 15 SUPERVISOR VAGIM: What did you do about  
 16 crematoriums?  
 17 (Laughter.)  
 18 MS. LEYDEN: I don't remember where crematoriums  
 19 fell.  
 20 DR. BOSTON: They're with the posthole diggers.  
 21 (Laughter.)  
 22 MS. LEYDEN: I'm sorry. I'm sorry. How's that for  
 23 an honest answer? I'll go look, if you really want to know,  
 24 and let you know.  
 25 SUPERVISOR VAGIM: Well, no, because that became

1 Mr. Murray, welcome to the ARB.  
 2 MR. MURRAY: Madam Chair, thank you very much.  
 3 And I appreciate the others who are going to wait in line  
 4 for me to make my comments, because I need to leave this  
 5 afternoon.  
 6 First of all, I think it's important in all this  
 7 to recognize -- and I want you to know -- that there were a  
 8 significant amount of -- there was a significant amount of  
 9 communication with businesses, in particular the trade  
 10 groups representing businesses, with staff.  
 11 I was involved in a lot of those meetings. And  
 12 they also went out of their, when we couldn't meet, to set  
 13 up many different conference calls in order to have the  
 14 opportunity to get input from us.  
 15 Many of those meetings were pretty intense.  
 16 obviously, when you're talking about fees, no one wants --  
 17 they want somebody else to either pay them or they don't  
 18 want to pay them themselves.  
 19 And, so, you know, allocating this -- the share of  
 20 expense here is a difficult one. So, I think it's important  
 21 that, in the context -- there's just a couple remarks I want  
 22 you to be aware and members of the Board that there has been  
 23 a lot of communication with staff on this issue right up to  
 24 today relative to the context of what you're about to  
 25 approve.

1 an issue in the valley.  
 2 MR. LEYDEN: Yeah, it didn't for us. I'm sorry.  
 3 SUPERVISOR VAGIM: Because I'm not sure if it's  
 4 the makeup of us or the makeup of the material that causes  
 5 the combustion -- I'm not sure which causes the toxics to be  
 6 in there. But maybe different individuals emit different  
 7 things, but --  
 8 (Laughter.)  
 9 MS. LEYDEN: I'm not touching that.  
 10 SUPERVISOR VAGIM: But there was a -- we could not  
 11 come -- our staff felt that they could not make an  
 12 industrywide classification; so, thus, the fees kicked in.  
 13 And they, for small businesses, were awful high last year.  
 14 And that's caused a significant problem.  
 15 MS. LEYDEN: One more comment, if I may add, on  
 16 the industrywide to a comment you made earlier. Are there  
 17 really all small businesses there? One of the things we  
 18 found is that we have some Fortune 500 companies that are in  
 19 the industrywide category, not a lot, but some.  
 20 Thank you.  
 21 CHAIRWOMAN SCHAFFER: Okay. Thank you very much,  
 22 Ms. Leyden.  
 23 If there are no more questions from Board members,  
 24 I'd like now to recognize Mr. Walt Murray with the  
 25 Manufacturers Council of the central valley.

1 Secondly, I'd like to support Mr. Sturdavant's  
 2 comments from the San Diego area. I just want to echo that  
 3 he really touched on some important points, most importantly  
 4 your concern and the one shared by the other supervisor,  
 5 supervisor Wieder (pronouncing)?  
 6 SUPERVISOR WIEDER: Wieder.  
 7 CHAIRWOMAN SCHAFFER: Wieder.  
 8 MR. MURRAY: Thank you. Forgive me. Concerning  
 9 the nature of the relationship of programmatic costs and how  
 10 those efficiencies improve over time and what is the rain  
 11 gauge for looking at how that improves over time.  
 12 I'm sure that the staff has been sensitized to  
 13 that, not only by yourselves, but we have talked a great  
 14 deal with them about that.  
 15 The other item that I just want to share with you  
 16 is the concern that we have about the -- Mr. Calderon's  
 17 bill, as it relates to this issue, 1731. It's a cost-  
 18 reduction bill. It's not a cost-expansion bill. I had to  
 19 make that comment, because Mr. Calderon, I think, developed  
 20 that bill with the intent of putting the monkey on business'  
 21 backs to develop a very aggressive plan for reduction; if  
 22 they hadn't already reduced, that they would submit a fairly  
 23 sophisticated plan for how to deal with the issue on an  
 24 audit plan and audit basis.  
 25 And, so, what you're really dealing there is a

191

1 review process of a plan that would be hopefully fairly  
2 intensive, fairly aggressive on the part of industry to  
3 develop that plan, much like they do their business plans in  
4 some of the other areas that they're dealing with.

5 so, I perceive that that particular bill really  
6 puts the burden on some of the districts to do a fairly  
7 extensive review process, and then pass that along for some  
8 not too many -- I would hope not too many significant  
9 comments on the part of either the Air Resources Board or  
10 OEHHA in looking at those plans, again recognizing that  
11 these companies have gone through the health risk  
12 assessment. A lot of that information has been identified  
13 and has gone back and forth between the district and the  
14 state agencies. And, so, you're rehashing a plan to reduce  
15 something that has already had a significant amount of  
16 exposure in terms of that business to the -- to the  
17 regulatory agencies.

18 so, that pretty much wraps up my comments. I  
19 appreciate the time that you've given me to address the  
20 Board. I was not planning on addressing it today for the  
21 very reason that we've exhausted a lot of this discussion  
22 with staff, and they've been very good in listening and  
23 having a listening ear to our comments already.

24 SUPERVISOR VAGIM: Madam Chair?

25 CHAIRWOMAN SCHAFFER: Thank you very much, Mr.

193

1 starting to come together to deal with this collectively in  
2 some way.

3 Now, what that inherently suggests is a downsizing  
4 issue. But downsizing, unfortunately, is a term that no one  
5 can avoid. Businesses are leading the way in downsizing.  
6 And, so, it may suggest that there may be some efficiencies  
7 of scale associated with the administration of the process.

8 Be that as it may be, forgive me, it's something  
9 we're faced with, and it's on our doorstep. And I know that  
10 I'll speak for just my businesses. For instance, it's not  
11 uncommon for the 49 businesses, or roughly 67 facilities  
12 that I represent, that the human resources manager fills out  
13 these reports. There isn't an environmental manager. He no  
14 longer exists, or she exists.

15 so, you know, that's an unfortunate way of life,  
16 but that's -- you may want to look at how that program may  
17 improve with doing the same kind of efficiencies.

18 MR. BOYD: Madam, might I make a comment --

19 CHAIRWOMAN SCHAFFER: Yes, Mr. Boyd.

20 MR. BOYD: -- at this point? I appreciate what

21 Mr. Murray indicated. I'd like to think maybe we're on the  
22 cutting edge of things. The toxics program at the ARB is  
23 located in Mr. Venturini's stationary source control  
24 Division, but that's just to show that we are trying to be  
25 efficient.

