

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

MEMORANDUM

SUBJECT: Title V Fee Demonstration and Additional Fee
Demonstration Guidance

FROM: John S. Seitz, Director
Office of Air Quality Planning and standards (MD-10)

TO: Director, Air, Pesticides and Toxics
Management Division, Regions I and IV
Director, Air and Waste Management Division,
Region II
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Region V
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Region VI
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The Clean Air Act Amendments of 1990 and Agency regulation 40 CFR part 70.9 require permitting authorities to submit a fee demonstration with their title V operating permits program submittal. Permitting authorities have the option of submitting a fee demonstration based on the presumptive fee test or submitting a detailed fee demonstration if they collect less than the \$25 per ton, per year (adjusted by the consumer price index) presumptive fee.

In response to requests from Regional Offices, we have developed an example of a detailed fee demonstration (see attachment). The activities included in this example, though purely hypothetical, are drawn from the operating permits program elements described in my memorandum of August 4, 1993. Although the document is principally for permitting authorities seeking guidance on preparing detailed fee demonstrations, it includes a section on "general fee demonstration provisions" which may apply to both fee demonstration types. This section provides additional information covering initial accounting requirements, fee adequacy for the presumptive fee approach, and 4-year estimates of permit program cost and revenues.

If you have any questions regarding this document, please contact Hank Young at (919) 541-5534 or Candace Carraway at (919) 541- 3189.

Attachment

United States
Environmental Protection
Agency

Office of Air Quality
Planning and Standards
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Air



TITLE V FEE DEMONSTRATION AND ADDITIONAL FEE DEMONSTRATION GUIDANCE



PREFACE

This guidance document was prepared by the Air Quality Management Division of the U.S. Environmental Protection Agency's Office of Air Quality Planning and Standards. It is principally provided as assistance to the State and local agencies (permitting authorities) responsible for implementing the title V provisions of the Clean Air Act as amended (42 U.S.C. 7401). The use of the detailed fee demonstration example contained herein is not mandatory. The example is provided to illustrate the level of detail generally expected in an approvable detailed fee demonstration. Permitting authorities may use this example in preparing their own detailed fee demonstrations or they may utilize other formats to report fee demonstration information. The information set out in this document is intended solely as guidance and cannot be relied upon to create any rights enforceable by any party.

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1.0 INTRODUCTION

1.1 BACKGROUND

Title V of the Clean Air Act (Act) as amended in November of 1990 requires that States and/or local governments develop and implement an operating permits program for stationary sources of air pollutants. The U.S. Environmental Protection Agency (EPA) must review programs and plans submitted by State and local agencies (hereinafter referred to collectively as permitting authorities) to ensure that they meet requirements established in the Act and under regulations promulgated by EPA. Permitting authorities are required by section 502(b)(3) of the Act to collect permit fees from sources subject to title V sufficient to cover all reasonable direct and indirect costs necessary to develop and administer their title V permit programs.

The Act and EPA regulations further require permitting authorities to include in their program submittal, due on November 15, 1993, a demonstration that their permit fee systems will adequately recover the costs of their permit programs. The Act provides that permitting authorities can make such a demonstration by charging fees that in the aggregate are at least equal to an amount calculated by multiplying \$25 [1989 dollars "adjusted" annually by the Consumer Price index (CPI) inflation factor] times the actual emissions, in tons, of regulated air pollutants from all sources subject to the permitting process. This method is defined as the "presumptive minimum program cost" demonstration in EPA regulation §70.9. Absent evidence which raises serious questions regarding the adequacy of this type of fee structure, EPA will approve such a fee structure as meeting the requirements for a permit fee demonstration. If a permitting authority wishes to collect fees in the aggregate less than the amount calculated by the "presumptive minimum program costs" method, a detailed demonstration of the costs of operating the permit program and the fees that will recover those costs will be required. The EPA also has the authority to require such a detailed demonstration if the adequacy of the permitting authority's "presumptive minimum program costs" aggregate fee is

challenged as being inadequate during the permitting authority programs public comment period. This report includes an example of the level of detail EPA generally expects in a "detailed fee demonstration" if one is required. Permitting authorities can use this example in preparing their own detailed fee demonstrations. The EPA does not require that permitting authorities use this example demonstration.

