Frequently Asked Questions

The SCAQMD Indirect Source Rule (ISR)

What is the Indirect Source Rule (ISR)?

The ISR Rule 2305 is an air quality rule adopted on May 7, 2021 by the South Coast Air Quality Management District (SCAQMD) that regulates warehouse facilities to reduce emissions from the goods movement industry. In short, it is SCAQMD's attempt to illegally tax warehouses for the emissions generated by trucks, which is often out of the control of the warehouse operator!

By statute, the South Coast Air Quality Management District (SCAQMD) has jurisdiction over air emissions from **stationary** sources (i.e. warehouses) in the region. However, SCAQMD's ISR is attempting to regulate **mobile** sources (trucks) even though the California Air Resources Board has jurisdiction over mobile sources.

This rule will require warehouse owners and operators to either reduce truck emissions (e.g. by using electric trucks) and/or pay a substantial mitigation fee to the SCAQMD.

ISR Rule Highlights:

- Applies to 3,000 warehouses of 100,000 square feet and larger in SoCal.
- Warehouse operators must track all actual truck trips by size/emissions type — No current system is available to perform this mandatory tracking.
- Includes costly Reporting Requirements.
- Initial mitigation fee estimated to be approximately $0.85/sf to start; may be increased without limitation.
- Stringency (economic impact on warehouses) of the Rule can be increased at any time by the SCAQMD Board, at their sole discretion.
- Additional fee (tax) will be charged to cover the cost of administrating this rule.
- The ISR has no set date when it will end. The burden and cost of the rule will last for decades.
- To comply, warehouses operators must either;
    1. Pay for and take "mitigating" measures including but not limited to:
        - Buy or use zero emission or near zero emission trucks (if available).
        - Install additional solar panels beyond the current solar panel requirements.
        - Install additional EV charging or hydrogen fuel stations beyond the current requirements.
    2. Pay a fee or tax even if infeasible to comply

Most warehouses will end up paying the fee (tax) because it will not be feasible or possible to comply with the regulation mandates. If this is the case, then the ISR regulation did nothing to improve air quality and only increased costs to businesses/consumers.

Who is affected by this rule?

This rule applies all warehouse operators with more than 100,000sf within California's SCAQMD (map here), which is estimated to affect approximately 3,000 warehouses in Southern California.

However, there is already talk of expanding the rule to other AQMDs in California and could soon include the entire state. Additionally, there are preliminary discussions about implementing similar rules in other states and it could soon be common around the country, which is why we must fight this rule NOW, before it expands!

When does the rule go into effect?

The Rule has a three-year phase-in period based upon the size of the building;

1. For buildings over 250,000 square feet, the first year of compliance is January 1, 2022 to December 31, 2022, and then you have to comply each and every year thereafter.
2. For buildings of 150,000 to 249,999 square feet, the first year of compliance is January 1, 2023 to December 31, 2023, and then you have to comply each and every year thereafter.
3. For buildings of 100,000 to 149,999 square feet, the first year of compliance is January 1, 2024 to December 31, 2024, and then you have to comply each and every year thereafter.

Yet, there is a second timeline that must be met. By July 1 of the first year of compliance the operator must file an Initial Site Information Report (ISIR). As part of that report, the operator has to report the actual number of truck trips to and from the warehouse for the prior 12 months. This means you must start counting the actual number of truck trips no later than July 1 of the year prior to compliance. Yet, the practical reality is that you should begin counting the actual truck trips by June 1 of that year so that you can submit the ISIR on time.

What are the costs to warehouse operators?

Fees are based on the number of truck trips to and from your warehouse, or what the SCAQMD calls "weighted average truck trips" (WATTs). Fees will vary based on the size of your warehouse and the amount of truck traffic generated at your location, but are estimated to be approximately **$0.85 per square foot ANNUALLY** and totaling close to $1 billion per year.

So if you have a 200,000 sf warehouse, you can expect to pay approximately $170,000 per year, every single year, with NO SUNSET DATE! Annual increases are expected thereafter with no limit on this new endless tax.

How are fees calculated?

The ISR requires warehouse operators to calculate the total number of truck trips. Tractors and tractor- trailers (Class 8) are weighted 2.5 times higher than smaller, straight trucks (Class 2b-7) due to their higher emissions. The ISR refers to the combined truck count as the Weighted Annual Truck Trips (WATTs).

Each Class 2b-7 truck that visits your warehouse counts as two truck trips (one in, one out- essentially each time a truck passes through your gates it counts as a trip), while each Class 8 truck (i.e. tractor-trailer) that visits your warehouse counts as FIVE trips (using the 2.5 multiplier for Class 8 vehicles).

What are SCAQMD's stated goals of this rule?

According to the Rule, "The purpose of this rule is to reduce local and regional emissions of nitrogen oxides and particulate matter, and to facilitate local and regional emission reductions associated with warehouses and the mobile sources attracted to warehouses in order to assist in meeting state and federal air quality standards for ozone and fine particulate matter."

However, the rule will not result in a decrease in emissions as trucking companies have no incentive nor disincentive to alter their behavior. In the end, it is simply a tax on warehouse operators who have little control on what types of trucks visit their facilities.

What are mitigation fees used for?

No plan was presented by the SCAQMD on how the new tax revenues will be spent. On this basis, the rule is "arbitrary and capricious" under California Code and the ISR will NOT accomplish what it claims/ intends to do, while imposing extremely high costs without a corresponding benefit in reducing emissions.

What are the reporting requirements?

In addition to hefty fees associated with this rule, there are many additional burdensome reporting requirements that will add substantial administrative fees to warehouse operations.

Warehouse owners will be required to submit an informational report on their buildings (Warehouse Operators Notification and Initial Site Information Report), as well as annual reports about facility operations and compliance approaches (Annual WAIRE Report).

- Site reports due July 1 of year of initial requirement date. Must report:
    1. # of truck trips in past 12 months and anticipated # truck trips in next 12 months by class (2b-7 straight trucks vs. 8 tractors)
    2. If applicable, fleet data (# trucks, VMT, dwell time, owned vs. leased)
    3. Info on alternative fuel stations, solar and yard trucks
- Warehouse Operator must report annually thereafter the following:
    1. Report actual/anticipated truck trips
    2. Remit WAIRE points
    3. Unknown administrative recordkeeping/audit requirements.

Join the ISR Coalition Today!!!

The ISR will negatively impact the warehouse industry and all associated jobs in Southern California, and could soon expand to all of California and beyond! It will raise consumer retail prices with no corresponding environmental benefit. This ISR must be defeated and your active engagement and support is needed.

Please contact Bruce Linderman, Government Affairs Coordinator, IWLA, **blinderman@iwla.com**, 847.813.4698 to join this important effort and get further information.