

PFAC Meeting to Discuss Title V Revenue Shortfall





PERMIT FEE ADVISORY COMMITTEE (PFAC)

- The purpose of the PFAC is to provide advice and recommendations to Georgia EPD and the DNR Board regarding any changes to the Title V fee structure.
- Fee workgroup representatives include:
 - Alex Lehocky – Kennesaw State University
 - Nathan Humphrey – National Federation of Independent Businesses (NFIB)
 - Cynthia Walaitis – Georgia Association of Manufacturers (GAM)
 - Lee Lemke – Georgia Mining Association (GMA)
 - Randy Quintrell – Georgia Pulp & Paper Association (GPPA)
 - Rosa Chi – Georgia Power
 - Ryan Gesser – Georgia Industry Environmental Coalition (GIEC)
 - Debbie Phillips – Georgia Industry Environmental Coalition (GIEC)



CURRENT SITUATION

- Many coal fired facilities are retiring or converting to natural gas in 2015 and 2016 which will impact revenue in FY2017, FY2018, and beyond.
 - Plant Branch, Plant Kraft, Plant Yates, and Plant Mitchell
 - Boiler Maximum Achievable Control Technology (MACT) rule
- Collectively these facilities account for approximately \$2.4 million/year in permit fee payments.
- Although emissions are decreasing, the workload is not projected to decrease.
- Air Protection Branch expenses are increasing in the future due to increased operating costs, leading to a significant revenue shortfall in FY2018 and beyond.



FEES BY SOURCE CLASSIFICATION

Calendar Year 2015 Fees (FY2017)

Group	Fee	Number of Sources	Total Fee
B ² Source with NSPS ⁵	\$1,500	75	\$112,525
SM ³ Fee	\$1,700	416	\$707,301
SM ³ and NSPS ⁵ Fee	\$3,200	305	\$976,150
Title V ⁴ Minimum Fee ¹	\$4,500	99	\$445,559
Title V ⁴ Minimum ¹ + NSPS ⁵	\$6,000	116	\$696,000
Title V ⁴ \$/ton ⁵	\$4,579-\$448,080	73	\$2,273,496
Title V ⁴ \$/ton ⁵ + NSPS ⁶	\$6,115-\$449,580	112	\$5,411,994
TOTAL		1,196	\$10,623,024

¹Includes HAPs only Major Title V Sources

²**B Source** - Minor Source (less than 100 TPY and less than HAPs threshold)

³**SM** - Synthetic Minor Source (source that takes a limit to stay below Major threshold limits)

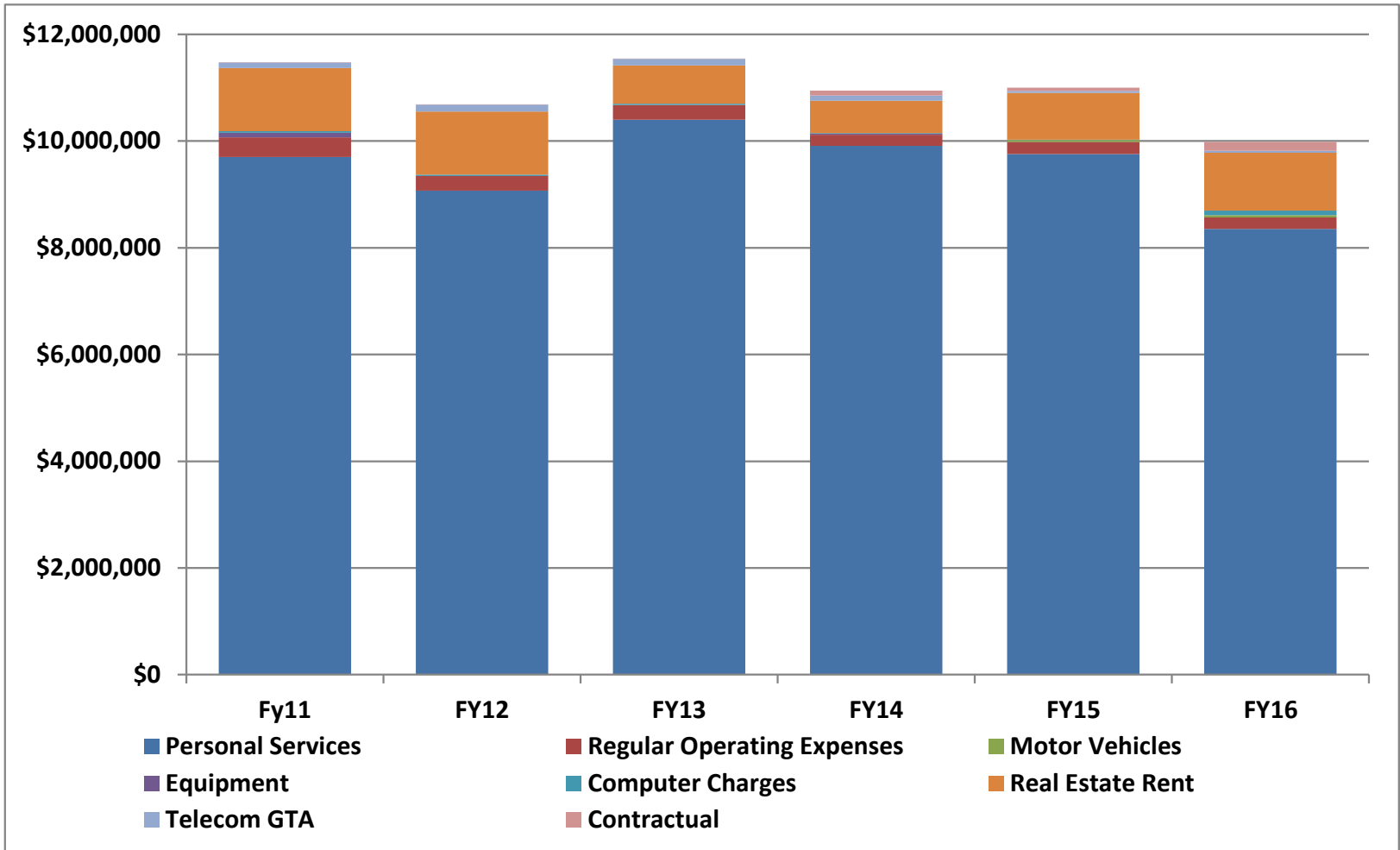
⁴**Title V** - Major Source (greater than 100 TPY or greater than HAPs threshold)