1.2 DISCUSSION

This document discusses the topic of permit fees, illustrates a method for determining operating permits program costs, and provides one example of the level of detail in a well-prepared detailed program cost analysis method. Permitting authorities may elect to use this approach to meet the requirements for a permit fee demonstration.

The EPA's final title V regulations (57 FR 32250, July 21, 1992), to be codified at 40 CFR part 70, contain the requirements under the Act for operating permits programs. A key element of the title V program is the requirement that permitting authorities collect fees from their permitted sources in an aggregate amount sufficient to cover the direct and indirect costs of developing and administering their operating permits programs.

Additional guidance on permit fee requirements addressed in section 502(b)(3) of the Act and §70.9 of the part 70 regulations was issued in an EPA policy memorandum on August 4, 1993, from John Seitz, Director, Office of Air Quality Planning and Standards, to the EPA Regional Air Division Directors. That guidance clarified the statutory and regulatory requirements and provided a detailed list of program elements that are generally expected to be included in a permit program. The example detailed demonstration in this report, including the elements for a hypothetical operating permits program, are based on the elements discussed in the guidance.

A first step in developing a permit fee program is the determination of the permit program costs. Subsequently, permitting authorities should establish a fee structure sufficient to collect that amount from sources subject to the title V operating permits program. As provided by §70.9(b)(3), permit fees can be based on emissions levels or on other permitting factors such as application fees, permit processing fees, inspection fees, other types of fees, or on any combination of any of these fees.

Permitting authorities have two options for satisfying the fee demonstration requirement of §70.9(b)(1). First, a permitting authority can show that its fees in the aggregate meet or exceed the amount required

by the \$25 per ton of actual emissions per year (adjusted) presumptive minimum program costs test which is described in §70.9 (b)(2). The method for calculating program costs using this approach is contained in §70.9(b)(2) and explained in the August 4, 1993 guidance. Second, a permitting authority can demonstrate that its fees are adequate by providing a "detailed fee demonstration" which explains in detail how the permitting authority's program costs will be covered by fee collections. A detailed demonstration is required if fees in the aggregate are less than the \$25 (adjusted) per ton per year. The EPA may also request a detailed demonstration if serious questions are raised during public comment about whether additional fees are needed to offset program costs, or if information casting doubts on fee adequacy otherwise comes to EPA's attention.

The "detailed fee demonstration" example contained herein is one illustration of how program costs can be broken down and costed out in a detailed fashion. There are various ways costs can be determined, and this example does not establish or endorse any certain method. Rather, this example provides guidance on the general level of specificity that could adequately document a detailed program cost analysis if the permitting agency chooses this method of determining program costs. This example is strictly hypothetical and reflects no existing State or local agency.

This document should in no way be used as guidance with respect to defining what activities are to be funded by Permit fees. The requirements of 40 CFR part 70 and the subsequently issued guidance of August 4, 1993 should provide the basis for the activities that should be costed out as title V activities. Further, the cost figures for specific activities in the example are not meant to reflect the activity costs a permitting authority should use in determining its program costs. They are merely hypothetical numbers selected to illustrate the methodology.

The types of activities included in a permit program to be funded by permit fees and the costs of those activities will differ depending on many factors associated with the particular permitting authority. These include the number and complexity of sources within the area covered by the program, how often the permitting authority reviews permits (e.g., some permitting authorities may renew permits every year instead of every 5

years), the universe of sources covered (i.e., some permitting authorities may not opt to defer permitting for non-major sources), the experience of the permitting authority with permitting (e.g., agencies with permitting experience may not need as extensive training programs as those with no operating permit experience), and many other factors. Each permitting authority will have to determine its own permitting effort and what activities are directly or indirectly concerned with operating permits. Because the nature of permitting-related activities can vary greatly between permitting authorities, the EPA intends to evaluate each program individually relying on the requirements found in 40 CFR part 70 and the August 4, 1993 fee guidance.

