



Air Fee Information Meeting

**Air Quality Division
Department of Environmental
Quality**

November 6, 2008



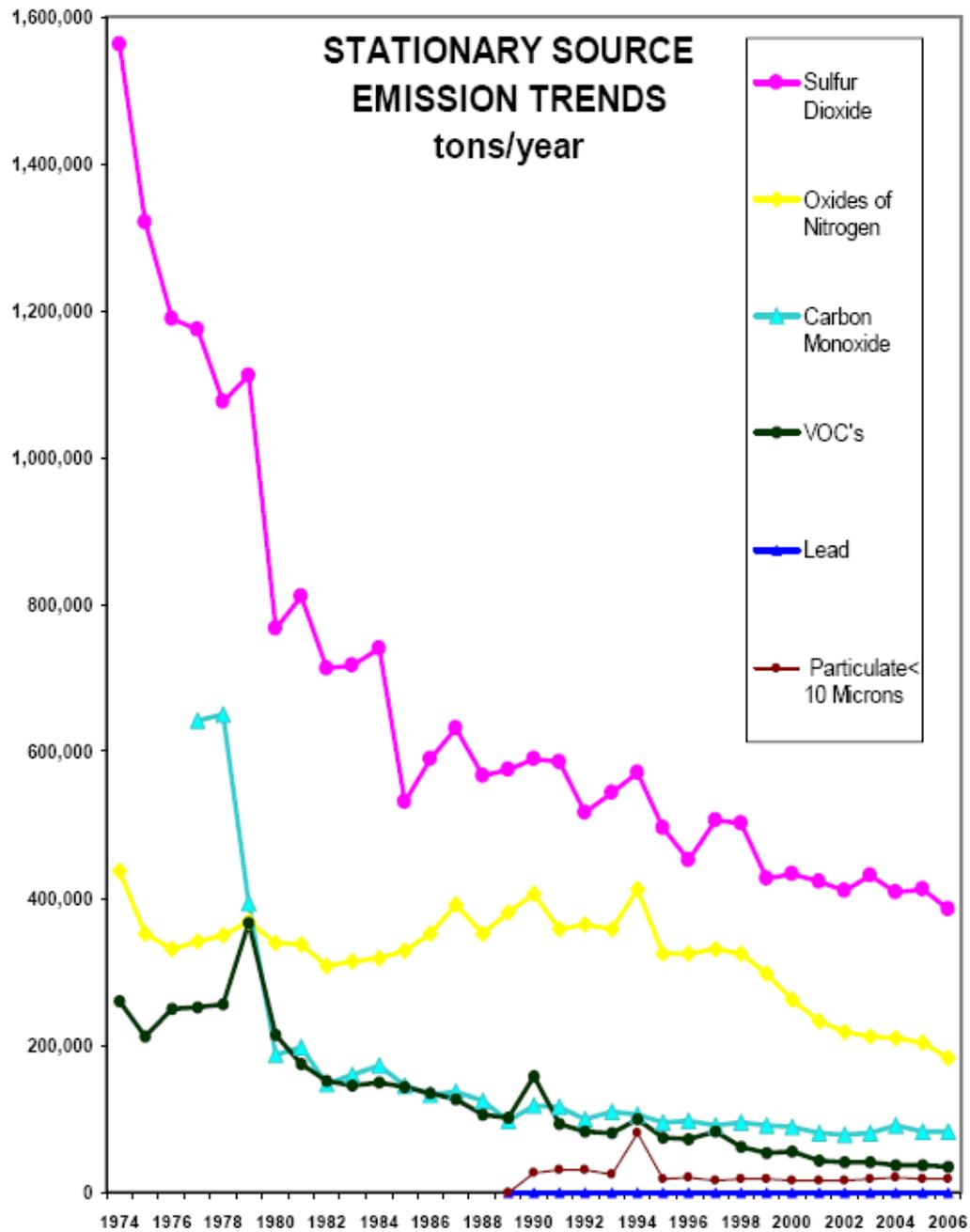
Air Quality Division Presentation

- **Air Quality Division Funding**
- **Overview of Renewable Operating Program**
- **Air Fee Options**
- **Consequences of Inadequate Program**



Air Quality Division

**In Partnership With Michigan's
Businesses and the General
Public, Our Clean Air Efforts
Make Our State a Healthier Place
to Live and Work.**