⁵**\$/ton** - \$37.34/ton for coal-fired EGUs, \$35.50/ton for all other sources

⁶**NSPS** - New Source Performance Standards



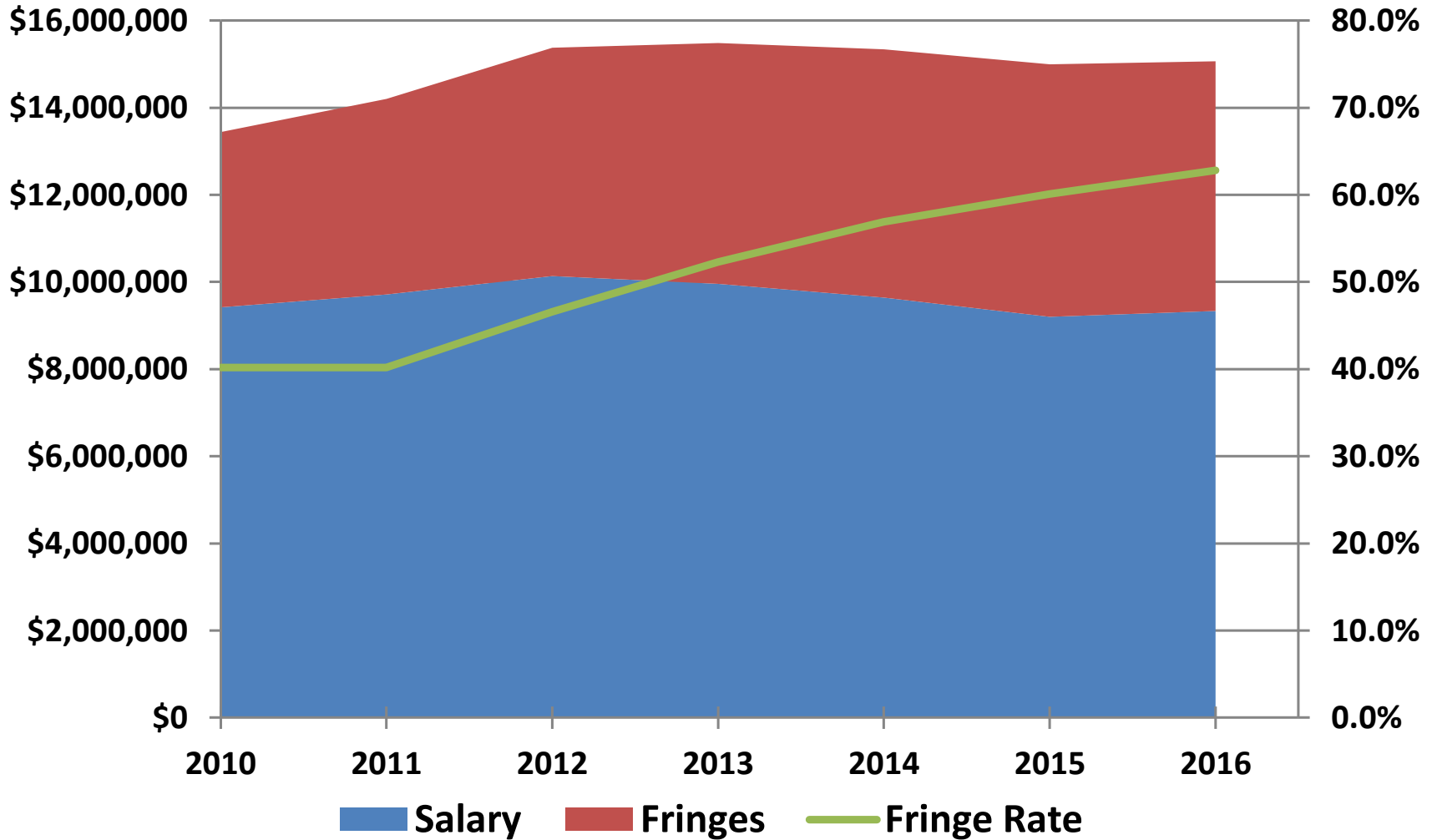
TITLE V EXPENSES



Majority of expenses are personnel and rent.



APB SALARIES & FRINGE BENEFITS



*Fringe rate is set by Legislation and includes State health benefits, retirement, and FICA contributions.



REVENUE PROJECTIONS

- Started with list of sources paying fees in FY2017 (based on 2015 emissions).
- EGU Reductions in 2016 (FY2018)
 - Kraft, Mitchell, Yates = **\$1,100,017**
- Non-EGU Reductions in 2016 (FY2018)
 - DSM = **\$31,427**
- Add Expedited Permit Fee Revenue
 - Conservative estimate = **\$150,000**
- Total Revenue (FY2018 and beyond)
 - $\$10,623,024 - \$1,100,017 - \$31,427 + \$150,000$
= **\$9,641,580**

