MISSOURI
DEPARTMENT OF
NATURAL RESOURCES

Air Program Advisory Forum
Fee Stakeholder Meeting

March 2, 2020

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Overview

Today kicks off discussion about Air Program fees

Topics include:

- Background
- Program Funding
- Timeline
- Discussion!

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Department of Natural Resources Director's Office

Division of Environmental Quality

Missouri Air Conservation Commission

Air Pollution Control Program
Program Director
Darcy Bybee & Admin – 4 FTE

- Air Quality Planning
  Emily Wilbur - 16 FTE
- Permits
  Kendall Hale - 25 FTE
- Fiscal and Budget
  Deedra Beye-Stegeman - 3 FTE
- Air Quality Analysis
  Steve Hall - 17 FTE
- Compliance & Enforcement
  Richard Swartz - 17 FTE
- GVIP
  David Offu - 7 FTE

Other Direct Funded Positions

- Public Information & Legal
  2 FTE
- Regional Offices
  22 FTE
- Environmental Services Program
  18 FTE

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Air Pollution Work – Funded by Air Fees

- Air Pollution Control Program
- Five Department Regional Offices
  - St. Louis, Kansas City, Northeast, Southeast, & Southwest
- Environmental Services Program

- Air Pollution Work—Funded by Local Fees
  - Local Air Agencies
    - St. Louis County, St. Louis City, Kansas City, & Springfield
    - Work dependent on agency

Total: approximately 150 full-time staff

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Air Program Overview

- Air Program's web site: http://www.dnr.mo.gov/env/apcp/index.html
- Overview of Air Pollution Control Program staffing and work duties: https://dnr.mo.gov/env/apcp/airadvisory/docs/2019-03-01-regform-overview-presentation.pdf
- 2014-2016 Fee Stakeholder information: https://dnr.mo.gov/env/apcp/airadvisory/index.html

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Background

Air Program and fee authority:

- Missouri Air Conservation Law, 643 RSMo
  - RSMo 643.079

    '… the DNR may review fees and propose changes after holding stakeholder meetings…'

    '… the DNR shall submit a proposed fee structure with stakeholder agreement to the air conservation commission…'

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Background on Fees

Fees adjusted based on 2014/2015 Fee Stakeholder discussions:

- Emission Fee – $48/ton (increased from $40), effective 2016
- Permit Fees – effective 2017
  - $75 per hour for construction permit review (increased from $50)
  - New tiered approach for operating permit
  - New filing fees for construction permits and portable plants
- Asbestos Fees – effective 2017
- GVIP Fees – unchanged

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What We've Done – Examples (1 of 3)

- ✓ Rule Changes:
  - ✓ Removed Basic Operating permits
  - ✓ Removed Open Burning permits
  - ✓ Red Tape Reduction process eliminated rule backlog
- ✓ Monitoring network savings
  - ✓ Outsourced filter weighing, remote quality checks, discontinued sites and equipment, plan for equipment replacement, reduce sample frequency
- ✓ Discontinued evaluation of certain federal area source rules

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What We've Done – Examples (2 of 3)

- ✓ Shared lease of building will save rent
- ✓ Continue and expand electronic systems
  - ✓ Scanning hardcopy reports
  - ✓ Converting to electronic fileroom
  - ✓ Electronic correspondence
- ✓ Eliminated one copier and one printer
  - ✓ Multi-function machines save under contract
- ✓ General streamlining of workflows

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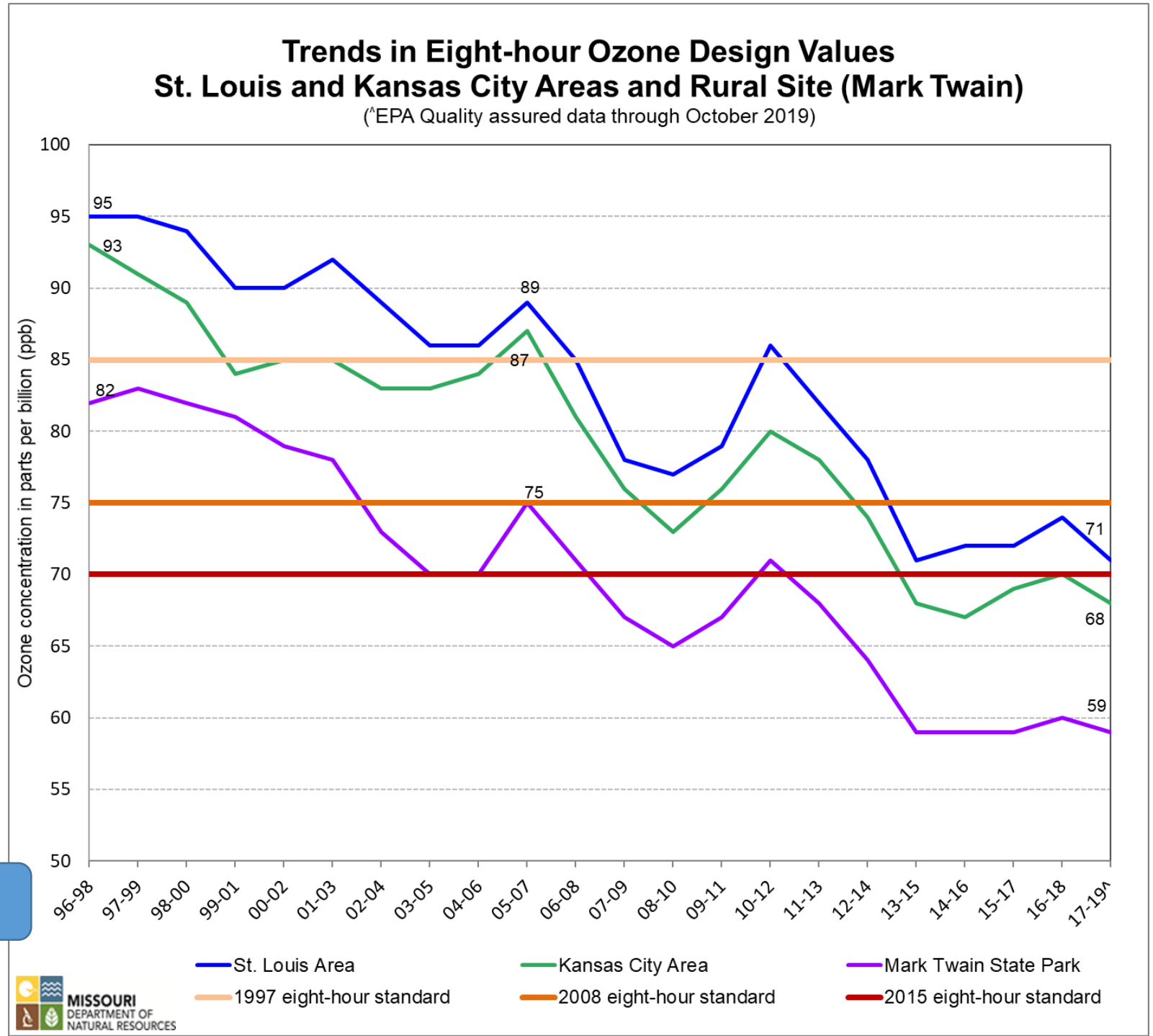
What We've Done – Examples (3 of 3)

- ✓ Only essentials:
  - ✓ Training costs, electronic options when possible
  - ✓ Office supplies
  - ✓ "Core function duty" travel
- ✓ Reduced spending on commission meetings
- ✓ Scrutinize every vacancy prior to filling