192

1 Murray. supervisor Vagim?

2 SUPERVISOR VAGIM: Yeah, at the San Joaquin Valley  
3 District, you had mentioned, when we had talked about this  
4 issue, you suggested that this whole toxic program ought to  
5 be made part of the general permit process.

6 Can you lay that out today, what you said?

7 MR. MURRAY: I'll be glad to elaborate with you on  
8 what I commented to the district board.

9 The San Joaquin Valley, of course, has taken upon  
10 themselves to kind of look ahead a little bit. And we're  
11 scared, because the Title 3 implications, the relationship  
12 it has to Title 5, the relationship that has to toxics and  
13 its next generation for plans and reduction, and the whole  
14 context in which that is wrapped together. And I don't  
15 think you can really separate them, unfortunately. It  
16 creates some real concerns for business.

17 To that, it just seemed really a wise move on Mr.  
18 Crow's part to get permitting and toxics together and start  
19 to deal with the communication aspects of those issues and  
20 how they're going to be conveyed and dealt with with the EPA  
21 and with the ARB on an ongoing basis.

22 I guess, by way of that, my request to the Board  
23 would be to suggest -- and to staff -- to look at the same  
24 kinds of administrative tasks that deal with looking at  
25 stationary source review issues within the ARB and toxics

1 But the other point is, as Mr. Murray may or may  
2 not know, the ARB doesn't engage in permitting. That's done  
3 at the local districts. So, I think we've done -- we've  
4 done all we could do to try to get an economy of scale or  
5 try to get efficiencies, and we're always looking for more.

6 But the advantage isn't there to as great a degree  
7 as it is perhaps at the local level. But we'll continue to  
8 look at this. We're engaged in every permit streamlining  
9 task force there is in the state and very interested in the  
10 subject.

11 CHAIRWOMAN SCHAFFER: Yes, supervisor Riordan.

12 SUPERVISOR RIORDAN: Madam Chair, if I could. I  
13 think I heard the speaker correctly when he mentioned Mr.  
14 Calderon's bill.

15 MR. MURRAY: SB 1731.

16 SUPERVISOR RIORDAN: Right. And if I heard staff,  
17 it sounded like Calderon's bill actually added some  
18 responsibility. Is that what I heard?

19 MR. VENTURINI: Yes. The bill added some  
20 responsibilities to the program, which added additional  
21 workload, not only to the ARB and OEHHA, but also to the  
22 local districts. And that was discussed and incorporated in  
23 the program last year when the Board adopted that.

24 MR. MURRAY: Yeah. The issue that I -- there are  
25 several components to that bill. The issue that I refer to

1 is in the plan and audit area, which just directly puts the  
2 monkey on the backs of business to come up with the -- I  
3 didn't want you to get the impression that someone else was  
4 developing those plans.

5 It was for me, or at least for the businesses that  
6 I have discussed this with, it's really a review process.  
7 There is -- there are the other components of OEHHA's  
8 development of the guidelines. There is the other component  
9 that Mr. Venturini has just mentioned.

10 But he -- in terms of the big block that -- the  
11 four blocks shown on the overhead there that talks about  
12 plan and audits, that falls in the office where they're  
13 having to plan and reduce.

14 SUPERVISOR RIORDAN: I recognize that. I think my  
15 point was that, unfortunately, as occurs in most  
16 legislation, many burdens are placed on all of us -- the  
17 private sector as well as some of the enforcement agencies.  
18 And, of course, you know, never any money with it that comes  
19 from any magic source other than usually probably fees.

20 And it is of a concern to me, because my hope is  
21 that, as legislation is proposed, that we're all there at  
22 the table discussing what burden that places on all of us.  
23 And, you know, I'm as guilty as anybody not being there at  
24 that table.

25 But it's clear to me, we begin to understand some

1 This fee mechanism is one that has been described  
2 by Pat Leyden and by your staff as one that is transitional,  
3 I guess, because it doesn't address the toxicity in the  
4 issue. I was very glad to hear the south coast  
5 representative say they would like to see it move in that  
6 direction.

7 That's the same direction we'd like to see it  
8 move. It has some interesting effects. The statute now, as  
9 it is, goes to the complexity of the facility. And an  
10 aerospace facility is very complex and has many processes.  
11 Hence, we're elevated -- most aerospace facilities are  
12 elevated into the higher fee category.

13 And Ms. Leyden mentioned that there were a number  
14 of facilities with fee increases.

15 Over the lunch hour, I talked to the Northrup-  
16 Grumman folks, their fees are going to go up 25 percent.  
17 They just got the bill like everybody else. so, they're  
18 very concerned.

19 We're pleased to see that people are moving it in  
20 the right direction.

21 Thank you.

22 CHAIRWOMAN SCHAFFER: Very good. Are there  
23 questions for Mr. Hunter? Excuse me, sir. If not, thank  
24 you very much.

25 Let me ask a question of staff at this point.

1 of the requirements and their costs. And probably it's at  
2 that point of legislation that we ought to be in there  
3 talking about how to really make these things more  
4 streamlined, so they don't become burdens and they don't  
5 become additional fees, and that's the time to talk about  
6 it, not usually later when it's at the point of, you know,  
7 sending out the bill and somebody having to bear the burden  
8 of that bill.

9 CHAIRWOMAN SCHAFFER: Well said. Any other  
10 questions for Mr. Murray?

11 If not, I thank you very much for your  
12 participation this afternoon.

13 I'd now like to recognize Mr. John Hunter,  
14 representing Northrup-Grumman. Mr. Hunter, are you here?

15 MR. HUNTER: Yes.

16 Madam Chair, members.

17 CHAIRWOMAN SCHAFFER: Yes, good afternoon.

18 MR. HUNTER: My name is John Hunter, and I am here  
19 for Northrup-Grumman. This is going to be very brief,  
20 because it's been covered by the previous witnesses.

21 The specific point that Northrup would like to  
22 bring forward today is to point out a submission -- a  
23 written submission for the record by the California  
24 Aerospace Environmental Association that questions whether  
25 these fees comport well with the McCorquodale bill, 1378.

1 Because you have to recover costs, at this time in  
2 the development of the program, I gather that there some  
3 justification for the fee structure being based partly on  
4 the complexity of the activity, which then is, in turn,  
5 reflected in these costs.

6 As we get to steady state, after we, you know, do  
7 all of the steps in this process, will that particular part  
8 of the cost burden begin to drop off? Then we can more  
9 precisely relate the emissions to the fees and, therefore,  
10 develop an incentive to reduce emissions by the opportunity  
11 to reduce fees?