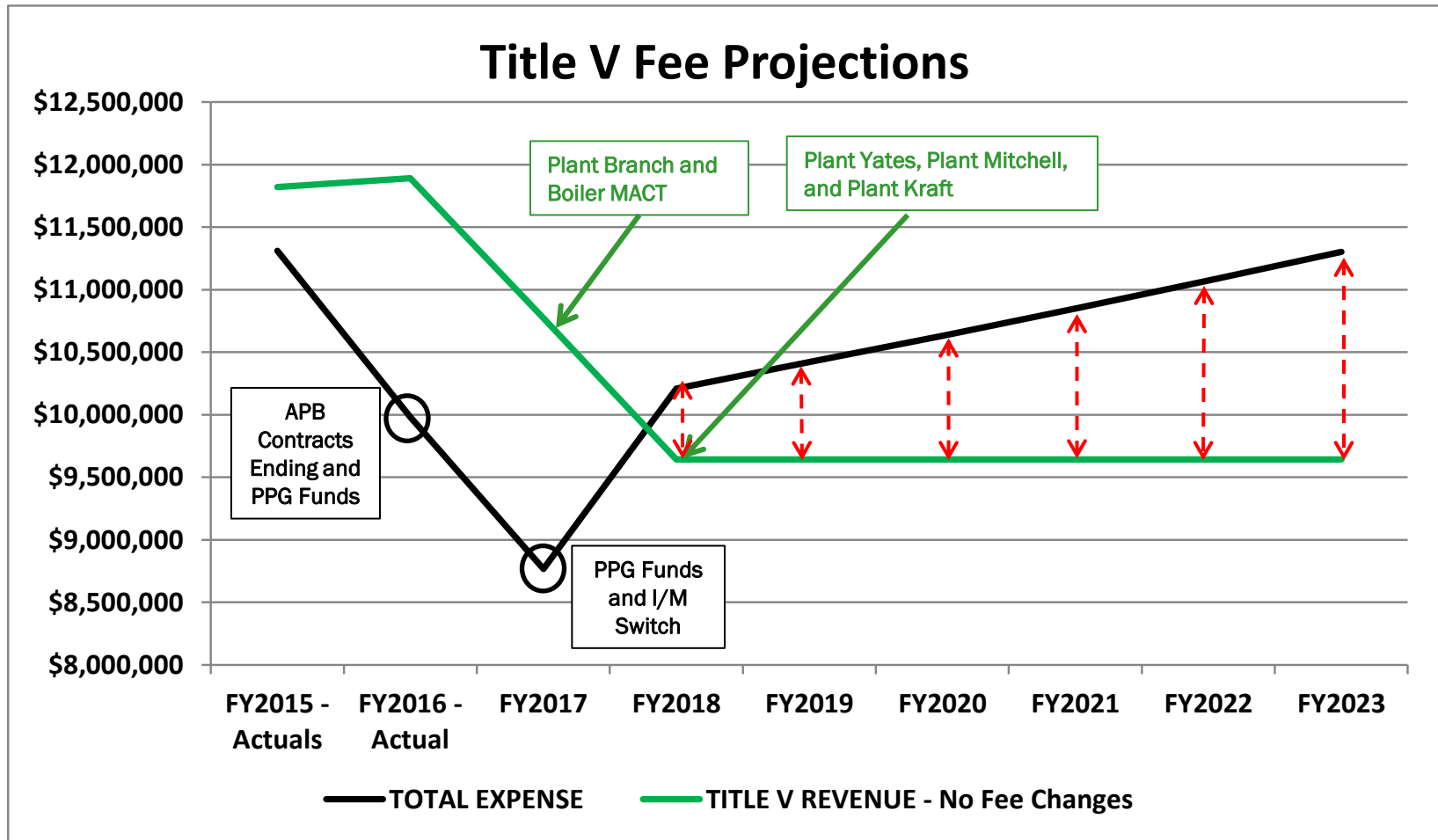


EXPENSE PROJECTIONS

- Start with FY2016 actual expenses.
- Assumed annual **1.0%** increase in fringe rate (FICA, FICA Medicare, Retirement, Health Insurance) and annual **3.0%** increase in salary.
- Accounted for PPG funding in FY2016 and FY2017 and shift in I/M personnel funding in FY2017.
- Assumed **\$200,000** moving expense for new APB workshop location in FY2017.
- Other expenses projected to remain relatively constant.



PERMIT FEE REVENUE SHORTFALL



Note: Fees are collected 2 fiscal years (FY) after emission calendar year (CY)
Example: CY2016 emission fees are collected in FY2018 (07/01/17 - 06/30/18)

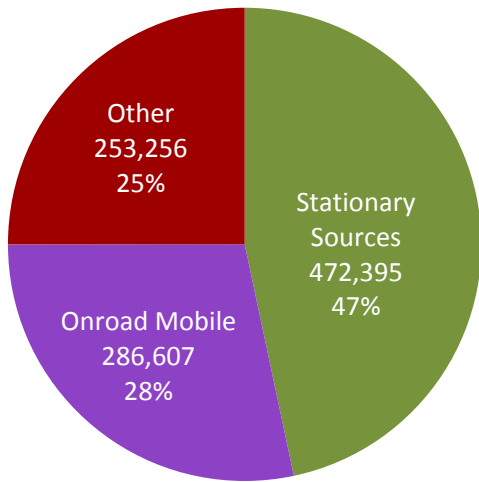


PREVIOUS OPTIONS DISCUSSED

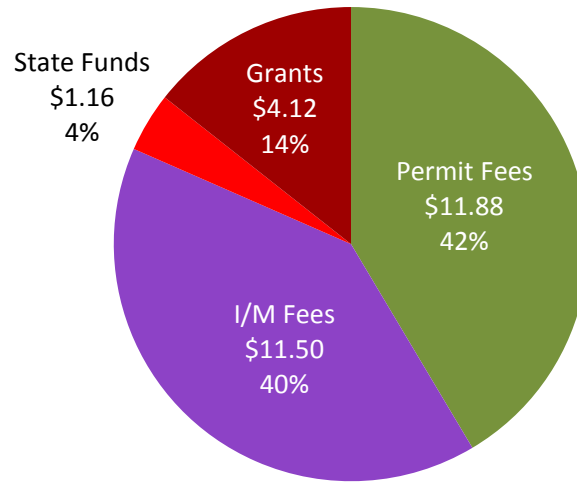
- Add CPI or CRA (cost-to-revenue adjustment).
- Add permit application fee
 - Include minor sources?
- Increase \$/ton fee, increase SM fee, and/or add maintenance fee
- Increase I/M fees collected
- Collect emission fees from airports (authority?)
- Car tag fee - Legislative change
- Gas tax - Constitutional change



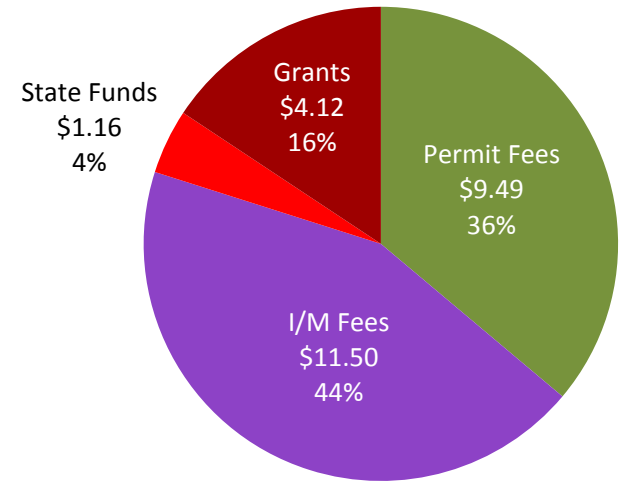
AIR PROGRAM EMISSIONS VS. REVENUE



2014 Emissions
(SO₂ + NO_x + PM₁₀ + VOCs)



2016 Revenue
(based on 2014 TV Emissions)



2018 Revenue

I/M Fees Distribution (\$4.02/test)

