BUREAU OF AIR QUALITY

PROPOSED FEE SCHEDULE

TO: DEAN C. MARRIOTT, COMMISSIONER
DEPARTMENT OF ENVIRONMENTAL PROTECTION

FROM: DENNIS L. KESCHL, DIRECTOR
BUREAU OF AIR QUALITY CONTROL

DATE: JANUARY 16, 1991

CVRSHEET

STATE OF MAINE
Department of Environmental Protection

MAIN OFFICE: RAY BUILDING, HOSPITAL STREET, AUGUSTA
MAIL ADDRESS: State House Station 17, Augusta, 04333
207-289-7688

JOHN R. McKERNAN, JR.
GOVERNOR

DEAN C. MARRIOTT
COMMISSIONER

MEMORANDUM

DATE: January 16, 1990

TO: Dean C. Marriott, Commissioner

FROM: Dennis L. Keschl, Director, Bureau of Air Quality Control

SUBJ: PROPOSED AIR BUREAU FEE SCHEDULE

** *** ** *** ** *** ** *** ** *** ** *** ** *** ** *** ** *** ** *** ** *** ** *** ** *** ** *** ** *** **

The Bureau of Air Quality Control is heavily dependent on the Maine Environmental Protection fund (MEPF) to support its activities. Through Fiscal Year 1987 revenue derived from license and processing fees were insufficient, in conjunction with Federal and General Fund revenues, to support approved activities and programs. In FY 1988 through FY 1990, Air Bureau MEPF income only provided 36 - 48% of the total MEPF support to the Bureau. If no changes are implemented to the present fee system, we predict this situation will not improve in the future.

The failure of MEPF to keep pace with Bureau needs is due to;

1) a legislative change in 1987 to five year licenses instead of the previous two year terms, without a commensurate adjustment in the amount of fees, and

2) there has been no adjustment for inflation since the fee schedule was first put in place in 1983, and

3) new rules and legislative mandates have increased the Bureau workload requiring even more resources.

In reviewing alternatives to the fee schedule it became apparent that merely adjusting fees to reflect inflationary pressures and changes in license terms would not solve the funding problems and would continue inequities inherent in the existing schedule.

To address the above the Bureau is proposing a new system of fees based on dollars per ton of licensed pollutants similar to a fee system is required by newly enacted Clean Air Act Amendments. This system is firmly established on the principle that "the polluter pays" to provide for those services needed to regulate and improve Maine's Air Quality.

Attached for your review is a brief analysis of our proposal with an estimate of its impact on regulated facilities. We are in the process of providing estimates of impacts on a number of other facilities and will submit them once they are available.

DLK:pgr

Marriott

PROPOSED AIR QUALITY CONTROL FEE SYSTEM

I. OVERVIEW.

A. Not currently generating sufficient funds to provide for base-level resource needs (see Table A).

- Current MEPF expenses exceed income level for air program. (Figure 1)
- Personnel costs will consume 76 percent of the total federal grant by FY 92. (Figure 2)
- In 1987, licensing period was extended from 2 years to 5 years with no concurrent increase in fees to cover compliance activities - 60% loss.
- Initial fees did not cover real ambient monitoring and other compliance activities for the two year license period, let alone for the new 5 year period.
- Peat Marwick Maine Staffing recommendations have not yet been implemented due to funding shortfall.
- Program has become increasingly complex - new laws, rules & EPA requirements add to work load with - no commensurate increase in resources.
- No resources for new established programs, eg, toxics, visibility, tank truck tightness, RVP, and Stage 1.
- No adjustments in MEPF (air fees) for inflation since inception (7 yrs) equal to approximately 50% increase in cost. Current MSEA/State Contract has a cost increase of 21 - 25%.
- Income is becoming more increasingly dependant on MEPF and General Fund as federal account stays level funded. (Figure 3)

B. Resources are needed to provide for expanded services and programs that have been identified (see Tables B and C).

- Air toxics is becoming a major area of increased interest.
- Resources are need to allow for appropriate increase in activity level, # of stack tests, and DEP observations of stack testing has/will increase dramatically due to need to insure compliance with license conditions.
- Field presence is a key to improving facility complaince status and thus number of compliance inspections and ambient monitoring reivew is expected to increase requiring appropriate staffing increases.