12 MR. VENTURINI: Let me give this a shot. I think,  
13 as I reflect on the method, it's really a combination of  
14 complexity in the facility and also workload. And I think,  
15 as Mr. Scheible mentioned earlier, the more complex and  
16 whether or not the facility has to do a risk assessment and  
17 notification is, in our view, a pretty good indicator of the  
18 relative potential health risk faced by that facility.

19 It was interesting to me that, when we -- prior to  
20 the Board hearing last year, when we were moving toward a  
21 new methodology, we investigated and discussed with the Fee  
22 committee probably at least half a dozen different  
23 methodologies, one being a potency-weighted toxics  
24 inventory.

25 And we also had some experience from the Bay Area

199

1 District, which was one of the first districts to go to a  
 2 toxics inventory because of their data collection. And they  
 3 had quite a bit of difficulty earlier on with the potency-  
 4 weighted toxics emission inventory.  
 5 And the example I remember is hexavalent chromium  
 6 is a fairly potent compound. And if you just did a potency-  
 7 weighted emissions, you would find that chrome platers, many  
 8 of which are smaller businesses, would have extremely high  
 9 fees.  
 10 so, they had to, once they do that, they had to  
 11 then step back and say, well, if that's not feasible for  
 12 those facilities, they had to put some caps of levelizers in  
 13 there, so there was some equity and fairness in that.  
 14 And, so, that's, I think, the thing that we're  
 15 struggling for. I think, as the program matures, I think  
 16 there will be some more levelizing of some of these fees.  
 17 And I think one of the things we found in this program, that  
 18 many facilities, because they prefer not to have to notify  
 19 people, there have been facilities that have voluntarily  
 20 reduced their emissions to not have to notify.  
 21 And that, then, puts them obviously in a lower fee  
 22 category.  
 23 so, I think that those are the things that we're  
 24 seeing. And, clearly, I think over time, as more facilities  
 25 go through some of these -- what I would call the more

200

1 complex and the more risk notification, even not in plan  
 2 categories -- as the facilities go through those  
 3 categories, once they're completed, they will drop down to a  
 4 lower category just as the program is now.  
 5 This year, a facility may be charged a fee because  
 6 they have to do a risk assessment. Well, that's going to be  
 7 a higher fee, because of the workload associated with that.  
 8 Once that risk assessment is completed, that facility --  
 9 unless it has to go to a notification -- will revert back to  
 10 a plan and report fee.  
 11 CHAIRWOMAN SCHAFFER: What happens after  
 12 notification? I guess where I'm going with this is that, at  
 13 some point, if we had a system that was -- that had a fee  
 14 commensurate with emissions, as you reduced emissions, your  
 15 fee would go down. And you have an incentive built into the  
 16 structure.  
 17 MR. VENTURINI: After notification, the district  
 18 determines whether or not that facility is required to do a  
 19 risk reduction audit and plan. If they're required to do  
 20 that, then their fee will probably go up.  
 21 If they're not required to do that, then their fee  
 22 will drop down to a much lower category.  
 23 CHAIRWOMAN SCHAFFER: And after the risk reduction  
 24 plan is put into effect, do they get the benefit of a  
 25 reduced fee?

201

1 MR. VENTURINI: They would go to a lower category.  
 2 CHAIRWOMAN SCHAFFER: Lower fee. Okay.  
 3 MR. SCHEIBLE: I think that's a choice that we're  
 4 getting to the point where the Board can make and the local  
 5 districts can make in terms of how best you fix the fees.  
 6 Up to the this point, we haven't had enough toxics  
 7 information to really go to a solely toxics basis. And,  
 8 then, you have to decide, is it best to do that and use it  
 9 as an incentive to reduce emissions? Or is it best to say  
 10 it's a workload program, a source that's one-tenth the  
 11 toxicity of another source in terms of its emissions.  
 12 It may still cause exactly the same amount of work  
 13 on the agencies, because you have to review their work and  
 14 make sure it's done adequately. But that's, I think, the  
 15 law probably allows you to go either way with how you do it  
 16 and what's the best way is clearly --  
 17 CHAIRWOMAN SCHAFFER: I'm just pushing the boundary  
 18 with that question right now. Okay.  
 19 The next witness is Mr. Dean High, the Metal  
 20 Finishing Association of Southern California.  
 21 Good afternoon, Mr. High.  
 22 MR. HIGH: Good afternoon to you, Madam Chairman,  
 23 or Chairwoman, and members of the Board.  
 24 I'm here to make about three points to you today.  
 25 And the people I represent are the metal finishers. They're

202

1 the chrome platers, the nickel finishers, anybody that makes  
 2 any metal or finishes anything in your home or in this room  
 3 has been handled probably by a metal finisher (sic).  
 4 so, those are the people that I represent. The  
 5 typical company is about 20 employees with a revenue of  
 6 about \$750,000. We do have some very big members and we  
 7 have lots that are under 10 employees.  
 8 Our industry has been regulated heavily in the  
 9 last four or five years, and any further fees or regulations  
 10 just cause additional attrition of our industry.  
 11 Our industry is kind of a central link in a chain  
 12 of industrial manufacturing. Anybody that does any kind of  
 13 metal work has to have it either plated, or finished, or  
 14 painted, or something. And, so, it's a part of the  
 15 infrastructure of all of our industry; in this case, in  
 16 southern California.  
 17 Our comments today, the three points I wish to  
 18 make is, first, the toxics fee schedule that you have and  
 19 the proposal you have before you still has some problems.  
 20 And they've already been discussed a lot by staff and by  
 21 some of your Board members.  
 22 But the examples that I can cite for you there in  
 23 the south coast basin, where my members just recently got  
 24 their bill, is that these little small companies, some of  
 25 them were in the industrywide category and they got a

203

1 hundred dollar bill. Others didn't fall into that category,  
2 but they were still small businesses; got a \$700 bill.  
3 Others had taken it upon themselves to do a little plan and  
4 inventory, and they got a bill for 810. So, nobody seemed  
5 to be happy.

6 so, I don't know the answer to it, but it seems to  
7 me that maybe some kind of a simplification of those small  
8 industry categories would be a step in that direction.

9 CHAIRWOMAN SCHAFFER: Let me just as a question.  
10 That was within your industry organization --

11 MR. HIGH: In our industry, yes.

12 CHAIRWOMAN SCHAFFER: -- you had members that fell  
13 into each of those categories?

14 MR. HIGH: All three categories.

15 And the next point I'd like to make is we would  
16 like to see -- and we would recommend strongly that there be  
17 some kind of a sunset provision in your fee schedule for a  
18 company once they reduce their emissions below any toxic hot  
19 spot health risk level that the districts consider bad or  
20 health provoking.

