

STAFF REPORT

Draft Amendments to Rule 509 – *Subject Research Fees and Hourly Rate*

Date of Stakeholder Release: July 28, 2026

Public Release: August 24, 2026

Proposed for Adoption: September 24, 2026

Schedule of Hearings

- Date of Draft Rule Workshop: Tuesday August 4, 2026, at 2:30pm, Butte County Air Quality Management District and Zoom, 629 Entler Avenue, Suite 15, Chico, CA 95928
- Date of Proposed Rule Workshop: Thursday, September 3, 2026, at 2:30pm, Butte County Air Quality Management District and Zoom, 629 Entler Avenue, Suite 15, Chico, CA 95928
- Date of Board Adoption Hearing: Thursday, September 24, 2026, at 10:00 a.m., Butte County Association of Governments Board Room, 326 Huss Drive, Suite #100, Chico, CA 95928

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STAFF REPORT

Executive Summary

The federal Clean Air Act, California Health and Safety Code, and local Rules and Regulations of the Butte County Air Quality Management District (District) establish requirements on the District to develop, implement and enforce numerous programs designed to achieve and maintain ambient air quality standards and protect public health. These programs have primarily been funded from District fee sources, such as regulatory and/or user fees (including burn permit fees, stationary source permit fees and State subvention funding). The District does not utilize any County or City general funds or other tax revenues.

The District is committed to ensuring the health and safety of our community by regulating and managing air quality standards as required in State Law. A critical component of this responsibility involves the administration of the Permit to Operate program, which ensures

that facilities that emit certain air pollutants comply with environmental regulations to minimize air pollution. The District assists these facilities with meeting the complex and often changing requirements in a way that is consistent with the needs of Butte County. This approach has allowed the District to maintain local control of these requirements and avoid State intervention.

Current Challenge: The existing Rule 509 hourly rate (\$112.35) recovers less than 65% of the actual costs (~\$165) associated with services billed at that rate. A similar shortfall has persisted for nearly 20 years. Previously, this deficit was supplemented through one-time revenues (like grants) or other program sources. Increasing unfunded State mandates and requirements and increasing operations costs over the last decade are challenging the District's ability to manage these liabilities and meet District requirements moving forward. This significant deficit poses several challenges:

- 1. Financial Strain: The disparity between the costs of services billed at the hourly rate and the revenue generated by that rate results in a financial strain on the District's budget. This strain limits our ability to allocate resources to other vital programs and initiatives aimed at improving air quality (e.g., facility support, matching grants funds, public outreach).***
- 2. Sustainability Concerns: Maintaining the Rule 509 hourly rate at its current level is financially unsustainable. The ongoing use of one-time revenues to subsidize services billed at the hourly rate detracts from other essential services and creates long-term fiscal imbalances.***
- 3. Compliance Assistance and Enforcement: Adequate funding is crucial to maintain local control, a level playing field for facilities, and monitoring and enforcement activities. Under-recovery through the hourly rate can compromise our ability to ensure that all facilities adhere to the same air quality standards, potentially leading to unfair business advantages, increased pollution, and health risks for the community. Districts that fail to meet the requirements are also subject to State intervention.***
- 4. Growth of Unfunded Accrued Liability (UAL): Failure to improve hourly rate cost recovery will result in an inability to make additional contributions toward the District UAL. As the UAL grows, so does the financial burden on the District, leading to higher future required contributions and interest costs, further exacerbating our long-term fiscal challenges.***
- 5. Decreased Financial Flexibility: The lack of additional revenue will reduce the District's financial flexibility. This inflexibility will hinder our ability to respond to unforeseen financial needs, invest in capital improvements, or fund other post-employment benefits (OPEBs), potentially leading to increased borrowing or deferred maintenance and investment costs.***

Rationale for Fee Increase: The purpose of adjusting the hourly rate under Rule 509 is to bring hourly rate cost recovery closer to the District's target of 90%, as required for long-term fiscal sustainability and to maintain a high standard of regulatory service.

A recalibration of the hourly rate is necessary to ensure that the costs of services billed at that rate are more appropriately aligned with hourly rate revenues. State law authorizes annual fee increases but limits them to no more than 15% in any given year. While this cap restricts the pace at which full cost recovery can be reached, it does not prevent the District from making incremental and responsible adjustments as part of a multi-year strategy. A rate increase at or near the allowable threshold will move hourly rate cost recovery closer to the District's 90% target while remaining fully compliant with statutory limitations.