- 40% to APPLUS contractor (\$1.59/test)
- 25% to 13 counties (\$1.00/test)
- 35% to Georgia EPD (\$1.43/test)

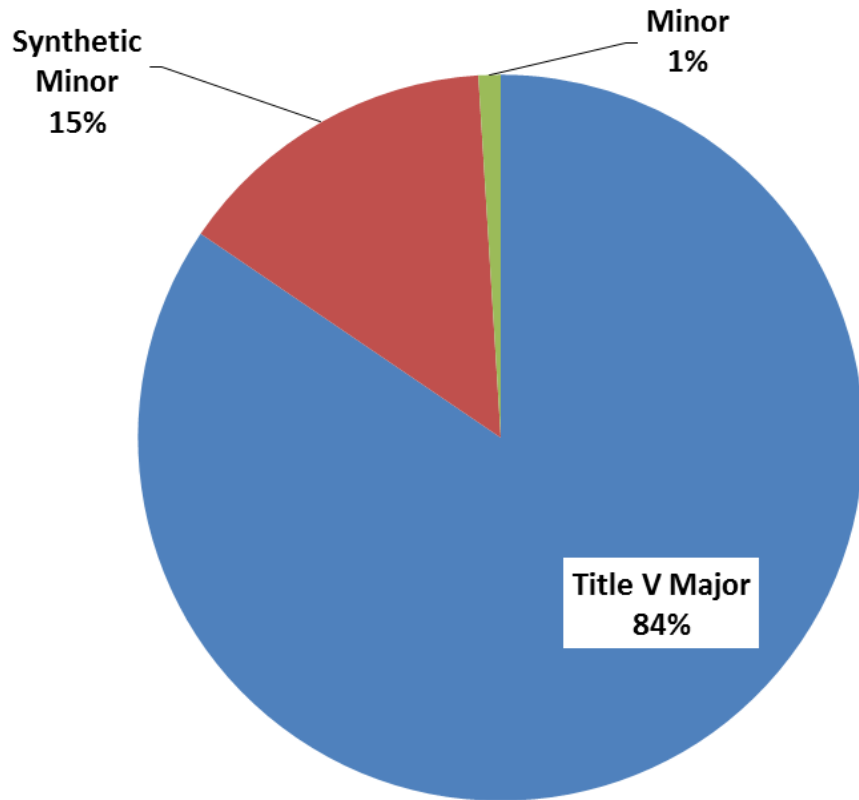


FUNDING SOURCE BREAKDOWN

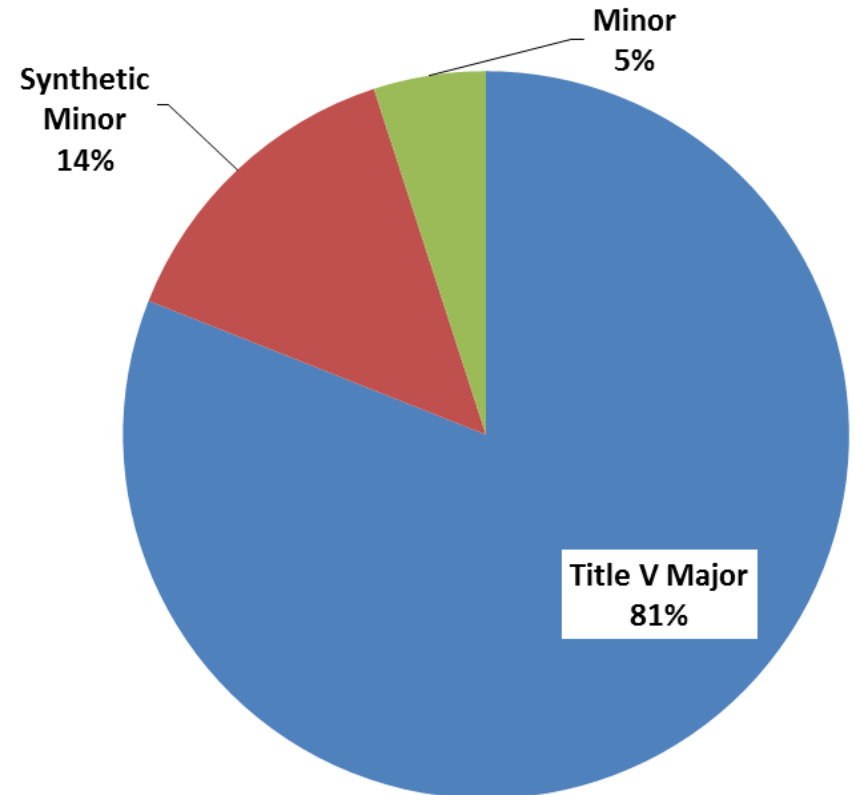
Funding Source	Type of Positions Funded	Number of Positions
Permit Fees	Permitting and Compliance Program staff Four district inspectors Planning and Support Program staff (50%) Modelers (except mobile source modelers) IT Support Staff (33%)	105
I/M Fees	I/M contractor fees and county fees Mobile and Area Source Program staff Ambient Monitoring Program (Metro Atlanta) Mobile source modelers Planning and Support Program staff (30%) Branch Chief Voluntary Programs	42
DERA/CMAQ	Voluntary Programs (railroad grants, school bus grants)	<1
Radioactive Materials Fees	Radioactive Materials Staff Assistant Branch Chief	12
GEMA	Environmental Radiation Staff	2
105 and PPG	Ambient Monitoring Program (outside Metro Atlanta)	20



