

**SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT**

For Agenda of **April 24, 2008**

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene, Air Pollution Control Officer
Sacramento Metropolitan Air Quality Management District

Subject: Public Hearing for New Rule 311, Registration Fees for Agricultural Compression Ignition Engines

Recommendations

Conduct the first of two public hearings on the proposed new rule.

Executive Summary

Staff is proposing new Rule 311, REGISTRATION FEES FOR AGRICULTURAL COMPRESSION IGNITION ENGINES. The rule will set fees to recover the District's cost of implementing and enforcing a registration program for compression ignition engines used in agricultural operations, as required by the statewide Air Toxic Control Measure for Stationary Compression Ignition Engines.

Staff held two public workshop events in southern Sacramento County, and met with the Sacramento County Farm Bureau, or their staff, three times. As a result of these discussions, Staff reduced fees for several categories.

Two public hearings will be conducted before the Board considers adoption of Rule 311. The first public hearing will be held at the April 24, 2008, Board meeting to take comments on the proposed rule. The second hearing will consider adoption of Rule 311 and is scheduled for the June 26, 2008 Board meeting.

Attachments

The table below identifies the attachments to this memo.

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Draft Rule 311	A	7
Staff Report	B	12
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Background

On November 16, 2006, the California Air Resources Board amended the Air Toxic Control Measure (ATCM) for Stationary Compression Ignition Engines (Engines) to include standards for engines used in agricultural operations. These amendments became effective October 18, 2007. To ensure compliance with the new standards, the ATCM requires engines used in agricultural operations to be registered with the local district. The ATCM (Title 17 of the California Code of Regulations, Section 93115.8(d)) requires the owner/operator of engines used in agricultural operations to pay fees adopted by the District to recover the cost of implementing Section 93115.8 of the ATCM.

Proposed Rule 311 will recover the District's cost of implementing and enforcing Section 93115.8 of the ATCM.

Summary of Proposed Rule

The rule establishes the initial registration and annual renewal fees for engines that must submit registration information pursuant to Section 93115.8(c) of the ATCM. An exemption is provided for engines permitted with the District. The rule also exempts engines from paying annual renewal fees once the engine has met the final emissions standards of the ATCM based on the horsepower, certification, and use of that engine. The proposed registration fees are as follows:

- Initial registration fees
 - Carl Moyer Engines: \$151
 - Non-Moyer Engines
 - First engine registered at a source: \$300
 - All other engines: \$155
- Annual renewal fee:
 - First engine registered at a source: \$169
 - All other engines: \$105

If an owner/operator chooses to use a control device on an engine to comply with the ATCM requirements, the owner/operator will pay fees equal to those for a permitted agricultural engine (consistent with Rule 310, Permit Fees – Agricultural Source). Additionally, a source testing fee is established for engines with unverified control devices.

Other provisions in the rule include consumer price index adjustments, notification requirements, and fee submission requirements.

Impact on Businesses and Public

Rule 311 will apply to any agricultural operation with engines rated over 50 bhp that are required to obtain registration pursuant to Section 93115.8(c) of the ATCM. Staff estimates that there are approximately 105 different businesses affected and about 232 engines required to submit registration information.

District Impacts

Rule 311 is being proposed to recover the costs of implementing the agricultural engine registration program and enforcing the ATCM requirements for agricultural engines. Execution of the District's responsibilities as required by the ATCM will require additional staff time to evaluate the engine registration information, provide assistance and outreach to the affected sources, and ensure compliance with the ATCM standards. Staff estimates the proposed rule will result in additional need for 0.23 FTE (full time equivalent) in the initial year of the program and 0.3 FTE total every three years for enforcement until approximately 2016, when the majority of engines will be required to meet the ATCM emission standards. Once an engine meets the final emission standards in the ATCM, the District will not be performing inspections for the ATCM-compliant engine and will only be maintaining the registration database information; therefore, renewal fees will no longer be required. The anticipated Staff costs of the agricultural engine registration program and of enforcing the ATCM requirements for agricultural engines are as follows:

- Initial costs for registrations: \$55,012
- Recurring costs for enforcement: \$72,936 every 3 years
(equivalent to \$24,312 per year)

Initial costs will be incurred primarily in 2008 when existing engines are required to register; however, additional initial registration costs will be incurred in subsequent years when new engines are installed and when engines are being replaced to meet the new ATCM emission standards. The initial and recurring costs include engineer and field inspection staff costs fully loaded and the administrative support program costs, and recovers 100% of the District's costs for this program.