These are some of the items we've done, and we'll continue to look for savings



Ozone Concentration →

Year →

St. Louis

Kansas City

Rural

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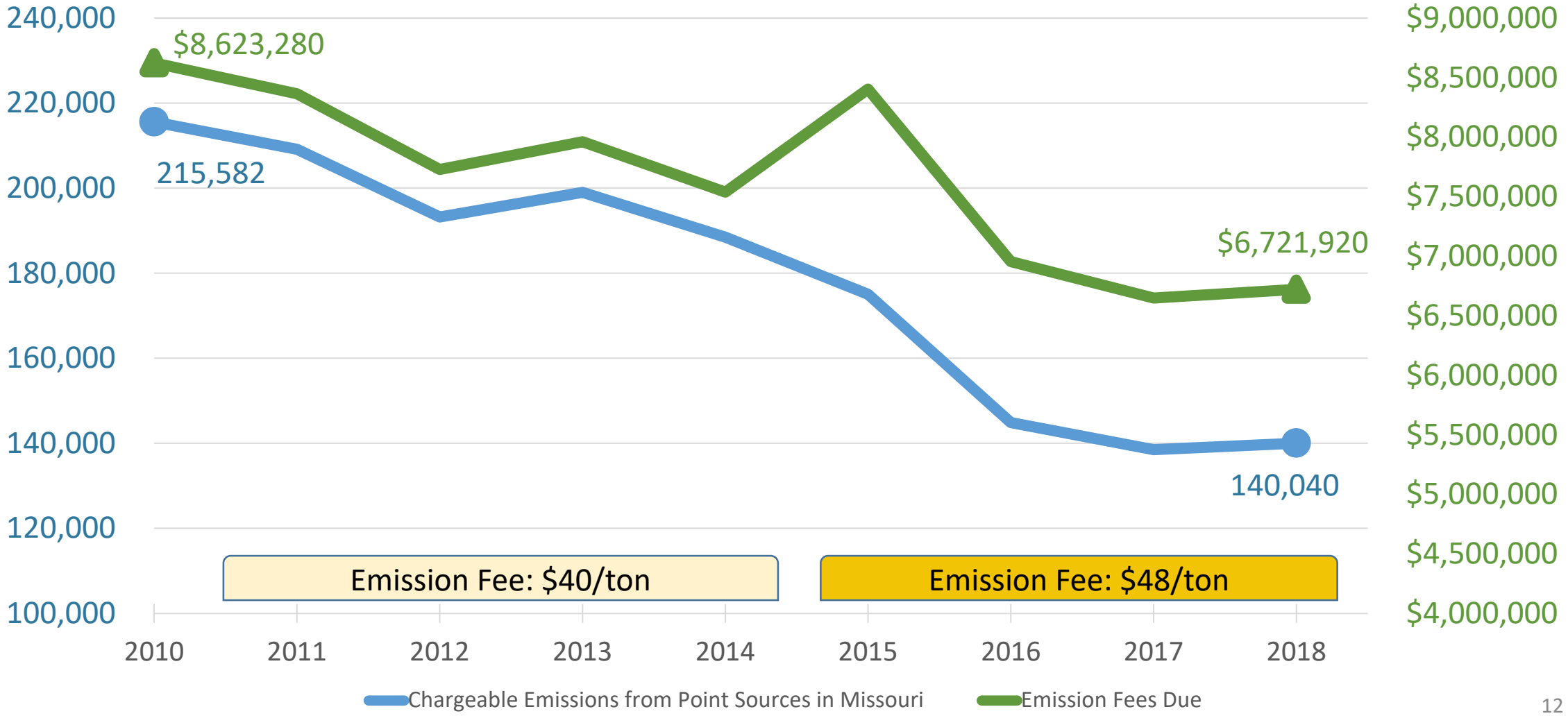
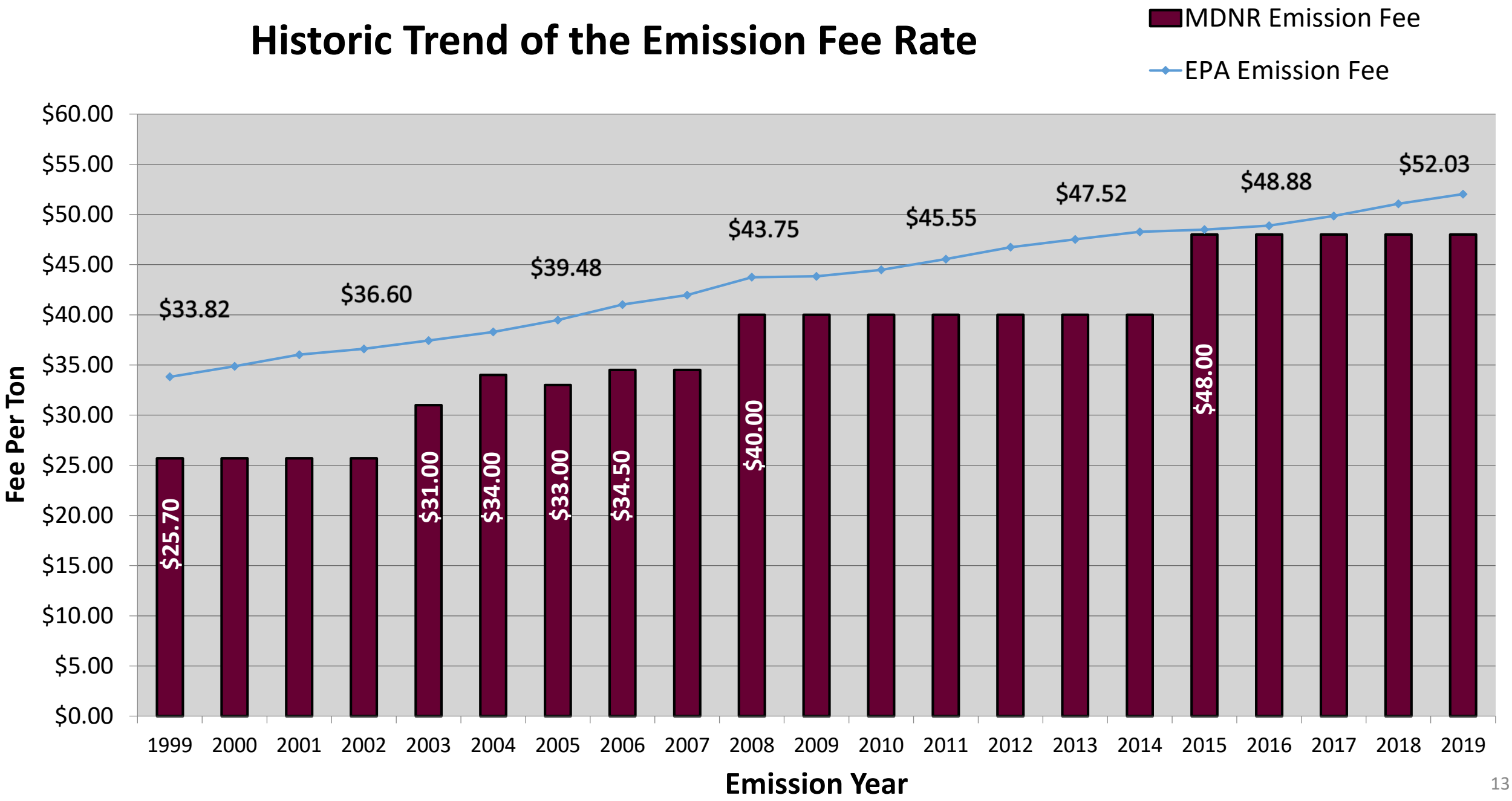
Chargeable Emissions and Fees Due



Historic Trend of the Emission Fee Rate



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What are other states doing?

