

California audit: Valley air pollution district charges too little

By Rory Appleton

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The California State Auditor released a report Tuesday pointing out that the San Joaquin Valley Air Pollution Control District charges far less for its permits than is allowed under state law.

The San Joaquin Valley Air Pollution Control District was formed when eight county agencies with similar responsibilities were merged. It includes San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare and Kern counties. The district is responsible for ensuring compliance with air quality standards set by the U.S. Environmental Protection Agency.

According to the audit, between fiscal year 2010-11 and 2014-15 the district earned an average of \$17.6 million, or 39 percent of its annual operating costs, through fee revenue. California allows the district to recoup all of its operating costs through fees.

The agency uses funds collected from penalties and grants to cover the rest of the costs associated with its various inspections and reviews.

The district recently increased its fees, but auditors believe permit revenues still will be 15 percent to 83 percent lower than the costs associated with regulatory activities. The air district will have to keep using money gained from other sources – possibly its own general fund, which contained anywhere between \$13.1 million and \$14.3 million between 2010 and 2014.

In another finding, the auditor said the district needs a clearer policy on when to require indemnification agreements, which legally transfer risk from one party to another. It also needs better policies regarding letters of credit. It found that employees use discretion instead of specific case rules when asking for documents.

A clear policy is important, the audit says, because the district could be held liable for damage or injuries if it refuses to require the indemnification agreements.

The audit notes that district officials already have changed the policy in question to include specific case examples for when an agreement is required.

The district could not be reached for comment.