- Increased demands for meteorology/modeling support to licensing, enforcement, and technical programs. (Figure 4)

- Capital replacement needs have been neglected and need funding to reduce repair costs and increase efficiency of data collection and management effort.

II. PROPOSAL. To change fee system from its current fixed fee for the term of license to an established $2/ton of air pollution for sources that emit less than 1000 tons, $4/ton of air pollution for sources that emit 1000 - 4000 tons, and $8/ton of air pollution for sources that emit greater than 4000 tons. The minimum fee would be $100 and $100,000 would be the maximum fee. These figures would be based on licensed allowable emissions and the fee would be collected annually (see Table D for comparison of other state fees).

- Established more firmly on principle that "the polluter pays."

- More adequately places the cost of licensing, compliance, and monitoring activities on the licensee, i.e. the most equitable means of assessing fees. (Figure 5)

- Distributes the costs to industry so that the smaller sources, which emit less air pollution, will pay less than the larger sources. Smaller sources make up 80% of the State's total number of sources.

- The 1990 CAA requires all state air programs to develop fee programs similar to our proposed program. (Figure 6)

- Costs of administering air program generally parallels the size of the source.

- No fees will be required for amendments/renewals/or revisions.

III. IMPACTS. Impacts of the fee proposed on licensed sources, based on estimates of actual emissions with an assumed 20% increment added to reflect our prediction of licensed allowed emissions after system is in place.

- If this proposal is accepted immediately it will provide income sufficient to meet nearly all Air Bureau needs starting in FY '92. (Figure 7)

- Individual source impacts would range from a minimum fee of $100/year to approximately $100,000/year compared to current fees of $63/yr to $1010/yr. (Table E and Figure 8)

- Estimated fees for specific sources. (Table F)

- Benefits to general public. (Figure 9)

- Benefits to industry. (Figure 10)

JB:pgr

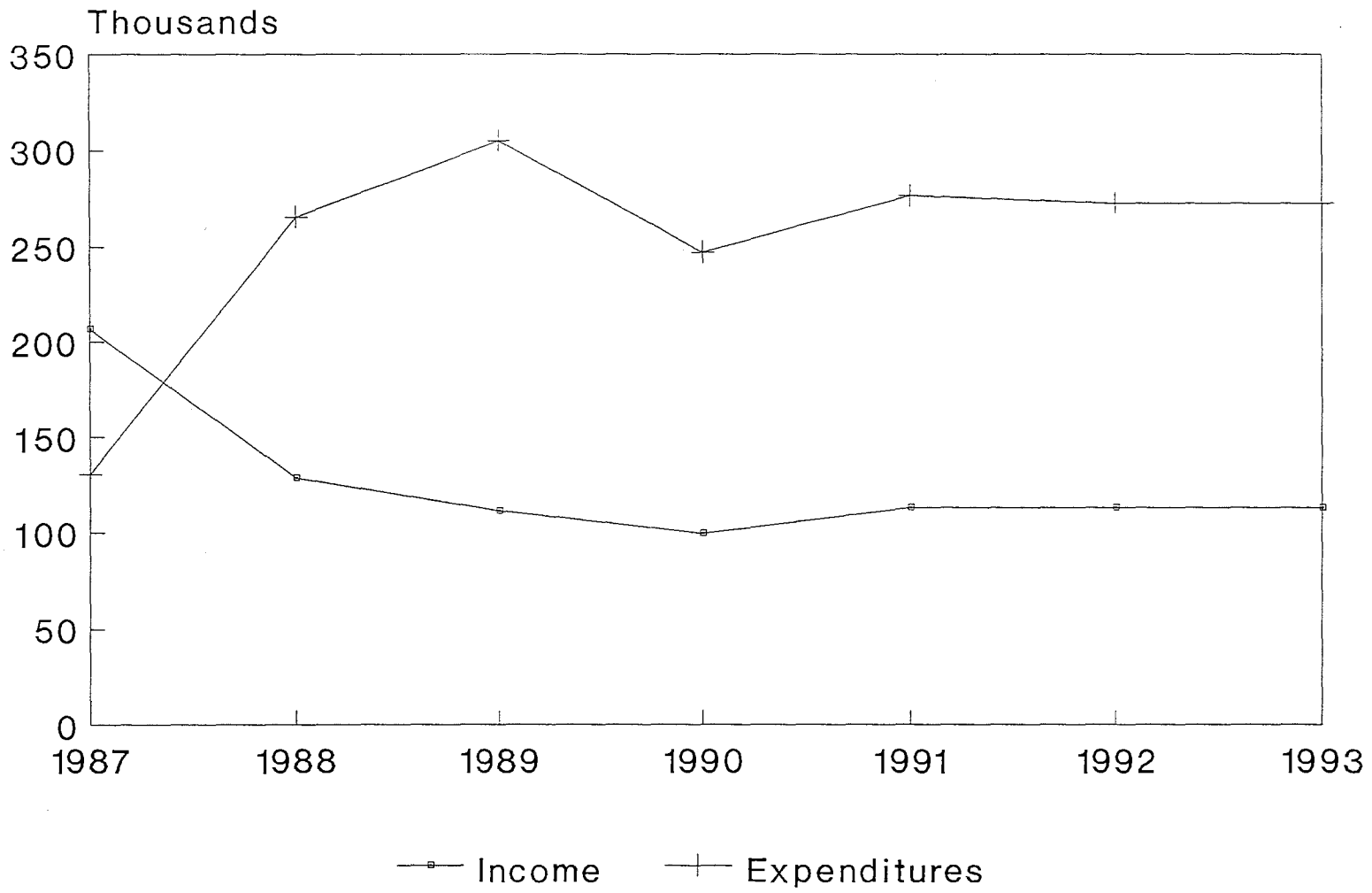
TABLE "A"