2.0 DETAILED 'FEE DEMONSTRATION' EXAMPLE

2.1 OVERVIEW AND FORMAT

Personnel costs will typically be the major cost element in all title V programs. Consequently, the first step in preparing a detailed cost analysis for the hypothetical permitting authority was to examine cost elements associated with the permitting authority's program labor needs. To do this, the hypothetical permitting authority looked at the scope of authority's overall air program, compared it with the August 4, 1993 guidance, and identified those elements of the air program that should be considered part of the title V program. The overall air program included activities specific to the title V program and some activities which must be apportioned between title V and other air programs. In this example demonstration, for instance, "permit program development" is an exclusive title V program element. The permitting authority's "enforcement activities," on the other hand, can and should be separated into title V program and non-title V program elements. The process has now identified and separated existing air program elements and has determined which existing elements must be funded by title V fees.

The next major task was to prepare a list of new title V program areas that are not now a part of any air program activity. In designing the hypothetical title V program, the process followed the list of permit functions contained in the August 4, 1993 fee guidance. Permitting authorities may include other permit program elements in their title V programs not specifically addressed in the August guidance.

The permitting authority worked on this identification task by identifying the broad program areas first, then reviewing each broad area in detail. The permitting authority determined it had five of these broad title V program areas or activities: permit application review, program development and implementation, permit development and issuance, compliance, and small business assistance. Second tier or second level jobs unique to each "activity" were identified and named "functions". For example, under the activity "Permit Application Review," the permitting

authority identified the function "Pre-Application Reviews." A third tier of chores unique to each function was cataloged and named "tasks." The permitting authority, for example, identified tasks under "Pre-Application Reviews" like "facility file review," "schedule pre-application meetings," and so forth.

The permitting authority then determined the number and types of stationary sources subject to its title V program. Of the 300 sources required to be permitted, 135 were categorized as complex sources; that is sources, which based on the number of emission points, regulated pollutants, or the like, will require additional resources in the permit process. The remaining 165 sources were categorized as less complex.

The next step was to estimate the time needed to perform each task in light of the number and complexity of the source population. Task hours were estimated, then totaled for each function. Then function level amounts were summed to determine total hours needed per activity. Total time, for example, needed for permit processing was estimated by multiplying the number of permits to be processed by this estimated processing time.

These "task hours" or estimated direct labor hour requirements were then used to develop program costs. The hypothetical permitting authority used a direct labor hour rate based on the weighted averages of the labor rates for each job classification involved in the permitting program. The permitting authority computed its direct labor hour rate by averaging the hourly rate per job classification, combining these weighted averages by classification into a composite hourly rate, and adding an overhead component.

This method of computing direct labor costs was used for this "detailed fee demonstration" example because of its simplicity. Permitting authorities may wish to use alternative methods. For example, a more detailed approach would use labor rates for job classifications associated with each permitting task, rather than a composite labor rate. Permitting authorities are free to use any method that suits their needs, provided the accounting of costs is understandable and accurately reflects program costs.

Although direct labor will constitute the largest program cost

element, additional funds will be necessary to pay for equipment and other capital expenditures, minor expenses such as office supplies, and indirect costs. The hypothetical permitting authority estimated its equipment and routine expenses by activity, totaled these amounts, and presented (with the exception of indirect costs) this sum as one separate line item. It obtained assistance from its internal budget office in developing the indirect cost element.

In general, indirect costs benefit an agency as a whole and are not readily identified with specific projects or functions. Examples of indirect costs included in overall agency administration are expenses for personnel services, agency management, and accounting services. Indirect costs also includes costs like space rental for offices or laboratories, utility costs, insurance, and other costs which cannot be easily assigned to specific activities. Most State agencies receiving Federal grant funds develop indirect cost rates that are used to distribute a portion of the operations overhead to the benefiting grants, and have people well versed in developing indirect cost rates. Permitting authorities may wish to contact their respective budget offices for assistance in developing their particular rates. The hypothetical permitting authority listed the indirect costs, expressed as a percentage of total direct labor costs, separately.

The hypothetical permitting authority followed the steps outlined above and provided the following estimate of its overall operating permits program costs. Several supporting tables are included in this report to show how figures were calculated.

