

NATURAL RESOURCES -- AIR, WASTE AND CONTAMINATED LAND

Air Operation Permit Fees and Staff
[LFB Paper #565, Part C]

Motion:

Move to:

1. Adopt the Governor's recommendation to create a new state permit sources appropriation, and to specify the eight allowable types of costs that can be paid from the appropriation.

2. Transfer \$1,142,000 PR and 10.0 PR positions to the appropriation from the existing air emission operation permit appropriation in 2006-07 (instead of \$1,626,700 and 14.0 positions under the bill).

3. Adopt the Governor's recommendation to create a \$300 fee to be paid by an owner or operator of a stationary source that requests a waiver from the requirement to obtain an air construction permit prior to construction, and deposit the fee in the existing air construction permit appropriation.

4. Specify that the existing air operation permit appropriation, which currently receives all annual emission tonnage fees, would receive annual emission tonnage fees from persons required to have air operation permits under federal law.

5. Specify that persons who are required to obtain an operation permit under state statute, but not under the federal Clean Air Act, would pay operation permit fees or emission tonnage fees as described in the following sections. These fees would be deposited in the new state permit sources appropriation, effective with fees assessed as of January 1, 2006.

(a) Sources that are required to obtain an operation permit under state statute but not under the federal Clean Air Act would pay the current emission tonnage fees (\$35.71 per ton) unless they obtain one of the following permits.

(b) Adopt the Governor's recommendation to create a \$300 annual fee for an operation permit exemption if the stationary source is exempt from the requirement to obtain an air operation permit, and if the stationary source had actual emissions of a regulated pollutant in excess of three tons in the preceding year. The fees would be deposited in the state permit sources appropriation.

(c) Change the amount of the registration operation permit fee from \$1,500 under the bill to \$1,100, assess the fee as one-time (rather than annually) for the first year the stationary source

has a registration operation permit, and deposit the fee into the state permit sources appropriation. Specify that in the second and subsequent years that a stationary source holds a registration operation permit, the source would pay the current emissions tonnage fees (\$35.71 per ton). Deposit the emission tonnage fees paid by stationary sources with registration operation permits into the state permit sources appropriation. Specify that sources holding a registration operation permit would be exempt from construction permit fees under administrative rule NR 410.

(d) Change the amount of the general operation permit fee from \$1,500 under the bill to \$2,300, assess the fee as an initial one-time fee (rather than annually) for the first year the stationary source has a general operation permit, and deposit the fee into the state permit sources appropriation. Specify that in the second and subsequent years that a stationary source holds a general operation permit, the source would pay the current emissions tonnage fees. Specify that stationary sources currently operating under an individual air operation permit or a general operation permit would not have to pay the \$2,300 general operation permit fee, but would instead continue to pay emissions tonnage fees. Deposit the emission tonnage fees paid by stationary sources with general operation permits into the state permit sources appropriation. Specify that sources holding a general operation permit would be exempt from construction permit fees under administrative rule NR 410.

(e) Delete the Governor's recommendation to create an annual \$3,000 fee to be paid by the owner or operator of an entire facility for which a state operation permit is required, but not a federal permit, if the entire facility was not covered by a registration operation permit or a general operation permit in the preceding year. Instead, specify that these stationary sources would have the choice of one of the following two options. The first option would be for the stationary source to pay a \$7,500 one-time fee, and in subsequent years pay the current emissions tonnage fees. Holders that opt to pay the \$7,500 one-time fee would be exempt from construction permit fees under administrative rule NR 410, but not from the requirement to obtain a construction permit. The second option for individual sources would be to continue to pay emissions tonnage fees according to the same methodology as current law. Deposit the emission tonnage fees paid by these stationary sources into the state permit sources appropriation.

7. Direct DNR to submit a report to the Joint Committee on Finance by December 15, 2006, that describes DNR's progress on air permit streamlining, including development of an information technology system; the number of registration, general and individual air minor source permits issued, and the timeframes for issuance; and an analysis of program costs and revenues necessary to operate the program in future years after the new air permit systems are implemented.

8. Transfer \$175,000 in fiscal year 2006-07 from the existing emissions tonnage fee appropriation to the state sources appropriation.