BUREAU OF AIR QUALITY CONTROL

PAST - PRESENT - FUTURE

	FY/87	FY/88	FY/89	FY/90	FY/91	FY/92	FY/93
EXPENDITURES							
(all funds together)							
PERSONAL SERVICES	$1,010,426	$1,164,853	$1,238,613	$1,344,631	$1,565,301	$1,791,683	$1,848,038
ALL OTHER	$215,610	$271,286	$339,750	$413,750	$387,383	$376,308	$388,438
CAPITAL	$35,988	$41,235	$106,545	$79,964	$80,293	$118,267	$100,267
INDIRECT	$51,038	$57,587	$80,246	$100,893	$203,833	$213,132	$214,901
TOTAL	$1,313,062	$1,534,961	$1,765,154	$1,939,238	$2,236,810	$2,499,390	$2,551,644
INCOME							
(by fund type)							
GENERAL FUND	$549,309	$618,695	$655,285	$800,582	$816,760	$979,806	$1,036,161
FEDERAL 105 GRANT	$638,458	$784,004	$799,315	$840,392	$1,177,800	$1,177,800	$1,177,800
MEPF	$206,802	$128,679	$111,495	$99,735	$113,303	$113,303	$113,303
TOTAL	$1,394,569	$1,531,378	$1,566,095	$1,740,709	$2,107,863	$2,270,909	$2,327,264
TOTAL INCOME vs. TOTAL EXPENDITURE OVER (UNDER):	$81,507	($3,583)	($199,059)	($198,529)	($128,947)	($228,481)	($224,380)