TITLE V FEE AND WORKLOAD BREAKDOWN



Fee Breakdown

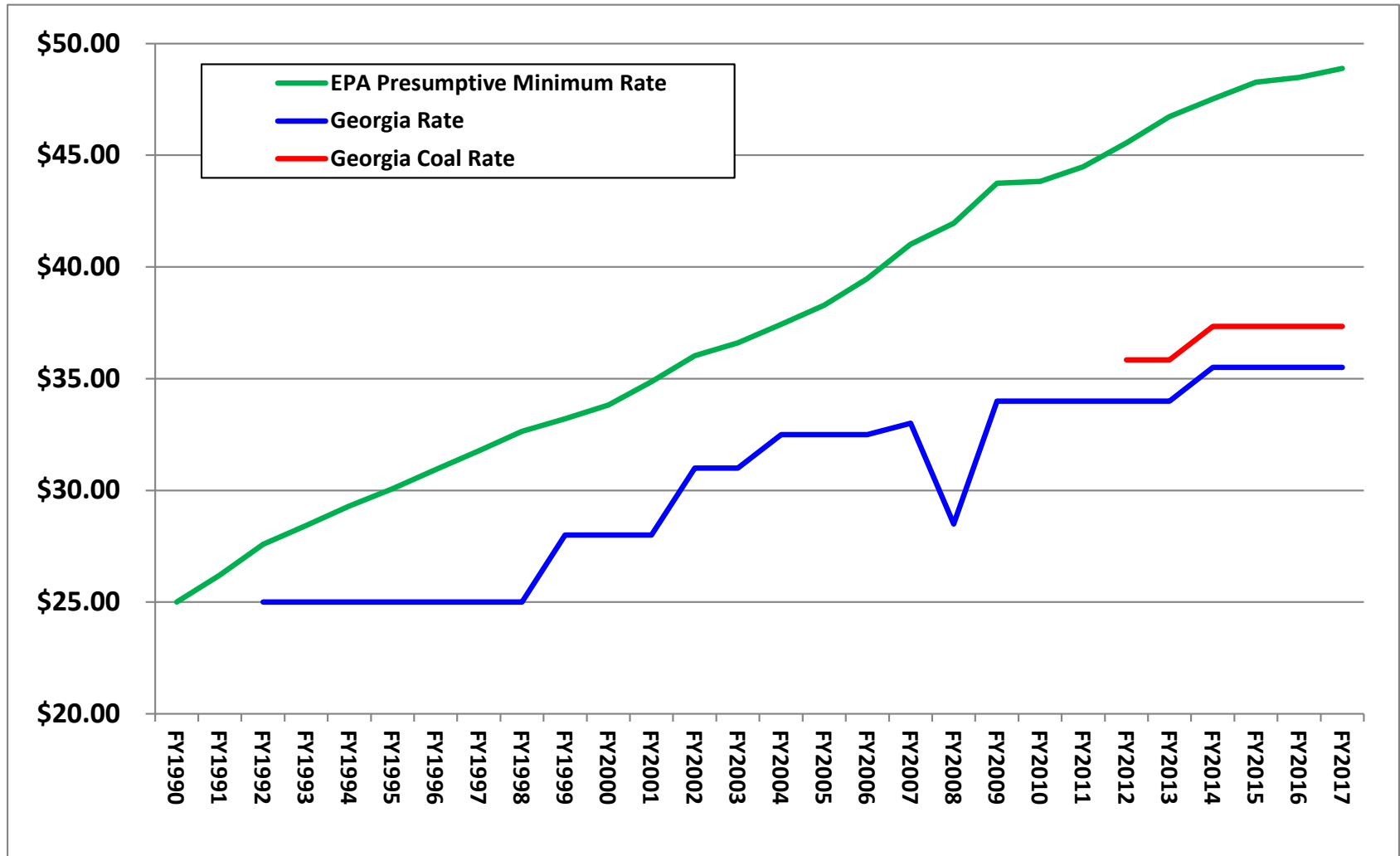


Workload Breakdown

Major and SM sources slightly subsidizing Minor sources.



EPA PRESUMPTIVE \$/TON WITH CPI





SESARM STATES SUMMARY

State	Fee (\$/ton)	Basis	Automatic Annual Adjustment	Application/ Permitting Fee	Other Funding
MS	\$47.00	Actuals	No	No	None
SC	\$48.49	Actuals	Yes	Expedited Only	Annual Maintenance
AL	\$47.00	Actuals	No	Yes	Modeling Fees
FL	\$30.00	Actuals	No	PSD Major Only	Vehicle Tag Fees (Enforcement only)
KY	\$65.25	Actuals	No	No	None
VA	\$60.91	Actuals	Yes	Yes	Annual Maintenance
WV	\$42.80	Actuals	Yes	No	Permit transfer fee
TN	\$43.00 (non-EGU), \$49.50 (EGU)	Actuals ¹	No	No	None
GA	\$35.50 (non-EGU), \$37.34 (EGU)	Hybrid ²	No	Expedited Only	NSPS Fee
NC	\$31.92	Actuals	Yes	Yes	Gas Tax + TV Maintenance

¹Fee based on allowable emissions: \$32.50/ton for non-EGU sources and \$39.00/ton for EGU sources.

²Fee based on Actual emissions: **\$41.17**/ton for non-EGU sources and **\$48.75**/ton for EGU sources.



2016 PFAC RECOMMENDATIONS

Verbal recommendations:

- The workgroup members present reiterated their preference for moving away from a \$ per ton approach, to a fee structure that reflects the actual workload.
- They agreed that the options presented accomplish that goal.
- Preference was shown for options involving some combination of adding CPI, adding permit application fees, increasing SM fee, and adding a Title V Maintenance fee.

Written recommendations:

- Proceed with a rule amendment this year that would put the mechanism in place for an annual “cost-to-revenue adjustment” (CRA). This may be a more appropriate term for EPD to use in a rule amendment rather than “CPI”.
- No additional rule amendments are necessary in CY 2016.
- Increase the “administrative fee,” which is remitted to EPD by those who conduct I/M emissions inspections, from the current \$4.02 to at least \$4.52.
- Continue PFAC discussions and, should it be evident in early CY 2017 that there will be a shortfall in FY 2018, convene to discuss specific measures to be taken to address the projected shortfall.