Increasing the hourly rate also supports transparency and fairness. The cost of providing permitting services has increased due to inflation, staff time, expanded regulatory requirements, and necessary investments in program modernization. Without adjustment, the burden of these rising costs falls disproportionately on the District's general revenue sources rather than on the entities that directly receive District services.

Implementing a measured increase within the 15% statutory limit will help stabilize funding for services billed at the hourly rate, ensure the District can meet state and federal obligations, and reduce reliance on non-hourly-rate funding sources. This action represents a balanced, legally compliant and fiscally responsible step toward achieving true cost recovery while maintaining the high level of service expected by regulated entities and the public.

***Fee Rule Amendments History (since 2000):** Rule amendments in 2001 authorized a 50% reduction in permit to operate fees if the equipment under permit did not operate in the previous year. Rule amendments in 2006 authorized an annual CPI adjustment to the hourly rate. In 2023 a Gas Dispensing Facilities (GDF) throughput fee was authorized. In 2024 a Permit to Operate cost recovery surcharge was authorized.*

***Conclusion:** The proposal to increase Rule 509 Subject Research Fees and Hourly Rate provides a strategic and necessary step to ensure the continued effectiveness and sustainability of services funded through the District's hourly rate. By improving hourly rate cost recovery, the District can maintain high standards of air quality management, protect public health, and ensure a fair and equitable distribution of costs. The District remains committed to transparency and stakeholder engagement throughout this process, providing opportunities for feedback and discussion as we move to implement these essential proposed changes.*

1.0 PROGRAM MANDATES AND REQUIREMENTS

The Butte County Air Quality Management District (District) regulates and enforces various State, local and federal air pollution regulations. The regulations are implemented through various programs, many of which are mandated by State and federal statute. Funding for these programs is primarily through permit fees, State subvention and surcharges on motor vehicle registrations. No local general funds are utilized.

Table 1
State and Federal Mandates and Authorities
Butte County Air Quality Management District

Program Element	Applicable Code
Control of air pollution shall be through cooperative efforts of State and local governments.	CAA ¹ Section 102
Federal requirement for a State Implementation Plan	CAA Section 110
Control of air pollution is to be an intensive State, regional and local effort.	HSC ² Section 39001
Air pollution is a mandated local and regional responsibility.	HSC Section 39002, 40000
State mandate for air district	HSC Section 40002
State mandate for office of Air Pollution Control Officer (APCO)	HSC Section 40750
Required duties of the APCO	HSC Section 40752 et seq
Requirement for local District Regulations	HSC Sections 40001, 40702
District program must achieve and maintain State and federal ambient air quality standards	CAA Section 110; HSC Section 41500
Stationary source permit systems and fees, including APCO authority to issue or deny permits, require information from an applicant, enforce permit conditions and suspend permits.	CAA Sections 110, 502; 40 CFR ³ Part 52, 40 CFR Part 60, 40 CFR Part 63; 40 CFR Part 70; HSC Section 42300 et seq.
Agricultural burning permit systems and fees, including requirement to allow agricultural burning.	HSC Sections 41852, 41865 and 42311; CCR ⁴ Section 80100 et seq.
State mandate for attainment plan(s)	HSC 40910 et seq
State mandate for District to supply State information related to air pollution control efforts	HSC 39605
Mandate to implement air toxic programs	CAA Section 300, 40 CFR 63; HSC Section 39665 et seq, 44300 et seq; CCR Section 90700 et seq.
Participation in environmental review process (CEQA)	PRC ⁵ Section 21000 et seq.
Provide access to public records while protecting from disclosure confidential and proprietary information.	Government Code Section 6254 et seq.

1. CAA refers to the federal Clean Air Act Amendments of 1990.

2. HSC refers to the California Health and Safety Code.

3. CFR refers to the Code of Federal Regulations.

4. CCR refers to the California Code of Regulations.

5. PRC refers to the California Public Resources Code.

2.0 PROPOSITION 26 AND RATE SETTING

Proposition 26 was adopted by the voters in California on November 2, 2010, and restricts the ability of state and local agencies to raise revenues to fund government services, facilities, and programs. Proposition 26 generally defines all “fees” as “taxes” with noted exceptions including Regulatory Fees. For taxes proposed by local governments, if the tax is a general tax requires a majority vote of the electorate and if it is a special tax, it requires a 2/3 voter approval. A Regulatory Fee is defined as “*A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits,*

enforcing agricultural marketing orders, and administrative enforcement and adjudication thereof.” Proposition 26 also requires that fees must be imposed for a specific benefit conferred or privilege granted, not to exceed the reasonable cost of providing the benefit, privilege or service. The fees must be proportional to the benefits received and reduced fees may not be offered to a subgroup if the fees from other sources are used to offset the costs. The subject research fees and hourly rate identified in Rule 509 are regulatory fees and are not subject to approval by vote of the electorate.