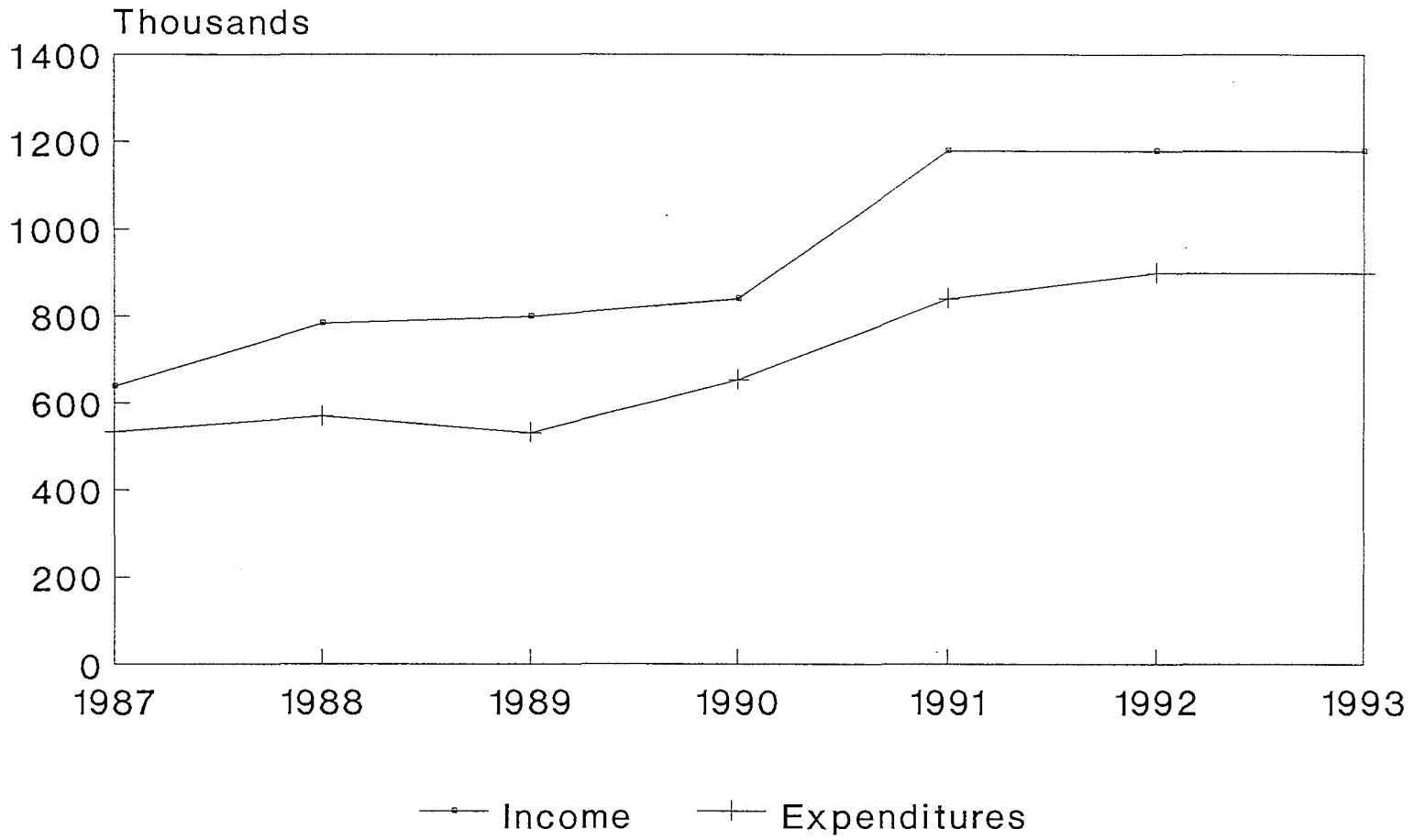
MEPF Income vrs. Expenses



MEPF2

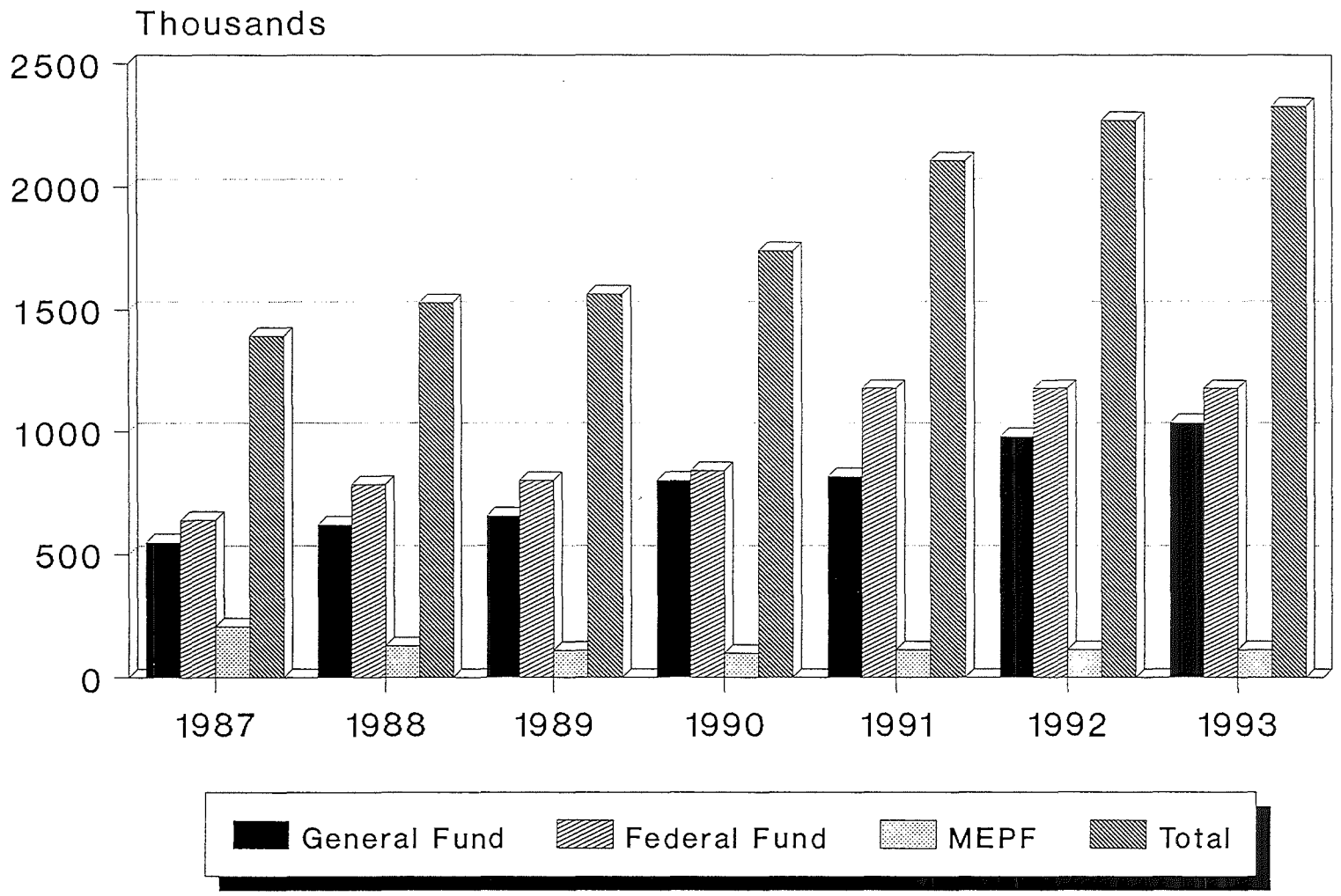
Federal 105 Grant

Total Income vrs. Personal Expenditures



FED1

Total Income from all sources



TOTAL

TABLE "B"

PROPOSED EXPENDITURES TO MEET EXISTING BUREAU NEEDS

PERSONNEL

VACANT MEPF POSITIONS:

POSITION #	POSITION	FY / 92	FY / 93
1289	ESII	$39,747	$40,534
1409	ESIII	$42,718	$43,812
1665	ESIII	$42,718	$43,812
1679	ESIV	$49,576	$51,672
	Sub-Total:	$174,759	$179,830

NEEDED NEW POSITIONS:

Senior Met.	$44,404	$45,939
CEII	$50,244	$52,253
ESIII	$42,718	$43,812
ESII	$39,747	$40,534
CEII	$50,244	$52,253
ESII	$39,747	$40,534
CHEM III	$49,241	$50,961
Sub Total:	$316,345	$326,286
Personnel Total:	$491,104	$506,116

CAPITAL:

Monitoring Equipment Existing Annual Program Needs	$166,700	$228,700