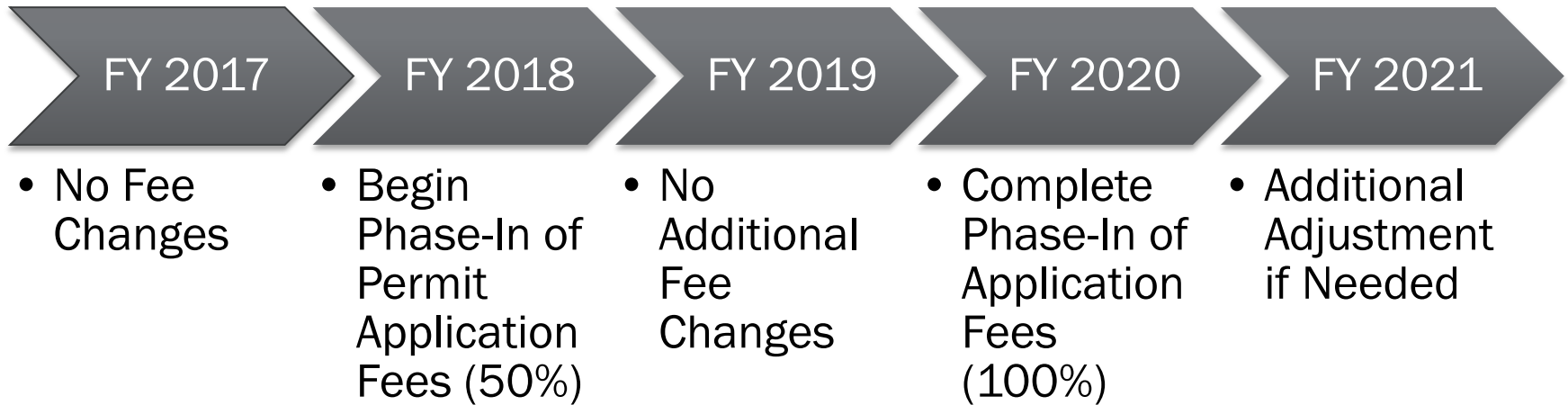
LAST RECOMMENDATION TO DNR BOARD

- Build reserves in FY2015 and FY2016 to delay fee increases
- Convene Fee Workgroup to explore options for additional fee revenue
- Maximize use of I/M revenue
- Recommend phasing in application fees starting in FY2018

This slide is from the 2016 DNR Board Briefing.



ADDRESS THE TITLE V FEE SHORTFALL



This slide is from the 2016 DNR Board Briefing.