3.0 SUBJECT RESEARCH FEES AND HOURLY RATE

State law authorizes air districts to collect fees to recover the reasonable costs of implementing and enforcing air pollution control permitting programs. This authority includes recovering costs associated with permit application review, engineering analyses, inspections, emissions evaluations, compliance activities, and the implementation of state and federal air quality requirements. The District’s Rule 509 establishes the hourly rate for District program implementation designed to support this statutory mandate.

However, the current hourly rate no longer reflects the full cost of providing these required services, resulting in hourly rate cost recovery below the District’s policy target of 90%. Hourly rate deficits undermine the statutory intent that regulated entities bear the reasonable cost of the services they receive, and they shift an increasing portion of those costs onto the District’s limited general revenue sources.

Under applicable state law, the District may adjust fees annually, provided that any increase does not exceed 15% in any year. This statutory cap does not prohibit adjustments; it simply limits their magnitude. Accordingly, the District retains full legal authority to implement incremental adjustments that move hourly rate cost recovery toward 90% cost recovery.

A rate adjustment at or near the allowable limit is legally justified because:

1. **It falls squarely within the District’s express authority** to set fees necessary to recover the reasonable costs of mandated regulatory activities.
2. **It complies with the statutory ceiling** of no more than a 15% increase per year.
3. **It ensures appropriate cost allocation**, consistent with legal principles, that fees must reasonably relate to the cost of services provided.
4. **It supports ongoing compliance** with state and federal air quality regulations, which require adequate staffing and resources funded in part through permit fees.

For these reasons, an increase to the Rule 509 hourly rate, structured within the statutory limit, is legally valid, fiscally necessary, and consistent with the District’s duty to recover the reasonable costs of services billed at that rate.

4.0 PROPOSED RULE AMENDMENTS

The amendments to Rule 509 propose changes to the Subject Research Fees and Hourly rate as follows:

Increases the hourly labor rate annually by 10% on January 1st in 2027, 2028, 2029, and 2030. Thereafter the current annual CPI rate review will commence for 2031 and continue annually to maintain the target 90% cost recovery and prevent larger adjustments in the future. Adjustments to the District's hourly labor rate shall only become effective upon approval by the District's Governing Board of Directors at a public hearing and shall then be incorporated into Rule 509 by reference.

5.0 PROGRAM ELEMENTS AND COSTS

The Subject Research Fees and Hourly Rate is tied to several District programs including stationary source permits, authority to construct permits, portable equipment registrations, agricultural equipment registrations, asbestos demolition and renovation fees, inspection fees and technical evaluation fees.

In support of the District programs, staffing is currently as follows*:

- One (1) Administrative Assistant
- One (1) Administrative Technician
- One (1) Accounting Technician
- One (1) Administrative Services Officer
- Two (1) Air Quality Compliance Specialist II
- One (2) Senior Air Quality Compliance Specialist
- One (1) Air Quality Engineer II
- One (1) Senior Air Quality Planner
- One (1) Assistant Air Pollution Control Officer
- One (1) Director/Air Pollution Control Officer

*No staffing level increases are proposed or have occurred since at least 2000.

5.1 Estimated Cost Impacts of the Proposed Increase

District analysis shows that hourly rate cost recovery for Fiscal Year 2025-2026 was 65%. Implementing the proposed hourly rate increase over four years from 2027 through 2030 is projected to bring hourly rate cost recovery to 89% of the projected 2030 hourly rate cost of ~\$185/hour.

Table 2 below shows the proposed new revenue generated and cost recovery percentages:

Table 2 – Proposed Hourly Rate Increase

	Proposed Hourly Rate			
	2027	2028	2029	2030
Lowest Tier (544 permits)	\$123.59	\$135.94	\$149.54	\$164.49
	Additional Revenue Generated*			
	2027	2028	2029	2030
All Permits*	<\$83,335	<\$112,173	<\$144,237	<\$178,968

*These values represent maximum possible. Will likely be lower due to permitting variability.