21 The way it's laid out right now -- and I'm not  
22 terribly familiar with the administration of the programs --  
23 but the way it's laid out, the people will pay, I guess now,  
24 for four years beyond the time they do a health assessment  
25 before the next inventory and health risk assessment is

205

1 the duties laid out by the staff here in their report --  
2 it's actually page 35 of section 3 of your report -- they  
3 list all the duties and things that need to be done by staff  
4 under this 2588 hot spots rule. The thing that I'd like to  
5 see added -- we would urge you to add -- is some amount of  
6 ambient air monitoring, for two reasons.

7 We'd like to see -- the credibility of the  
8 program, we think, would go up if you could show that  
9 there's some benefit to the public by having reduced these  
10 various toxic emissions.

11 secondly, we'd like to see, perhaps in an area  
12 where you have some sensitive receptors, for example -- do  
13 some monitoring to show that you've reduced the exposure of  
14 those people from the nearest major sources.

15 This recommendation we will make at the OEHHA  
16 workshop on August 16th. But I'm mentioning it to you here  
17 today, because it has to do with the fees and the way you  
18 spend your money that is collected to carry out this  
19 program.

20 We think, in both cases, it would improve the  
21 public acceptance, even in industry -- as an example, I can  
22 tell you that the -- in the sanitation districts, they had  
23 programs to reduce the amount of toxics that were discharged  
24 into the sanitation sewers, et cetera. And people, if they  
25 can see that the amount of discharge that's going to the

204

1 required, or maybe it'd take eight years before you could  
2 prove that you were no longer a major choice.

3 If I understand the rules correctly now, it's  
4 going to be a four-year program instead of a two-year  
5 program. Every four years you'll have to do an inventory  
6 and follow on with the next -- the other steps as  
7 appropriate.

8 We would like to see if our industry category or a  
9 source could prove they are no longer putting out X-amount  
10 of pollution, there ought to be some way to get out of the  
11 fees and get them off the program.

12 One example is a company called Foss Plating. And  
13 Carol Foss participated in these workshops for this issue  
14 here today. And their company, when Rule 1169 was developed  
15 down in the south coast Air Basin that dealt with chrome  
16 plating, their company elected to switch to trivalent  
17 chrome, which was considered noncarcinogenic and it was not  
18 going to be a problem. Even having done that, they still  
19 had some 1,1,1-TCA that they used as solvent.

20 And Carol did her own health risk assessment and  
21 did a little inventory and sent it in. And, so, now, she's  
22 being charged \$810. And it would seem to me that her risk  
23 to the public would be just about inconsequential. And,  
24 yet, she's in that category.

25 The third point I wish to make is that the -- in

206

1 districts has been reduced 35, or 70, or 80 percent, at  
2 least you feel like, well, I'm paying for it, but we're  
3 doing something good.

4 In this case, we don't see any evidence of that  
5 improvement in our air quality.

6 Those are my three points. I thank you.

7 MR. LAGARIAS: Madam chair?

8 CHAIRWOMAN SCHAFFER: Yes, Mr. Lagarias.

9 MR. LAGARIAS: I think we should recognize, first,  
10 that the ARB and Metal Finishers of southern California were  
11 recognized with an award by the south coast about two years  
12 ago because of the joint efforts that they had carried out  
13 in developing a method for the hexavalent chrome emission  
14 problem.

15 so, we're well aware of the cooperation that took  
16 place. And I'm only sorry that your name was not identified  
17 for the work that you did in the process.

18 MR. HIGH: But our association did share it with  
19 CARB, and we thank you for that opportunity to work  
20 together.

21 MR. LAGARIAS: All right. Now, I have one comment  
22 and one question.

23 You may have heard that the ARB has been  
24 developing analytical monitoring techniques for these toxic  
25 material. And because of their very low concentrations in

207

1 the atmosphere, it has often been very difficult to actually  
2 get measurements.

3 But the analytical techniques have been developed  
4 and are being incorporated, both in the south coast and in  
5 the Bay Area that I'm aware of. And, of course, you know,  
6 we supplement that with modeling techniques. And using the  
7 emission data that comes from 2588, it is possible to show  
8 reductions by the modeling processes that we have available.

9 But, finally, I have a question. You asked that  
10 some of your industry be identified differently or in  
11 different categories. Do you know whether the South Coast  
12 has a process whereby you can go to them and appeal your  
13 identification or your categorization of your industry or  
14 your process, rather than wait four years?

15 MR. HIGH: I can't answer that. I cannot answer  
16 that.

17 MR. LAGARIAS: Maybe Pat can.

18 MR. HIGH: Pat Leyden might be able to answer it.

19 CHAIRWOMAN SCHAFFER: Ms. Leyden.

20 MS. LEYDEN: Thank you, Jack. I wanted to answer  
21 two of his points real quickly, if I might.

22 First of all, if Foss Plating is a chrome plating  
23 business, and we caught it in a 2588 fee because it was in  
24 plan review, but it should be in an industrywide fee, if  
25 you'll get with me afterwards, we'll correct that for him.

209

1 averaged about half a nanogram per cubic meter. CARB  
2 changed their analytical procedure about 1990 or '91, and  
3 the measurements they're showing now are higher than they  
4 were in that '86 to '89 period.

5 And the major thing that happened between '89 and  
6 '92, was that we reduced the emissions of hex chrome in the  
7 South Coast District by at least 90 percent by eliminating  
8 all the chrome from cooling towers and by this Rule 1169  
9 that reduced the emissions from our industry by significant  
10 amounts.

11 And, so, it's kind of heartbreaking to see the  
12 results of the air quality data to see that it's not gone  
13 down, but maybe it's even gone up. I think part of the  
14 problem is in the analyticals. But that's one of our  
15 concerns.

16 CHAIRWOMAN SCHAFFER: Is the staff prepared at this  
17 time to talk about the analytical chemistry involved here?

18 MR. VENTURINI: No, but I would think that -- I  
19 would suggest that we can put Mr. High in touch with our  
20 Monitoring Laboratory Division people that conduct that work  
21 and discuss the changes that occurred.

22 CHAIRWOMAN SCHAFFER: It may be an artifact of the  
23 way the measurement changed, is that -- that's what you're  
24 suggesting, I'm sure.

25 Okay. We will ask somebody to take a look at

208

1 We sorted all of these by their SIC code. so,  
2 they were sorted first by process unit, and then they were  
3 sorted secondly by their standard industrial code as part  
4 of the check to make sure we got all chrome platers. But  
5 that doesn't mean we missed one. And we'd be very happy to  
6 correct that.

7 The second thing I wanted to add just quickly is  
8 that just as the state breaks down actual time for every  
9 task associated with this, we do the same. And part of our  
10 costs do involve ambient air monitoring. We have seven  
11 toxic air monitoring stations. They are located in those  
12 communities that have the highest toxic emitting facilities  
13 within them. And we have about 30 portable stations that,  
14 based on complaints and needs, we set up around the basin.