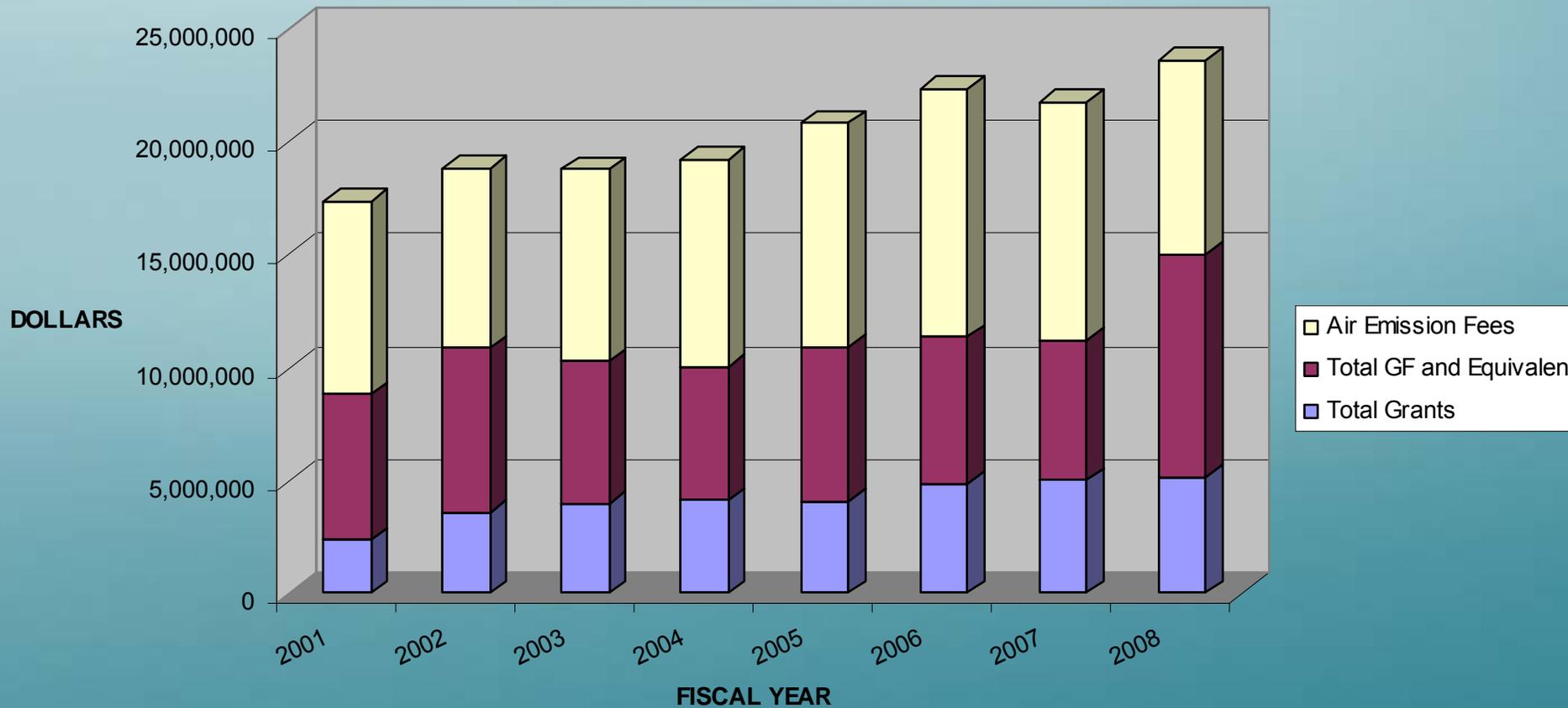


Our Challenges

- **Continue Improvements and Efficiencies**
- **Meet Federal and State Requirements**
- **Protect Public Health and Environment**
- **Implement a NSR Program That Protects Environment and Meets Business Needs**
- **Run an Acceptable Federally Approved ROP Program**