Researched 10 states around Missouri

- Fees vary by permit type
- Flat fee by industry and/or permit type
- Smaller emitters pay less or nothing
- Similar fee structure states: $70/ton IA, NE; $53/ton KS

Unique fee structures

- Pay on allowable emissions
- Pay higher of industry-type inspection fee or emission fee
- Vary fee by pollutant
- Set funding amount needed to operate program, divide by tonnage to get fee/ton annually

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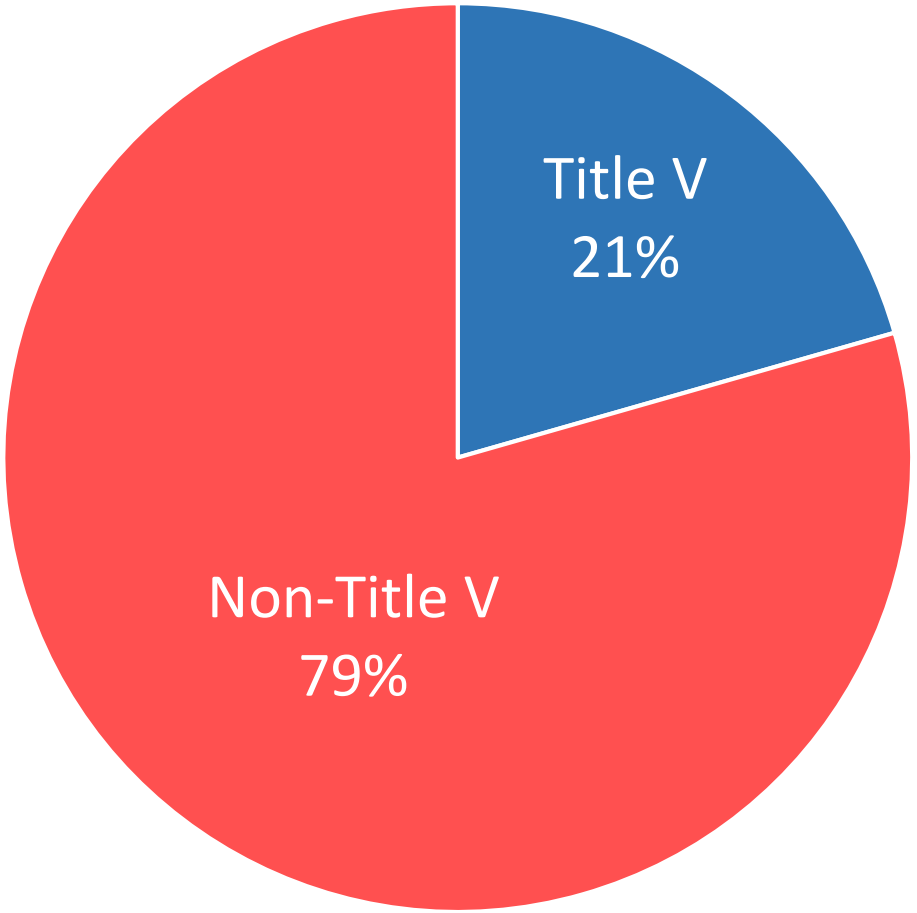
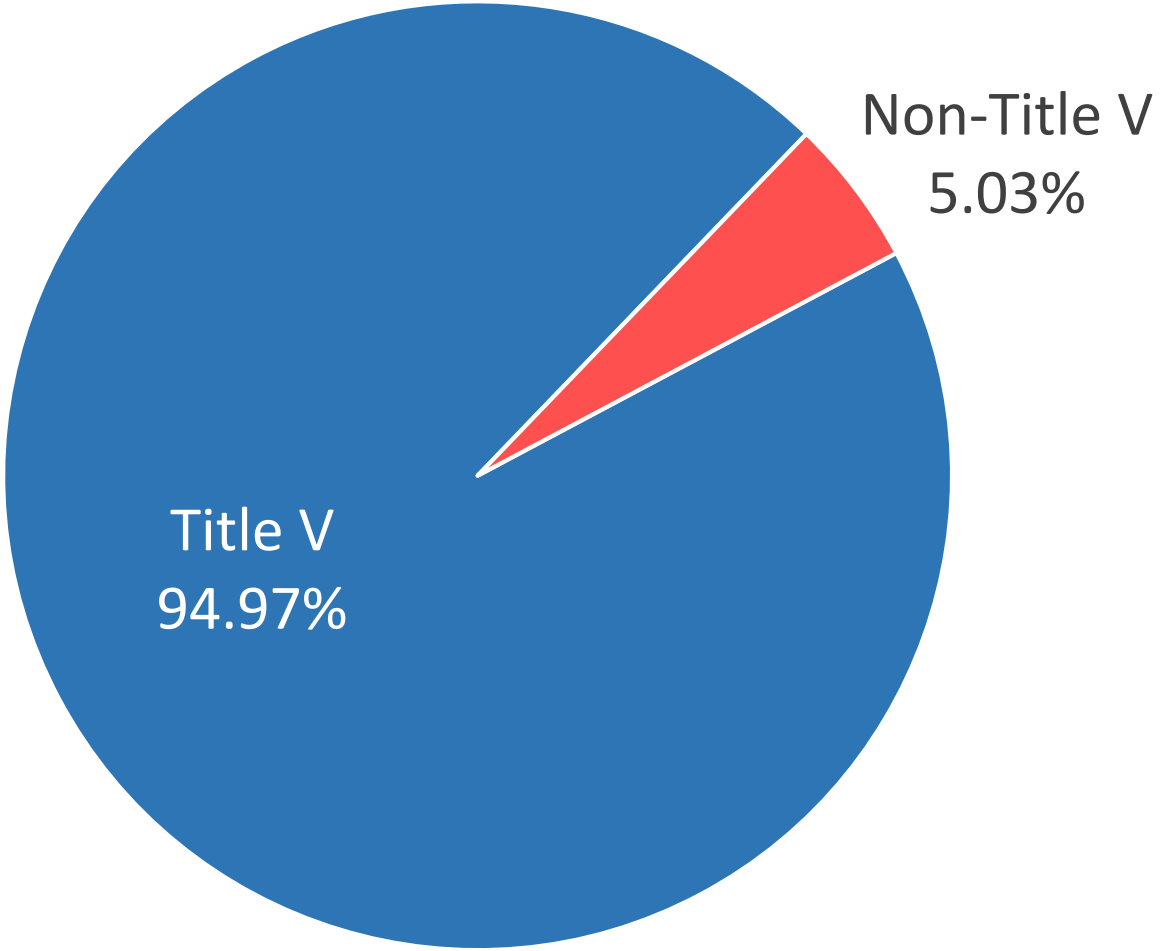
2018 Facilities by Permit Type



2018 Total Emissions by Permit Type



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Today's Focus: Long term funding viability

- While air quality continues to improve…fee revenues to operate program decrease
- We've reduced workload where we can, but it is not reducing proportionally.
- We do expect expenditures to increase.

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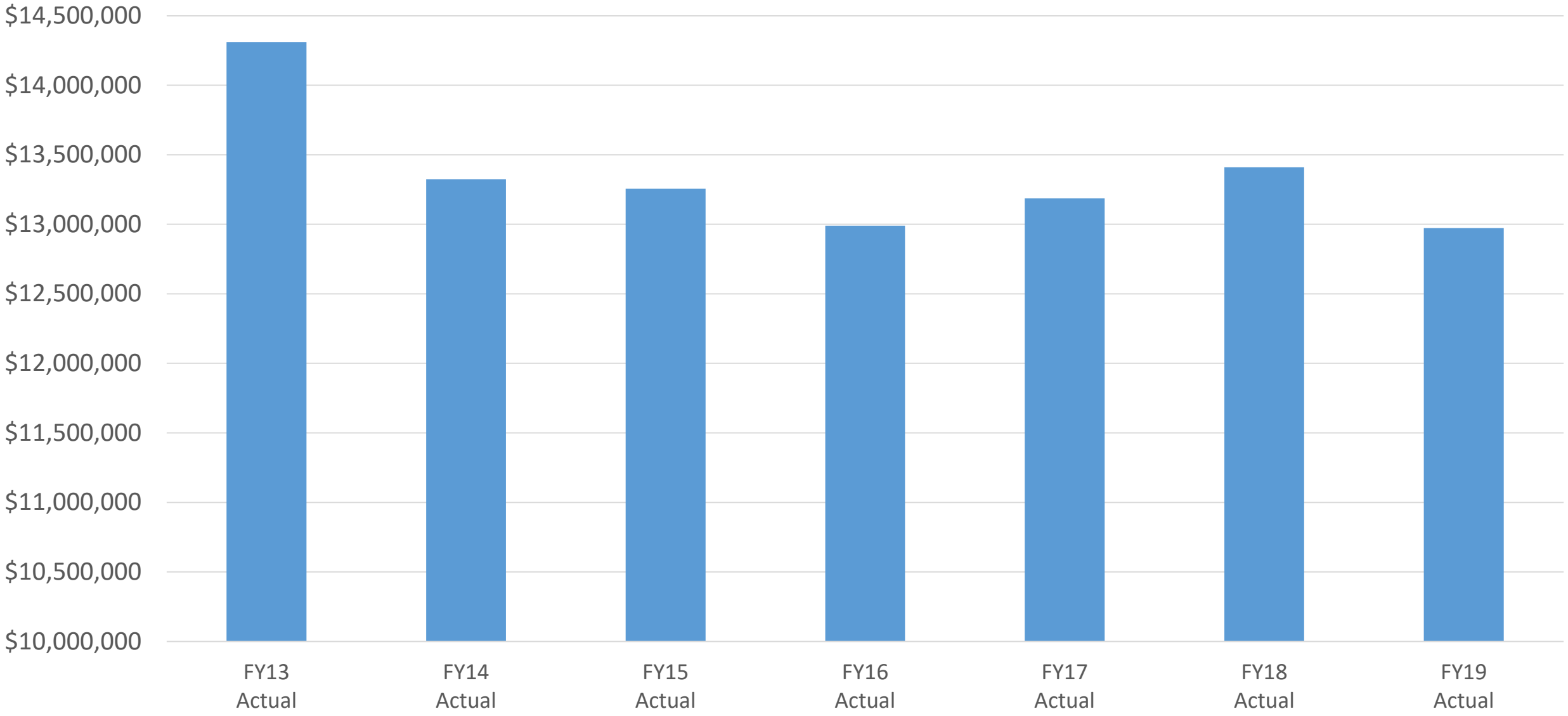
Program Funding