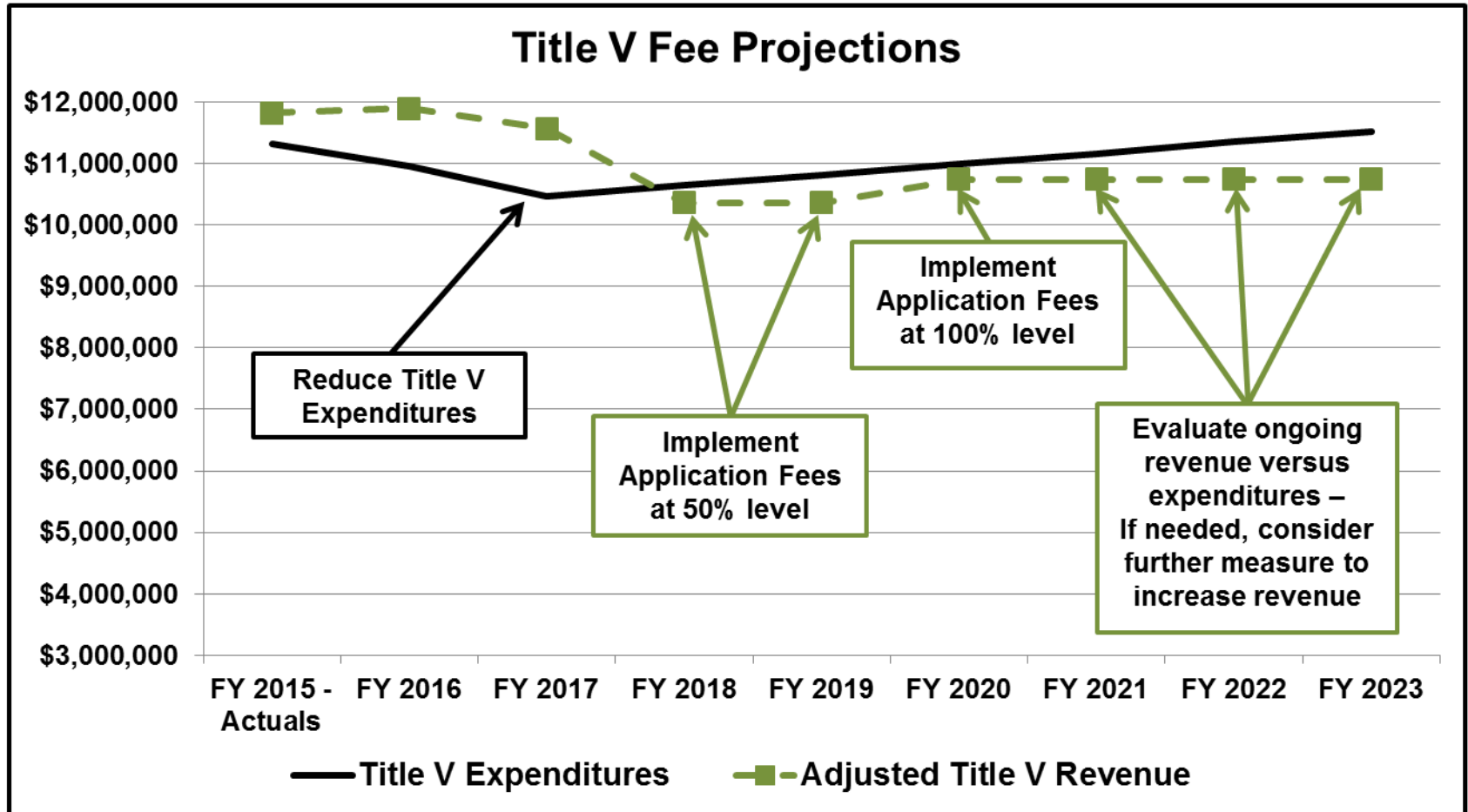
POTENTIAL APPLICATION FEES

Permit Type	FY 2018 and FY 2019 Application Fees (50%)	FY 2020 and Going Forward Application Fees (100%)
Minor Source Permit or Amendment	250	500
Synthetic Minor Source Permit or Amendment	1,000	2,000
Major Source Permit not PSD or 112(g)	2,000	4,000
Name Change	250	500
Permit-by-Rule	250	500
Title V 502(b)(10) Permit Amendment	2,000	4,000
Title V Minor Modification with Construction	2,000	4,000
Title V Minor Modification without Construction	2,000	4,000
Title V Significant Modification with Construction	2,000	4,000
Title V Significant Modification without Construction	2,000	4,000
PSD Permit or 112(g) Permit	7,500	15,000
Nonattainment NSR Permit	7,500	15,000
TOTAL PROJECTED ANNUAL COLLECTIONS	\$387,000	\$774,000

This slide is from the 2016 DNR Board Briefing.



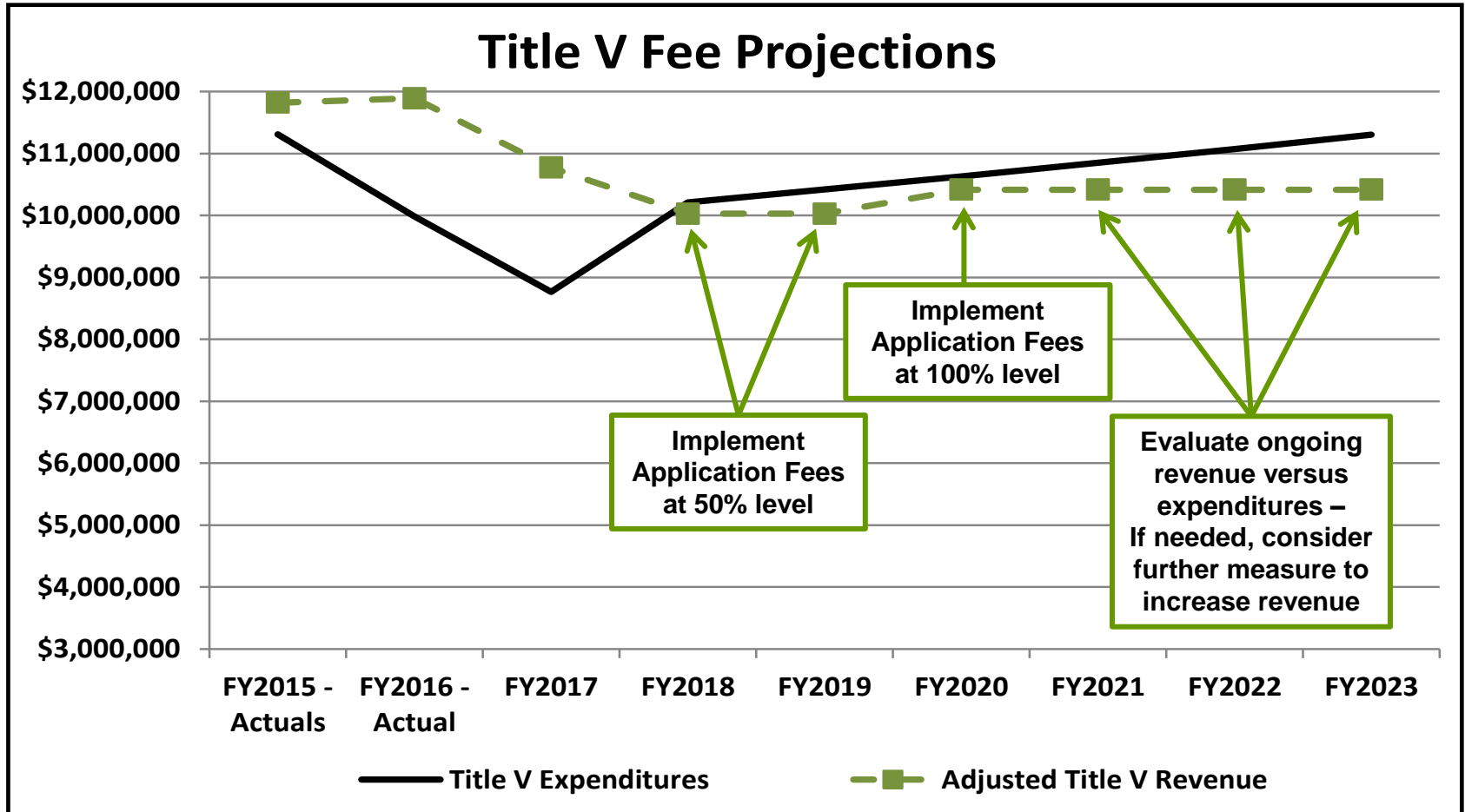
IMPLEMENTATION TIMELINE & IMPACT



This slide is from the 2016 DNR Board Briefing.