15 So, some of the costs of the toxic speciation at  
16 those seven stations are ascribed to the program.

17 MR. HIGH: Madam Chairwoman, may I add one point,  
18 please?

19 CHAIRWOMAN SCHAFFER: Yes. Certainly, Mr. High.

20 MR. HIGH: We have a particular interest in  
21 hexavalent chrome by the nature of our industry. And one of  
22 the concerns we've had in the last two or three years is  
23 the measurements of hexavalent chrome at the air monitoring  
24 sites.

25 In the '86 to '89, the concentration of hex chrome

210

1 that.

2 MR. HIGH: Thank you.

3 CHAIRWOMAN SCHAFFER: Supervisor Riordan.

4 SUPERVISOR RIORDAN: Madam Chair, if I might, to  
5 follow up on Mr. High's last comment, which was you get the  
6 information and you hope you've made some progress. Then we  
7 communicate that in some way back to, quote, "the affected  
8 industry," but also perhaps to the general public.

9 And I'd like the staff response to that. Because I  
10 think that's a very good idea. You know, we've got to talk  
11 about what we're doing. And, certainly, it would make a  
12 person feel better to pay a fee to think that, yeah,  
13 something's getting done.

14 Is there a way to accomplish that or are we doing  
15 that?

16 MR. VENTURINI: Supervisor Riordan, ever since the  
17 inception of our air toxics program in '84, the 1807  
18 element, we have periodically put out basically fact sheets  
19 that we keep the public and interested parties apprised of  
20 the developments of the program, the various steps that have  
21 been taken, progress on the program.

22 And we recently put together a pamphlet on the air  
23 toxics program. We use those two mechanisms to provide  
24 people with information about the program, and the benefits,  
25 and basically the reductions that have been occurring to

1 protect public health as a result of the program. And we  
 2 continue to put those together.  
 3 (Thereupon, there was a pause in the  
 4 proceedings to allow the reporter to  
 5 replenish her stenograph paper.)  
 6 CHAIRWOMAN SCHAFFER: Go ahead, supervisor Riordan.  
 7 SUPERVISOR RIORDAN: The thought occurred to me.  
 8 Perhaps we could get some of those pamphlets to Mr. High  
 9 who, in turn, could share them with his association.  
 10 MR. BOYD: Be happy to.  
 11 SUPERVISOR RIORDAN: I think that would be very,  
 12 very --  
 13 MR. VENTURINI: We'd be glad to.  
 14 SUPERVISOR RIORDAN: -- helpful. Thank you.  
 15 CHAIRWOMAN SCHAFFER: Mr. Lagarias?  
 16 MR. LAGARIAS: One last point. If the change in  
 17 analytical techniques gives you problems, you know you can  
 18 go back by modeling. And with a 90 percent reduction, I'm  
 19 sure you can show a dramatic improvement by the emission  
 20 inventories that you use.  
 21 MR. HIGH: It's our view that the modeling with  
 22 the inputs that are typically used overstate the magnitude  
 23 of the problem. And that's why we're pushing to get some  
 24 ambient monitoring to validate the models.  
 25 That's why we're anxious for that.

1 incorporated into the current fee structure. We believe  
 2 that the program should encourage reduction of air toxics  
 3 emissions by assessing fees on sources of air toxics.  
 4 And, in addition, I wanted to note that prior to  
 5 the shift in fee structure, as well as during the  
 6 development of the 94-95 amendments, ARB provided numerous  
 7 opportunities for public input, number of workshops,  
 8 meetings, and conference calls as the ARB did indicate.  
 9 I just wanted to emphasize that, and also note in  
 10 that regard that ARB's outreach effort for businesses, in  
 11 the San Joaquin Valley in particular, has been exceptional.  
 12 We feel that effort has resulted in a number of innovative  
 13 solutions to deal with the difference in the valley's  
 14 stationary source definition in a manner that will hopefully  
 15 be least burdensome to businesses.  
 16 We believe that the current program and the  
 17 proposed amendments are positive steps toward achieving 2588  
 18 objectives, and also believe that continued streamlining and  
 19 refinement of the program over the coming years will provide  
 20 opportunities to address any outstanding concerns.  
 21 One last note, we do look forward to seeing  
 22 continued reduction of state costs as they 2588 program  
 23 moves into more of a maintenance mode. And I appreciate the  
 24 opportunity to comment.  
 25 CHAIRWOMAN SCHAFFER: Very good. Are there any

1 CHAIRWOMAN SCHAFFER: Okay. If there are no other  
 2 questions for Mr. High, I want to thank you --  
 3 MR. HIGH: Thank you.  
 4 CHAIRWOMAN SCHAFFER: -- very much for your  
 5 appearance here this afternoon.  
 6 I'd now like to recognize Mr. Jeff Sickenger of  
 7 the Western States Petroleum Association.  
 8 Good afternoon.  
 9 MR. SICKENGER: Good afternoon. Thank you, Madam  
 10 Chairwoman and members of the Board.  
 11 My name is Jeff Sickenger. I represent the  
 12 Western States Petroleum Association.  
 13 We're a trade association representing a number of  
 14 companies involved in all aspects of petroleum operations in  
 15 the Western United States.  
 16 I want to be brief today, but I want to indicate  
 17 that WSPA does support ARB's current 2588 fee structure as  
 18 well as the proposed amendments to the fee regulation for  
 19 fiscal year 1994-95.  
 20 As amended, we believe that the fee regulation is  
 21 consistent with the original intent of both AB 2588 and SB  
 22 1378 to shift program costs from a criteria pollutant basis  
 23 to a toxic emission and health risk priority basis.  
 24 Just a few points in that regard. WSPA supports  
 25 the fee for service approach that we perceive as

1 questions for Mr. Sickenger?  
 2 MR. SICKENGER: Thank you.  
 3 CHAIRWOMAN SCHAFFER: Thank you very much for your  
 4 appearance this afternoon.  
 5 I'd like now to recognize Mr. Mathew Dustin of  
 6 the California Paint Council. Good afternoon, Mr. Dustin.  
 7 MR. DUSTIN: Good afternoon, Madam Chairwoman and  
 8 members of the Board.  
 9 Everytime fees shift, there are those that come  
 10 off better and those that come off worse. From all reports  
 11 so far, the paint coatings industry is in the latter  
 12 category; we're worse off.  
 13 Of course, those who are better off did not find  
 14 necessary to be here today.  
 15 While most paint manufacturers do not meet the  
 16 CARB definition of small businesses, their relatively small  
 17 sizes make it difficult to absorb the 800 percent increase  
 18 that many are reporting to me.  
 19 The industry is hardly in its heyday. Last year  
 20 alone, hard times were made worse by the imposition of at  
 21 least four new fee programs by the state.  
 22 The amount of toxic materials emitted from many  
 23 plants is not great either. Indeed, one company reporting a  
 24 huge increase emits less than 10 pounds of toxic materials  
 25 per year.