Actual Operating Expenditures
Excludes Pass Through, All Fund Sources



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Factors for Future Emission Fee Revenue

- 5 year trends
- Pending projects
- Input from facilities
- Future federal regulations

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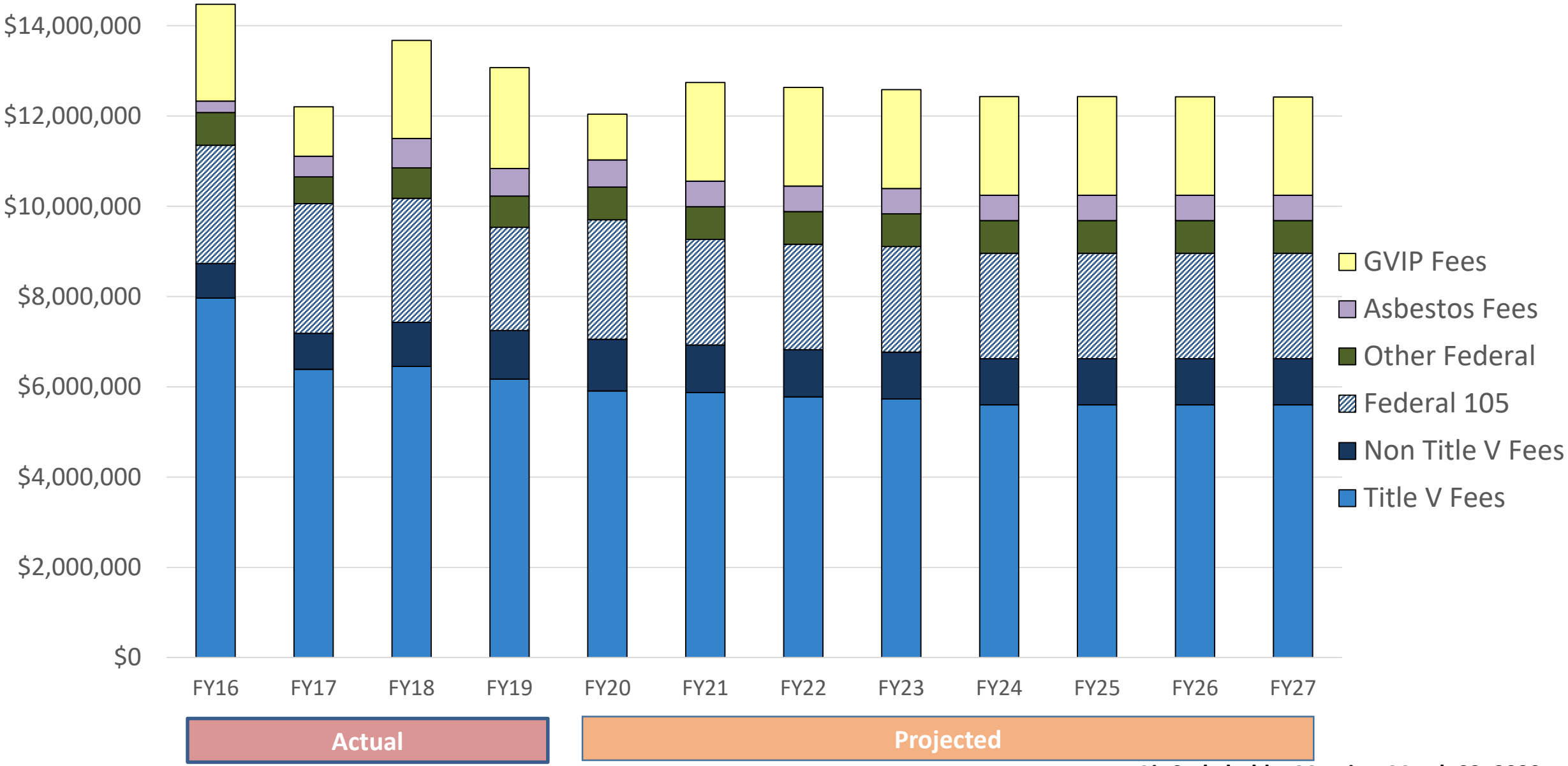
Annualized Revenue Assumptions

- Reflects projected 5 year (FY2023-2027) average for all funds
- Federal, Permit, Asbestos, and GVIP projections held constant
- Includes projected emission fee revenues at current emission fee of $48/ton:

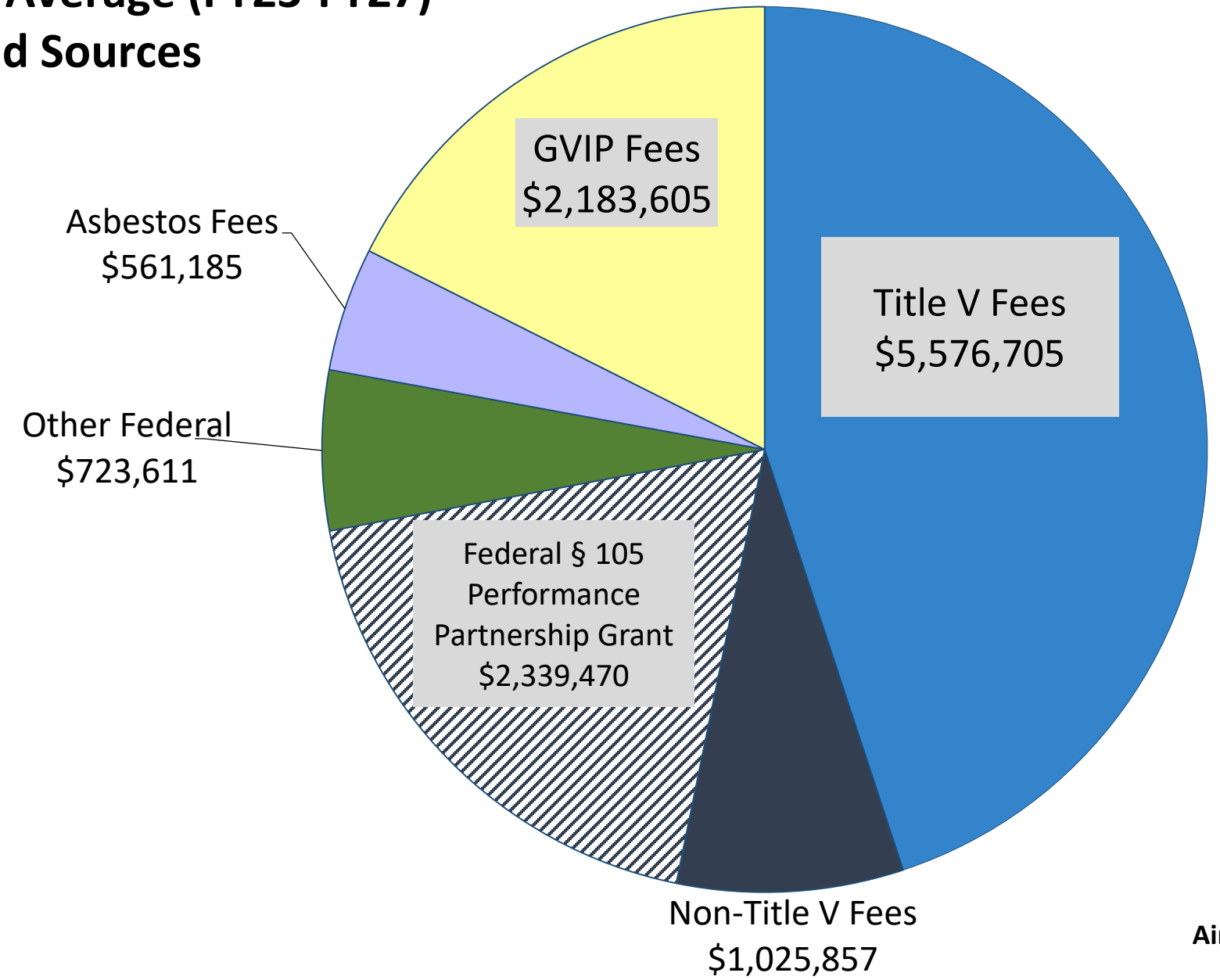
FY2020 to FY2022 – sustainable
FY2023 – 6% reduction from FY2019 actuals
FY2024 – 2% reduction from FY2023 projection
FY2025-2027 – same as FY2024; further reductions unknown