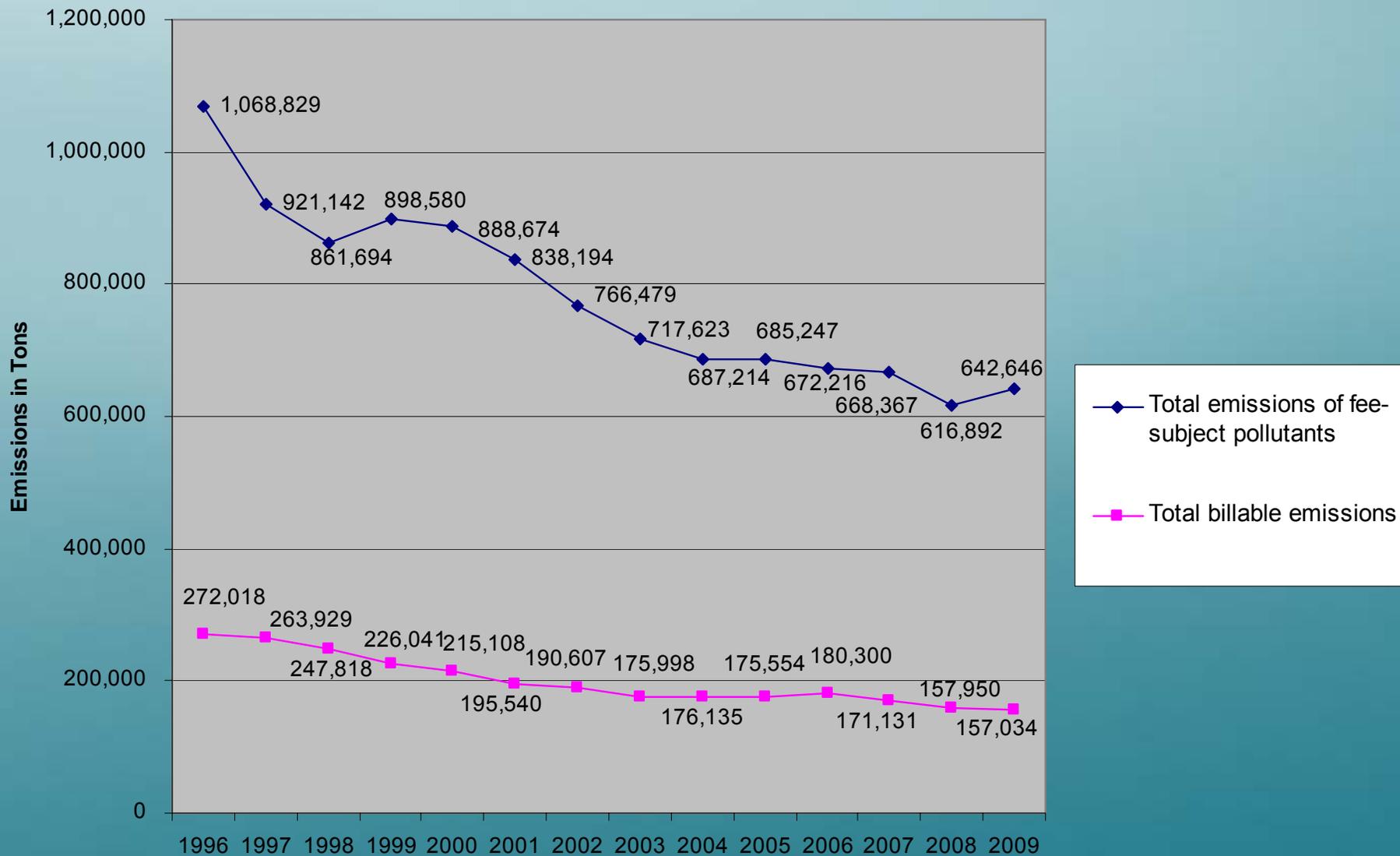


**AIR QUALITY DIVISION
EXPENDITURE HISTORY 2001 THROUGH 2008**



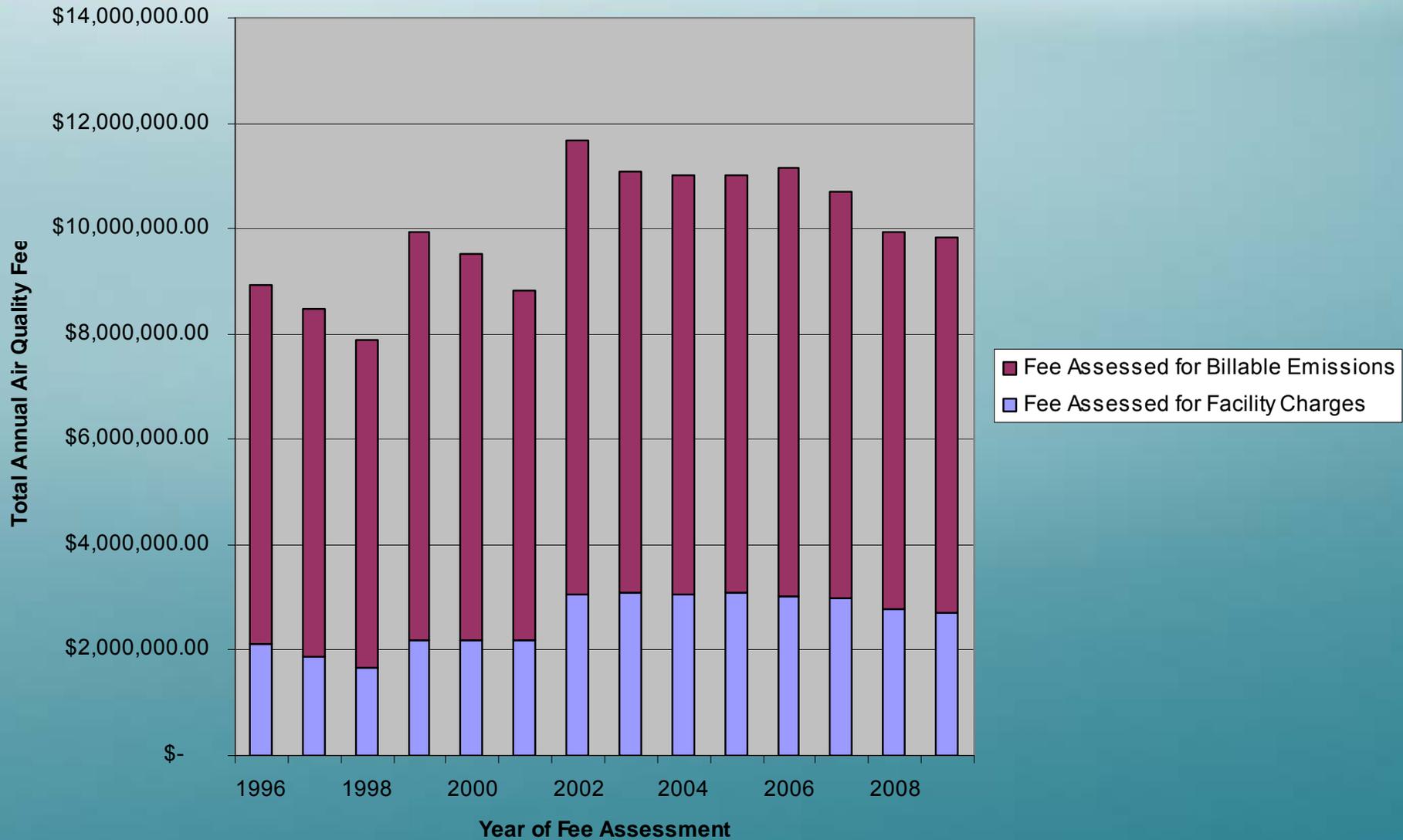


Total and Billable Emissions for All Pollutants, 1996-2009





Fee Assessed for Facility Charge and for Billable Emissions





Renewable Operating Permit (ROP) Program

- **Program Required by Title V of the Clean Air Act**
- **Michigan's Program Began in 1993**
- **EPA Provides Oversight Role**
- **Program Must be Funded by Emission Fees**



ROP Funded Activities

- **Inspections**
- **Permitting**
 - **Initial Issuance**
 - **Modifications**
 - **Renewals**
- **Enforcement**
- **Rulemaking**
- **Modeling**
- **Emission Inventory**
- **Program Administration**
- **Assistance**
 - **Small Business Program**
 - **Ombudsman**



ROP FEES

- **Interim Fee Set in 1993**
- **Title V Fee Formula Established in 1995**
- **Formula Adjusted in 1999 and 2001**
- **Current Formula**
 - **In Place Since 2001**
 - **Reauthorized in 2005 and 2007**
- **Fees Based Upon Actual Emissions**
 - **PM10, SO2, NOx, VOC, HCl, and NMOC**
- **Fees Originally Funded ROP and New Source Review Permitting**