215

1 our members are also experiencing some difficulty  
2 in receiving accurate information about the fees or the fee  
3 increases. For example, companies in Los Angeles that have  
4 called the south Coast Air Quality Management District to  
5 discuss the fees, sometimes to vent frustration, I'm sure,  
6 have been told that it is a CARB fee over which they have no  
7 control.

8 These same companies are then told by CARB that  
9 they are merely collecting the fees for the SCAQMD. The  
10 result is that many companies are left to assume that the  
11 real reason the fees are being collected in this manner is  
12 in order to circumvent the fee increase limits applicable in  
13 the south Coast.

14 Our members wonder if this process, if lawful, is  
15 fair.

16 If these fees can be reconsidered or increases  
17 phased in over a period of years, as Ms. Leyden mentioned,  
18 it would certainly benefit an industry which has seen many  
19 facilities move east and south in recent years.

20 Thank you.

21 CHAIRWOMAN SCHAFFER: Thank you very much, Mr.  
22 Dustin. Are there questions for Mr. Dustin from members of  
23 the board?

24 supervisor Riordan.

25 SUPERVISOR RIORDAN: Does staff have a response to

217

1 participation and the time the fee is actually billed, we  
2 need to do a better job -- we, collectively, the districts  
3 and us, I suspect, and the industry reps, as well, of the  
4 trade associations -- in communicating with those people  
5 closer to the time that they would be billed, just so that  
6 there is some preparation in order to avoid the sort of ex  
7 post couple of thousand phone calls. We might be able to do  
8 some more work up front in explaining what you're getting  
9 and why you're getting it ahead of time, you know, using the  
10 good offices of these trade associations to do that.

11 MR. DUSTIN: Yes. We would, of course, be more  
12 than happy to communicate any information and use our  
13 publications to invite input by member companies as well.

14 CHAIRWOMAN SCHAFFER: Very good. Thank you very  
15 much, Mr. Dustin.

16 CHAIRWOMAN SCHAFFER: Next, I'd like to recognize  
17 Cindy Tuck of the California Council for Environmental and  
18 Economic Balance. Ms. Tuck.

19 Good afternoon.

20 MS. TUCK: Good afternoon.

21 Thank you, Chairwoman Schaffer and Board members,  
22 Cindy Tuck on behalf of CCEEB. CCEEB has been involved in  
23 this program since the bill was introduced by Lloyd Connelly  
24 back in 1987, and I have very brief comments today.

25 We've worked with ARB for years on this program.

216

1 his concerns? Everybody always points the finger somewhere  
2 else. I can just hear the conversation.

3 MR. VENTURINI: Just briefly, not knowing the  
4 specific facilities and what category they may be in, it's  
5 hard to respond. It may be that some facilities may be in  
6 a, say having to do a risk assessment. And, therefore, they  
7 have an increased fee this year.

8 But then, after that risk assessment is done, they  
9 go back to a lower fee. One thing I would like to suggest,  
10 and Mr. Dustin would like -- and we welcome his  
11 participation as we look to improving and refining the  
12 methodology next year, we'd appreciate any input that he and  
13 his members would have to that process.

14 And we'd be glad to talk to you about any of your  
15 specific facilities for this year.

16 MR. DUSTIN: Thank you. I appreciate that. And  
17 we would like to participate.

18 CHAIRWOMAN SCHAFFER: Thank you very much.  
19 One thing that occurs to me, and this may be the  
20 time to bring up this point, is that there seems to be a  
21 fair amount of participation by the affected industry in the  
22 development of the fee itself and the fee schedule leading  
23 up to this hearing.

24 but because there is apparently a fairly long gap  
25 between the time we develop the fee and we have this

1 Consistent with our position of last year, we support the  
2 staff's proposal that is before you today, and we do urge,  
3 as the last commenter did, urge the Board and the staff to  
4 continue to look for opportunities to reduce state costs as  
5 the program moves to a steady state status.

6 And I would like to compliment the staff  
7 particularly in this program. There have been excellent  
8 opportunities for input through all the steps, and we  
9 appreciate that opportunity for due process.

10 That concludes my comments. I'd be glad to answer  
11 any questions.

12 CHAIRWOMAN SCHAFFER: Thank you very much. Are  
13 there questions for Ms. Tuck from the members of the Board?

14 If not, I want to thank you for your  
15 organization's participation with us on this and, of course,  
16 many other issues that come before the Air Resources Board.

17 MS. TUCK: Thank you.

18 CHAIRWOMAN SCHAFFER: Thank you. If there are no  
19 other witnesses who would like to be heard, members of the  
20 public who would like to be heard this afternoon, I'd like  
21 to ask staff, for the record, to summarize the written  
22 comments that the Board has received by individuals who are  
23 unable to testify at the hearing.

24 Mr. Boyd, are there any such comments?

25 MR. BOYD: Yes, I believe there are.

1 MR. KORENBERG: Thank you.  
 2 During our 45-day public review period, we  
 3 received the following comments on our proposal.  
 4 We received updates to industrywide counts from 31  
 5 districts. Fees and the distribution of the state's costs  
 6 will be revised using these new numbers.  
 7 We received letters from seven districts, as I  
 8 mentioned earlier. Fees and the distribution of the state's  
 9 costs will be revised using these new facility count  
 10 numbers.  
 11 We received a letter from Mr. Roger Funston  
 12 (phonetic) of McFarland Energy recommending changes to the  
 13 fee methodology. Since we received this letter, we've  
 14 talked with Mr. Funston. He understands that his comment is  
 15 coming late in the process for developing amendments.  
 16 He also recognizes that his proposed changes are  
 17 major and it would take time to fully analyze the impact on  
 18 other industries.  
 19 Mr. Funston has suggested that we defer his  
 20 comments, and he has asked to work with us as we further  
 21 improve the method next year.  
 22 The Monterey Unified APCD staff is concerned that  
 23 inconsistent industrywide counts among districts could  
 24 result in an inequity and impact the distribution of state's  
 25 costs.