This is our best projection of revenue.

Actual and Projected Air Pollution Revenue (excludes Pass Through)

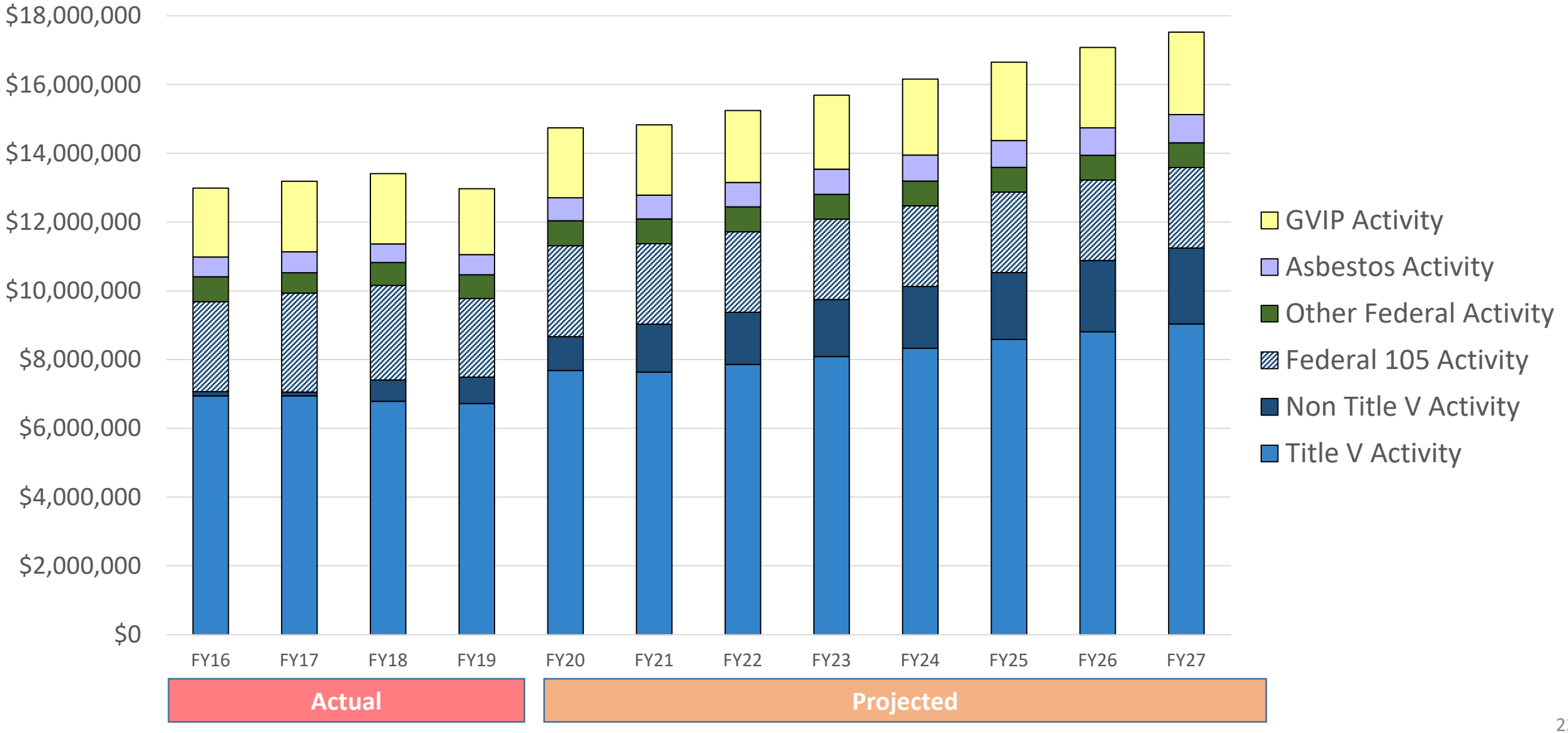


Projected Annual Revenues (excludes Pass Through)
5-Year Average (FY23-FY27)
All Fund Sources



Total $12,410,433

Actual and Projected Air Pollution Operating Expenditures (excludes Pass Through)



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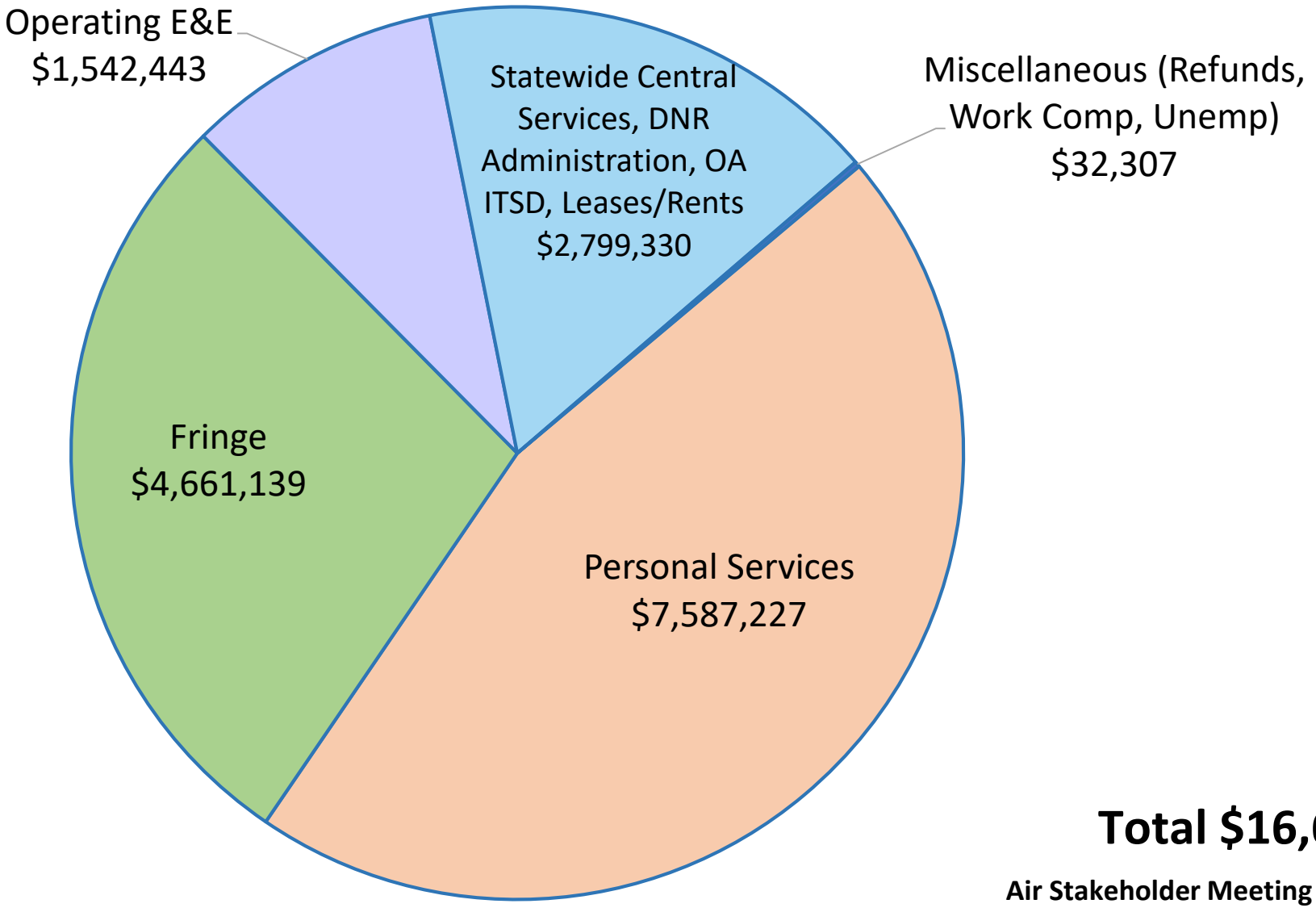
New Projected Expenses (Pay Plan)