6.0 ALTERNATIVES

The Governing Board may choose to:

- a) Approve the amendments as proposed; or
- b) Modify the proposed amendments after receiving public comments during the hearing; or
- c) Take no action or deny the proposed amendments.

7.0 SOCIOECONOMIC IMPACTS

The provisions of Section 40728.5 of the California Health and Safety Code, requiring an assessment of the socioeconomic impacts of the adoption, amendment, or repeal of any District rule or regulation does not apply to air districts in the Northern Sacramento Valley Air Basin. Section 40728.5(c) exempts districts with a population of less than 500,000 persons from the required socioeconomic impact analysis. Since the Butte County population is less than 500,000 persons, a socioeconomic analysis is not required.

8.0 ENVIRONMENTAL REVIEW AND COMPLIANCE

Proposed Amendments are administrative in nature. Pursuant to state CEQA Guidelines, (General Exemption, Section 15061(b)(3)) the District finds that the adoption of proposed amendments are exempt from CEQA. This exemption is allowed when it can be seen with certainty that there is no possibility that the rule will have a significant effect on the environment.

California Public Resources Code (Section 21159) requires an environmental analysis of the reasonably foreseeable methods of compliance. The District has concluded that no reasonably foreseeable adverse environmental impacts will be caused by adoption of the proposed rule amendments.

9.0 REQUIRED FINDINGS

Findings required by Division 26 of the California Health and Safety Code requires local districts to comply with a rule adoption protocol as set forth in Section 40727 of the Code. This section

has been revised through legislative mandate to contain six findings that the District must make when developing, amending, or repealing a rule or regulation. These findings, and their definitions are included in Table 3.

Table 3 Required Findings

FINDING	DEFINITION	REFERENCE
Authority	A district shall adopt rules and regulations and do such acts as may be necessary or proper to execute the powers and duties granted to, and imposed upon, the district by this division and other statutory provisions	California Health and Safety Code, Sections 40000, 40001, 40701, 40702, 41512, 41865, 41866, 42311, 42364, and 44380 are provisions of law that provide the District with the authority to adopt these proposed rules.
Necessity	The District has demonstrated that a need for the rule, or for rule amendment or repeal.	It is necessary for the District to adopt these amendments to reduce fees for certain types of Permit Categories.
Clarity	The rule is written or displayed so that its meaning can easily be understood by the persons directly affected by it.	There is no indication, at this time, that the proposed rules are written in such a manner that they can not be easily understood by persons affected by the rules.
Consistency	This rule is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or State or federal regulations.	The District has found that these rules are consistent with applicable statutory requirements.
Non-Duplication	The rule does not impose the same requirements as an existing State or federal regulation, unless the District finds that the requirements are necessary and proper to execute the powers and duties granted to, and imposed upon, the district.	The proposed rules do not impose requirements that duplicate existing laws or regulations.
Reference	Any statute, court decision, or other provision of law that the district implements, interprets, or makes specific by adopting, amending, or repealing a regulation.	California Health and Safety Code, Sections 40701, 40702, 41512, 41865, 41866, 42311, 42362, and 44380.

10.0 REFERENCES

Attachment A. Draft Amended Rule 509 – Subject Research Fees and Hourly Rate

Attachment B. Notice of Public Hearing

Attachment C. Resolution of Adoption

Attachment A
Draft Amended Rule 509 – *Subject Research Fees and Hourly Rate*

DRAFT RULE 509 Subject Research Fees and Hourly Rate

*(Adopted June 24, 1999; Recodified August 22, 2002; Amended July 27, 2006;
Amended June 28, 2007; Amended June 26, 2008; Amended June 23, 2011;
Amended June 25, 2015; Amended June 23, 2016; Amended June 22, 2017;
Amended June 28, 2018; Amended June 27, 2019; Amended June 23, 2022; Amended June 22, 2023;
Amended June 27, 2024; Amended June 26, 2025; Amended July 23, 2026; Proposed September 24, 2026;)*

- 1 SUBJECT RESEARCH FEES:** Information, circulars, reports of technical work, and other reports prepared and maintained by the Butte County Air Quality Management District (DISTRICT), when supplied to other governmental agencies or individuals or groups requesting copies of the same, may be charged for by the DISTRICT at a rate of \$112.35 per hour for the cost of preparation and distribution of such information and documents. The minimum charge shall be \$112.35.