Cars(2)	$22,000	$22,000
Local Area Computer Networks(LAN)	$115,000	$20,000
Capital Total:	$303,700	$270,700
Total Personnel & Capital:	**$794,804**	**$776,816**

TABLE "C"

CAPITOL AND RESOURCE NEEDS

EXISTING CAPITAL EQUIPMENT			REPLACEMENT COST
MET SYSTEMS (7)	$ 5,000@	=	$ 35,000
SO_2 CALIBRATORS (8)	5,000@	=	40,000
O_3 CALIBRATORS (4)	9,000@	=	36,000
O_3 MONITORS (10)	9,000@	=	90,000
CO MONITORS (3)	9,000@	=	36,000
SO_2 MONITORS (6)	9,000@	=	54,000
DATA SYSTEMS (10)	4,000@	=	40,000
NO_2 MONITORS (2)	18,000@	=	36,000
CLIMATE CONTROLLED SHELTERS (9)	6,000@	=	54,000
AIR POLLUTION BALANCES (5)	5,000@	=	25,000
TEMP/HUMIDTY/RECORDER (10)	200@	=	2,000
MET TOWER (7)	1,000@	=	7,000
VEHICLES (12)	11,000@	=	132,000
ACID RAIN COLLECTOR & RAIN GAUGE (2)	10,000@	=	20,000
			$607,000