1 think the two suggestions for improving the method merit  
 2 consideration. And we will work with the district staff in  
 3 revising the method next year.  
 4 A letter was received from senator McCorquodale,  
 5 which expressed concerns about the cost of the program in  
 6 the future.  
 7 Senator McCorquodale correctly observes that a  
 8 portion of the reduction in the State's costs we have  
 9 discussed here today is a carryover of savings achieved last  
 10 year. We would like to emphasize that these are hot spots  
 11 fees savings that should be appropriately considered. Even  
 12 if this carryover were discounted, however, there would be a  
 13 reduction in the state's hot spots cost this year.  
 14 Included with many of our support letters is a  
 15 comment that they would like to work with us on future  
 16 improvements to the regulation.  
 17 We received letters of support from the following  
 18 organizations: Mojave Desert AQMD, Independent Oil  
 19 Producers Association, the Bay Area AQMD, the Bay Area  
 20 League of Industrial Associations, Santa Barbara APCD, Carol  
 21 Foss of the Metal Finishing Association of southern  
 22 California, and the California Independent Oil Marketers  
 23 Association.  
 24 CHAIRWOMAN SCHAFFER: Thank you very much.  
 25 Mr. Boyd, does the staff have any further comments

1 In response to this comment, we resurveyed all the  
 2 districts and provided additional guidance on the criteria  
 3 for determining industrywide facilities. We now have  
 4 revised counts that we will incorporate into our  
 5 calculations.  
 6 Mr. Jack Caulfield of Caulfield Enterprises wrote a  
 7 letter supporting the reduction in fees for small  
 8 businesses. He also is looking forward to working with us  
 9 next year on revisions to the method.  
 10 We received comments from GM-Hughes Electronics,  
 11 Lockheed Advanced systems, and the California Aerospace  
 12 Environmental Association, commenting that fees should be  
 13 more closely tied to the volume and hazard of emitted toxics  
 14 and less tied to workload and complexity.  
 15 Our fee methodology takes into account health risk  
 16 priority and workload. Consensus of participants in our  
 17 workshops and meetings this year has been that the method  
 18 should strike a balance among all these factors.  
 19 We will invite these companies to work with us to  
 20 revise the method next year.  
 21 The San Joaquin Valley APCD Governing Board is  
 22 suggesting that state costs be reduced further and made two  
 23 suggestions for improving the fee method.  
 24 The comment on reducing state's costs is  
 25 consistent with our five-year plan effort. In addition, we

1 on the presentations made this afternoon?  
 2 MR. BOYD: I believe I have just a brief comment,  
 3 recognizing what a long day it's been. I don't need to  
 4 point out to the Board what a difficult program this is and  
 5 how difficult it is to play Solomon.  
 6 As you've seen, we've got as many hands on the  
 7 sword as we possibly can together, reaching out to as many  
 8 industries and industry associations, and we very much  
 9 appreciate their participation.  
 10 And, as you can see, even a group that large has  
 11 difficulty finding -- you know, walking the tight rope and  
 12 finding the best possible approach that doesn't leave  
 13 somebody aggrieved. But try as we might, there are always  
 14 good examples of rocks you didn't turn over and things that  
 15 crawl out afterwards that you wish didn't happen.  
 16 We've got a lot of comments about, in hindsight,  
 17 how it might have been good to stage the fee increase over  
 18 time. And I, too, would agree. It sounds like it's  
 19 something that perhaps would have made sense. But the  
 20 collective judgment of wisdom of a very large group of  
 21 people 18 months ago didn't come to that conclusion, might  
 22 have if you knew the effects.  
 23 So, I guess I'm just saying that it is difficult. We  
 24 will continue to improve it as much as possible in future  
 25 years, taking the input from all the people. I think the

1 points made here today about some information about the  
2 status of toxic air quality in the state were good points.

3 And I even mentioned to Mr. Scheible that maybe next  
4 year, on this very same agenda, we should have an  
5 informational item -- not tied to this item, but on the same  
6 agenda, an informational item about what is the status of  
7 toxic air quality in California at that point in time vis-a-  
8 vis prior years and any views we might see in the future,  
9 just so we can put the issue in context.

10 I think the point's a good one. There is a lot of  
11 monitoring going on. And try as we might to get it  
12 "notarized," as you can see, it is difficult to do.

13 so, I think we can probably do that, and it would  
14 be helpful in this forum.

15 Other than that, I would just recommend adoption  
16 of the proposal we've made this year, with the full  
17 understanding that we, indeed -- and I think you've heard  
18 the staff in particular is very open to looking at the  
19 comments that people have made and will make in the future  
20 relative to any improvements that can be made.

21 And we will remain faithful to our five-year plan  
22 of reductions in program costs, and perhaps we can encourage  
23 local districts to do the same in terms of providing a plan  
24 with some notoriety for their local folks to see that there  
25 is universal recognition of the fact that there is a

1 of the almost 3,000 industries that come under  
2 this program in the valley, 18 percent of them, which are  
3 medium businesses, bear 88 percent of the cost. And it  
4 seems to me that that's kind of true throughout the state.

5 And something I believe -- and so does my district  
6 board believe that that should be somehow looked into for  
7 alleviation to those medium-size businesses, because they  
8 seem to be bearing the greatest brunt of this cost.

9 And one of the suggestions that we have is that  
10 the industrywide cost go up a bit so those medium businesses  
11 can then come down a bit. That's one suggestion.

12 The other suggestion also, of course, is the  
13 spreading the costs under the small business into a tiered  
14 effect, much like we have the nonsmall business in the  
15 complex, moderate, and simple. so that a simple business,  
16 small business, does not bear the same price as someone who  
17 has a complex, but falls under the small business  
18 classification.

19 And I know staff said that they will look into  
20 that, and I appreciate that.

21 But the biggest issue for me is indeed -- and I'm  
22 glad that Mr. Boyd has reiterated that the 40 percent is  
23 going to be met. But just as a point of fact, the \$183,000  
24 represents -- well, before I saw that, if you take 40  
25 percent and divide by 5, there's about an 8 percent

1 workload to track here, and there is some chance of  
2 sunsetting some activities and having the program plateau  
3 out and perhaps reach, as the Chairwoman said, some form of  
4 steady state.

5 There will be some, indeed, real steady state, but  
6 there will always be new and modification industries that  
7 jump in and out that will be subject to some additional  
8 work.

9 so, there will always be some kind of -- in my  
10 mind, I see some kind of multitiered fee approach, but I'm  
11 sure we can make it better in the future.

12 Thank you for the opportunity.

13 CHAIRWOMAN SCHAFFER: Thank you very much, Mr.  
14 Boyd.

15 Do any members of the Board have comments they'd  
16 like to make?

17 Mr. Vagim.

18 SUPERVISOR VAGIM: Thank you, Madam Chair.

19 Just a couple points to go over what staff has  
20 covered already, particularly with a letter that they have  
21 received from the Valley District.

22 And it's already been discussed by many of the  
23 folks that have come up here to give testimony, and that  
24 example that they're giving is true, very much so, to the  
25 valley in who is bearing the cost of this program.

1 reduction a year. But the 183,000 represents a 3.5 percent  
2 reduction, short by about 5 or so percent, which means we're  
3 going to take that 5 percent and spread it over now four  
4 years, which means every year we're going to go up --  
5 instead of 8 percent, we're going to have a 9 percent burden  
6 to pay to go down.