Unless otherwise specified in these Rules and Regulations, the hourly labor rate shall be \$112.35 per hour.

- 2 COST RECOVERY RATE INCREASE:** The hourly labor rate shall be adjusted up 10% annually on January 1st 2027, 2028, 2029, and 2030.
- 3 INCREASES IN THE CONSUMER PRICE INDEX:** Increases in the hourly labor rate may be adjusted annually by a percentage not exceeding the Consumer Price Index (CPI) of preceding year as determined pursuant to Section 2212 of the Revenue and Taxation Code. A CPI adjustment to the DISTRICT's hourly labor rate shall only become effective upon approval by the DISTRICT's Governing Board of Directors at a public hearing and shall then be incorporated herein by reference.

Attachment B
Notice of Public Hearing

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that the Butte County Air Quality Management District (DISTRICT) Governing Board will hold a public hearing to consider amendments to proposed Rule 509—*Subject Research Fees and Hourly Rate*. The District proposes to increase the hourly labor rate annually on January 1st by 10% in 2027, 2028, 2029, and 2030. The time, date, and location of the hearing is:

Public Hearing to Consider Adoption: Thursday, September 24, 2026 at 10:00 a.m., Butte County Association of Governments, 326 Huss Drive, Suite 100, Chico, CA and via Zoom.

The Staff Report and proposed Rule may be reviewed at the District office at the address below or on the District website: www.bcaqmd.org. For additional information, including Zoom instructions, please contact Stephen Ertle at (530) 332-9400, ext. 113 or sertle@bcaqmd.org. Written comments on the proposed rule must be submitted by September 23, 2026 to: Board Clerk, Butte County Air Quality Management District, 629 Entler Avenue, Suite 15, Chico, CA 95928.

DATED: August 24, 2026

By: Stephen Ertle
AIR POLLUTION CONTROL OFFICER

Attachment C
Proposed Resolution of Adoption

**RESOLUTION 2026-23
BEFORE THE BOARD OF DIRECTORS OF
BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
STATE OF CALIFORNIA
AMENDMENTS TO RULE 509 – SUBJECT RESEARCH FEES AND HOURLY RATE**

Resolution 2026-23.....)
Adopt Proposed Amended Rule 509)
Stationary Source Permit Fees)

WHEREAS, the Butte County Air Quality Management District Board obtains its authority to adopt, amend, or repeal rules and regulations from California Health and Safety Code Sections 40000, 40001, 40701, 40702;

AND WHEREAS, the Butte County Air Quality Management District Board has determined that the proposed rules are written such that the meaning can be understood by the persons directly affected by it (Health and Safety Code Section 40727(b)(3));

AND WHEREAS, the Butte County Air Quality Management District Board has determined that the proposed rules adopted herein are in harmony with, and not in conflict with or contradictory to existing statutes, court decisions, or state or federal regulations (Health and Safety Code Section 40727(b)(4));

AND WHEREAS, the Butte County Air Quality Management District Board has determined that the adoption of amended Rule 509, Subject Research Fees and Hourly Rate, is necessary to improve cost recovery of District programs by increasing the hourly rate up 10% annually on January 1st in 2027, 2028, 2029 and 2030;

AND WHEREAS, the Butte County Air Quality Management District Board has determined that the proposed amended Rule 509 does not duplicate local, state or federal rules or regulations for District programs;

AND WHEREAS, the District staff has made notice of and held public workshop meetings on the proposed amended rules and received comments as included in the Board report, which are included herein as a record of those proceedings;

AND WHEREAS, the Butte County Air Quality Management District Board conducted public hearings on August 4, 2026 and September 3, 2026 concerning the proposed amended rule herein;

THEREFORE, BE IT RESOLVED, that the Butte County Air Quality Management District Board hereby adopts, with an effective date of September 24, 2026, amended Rule 509 – *Subject Research Fees and Hourly Rate*, as proposed in the attachments to the August 24, 2026 Staff Report.

On Motion of _____, Seconded by _____, the foregoing resolution is hereby PASSED AND ADOPTED by the Air Quality Management District Board of Directors on this 24th day of September by the following:

AYES:

NOES:

ABSTAIN:

ABSENT:

Stephen Ertle, Air Pollution Control Officer
Butte County Air Quality Management District

I hereby attest that this is a true and correct copy of the action taken by the Butte County Air Quality Management District Board of Directors on September 24, 2026.

ATTEST: _____
Kelly Towne, Clerk of the Governing Board