9. Specify that for 2005-06 only, the owner of a stationary source where the entire facility is required to have an operation permit under s. 285.60 but not under the federal clean air act, and is not a synthetic minor source as defined in NR 407.02 (9), would pay \$300 instead of emission tonnage fees. The \$300 would be deposited in the state sources appropriation. (NR 407.02 (9) defines "synthetic minor source" as any stationary source that has its potential to emit limited by federally-enforceable permit conditions so that it is not a major source.)

10. Make the following changes regarding construction permit duration:

(a) Specify that authorization to construct, reconstruct, replace or modify a stationary source, rather than the construction permit itself currently, is valid for 18 months from the date of issuance of the permit unless the permit is revoked or suspended.

(b) Authorize DNR to extend the term of the authorization in the permit, rather than the construction permit itself currently, for up to 18 additional months beyond the original 18-month period.

(c) Specify that while the authorization to construct, reconstruct, replace or modify a source expires, all conditions in a construction permit are permanent unless the conditions are revised through a revision of the construction permit or through the issuance of a new construction permit.

Note:

DNR collects air emission tonnage fees from the owner or operator of a stationary source for which an operation permit is required. The fee is \$35.71 per ton based on actual emissions of all regulated pollutants.

Under the motion, sources that are required to obtain an operation permit under state law, but not under federal law, would generally pay the current annual emission tonnage fees of \$35.71 per ton, but would deposit the tonnage fees in the state permit sources appropriation. However, the motion would provide the following fees under specific circumstances: (a) registration operation permit holders would pay a one-time fee of \$1,100, then annual emission tonnage fees in subsequent years; (b) general operation permit holders would pay a one-time fee of \$2,300 for new applicants, then annual emission tonnage fees in subsequent years; (c) sources that have a general operation permit before the effective date of the bill would not be required to pay the one-time general operation permit fee but rather would pay either annual emission tonnage fees deposited in the state sources appropriation; (d) sources that are required to obtain an operation permit under state law, but not under federal law, would pay the annual emission tonnage fees or a \$7,500 one-time fee and tonnage fees in subsequent years.

The following table shows estimated revenue under the motion and under the bill as reestimated. Since this office released budget paper #565, DNR has indicated the expected level of emissions from state sources is uncertain and suggested several potential figures. The table shows this office's estimate of \$700,000 in emissions tonnage related revenues under the bill taking into consideration the various Department estimates (instead of earlier DNR estimates ranging from \$450,000 to \$856,200). Also, this office originally estimated that the bill would first have a fiscal effect in 2006-07, but that DNR might realize some revenue effect in 2005-06 if a draft rule currently under promulgation by DNR to establish criteria for registration operation permits and general operation permits takes effect in the fall of 2005. However, the motion would result in

fiscal effects as shown in the following table for 2005-06 and 2006-07.

Estimated Air Permit Appropriation Revenue

<u>Fee Category</u>	2005-06 <u>Motion</u>	2006-07 <u>Motion</u>	2006-07 <u>AB 100</u>
Emission tonnage fees -- state sources	\$360,800	\$477,700	\$0
Exemption from operation permit	181,800	185,400	210,900
General operation permit	11,500	46,000	402,000
Registration operation permit	55,000	38,500	426,000
State operation permit for other sources	810,000	337,500	696,000
Transfer from existing emissions fee appropriation	<u>0</u>	<u>175,000</u>	<u>0</u>
Subtotal State Air Permit Sources Revenue	\$1,419,100	\$1,260,100	\$1,734,900
Construction Permit Waiver	\$1,800	\$1,800	\$1,800
Emission tonnage fees -- existing appropriation	-\$700,000	-\$700,000	-\$700,000
Transfer to state sources appropriation	<u>0</u>	<u>-175,000</u>	<u>0</u>
Subtotal existing emission tonnage fee appropriation	-\$700,000	-\$875,000	-\$700,000
Total Revenue	\$720,900	\$386,900	\$1,036,700
Revenue Under Bill (Original estimate)		\$1,286,700	\$1,286,700
Change to Bill		-\$899,800	-\$250,000

[Change to Bill: -\$899,800 PR-REV in 2006-07]