2.2 PERMIT PROGRAM ACTIVITIES

A detailed listing of permitting program activities for the hypothetical permitting authority is itemized below. Costs listed for each activity in the summary table following the activity listings include labor costs (including labor overhead) traceable to these activity listings. The EPA expects the detailed fee demonstrations it receives will be similar to the following example and will contain direct labor hours and related costs for each activity's functions and subordinate tasks and, where necessary, narratives which explain how the basis of activity labor or other expense elements were determined. An example of a detailed workload analysis, minus the narrative discussion, follows Activity 1, Permit Application Review.

Estimated
Direct Program
Hours

- review for and identify unapproved construction and or modification activities and determine necessary actions
 - review proposed exemptions (insignificant emissions and activities)
 - review proposed alternative operating scenarios
 - review stack test reports
 - review compliance test audit for continuous emissions monitors (CEMS), if applicable
- Data entry

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Total Direct Program Hours
for Activity 1:
Permit Application Review _____

DIRECT LABOR COST FOR ACTIVITY 1
PERMIT APPLICATION REVIEW

Work Hours

Review of Complex Operating Permit Applications

135 complex sources:

First year;

Pre-application meetings, application receipt,
and data entry

135 sources x 26 hours = 3510

(all completeness reviews occur in year 1)

Application Review

45 applications (1/3 of total) x 124 hours = 5580

Review of Less Complex Source Operating Permit Applications

165 less complex sources:

First Year;

Pre-application meetings, application receipt,
and data entry

165 sources x 10 hours = 1650

Application Review

55 applications (1/3 of total) x 40 hours = 2200

Total Activity 1, Permit Application Review, first year

Direct Labor Hours 12,940

Composite hourly labor rate including labor overhead \$39.67

(determined by combining the average administrative and
professional salaries as previously mentioned)

TOTAL FIRST YEAR PERMIT APPLICATION REVIEW LABOR COST \$513,330

ACTIVITY 2
PROGRAM DEVELOPMENT AND IMPLEMENTATION
\$267,410

| Functions and Tasks | Estimated Direct Program Hours |
|--|---|
| Program Authority | |
| <ul style="list-style-type: none"> • Develop, update, and revise legislation and regulations as necessary | |
| Develop Rules and Issue Policy | |
| <ul style="list-style-type: none"> • Develop program applicability criteria, including whether to defer non-major sources • Develop criteria for insignificant activities from permit applications • Develop permit modification procedures • Develop federally enforceable criteria which restricts a sources potential to emit • Develop general and model permits • Develop ongoing program modifications as needed in response to new Federal programs, policies, and requirements • Develop permitting authority - EPA implementing agreements • Develop State - Local permitting authority agreements • Develop training program • Develop accounting systems to segregate recoverable costs | |
| Implementation | |
| <ul style="list-style-type: none"> • Make source applicability determinations • Conduct long-range planning activities • Integrate with existing programs (e.g., pre-construction permitting under NSR/PSD) • Source inventory; identify Part 70 sources • Inspect identified sources to determine emissions points and emissions potential | |

ACTIVITY 3
 PERMIT DEVELOPMENT AND ISSUANCE
 \$283,679

Functions and Tasks
Permit Development

Estimated
 Direct Program
 Hours

| | |
|---|--|
| • Draft permit | |
| - develop permit terms and conditions | |
| # incorporate all applicable emission limits and testing requirements including any case-by-case limits or restrictions on potential to emit | |
| # specify origin and authority for each term or condition | |
| # prepare operational flexibility provisions | |
| # incorporate any trading conditions allowed under the SIP if applicable | |
| # review for compliance schedule and incorporate appropriate compliance conditions (e.g., inspection and entry, monitoring, reporting, and stack testing) | |
| # identify any "State-only" enforceable requirements | |
| # identify enhanced or periodic monitoring or testing provisions | |
| # develop appropriate shield provisions | |
| # General and model permit development (optional) | |
| - finalize comprehensive permit conditions | |
| - resolve errors/disputes between agency and source | |
| - review for enforceability and "gap-filling" | |
| - travel to facility and associated meetings | |
| • Public participation and EPA review | |
| - issue notices to public, local governments, affected States, and EPA | |
| - hold hearings as necessary | |

Estimated
Direct Program
Hours

- Communications with complainant and source
- File report and recommend enforcement as necessary
- Data entry

Enforcement Administrative Activities

- Hold enforcement conference meetings
- Issue appropriate notices, findings, and letters of violation
- Develop cases and referrals up to the point of filing of the complaint order
- Inform the public of complaint resolution
- Data entry