Level of Effort - FTEs

Activity	Workload FY95	Workload FY98	FY05	FY08	FY10
ROP					
Ombudsman	1.0	1.0	1.0	0.3	1.0
Small Business	7.0	7.5	6.0	3.0	3.0
AQD	99.3	91.8	86	81.7	81.0
ROP Total	107.3	100.3	93.0	85.0	85.0
Major NSR- AQD	48.4	34.6	34.0	34.0	34.0
Total ROP + Major NSR	155.7	139.4	127.0	119.0	119.0



Air Fee Funding Summary

- **Support 85 FTEs for ROP Program**
- **ROP Staffing at FY08 Level**
- **NSR Program Funded through General Funds**
- **Reduced Staffing from Previous Levels**



Option 1 Summary

- **Set Fee at Federal Presumptive Minimum (FPM) Level Each Year. EPA Adjusts FPM Based on Consumer Price Index**
- **Set Emission Cap at Federal Level of 4,000 Tons Per Year per Regulated Pollutant**
- **Remove Special Formula for the Eight Municipal Power Generating Facilities and Classify as Category 1 Sources**
- **Raise \$12 million in FY10, Adjusted Yearly**
- **Raise \$50 million over FY10 – FY13**
- **CPI - Increased 2.8% Per Year, 10-Year Average**

Section 502, Title V, Clean Air Act as Amended in 1990



Option 2 Summary

- **Decrease Fee to \$42.33**
- **Increase the Caps On Billable Emissions**

From	To
4,000 Total Tons	8,000 Total Tons
1,000 Each Pollutant	2,000 Each Pollutant

- **Remove Special Formula for the Eight Municipal Power Generating Facilities and Classify as Category 1 Sources**
- **Raise \$12.5 Million Each Year, FY10 – FY13**
- **Provides Sufficient Funding through Funding Cycle**



Option 3 Summary

- **Increase Fee to \$56.75**
- **Remove Special Formula for the Eight Municipal Power Generating Facilities and Classify as Category 1 Sources**
- **Raise \$12.5 Million Each Year, FY10 – FY13**
- **Provides Sufficient Funding through Funding Cycle**



Fee Formula Comparison

	Facility Charges by Category			Tonnage Charges for Cat 1 & 2		
	Category 1	Category 2	Category 3	Per-ton Charge	Billing Caps (tons)	
	Fee (\$)	Fee (\$)	Fee (\$)	(\$)	Indiv.	Total
Billing Years						
1995-1998	2,500	1,000	200	25.00	1,000	4,000
1999-2001	3,375	1,350	200	34.00	1,000	4,000
2002-2005	4,485	1,795	250	45.25	1,000	4,000
2006-2007	4,485	1,795	250	45.25	1,000	4,000
2008-2010	4,485	1,795	250	45.25	1,000	4,000
2010-2013 Option 1	0	0	250	Federal Presumptive Minimum	4000	Not Applicable
2010-2013 Option 2	4,485	1,795	250	\$42.33	2,000	8,000
2010-2013 Option 3	4,485	1,795	250	\$56.75	1,000	4,000

The Federal Presumptive Minimum is Adjusted Yearly.
For FY09, the Federal Presumptive Minimum is \$43.75

Options 1, 2, and 3 Result in the Same Level of Funding



Potential Consequences of Inadequate ROP Program

- **Inadequate Compliance Inspections of Major Sources**
- **Increased EPA Oversight**
- **Untimely Reviews**
 - Initial ROPs, Renewals, Modifications
- **EPA Disapproval and Assumption of Program**
- **EPA Sanctions for Highway Funds**

Conclusions

- **AQD Funding and Staffing Continues to Decrease**
- **Lack of Fee Adjustments in Previous Years has Caused Impacts**
- **Fee Options Retain Current Staffing Level**
- **Funding NSR through General Fund Provides Relief to Fee Payers, but also Subjects NSR Program to Funding Uncertainties**

Next Steps

- **Provide Comments on Options**
- **Questions - Contact Lynn Fiedler:**
 - **517-373-7087**
 - **Fiedlerl@michigan.gov**
- **Another Meeting to Discuss?**