

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: April 10, 2007
TO: Members of the Senate Environmental Quality Subcommittee
FROM: Jessica Runnels, Fiscal Analyst
RE: Groundwater Discharge Permit Fees

As part of the FY 2007-08 Environmental Quality budget, the Governor proposed an extension and increase to groundwater discharge permit fees. The proposal would amend Part 31 (Water Resources Protection) of the Natural Resources and Environmental Protection Act (NREPA) to remove the sunset on the current permit fees, increase the fees, and revise the fee schedule by adding a flow factor.

CONTENT

Groundwater discharge permit fees are scheduled to sunset on September 30, 2007. The Governor's proposed changes to the fee structure are provided in Table 1. Included in the table are the references to the Administrative Code that the proposal would use to define the different types of facilities. The proposal would move facilities regulated under R 323.2210(y) of the Administrative Code from Group 2 into a new "Group 3". The current Group 3 would be changed in title to "Group 4". The use of Administrative Code references to define the groups is found in the current statute.

The proposal would adjust the fees every December 1 pursuant to the annual average percentage change in the Detroit consumer price index (CPI). The sunset would be removed.

Currently, expenditures from the Groundwater Discharge Permit Fund are limited by statute to not more than \$2.0 million in any State fiscal year. The proposal would limit the annual appropriation for the groundwater discharge permit program to \$3,043,000.

BACKGROUND

Groundwater discharge permit fees were created in 2004, although the permit program has been around much longer. The first year of appropriation of the fee revenue was FY 2003-04. The restricted revenue from the fees was used to offset the removal of General Fund money supporting the program. A supplemental appropriation later that year restored a small amount of General Fund dollars, but the fee revenue still provides the bulk of funding for the program.

At the time of enactment in 2004, it was estimated that the fees would generate approximately \$1.8 million annually. Actual collections have been significantly lower, with \$1,284,450 expected for FY 2006-07. In order to compensate for the shortfall in revenue, Federal Water Pollution Control funding of up to \$1.0 million has been diverted from the drinking water program to support the groundwater discharge permit program for three fiscal years. The Governor proposes using this Federal grant to support funding needs in the National Pollutant Discharge Elimination System (NPDES) for FY 2007-08, leading to the recommendation to increase the groundwater discharge fees by an amount that can pay for the entire program without additional support.

Table 1

GROUNDWATER DISCHARGE PERMIT FEES			
Type of Facility	Number of Facilities	Current Fee	Proposed Fee
Group 1 Facility (R 323.2218)			
Greater than 60 MGY	54	\$3,650	\$14,600
Between 59.99 and 30 MGY	42	3,650	10,200
Between 29.99 and 10 MGY	35	3,650	7,100
Less than 10 MGY	43	3,650	4,600
Municipality with fewer than 1,000 residents	23	1,500	2,000
Group 2 Facility (R 323.2215 or R 323.2216)			
Greater than 10 MGY	52	1,500	6,800
Between 9.99 and 4 MGY	27	1,500	5,000
Between 3.99 and 1 MGY	59	1,500	3,500
Less than 1 MGY	111	1,500	2,000
Group 3 Facility (R 323.2210(y))			
Greater than 10 MGY	9	1,500	6,000
Between 9.99 and 3 MGY	21	1,500	4,100
Between 2.99 and 1 MGY	35	1,500	3,500
Less than 1 MGY	42	1,500	1,700
Group 4 Facility (R 323.2211 or R 323.2213)			
All discharges	329	200	250

MGY = Million gallons per year

FISCAL IMPACT

The proposal would increase revenue from groundwater discharge permit fees. Current revenue is about \$1,284,450 annually. Under the proposal, the DEQ estimates that annual revenue in FY 2007-08 would be \$3,042,450. This amount includes \$300,000 for compliance sampling inspection enhancement for DEQ sampling and analysis of discharges as a check on the self-monitoring component of the program. All of the revenue from these fees is deposited into the Groundwater Discharge Permit Fund and used exclusively for the groundwater discharge regulatory program and central administrative costs in an amount proportional to the effort needed to support the groundwater discharge program. In the Governor's proposed budget for FY 2007-08, the groundwater discharge program is also supported with \$118,100 from the General Fund and \$21,200 in Federal funding.

Beginning December 1, 2008, the proposal would increase the fees each year according to the Detroit CPI. The January 2007 Consensus Revenue Estimating Conference report assumed a 2.5% rate of increase in the Detroit CPI for the next year.

If the fees are not increased by some amount, it will be necessary for the DEQ to prioritize the Federal Water Control Pollution grant to either the groundwater discharge program or the NPDES program. Reductions to the groundwater discharge program would mean longer permit processing times due to reduced staffing (possibly costing the DEQ a portion of fees pursuant to Part 13 time limit penalties) and fewer compliance inspections.

This bill has not been introduced yet. If a bill is introduced, it could vary substantially from the Governor's proposal. Please contact me if you have questions.

- c: Gary S. Olson, Director
- Ellen Jeffries, Deputy Director
- Bill Bowerman, Chief Analyst