Emission Inventory

- Emissions inventory compilation and reporting from part 70 sources (including air toxics)
- Data Entry

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Total Direct Program Hours
for Activity 4:
Compliance

ACTIVITY 5
 SMALL BUSINESS ASSISTANCE
 \$91,750

| Functions and Tasks | Estimated Direct Program Hours | | | | | | | |
|---|---|--|--|--|--|--|--|--|
| <ul style="list-style-type: none"> • Implement elements of the Small Business Assistance Program designed to assist part 70 sources <ul style="list-style-type: none"> - technical assistance - compliance assistance - assistance on rights and obligations • establish outreach activities like a "hotline." for assisting sources in determining title V applicability • Prepare outreach/publications on part 70 requirements • Provide technical assistance and referrals for part 70 sources regarding control technologies and qualified vendors and consultants | <div style="border: 1px solid black; width: 100%; height: 100%; margin-bottom: 10px;"> <table border="1" style="width: 100%; height: 100%; border-collapse: collapse;"> <tr><td style="height: 20px;"> </td></tr> </table> </div> | | | | | | | |
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| Total Direct Program Hours for Activity 5: Small Business Assistance | <hr style="width: 100%; border: 0.5px solid black;"/> | | | | | | | |

2.3 COST SUMMARY

The following table provides an example of how permitting authorities might present a summary of estimated operating permits program costs. The EPA expects summaries will be supported by information similar to the detailed fee demonstration information developed by the hypothetical permitting authority.

SUMMARY OF
HYPOTHETICAL PERMITTING AUTHORITY'S
OPERATING PERMITS PROGRAM COSTS

| Labor Costs | <u>Cost</u> |
|---|--------------------|
| <u>By Activity</u> | |
| 1. Permit Application Review \$513,330 | |
| 2. Program Development and Implementation 267,410 | |
| 3. Permit Development and Issuance 283,679 | |
| 4. Compliance 1,445,116 | |
| 5. Small Business Assistance | 91,750 |
| <u>Total Direct Labor Costs</u> | <u>\$2,601,285</u> |
| Other Direct Costs | |
| Office Expenses | \$37,500 |
| Capital Equipment | 75,000 |
| <u>Total Other Direct Costs</u> | <u>\$112,500</u> |
| Total Direct Costs | \$2,713,785 |
| Indirect Costs: General Administration: | |
| (23% of Direct Labor, \$2,601,285) | 598,296 |
| Total Permitting Program Costs | \$3,312,081 |

1 Permitting Authorities should check with their budget staffs for information on and use of indirect cost percentages.

2.3 REVENUE PROCESS

A. Calculating Fees

Permitting authorities have considerable latitude in devising their fee schedules provided the fee structure raises sufficient revenue to cover all direct and indirect operating permits program costs. The hypothetical permitting authority established a cost recovery system based on permit issuance fees and emissions fees.

Permit issuance fees recover the costs of reviewing and acting upon permit applications. The hypothetical permitting authority recognizes that permit applications from more complex sources will require additional effort for technical review and administrative processing and has structured its permit issuance fee schedule to reflect this. In this example, the permitting authority established issuance fees for complex sources at \$4,300 per source, and issuance fees for less complex sources at \$500 per source. The hypothetical permitting authority assesses issuance fees on an annual basis.

Emissions fees recover the remaining costs of the permitting program. The hypothetical permitting authority charges emissions fees based on the type of pollutant emitted, has elected to cap emissions fees at 4,000 tons per year per pollutant per source, and has capped total fees at \$250,000 per source. Fee rates for permit issuance fees and emissions fees are shown in the following table.

FEE RATES

| PERMIT ISSUANCE FEES | | | | | | |
|------------------------|----------------|-----|-----|---------------------|-----|----|
| SOURCE TYPE | COMPLEX SOURCE | | | LESS COMPLEX SOURCE | | |
| DOLLARS | \$4,300 | | | \$500 | | |
| EMISSION FEES (\$/TPY) | | | | | | |
| Pb | HAPs | NOx | VOC | PM-10 | SOx | CO |
| 321 | 60 | 24 | 24 | 22 | 22 | 22 |

B. Applicability of Fee Rates

The hypothetical permitting authority, in addition to providing detailed information in its permit fee demonstration regarding the nature and type of fees to be collected, submitted a list of all sources anticipated to be subject to the program and the fee amount to be collected from each. Such a demonstration is needed to illustrate that the fee schedule established by the permitting authority will collect an amount equal to or greater than the amount estimated to be needed to cover the direct and indirect costs of the program.