ANNUAL OPERATING COSTS

*- BASIC LABORATORY ANALYSIS (FY88)	=	15,000
- ELECTRICAL METER CHARGES	=	2,500
- ELECTRICAL CHARGE REIMBURSEMENT	=	2,600
- RENT (PORTLAND PARKING LOT)	=	1,200
- ACID RAIN MONITORING CONTRACTS (LOWELL & CAL)	=	14,000
- TELEPHONE (TELECOMMUNICATIONS)	=	2,500
		$ 37,800
- SUPPLIES (MOTORS, BRUSHES, CHART PAPER, ETC)	=	7,500
		$ 45,300

*Depending on the toxics monitoring program effort, these costs could be much higher.

5 YEAR CAP. EQUIPMENT REPLACEMENT COSTS	=	607,000	
ANNUAL EQUIPMENT REPLACEMENT COSTS	=		121,400
OTHER OPERATING AND SUPPLY COSTS	=		45,300
TOTAL ANNUAL COSTS	=		166,700

EQUIPMENT

- Visibility Monitoring Equipment	=	$32,000
- Chlorine Monitors (2)	=	15,000
- Portable SO_2, CO Monitor (1)	=	62,000

FIGURE 4

NEW RESOURCE DEMANDS

I. The following is a list of new or forthcoming requirements that need resources to administer, and for which no new funding has been provided.

II. Regulations

A. Chapter 110, "Ambient Air Quality Standards": A new PM_{10} standard required capital equipment

B. Chapter 111, "Petroleum Liquid. Vapor Storage Control ". Requires staff for compliance inspections.

C. Chapter 112, "Petroleum Liquids Transfer Vapor Recovery" Requires staff for compliance inspections.

D. Chapter 115, "Emission License Regulation" Sharply increased technical review requires more license application review time and additional compliance inspections.

E. Chapter 117, "Source Surveillance". Staff needed for continuous emission monitor certification and inspection.

F. Chapter 118, "Gasoline Service Station Vapor Control" Will require additional compliance inspection.

G. Chapter 119, "Motor Vehicle Fuel Volatility Limit". Requires staff for compliance inspection, fuel testing and equipment.

H. Chapter 120, "Gasoline Tank Truck Tightness Self Certification". Staff required for compliance inspection.

I. Chapter 121, "Emissions Testing of Resource Recovery Facilities". Requires staff for test observation, test analysis and compliance inspections.

J. Chapter 122, "Chloride and Chlorine Dioxide Emission Standard". Staff requried for compliance inspections, stack test observaion and analysis.

K. Chapter 123, "Paper Coating Regulation". Staff required for compliance.

L. Chapter 124, "Total Reduced Sulfur Control from Kraft Mills". Staff needed for stack testing, analysis and compliance.

Note: Costs associated with compliance inspections apart from staffing include vehicle mileage, recordkeeping, emissions inventory and potential enforcement.

III. STATUTES

A. The public participation and public notice requirements in Title 5, "The Administrative Procedures Act" have been expanded, considerably increasing direct costs and staff time.

B. LD 2032 "An Act Prohibition CFC's in Automobile Air Conditioners," will require staff resources for compliance inspections.

C. LD 2461 and LD 468, "An Act to Prohibit Polystyrene Foam Products made with CFC's, " amended to include foam boards, required staff to set up, contact, track and receive compliance certifications from distributors.

IV. CLEAN AIR ACT AMENDMENTS

The recently enacted 1990 CAA amendments will affect Maine's air program by imposing new requirements. Details are not clear as of today, but it appears that Federal 105 Grant monies used to fund Maine's air programs can expect to be eliminated in four years. Maine's grant in recent years has received level funding, but the state will receive an additional $320,000/yr for FY '91, '92, and '93 for Clean Air Act Implementation activities.

Requirements from the CAA that will affect Maine's Air Program are the California automotive tailpipe standard, including inspection and maintenance provisions, a new Maximum Achievable Control Technology standard, risk management and assessment provisions for toxic emissions, sudden, accidental release provisions, new, more stringent ozone control provisions and new permit and enforcement requirements.