	Revised (Post-Governor Recommendation)
FY21-FY28 Pay Plan (Annual)	FY21 – 3% FY22 Forward – 3.5%
Fringe	1% annual growth FY21 – 58% FY22 – 59% FY23 – 60% FY24 – 61% FY25 forward – 62%

Assumptions:

- The pay plan includes cost of living, market adjustments, and “above and beyond” for FY23-FY27
- 1% annual growth on fringe rate (capped at 62%)

Projected Annual Expenditures (excludes Pass Through)
5-Year Average (FY23-FY27)



Total $16,622,447

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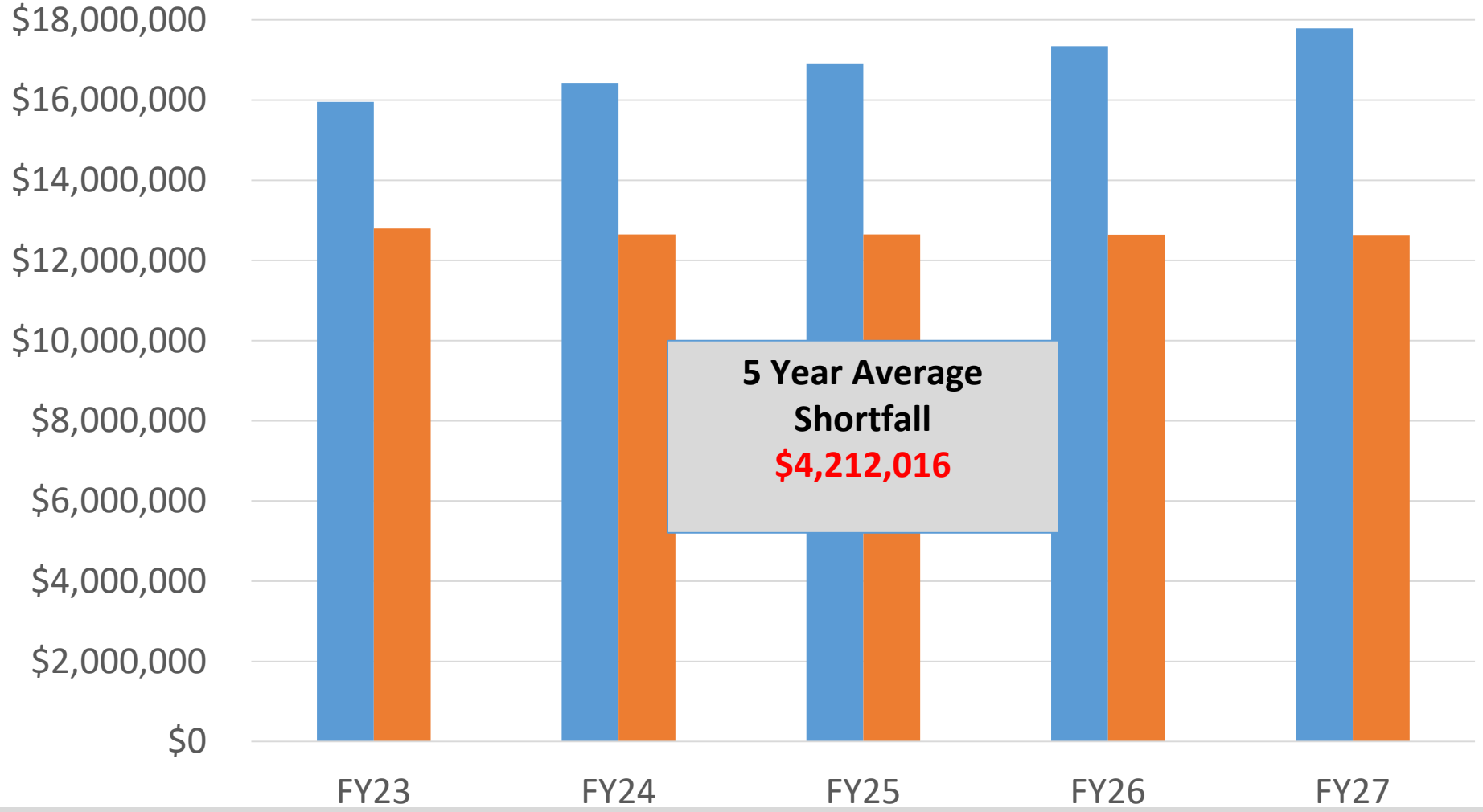
Average Annual Shortfall Projection

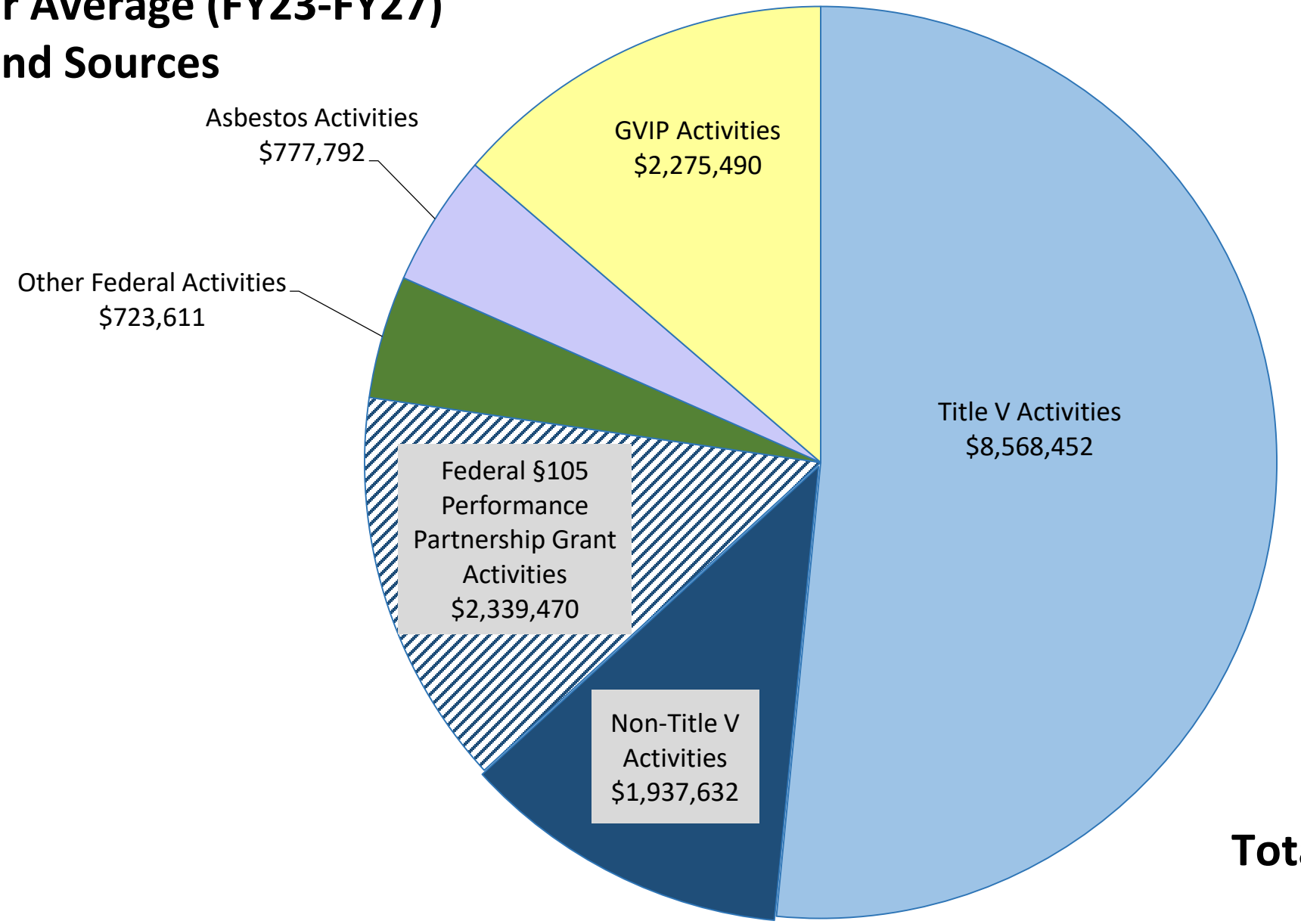
Projection Period FY23-FY27			
Title V Shortfall		$	2,991,747
Non Title V Shortfall	+	$	911,776
Emission Fee Fund Shortfall		**$**	**3,903,523**
Asbestos Fee Fund Shortfall		**$**	**216,607**
GVIP Fund Shortfall	+	**$**	**91,886**
Average Annual Shortfall		**$**	**4,212,016**