7 so, it's just a point of fact that next year's  
8 going to get a little tougher. And if we slide it the next  
9 year, it's going to get a little tougher. so, hopefully,  
10 everybody's cognizant of that and we'll keep a very sharp  
11 eye out for that.

12 Thank you, Madam Chair.

13 CHAIRWOMAN SCHAFFER: Thank you very much, Mr.  
14 Vagim. Mr. Venturini, did you want to make a comment?

15 MR. VENTURINI: Just maybe to help clarify. Staff  
16 reminded me that last year, when we took the first  
17 increment, it was about a \$457,000 increment. so, it's  
18 probably like some of a step function.

19 SUPERVISOR VAGIM: Okay.

20 CHAIRWOMAN SCHAFFER: Before closing the record,  
21 I'd like to address myself to another change that I asked  
22 the staff to make in the regulation and resolution,  
23 incorporate in the resolution that will be put before you  
24 concerning the manner in which all future invoices for toxic  
25 hot spots fees are prepared.

1 I discussed this with supervisor Wieder and she is  
 2 in agreement with the approach that I've proposed here.  
 3 I know, as you all well appreciate, especially  
 4 those of you who serve on district boards even more so,  
 5 because you're even closer to the public on a day-in-and-  
 6 day-out basis, but we all know that the difficult business  
 7 of air pollution regulation has been successful in this  
 8 state chiefly because we've been able to inspire the utmost  
 9 respect, trust, and confidence in our efforts of the  
 10 regulated community.  
 11 It has come to my attention in the course of  
 12 dealing with this item that the trust and confidence that we  
 13 work so hard to maintain may have been eroded recently or at  
 14 least put in some jeopardy when some invoices mailed to  
 15 recover the hot spots fee omitted basic information  
 16 necessary for businesses which receive them to determine  
 17 whether the invoices were genuine.  
 18 To guarantee that this kind of omission does not  
 19 recur, I've asked the staff to prepare a modification to the  
 20 hot spots fee regulation that's under consideration today  
 21 that will guarantee that the thousands of businesses whose  
 22 fees support this program will know that the invoices were  
 23 sent to them by an agency of government and not  
 24 fraudulently, by including on the invoices the name,  
 25 address, telephone number, and point of contact of the

1 agency of government that sent them the invoice.  
 2 Also, required to be included on all future  
 3 invoices will be language that identifies the program that  
 4 the fees will be applied to, the fiscal year for which the  
 5 fee is being collected, and the invoice date and number,  
 6 name and address of the facility receiving the invoices, and  
 7 whether or not a small business cap applies to that  
 8 facility.  
 9 This information will allow businesses to verify  
 10 the invoices as well as the amounts that they're billed.  
 11 These changes will be circulated, along with other  
 12 amendments, during the 15-day comment period. This language  
 13 is generic and will apply to all districts for which this  
 14 Board's fee schedule is adopted.  
 15 We all ask a great deal of the businesses that  
 16 fund the hot spots program, and I think we owe them the  
 17 assurance of providing them with this basic information on  
 18 all future hot spots invoices.  
 19 I'd now like to close the record on this agenda  
 20 item. However, the record will be reopened when the 15-day  
 21 notice of public availability issued.  
 22 Written or oral comments received after this  
 23 hearing date but before the 15-day notice is issued will not  
 24 be accepted as part of the official record on this agenda  
 25 item.

1 When the record is opened again for a 15-day  
 2 comment period, the public may submit written comments on  
 3 the proposed changes, which will be considered and responded  
 4 to in the final statement of reasons for the regulation.  
 5 Also, just as a reminder to Board members of our  
 6 policy concerning ex parte communications, this would be the  
 7 time to mention any of those if they are relevant here  
 8 today. If not, we would pause to read the resolution that  
 9 the staff has prepared.  
 10 I believe it is already before you.  
 11 MR. LAGARIAS: Madam Chair?  
 12 CHAIRWOMAN SCHAFFER: Yes, Mr. Lagarias.  
 13 MR. LAGARIAS: I move adoption of Resolution 94-51  
 14 with the additional language that you've outlined regarding  
 15 notification of bills.  
 16 MS. EDGERTON: I'll second it.  
 17 CHAIRWOMAN SCHAFFER: Motion has been made and  
 18 seconded. Is there any discussion or questions from members  
 19 of the Board on the motion? If none, the Secretary will  
 20 please call the roll.  
 21 MS. LOUNSBURY: Boston?  
 22 DR. BOSTON: Yes.  
 23 MS. LOUNSBURY: Calhoun?  
 24 MR. CALHOUN: Aye.  
 25 MS. LOUNSBURY: Edgerton?

1 MS. EDGERTON: Yes.  
 2 MS. LOUNSBURY: Hilligoss?  
 3 MAYOR HILLIGOSS: Aye.  
 4 MS. LOUNSBURY: Lagarias?  
 5 MR. LAGARIAS: Yes.  
 6 MS. LOUNSBURY: Riordan?  
 7 SUPERVISOR RIORDAN: Aye.  
 8 MS. LOUNSBURY: Vagim?  
 9 SUPERVISOR VAGIM: Aye.  
 10 MS. LOUNSBURY: Chairwoman Schaffer?  
 11 CHAIRWOMAN SCHAFFER: Aye.  
 12 MS. LOUNSBURY: Resolution 94-51, with changes,  
 13 passes 8-0.  
 14 CHAIRWOMAN SCHAFFER: Thank you very much. I just  
 15 want to reiterate that there will be a 15-day comment period  
 16 for this item.  
 17 Mr. Boyd, is there any further business for the  
 18 Board to conduct today?  
 19 MR. BOYD: No further business on today's agenda,  
 20 Madam Chair.  
 21 CHAIRWOMAN SCHAFFER: I believe the notice for  
 22 tomorrow's continuation of this Board meeting has us  
 23 beginning at 8:30; is that correct?  
 24 MR. BOYD: That's correct.  
 25 CHAIRWOMAN SCHAFFER: All right. We will see

1 everyone here then at 8:30 tomorrow morning.  
 2 Thank you very much.  
 3 (Thereupon, the meeting was adjourned  
 4 at 4:15 p.m.)  
 5 --o0o--  
 6  
 7  
 8  
 9  
 10  
 11  
 12  
 13  
 14  
 15  
 16  
 17  
 18  
 19  
 20  
 21  
 22  
 23  
 24  
 25

CERTIFICATE OF SHORTHAND REPORTER

--o0o--

I, Nadine J. Parks, a shorthand reporter of the State of California, do hereby certify that I am a disinterested person herein; that the foregoing meeting of the California Air Resources Board was reported by me in shorthand writing, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor am I interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of August, 1994.