FEES CHARGED TO ALL SOURCES

| No. | Source Name | Source Type | Emissions (tpy) | Permit Issuance Fee | Emissions Fee | Total Fee (Capped) |
|----------------------------------|------------------------|--------------|-----------------|---------------------|---------------|--------------------|
| 1 | GENCO Bayshore | Complex | 127,263 | \$4,300 | \$247,200 | \$250,000 |
| 2 | GENCO Colby | Complex | 104,291 | \$4,300 | \$246,700 | \$250,000 |
| 3 | Abbingtion & Walker #2 | Complex | 54,436 | \$4,300 | \$247,200 | \$250,000 |
| 4 | Ormayer Products | Complex | 48,656 | \$4,300 | \$247,200 | \$250,000 |
| 5 | Lillis Martinsville | Complex | 7,762 | \$4,300 | \$172,086 | \$176,386 |
| 6 | Liberty Paper | Complex | 9,620 | \$4,300 | \$163,240 | \$167,540 |
| 7 | GENCO Walkerton | Complex | 6,794 | \$4,300 | \$152,416 | \$156,716 |
| (129 sources omitted from table) | | | | | | |
| 136 | Schukyll Cement | Complex | 1,825 | \$4,300 | \$43,800 | \$48,100 |
| 137 | Mordoc Materials | Less Complex | 1,685 | \$500 | \$37,070 | \$37,570 |

| No. | Source Name | Source Type | Emissions (tpy) | Permit Issuance Fee | Emissions Fee | Total Fee (Capped) |
|----------------------------------|----------------|--------------|--------------------|------------------------|------------------|-----------------------|
| 138 | Granstar Stone | Complex | 1,132 | \$4,300 | \$27,168 | \$31,468 |
| 139 | | Complex | 984 | \$4,300 | \$23,616 | \$27,916 |
| 140 | | Less Complex | 823 | \$500 | \$19,752 | \$20,252 |
| (158 sources omitted from table) | | | | | | |
| 299 | | Less Complex | 150 | \$500 | \$4,300 | \$4,800 |
| 300 | | Less Complex | 150 | \$500 | \$3,900 | \$4,400 |
| TOTALS | | | 634,177 | \$300,000 | \$3,175,000 | \$3,475,400 |

3.0 GENERAL FEE DEMONSTRATION PROVISIONS

The following elements apply in part to both fee demonstration types, the "detailed fee" demonstration and the "presumptive minimum program cost" demonstration.

3.1 INITIAL ACCOUNTING

Each permitting authority is required by §70.9 to provide an initial accounting of how required fee revenues are to be used solely to cover the costs of meeting the various functions of the permitting program. Regardless of the type of fee demonstration a permitting authority elects (i.e., either a detailed demonstration or the presumptive fee approach), all permitting authorities should describe the administrative and accounting controls which, when effectively utilized, would result in the accurate collection and disbursement of permit fees, allocation of indirect costs, apportionment of operating costs between related program activities, reconciliation of program fees with program disbursements, and separation of permit fees and other funds used to fund the agency's air program, such as §105 grant funds. Permitting authorities should also describe controls established, or to be established, to prevent the unauthorized collection, expenditure, or transfer of resources into or out of the title V program. Permitting agencies may submit copies of accounting and administrative controls that have been established to insure the fiscal integrity of the title V program in satisfying this requirement.

In addition to the initial accounting that is required to be submitted as part of the operating permits program, part 70 also requires permitting authorities submit periodic accounting reports. The EPA intends to provide further guidance on the contents of the periodic reports.