Emission Impacts

Rule 311 is an administrative rule that does not impact emissions.

Environmental Review and Compliance

Staff finds that proposed Rule 311 requirements are exempt from CEQA. Public Resources Code section 21080(b)(8) and section 15273 of the state CEQA Guidelines provide that the adoption or amendments of fee rules are not subject to CEQA. To claim this exemption, the District must find that the amendments are for the purpose of meeting operating expenses. Proposed Rule 311 establishes a fee schedule to recover the expenses of implementing District responsibilities for the registration of agricultural compression ignition engines.

Public Outreach

Below is a summary of the public outreach undertaken by Staff to ensure that affected businesses and sources are aware of the Stationary Compression Ignition Engine ATCM and new Rule 311.

- A notice of public workshop was sent on January 12, 2008 to applicable facilities in the 2006 Sacramento County Agricultural Commissioner's pesticide use database, persons who have requested rulemaking notices, those who participated in the agricultural permitting rulemaking process, and to the Sacramento County Farm Bureau for distribution to their members. The notice was also posted as a display ad in the Galt Herald and the Elk Grove Citizen on February 6, 2008.
 - Staff presented a summary of the ATCM requirements, engine replacement incentive programs, and distributed proposed Rule 311 and the staff report to the Sacramento County Farm Bureau Board of Directors on January 22, 2008.
 - Staff conducted two public workshops on February 11, 2008 in Wilton and on February 12, 2008 in Walnut Grove. The workshops were held in the evening to promote attendance. Additionally, the workshop on February 12th was followed by special hour-long session on incentives for engine replacements.
 - Staff discussed the public response from the workshops for proposed Rule 311 with the Sacramento County Farm Bureau Board of Directors on February 19, 2008. Staff also took comments and questions from the Board on the proposed rule.
 - Staff presented a revised Rule 311 to the Sacramento County Farm Bureau Board of Directors on March 25, 2008. This version of the rule incorporated changes based on comments received from the workshops and the previous board meeting.
 - A notice for the public hearing was published in the Sacramento Bee on March 24, 2008. The notice was also mailed to attendees of the public workshops, applicable facilities in the 2006 Sacramento County Agricultural Commissioner's pesticide use database, persons who have requested rulemaking notices, those who participated in the agricultural permitting rulemaking process and owners/operators who had already submitted engine registration information. The notice was also sent to the Sacramento County Farm Bureau to be distributed to their members.
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Changes Made in Response to Comments

Staff received several comments from the workshops and the Farm Bureau meetings regarding the anticipated District workload for the registration program and the required enforcement of the ATCM. Staff re-examined the District workload for special groups of engines and reduced fees for engines funded by the Carl Moyer Program and multiple engines located at one facility. Staff also exempted owners and operators from paying renewal fees for engines meeting the final emission standards of the ATCM. All comments, together with the Staff responses, are presented in Appendix B of the March 28, 2008 Staff Report (page 21 of this Board Package). The table below shows a summary of the changes to the fee structure.

		Workshop	After Workshop
Initial Fee	First Registered Engine	\$300/engine	\$300/engine
	Multiple Registered Engines		\$155/engine
	Moyer Engines		\$151/engine
	Engines with a control device		Agricultural Engine Permit Fees from Rule 310 per engine
Renewal Fee	First Registered Engine	\$169/engine	\$169/engine (one inspection every 3 years)*
	Multiple Registered Engines		\$105/engine (one inspection every 3 years)*
	Engines with a control device		Agricultural Engine Permit Fees from Rule 310 per engine

* An engine meeting the final emission standards in the ATCM, based on its horsepower, certification, and use, will be exempt from paying these renewal fees

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Conclusion

Proposed new Rule 311 will recover the District's cost of administering the requirements of the agricultural portion of the Stationary Compression Ignition Engine ATCM, Section 93115.8, by setting fees for registering an agricultural compression ignition engine with the District. Staff conducted extensive outreach with the agricultural community and reduced many fees in response to comments and suggestions received. Staff recommends that the Board take comments on this rule and consider approval at the June 26, 2008 Board hearing.

Respectfully Submitted

Larry Greene; Air Pollution Control Officer
Sacramento Metropolitan
Air Quality Management District

Approved as to form:

Kathrine Pittard, District Counsel
Sacramento Metropolitan
Air Quality Management District

Attachments