Projected Annual Operating Expenses and Revenue
Excludes Pass Through, All Fund Sources



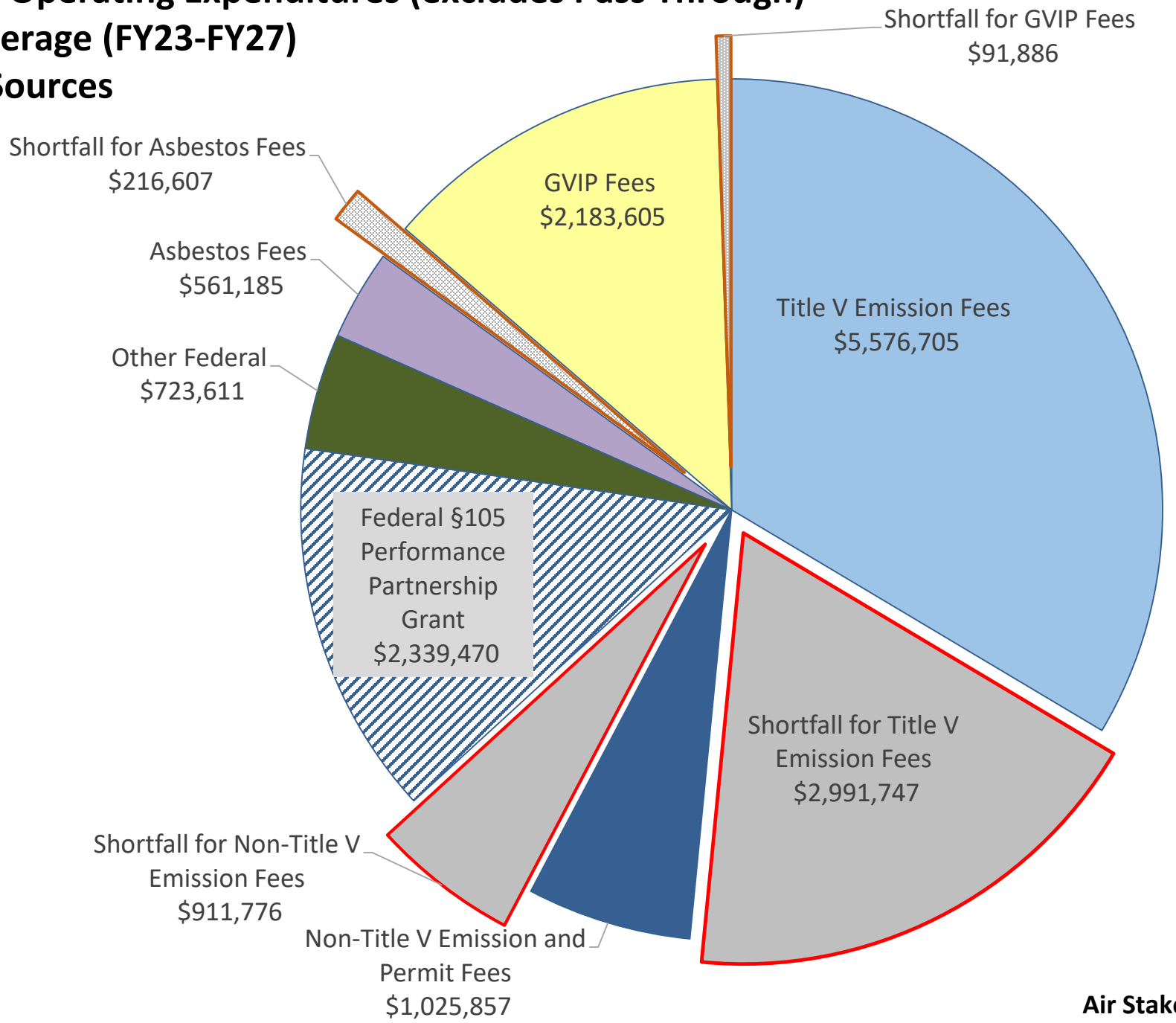
	FY23	FY24	FY25	FY26	FY27
Shortfall	**$3.157.430**	**$3.778.834**	**$4.269.688**	**$4.702.564**	**$5.151.560**

Projected Operating Expenditures (excludes Pass Through)
5-Year Average (FY23-FY27)
All Fund Sources