To assure that permit fees are adequate to fully support the permit program and that required fee revenues are used solely to cover the costs of the program, §70.9 requires that all permitting authorities demonstrate that the fee schedule selected will result in the collection and retention of fees in an amount sufficient to fund the program. Each permitting authority must provide, regardless of the fee demonstration methodology used, a description of how the permitting authority plans to collect fees

to cover the program costs. Permitting authorities can provide a list of sources and the amount of fees that it expects to collect from each source to fulfill this requirement. Alternatively, permitting authorities can make other demonstrations such as indicating the number of sources and the collective emissions from such sources to show that program costs will be covered by the chosen fee rate. Permitting authorities should submit a description of all revenue and fee types (i.e., emission fees, application fees, inspection fees, etc.) to be used to fund the title V operating permits program. Permitting authorities should also submit an explanation of title V fee billing, collection, and disbursement systems and procedures.

3 .2 FEE ADEQUACY FOR PRESUMPTIVE FEE APPROACH

The EPA will presume that a permitting authority's fee revenue is adequate to fund its permits program if the revenue, in the aggregate, meets or exceeds an amount equal to \$25 per ton per year [as adjusted by the Consumer Price Index (CPI)] times an emissions inventory based on actual emissions computed according to the criteria found in §70.9(b)(2) and in the August 4, 1993 guidance memorandum on title V fees.

Permitting authorities who choose to rely on this method of establishing the adequacy of their fee revenue must provide information that the emissions inventory used in determining the amount of presumptive fees was calculated in accordance with 70.9(b)(2). The projected fee revenue that will be collected must equal or be more than the product of the relevant emissions (tons per year) multiplied by the \$25/spy amount (with CPI adjustments.)

Permitting authorities that use the presumptive fee approach face the dilemma of having to anticipate and include in their program submittals (due November 15, 1993) what the CPI adjustment factor will be for the first year of program operation, which commences on program approval, presumably November 15, 1994. The CPI adjustment factor for the year ending August 31, 1993 is \$29.30. Since the CPI adjustment factor for the first full year after program approval will not be available until September 1994, EPA recommends that permitting authorities use a CPI

adjustment factor of 3 per cent for the period between September 1993 and November 1994, resulting in an amount of \$30.18. The 3 per-cent figure is an estimate developed by the Council of Economic Advisors, the Department of Treasury, and the Office of Management and Budget, and was included in the Administration's forecast of out-year economic activities (1995 and beyond) as their CPI adjustment factor.

3.3 FOUR-YEAR ESTIMATES OF PERMIT PROGRAM COST AND REVENUES

As part of its program submittal, §70.4(b)(8)(v) requires each permitting authority submit "an estimate of the permit program costs for the first 4 years after approval, and a description of how the State plans to cover those costs." For permitting authorities that choose the presumptive fee approach, use of the CPI index adjustment factor should suffice to estimate program expenses over the 4 year period. However, permitting authorities that choose to submit a detailed fee demonstration, justifying less than the presumptive fee amount, must also provide an estimate of the program costs for each of the 4 years. Although each program will face unique growth issues, several of the factors which permitting authorities may want to consider in developing resource projections over the 4 year period are discussed below.

The two most significant factors likely to affect personnel costs are the number of additional sources to be permitted after promulgation of new maximum achievable control technology (MACT) standards and the additional staff time needed to process applications for permit modifications, conduct source inspections, review semi-annual reports from permitted sources, etc.

More specifically, as new MACT standards are promulgated, personnel costs are likely to rise for several reasons. First, additional sources may become subject to permitting requirements. Second, permits for some sources will have to be reopened to add new MACT requirements, and many of these sources will require permits which are likely to be fairly complex. Third, the number of regulated pollutants will expand. For example, when the Hazardous Organic National Emission Standard for Hazardous Air Pollutants (HON) is promulgated, 149 volatile hazardous air pollutants

addressed by the HON and listed in section 112(b) of the Act will become regulated pollutants. Since regulated air pollutants must be described in a source's permit application, the process of reviewing permit applications and drafting permit conditions will become more complicated.

Permitting authorities should consider these and other factors in projecting costs for the 4 year period after program approval. Because of the uncertainty in such projections, it will not be necessary to provide the same level of detail as required in the base year demonstration. Rather, year-to-year estimates of resources by major activities or total resources to implement the entire program will be acceptable to satisfy the 4 year projection. Permitting authorities however should provide an explanation of the assumptions used in making the projections.