TABLE "D"

COMPARISON OF OTHER STATE'S FEES
Air Emission Fees

STATE	AMOUNT OF FEE	ANNUAL INCOME
Maine (proposed)	$2/ton* for less than 1000 tons emitted $4/ton* for 1000 - 4000 tons emitted $8/ton* for greater than $4000 tons emitted	$1,127,483
Maine (existing) 5 year licenses	50-99 tons/year: $1,150 100-999 tons/year: $5,450 1000 or more tons/year: $11,250	$78,538
Vermont	$20/ton* of pollutant	unknown
New Jersey	Up to $500/source or piece equipment	$1,800,000
New Hampshire (proposed)	$1,000 - $3,000	$165,000
New Hampshire (existing)	$1,000 processing fee + actual costs over $1,000, new $67 - $1,000, renewal --3 year licenses	$55,000
South Coast Air Quality Management District (California)	$49 - $71/ton*/pollutant such as SO_2, NO_2, TSP hydrocarbons	unknown

NOTE: Amendments to the Federal Clean Air Act include a fee system of up to $25/ton of pollutant. If passed, states will have to adopt fees sufficient to operate their air program. If a state chooses not to adopt a fee, EPA will adopt a fee for that state.

*Fees are based on calculating the appropriate factor per ton of licensed allowable emissions.

Estimated Revenue, Selected Sources
$100,000 Cap

Source	Tons Emitted	Fee
Central Maine Power	42,303	$100,000
Marine Colloids	1,875	$5,500
Pioneer Plastics	1,600	$4,400
Maine Public Service	810	$1,620

Fees based on :

$2 per ton for less than 1000 tons emitted

$4 per ton for 1000 to 4000 tons emitted

$8 per ton for greater than 4000 tons emitted

FEE13

FIGURE 6

THE 1990 CLEAN AIR ACT AMENDMENTS
TITLE V, SECTION 502
PERMIT PROGRAM

- Our fee program is similar to the Title V requirements of the recently enacted Clean Air At Amendments (CAA).

- Title V Permit Program Requirements

  - EPA will have to approve of the states permit program

  - The state's air program will have to develop an approvable permit fee system

  - The permit fee system shall charge a minimum of $25/ton of regulated pollutant/except carbon monoxide). The collected money shall adequately fund the state's air program.

  - EPA can approve higher or lower fee costs as long as they determine the costs adequately reflect the reasonable costs of the program.

  - EPA is required to promulgate permit rules within 12 months of the enactment date (11-15-90).

  - The State Air Programs have three years from enactment to submit their permit program for EPA approval. If the state program is not approved, EPA has the authority to develop one for that state.

  - The State Fee Program is required to be sufficient to cover all reasonable costs of the permit program; which includes, but is not limited to, costs of enforcement, permitting, monitoring, rulemaking, modeling, and preparing emission inventories.

JB:pgr

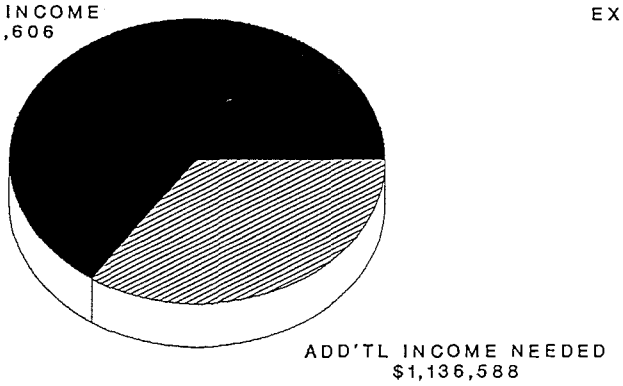
CLEANAIR

FIGURE 7

BUREAU OF AIR QUALITY

FISCAL NEEDS

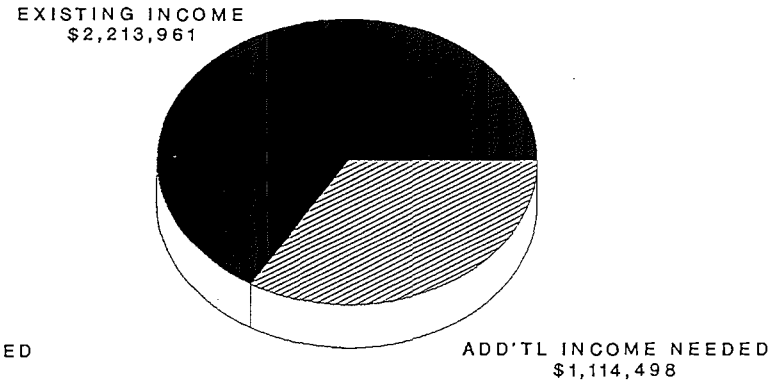
TOTAL INCOME NEEDED
$3,294,194



FY 1992

ESTIMATED FEE BILL INCOME (MEPF)
$1,127,483

TOTAL INCOME NEEDED
$3,328,459



FY 1993

ESTIMATED FEE BILL INCOME (MEPF)
$1,127,483

FISCAL1

PROPOSED FEE IMPACTS

TABLE "E"