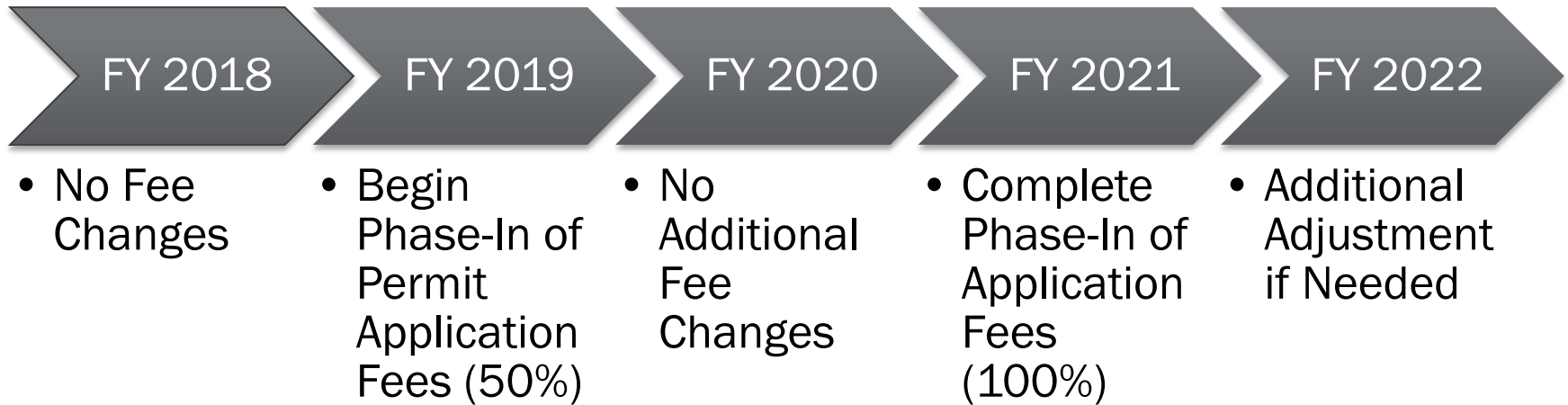


UPDATED IMPACT WITH NEW PROJECTIONS





DELAY FEE CHANGE ONE YEAR



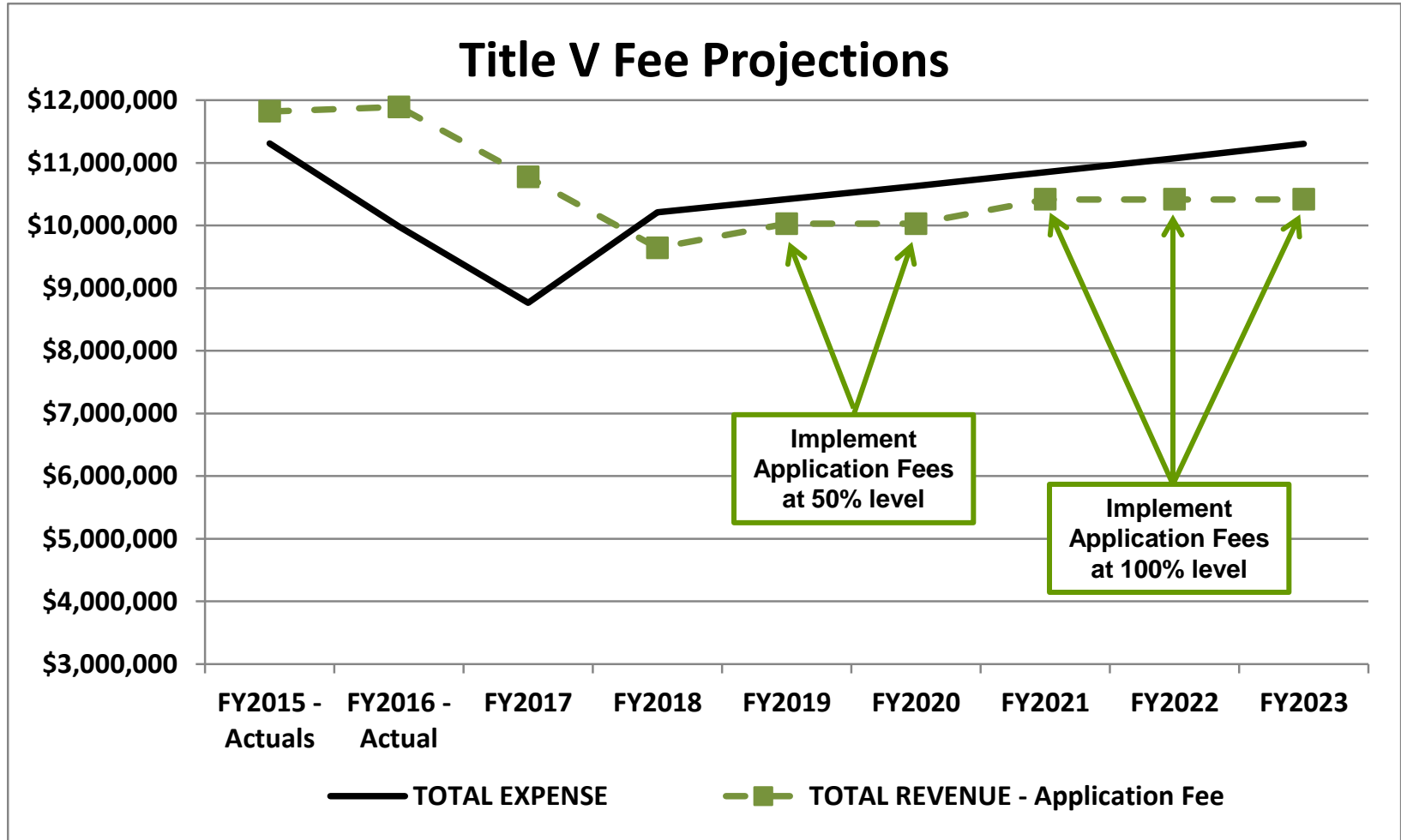


POTENTIAL APPLICATION FEES

Permit Type	Average App/Year	FY 2019 and FY 2020 Application Fees (50%)	FY 2021 and Beyond Application Fees (100%)
Minor Source Permit or Amendment	84	\$250	\$500
Synthetic Minor Source Permit or Amendment	108	\$1,000	\$2,000
Major Source Permit not PSD or 112(g)	15	\$2,000	\$4,000
Name Change	36	\$250	\$500
Permit-by-Rule	5	\$250	\$500
Title V 502(b)(10) Permit Amendment	30.5	\$2,000	\$4,000
Title V Minor Modification with Construction	10.5	\$2,000	\$4,000
Title V Minor Modification without Construction	31.5	\$2,000	\$4,000
Title V Significant Modification with Construction	12.5	\$2,000	\$4,000
Title V Significant Modification without Construction	14.5	\$2,000	\$4,000
PSD Permit or 112(g) Permit	2.5	\$7,500	\$15,000
Nonattainment NSR Permit	0	\$7,500	\$15,000
TOTAL PROJECTED ANNUAL COLLECTIONS	350	\$387,000	\$774,000



NEW IMPLEMENTATION TIMELINE & IMPACT





2017 RULEMAKING TIMELINE

- **January 2017:** GA EPD presentation to Title V Fee Workgroup (PFAC)
- **February 2017:** Brief Board on proposed fee changes for FY 2018 and phase-in timeline
- **March 2017:** Public comment period and hearing
- **May 2017:** Request Board adoption