



July 26, 2007

TO: GIEC Air Workgroup

FROM: Tammy Wyles, Air Workgroup Chair
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SUBJECT: Notes from EPD's Permit Fee Advisory Committee Meeting

As a member of EPD's Permit Fee Advisory Committee (PFAC), I participated in its meeting yesterday at EPD's Tradeport office. Both Heather Abrams, Chief, EPD Air Protection Branch, and Jimmy Johnston, Manager, EPD APB Planning & Support Program, were present.

The DNR Board approved the Title V permit fee decrease from \$33/ton to \$28.50/ton for fiscal year (FY) 2008 (bills come out in September 2007, I believe). They were able to make the reduction for two reasons – fee monies were carried over from FY 2007 by allowing the fourth quarter payment to come in later than it normally would have and they also have some cost reductions as a result of pulling the ambient monitoring contract back in-house.

It is likely that the fees will have to go back up somewhat for FY 2009. However, Heather made it clear that EPD will continue to look at this annually and they will continue to move the fees up and DOWN to match expenses. By late Fall (Oct or Nov 2007), EPD expects to have some idea as to what the fee will be for FY 2009. They expect some increase over FY 2008, but not all of the way back up to \$33/ton. Heather also mentioned that there will be an increase of 6% (about \$300k?) in staff benefits (e.g., insurance). Had they had this information when the fees were reduced, the reduction probably would have been a little less. They will try to absorb this in FY 2008, but it will need to be considered in setting the fee for FY 2009.

There are two items that Heather hopes to push through the legislature in the upcoming (2008) session. These will have to be drafted to go to the EPD Director and up to the Governor this Fall. Heather is seeking support from industry in helping her get this through the Governor and through the legislature.

1. Inspection and Maintenance (I&M) fees (two components)

First, Heather wants to be able to use the I&M fees to help partially fund the monitoring program that was brought back in-house.

Basically, she wants to have the option to use the I&M fees for other EPD programs and this is just one of the programs she has in mind. I believe the Title V fees are currently paying for at least a portion of the monitoring program. As such, if she could use some of the funds from the I&M program, that could impact (lower) the amount of future increases in the Title V fees. As it stands now, EPD has a reserve in the I&M fund (estimated at \$1.5 million), but that will likely be depleted in upcoming years as they plan to add staff to properly manage and administer that program. Heather mentioned that there are some functions that they are supposed to be performing within the I&M program that have not been getting done.



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Second, Heather wants to ask for an increase in the monies that EPD receives out of the inspections to fund their programs.

I&M stations can charge up to \$25 per test (some only charge \$19 or \$20 in order to get more volume). Of the collected amount, the cost to the station has been \$6.95 and the rest is profit. The breakdown of cost has been as follows: \$1.00 to the County (I believe related to the tag program); \$0.95 to EPD (much of this has gone in the reserve); and \$5.00 to the EPD contractor who administers the program.

Recently, EPD re-negotiated the contractor's fee down from \$5.00 to \$2.07. Apparently, the old contract included some software upgrades that stations will have to pay for separately in the future.) As a result, the stations' cost has been reduced from \$6.95 to \$4.02, which means that their profit goes up by an additional \$2.93. Given this, Heather thinks it is timely to ask for an increase in EPD's portion (from the current \$0.95). She anticipates asking for an increase in the range of \$0.25 to \$0.50. Again, this would help EPD fund its portion of the I&M program properly (with the right number of staff and complete functionality) and could also help other programs if she is successful in gaining approval to use the funds more broadly.

All present at the meeting agreed that it made sense for them to be able to use the I&M fees for the monitoring program, for example, as there is a direct link between non-attainment and monitoring. She may get some push back from the station owners, as they will argue that they need some of the additional profit to cover some upcoming software upgrades. However, EPD does not see the stations' cost as being substantial.

2. Permit Application Processing Fees

EPD will continue to push for approval to implement permit application processing fees. They continue to be frustrated by the fact that staff spends a tremendous amount of time working on permits for greenfields that are speculative and are never built. If they were to get this approved, it would offset some of what EPD has to collect under the Title V program. They want to match the fees with where the majority of the staff time is being spent. EPD is continuing to enhance their Title V fee income in the meantime by auditing the amounts paid by facilities to make sure the proper amounts are being paid and by collecting Title V fees earlier from Greenfields that are just starting to operate.

The next PFAC meeting will likely take place this Fall once EPD starts to formulate some thoughts on the FY 2009 fee amount, although it could be sooner to discuss feedback from Dr. Couch and the Governor regarding the proposed legislation.