CAT. (# lic)	FACILITY examples	CURRENT FEE per year	PROPOSED FEE
0-50T	Connor Vet	62.6	100
(380)	C.E.High School	62.6	100
50-100T	HP Hood	120.0	140
(21)	ST. Mary Hospital	120.0	160
100-1000T	Interstate Food	580.0	388
(51)	Babcock Ultrapower	580.0	946
>1000T	Pioneer Plastics	1010.0	6400
(22)	Central Maine Power	1010.0	100,000
	TOTAL INCOME	78.5 K	1127 K

*Fees are based on actual reported emissions plus 20%

Notes: 1. Fees are based on:
   a. $2 per ton of air pollution for sources which emit less than 1000 tons, and
   b. $4 per ton of air pollution for sources which emit 1000 - 4000 tons, and
   c. $8 per ton of air pollution for sources which emit greater than 4000 tons.
2. The minimum fee is $100.00, and the maximum is $100,000.00

FEES

Estimated Revenue by License Type

$100 minimum - $100,000 maximum

Type	# of licences	Revenue
> 4000 tons	12	$980,404
1000-4000 tons	10	$70,129
100-1000 tons	51	$51,000
50-100 tons	21	$3,150
0-50 tons	380	$22,800
	TOTAL	$1,127,483

Revenue based on:

$2 per ton for less than 1000 tons emitted

$4 per ton for 1000 to 4000 tons emitted

$8 per ton for greater than 4000 tons emitted

FEE14

FEE CALCULATIONS

FOR SELECTED SOURCES

TABLE "F"

SOURCE	TONS, AIR POLLUTION	PROPOSED FEE
GP, MILLINOCKET	12,449	$99,592
S.D. WARREN - WESTBROOK	6,000	$48,000
LINCOLN PULP & PAPER, LINCOLN	4,460	$35,683
GP, EAST MILLINOCKET	2,193	$8,772
EASTERN FINE PAPER	1,972	$7,888
MADISON PAPER	2,322	$9,288
JAMES RIVER, OTIS	1,267	$5,068
STATLER TISSUE	1,156	$4,624
PORTSMOUTH NAVAL SHIPYARD	984	$1,968
MARINE COLLOIDS	868	$1,736
KEYES FIBER	511	$1,022
LOUISIANA PACIFIC	462	$924
EASTLAND WOOLEN	260	$520
MERC	173	$346
COLBY COLLEGE	107	$214

FIGURE 9

AIR BUREAU FEE SYSTEM
Benefits To General Public

- Improved air quality
  1. faster application processing
  2. reduced application backlog
  3. ability to evaluate and control air toxics
  4. encourages air pollution reductions
- Reduced impact on general fund
  1. costs shifted to polluters from taxpayer
  2. based on principle "polluter pays"
- Increased air program activities
  1. monitoring - more pollutants, more stations
  2. more compliance and inspections
  3. air toxics program
  4. faster and better complaint response
  5. better training of professional staff

FEE2

FIGURE 10

AIR BUREAU FEE SYSTEM
Benefits To Industry

- Reduced license processing time
  1. increased technical review staff - engineers/mets
  2. expanded and more accessable data base
  3. more training for professional staff
  4. staff continuity
- More timely enforcement
- Increased available increment
  1. reduced unrealistic annual license limits
  2. provide for more future growth
  3. potentially reduce restrictions from lack of increment
- Improved emissions inventory data base
  1. expanded ability to receive, store, and use emissions data
  2. provide quicker access to air quality and emissions data by compliance, licensing, and modeling staff for quicker review
- Attainment / Nonattainment
- Increased monitoring
  1. urban and rural backgound numbers more readily available
  2. increased understanding of ambient air quality
- More resources will allow editing and clarifying of air law/ regs into more understandable format (less confusion)

FEE1