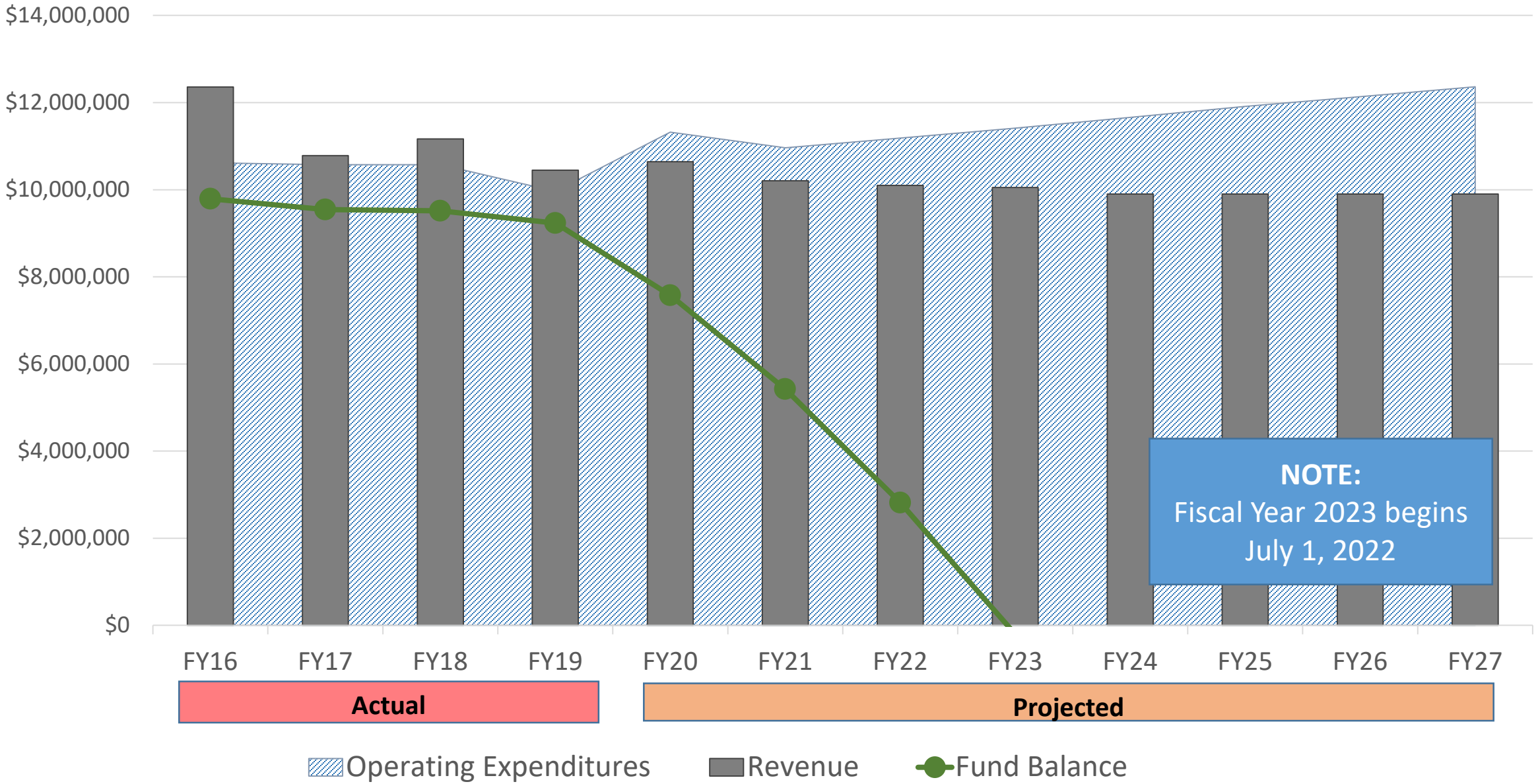
Total $16,622,447

Projected Operating Expenditures (excludes Pass Through)
5-Year Average (FY23-FY27)
All Fund Sources



Total $16,622,447

Projected Revenues, Expenditures and Fund Balances (excludes GVIP and Asbestos)



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Timeline

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Timeline- Stakeholder Meetings

March-May 2020: Fee Stakeholder Discussions

- Early April and Early May for next meetings/calls
- Meeting or conference call(s)?
- Draft proposal and send out via GovDelivery and emails?

Tentative Meeting Dates

Monday April 6

Tuesday May 5

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Timeline –

- Stakeholder Meetings: March-May?
- Present to MACC: April-July?
- Public Hearing: August-October
- File by: December 1, 2020
- Legislative Review: January-March 2021
- Fees Collected by: June 1, 2022 (for emission/calendar year 2021)

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Timeline – Paying Fees

- June 1, 2022: First fee payments due under new fee/structure

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Discussion!

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Reminders:

- Projecting ~$4M average shortfall, beginning in FY 2023
  - Emission Fee:
    - Largest projected discrepancy
    - EPA's fee is currently $52.03/ton (reevaluated annually)
  - Permit/Asbestos Fees:
    - Leave these as-is until there's evidence they're not covering themselves?
    - Can still discuss!
- Challenging to compare fee structure to other states:
  - Similar fee structure states:
    - $70/ton IA, NE
    - $53/ton KS

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Emission Fee Scenarios

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Emission Fee Scenario

- Today's fee discussions are just that – discussions
- All materials are available after the meeting on the Air Program Advisory Forum webpage

  dnr.mo.gov/env/apcp/airadvisory/index.html

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Emission Fee Scenarios

Staying the same:

- The pollutants subject to emission fees (CO, $PM_{2.5}$, NH_3 still exempt)
- Fee due date stays June 1
- Maintain statutory requirements:
  - ✓Maintain 1 ton minimum fee
  - ✓Charcoal facilities pay no fees by statute (11 facilities)
  - ✓Local agency fees still deducted from amount due to state (around $100k)

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What are other states doing?

Researched 10 states around Missouri

- Fees vary by permit type
- Flat fee by industry and/or permit type
- Smaller emitters pay less or nothing
- Similar fee structure states: $70/ton IA, NE; $53/ton KS

Unique fee structures

- Pay on allowable emissions
- Pay higher of industry-type inspection fee or emission fee
- Vary fee by pollutant
- Set funding amount needed to operate program, divide by tonnage to get fee/ton annually

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Fee Scenario #1: Fee per Ton

Change the emission fee rate from $48/ton

- At 2018 emission levels, there were 140,042 chargeable tons
- At 2018 fee level of $48/ton, fees were $6,722,016
- Local agency fees were $97,384, and that comes off the total fees charged

To make up a shortfall of $4 million, fee per ton would need to be $80/ton with no other changes

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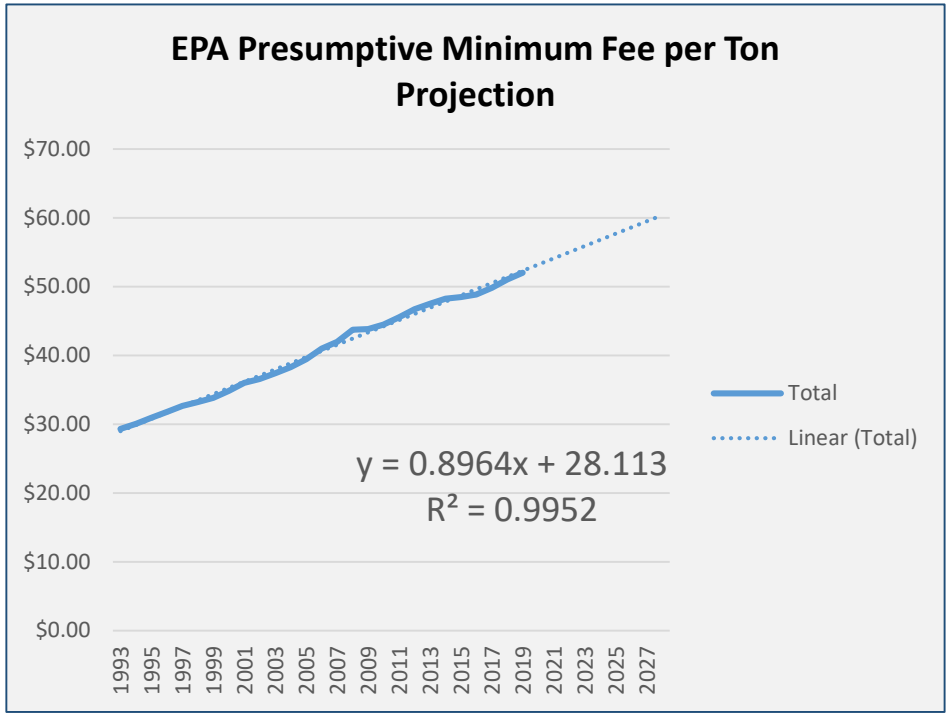
Fee Scenario #1: Fee per Ton/EPA rate

Change the emission fee rate from $48/ton to EPA rate

- If program were administered by EPA, their presumptive minimum fee per ton is $52.03 in 2019
- Same caps and chargeable pollutants
- Project the rate into the future using linear interpolation



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Fee Scenario #1: Fee per Ton/EPA rate

Year	Actual EPA Fee	Year	Projected EPA Fee	Year	Projected EPA Fee
2015	$48.49	2020	$53.11	2025	$57.69
2016	$48.88	2021	$54.11	2026	$58.59
2017	$49.85	2022	$55.01	2027	$59.49
2018	$51.06	2023	$55.90	2028	$60.38
2019	$52.03	2024	$56.80		

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Fee Scenario #2: Pollutant Cap

Change the pollutant cap from 4,000 tons per pollutant

- Facilities only pay for first 4,000 tons of a pollutant, and only 12,000 tons total for all pollutants
- Only 7 facilities hit the cap on one or more pollutants, and no facilities reach the 12,000 ton cap
- Keep $48/ton emission fee

To make up a shortfall of $4 million, pollutant cap would need to be 27,000 tons per pollutant with no facility total cap

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Fee Scenario #3: Fee and Cap

Change the emission fee rate from $48/ton and pollutant cap from 4,000 tons per pollutant

- See Calculator Tool to try out combinations

Fee per Ton	Per Pollutant Cap	Facility Total Cap
$50/ton 2021 to 2023, $55/ton 2024 and after	15,000	40,000
$55/ton 2021 to 2023, $60/ton 2024 and after	12,000	30,000
$60/ton 2021 to 2023, $65/ton 2024 and after	8,000	24,000

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Questions?

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Contact Us!

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darcy.bybee@dnr.mo.gov
Call toll-free (800) 361-4827

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Thank you!