

# Legislative Analysis



## EXTENSION OF SUNSET AND INCREASE ON AIR QUALITY FEES

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<http://www.house.mi.gov/hfa>

**House Bill 4449**  
**Sponsor: Rep. Victory**  
**Committee: Appropriations**

Analysis available at  
<http://www.legislature.mi.gov>

**Complete to April 10, 2015**

### SUMMARY:

This bill would amend the Natural Resources and Environmental Protection Act regarding the air quality fees collected by the Air Quality Division (AQD) in the Department of Environmental Quality (DEQ). These fees are paid by owners or operators of facilities that emit air pollutants and are necessary for Michigan to maintain compliance with the federal Clean Air Act. This bill would **extend the sunset** on these fees by four years from October 1, 2015 to **October 1, 2019**.

The bill would also makes changes to the fee amounts and thresholds. The annual air quality fee charged to category I facilities would be **increased from \$4,485.00 to \$5,250.00** plus an air emissions charge. This fee would remain unchanged for category II (\$1,795.00 plus an air emissions charge) and category III (\$250.00) facilities. Category I, II, and III facilities are defined in the federal Clean Air Act as follows:

**Category I** – Facilities that annually emit 100 tons or more of any air pollutant

**Category II** – Facilities that annually emit 10 tons or more of any single air pollutant or 25 tons or more of any combination of air pollutants. Category II facilities that meet the definition of a category I facility are considered category I facilities.

**Category III** – Facilities that annually emit air pollutants but do not meet the thresholds established for category I or II facilities

### **Exceptions for Electric Providers – Category I (large)**

Category I municipal electric generating facilities that emit 730 – 5,000 tons annually would now pay an air quality fee of \$41,830.00; currently it is 730 – 5,250 tons annually at \$37,000.00. Category I municipal electric generating facilities that emit more than 5,000 tons annually would now pay an air quality fee of \$5,250.00 plus the air emissions charge specified below; currently it is 5,000 – 12,000 tons annually at \$127,000.00.

### **Exceptions for Electric Providers – Category I (small) and Category II**

Category I electric generating facilities that emit less than 730 tons annually and all category II electric generating facilities are subject to the emissions charge which would increase from **\$47.95 to \$51.15 per ton**.

This bill would also raise the cap on fee-subject air pollution totals as follows:

Electric providers (small category I and all category II)

6,100 tons (increased from 5,250 tons)

1,500 tons (increased from 1,250 tons) per pollutant if the sum of all pollutants, except carbon monoxide, is less than 6,100 tons

Non-electric providers (category I and category II)

4,500 tons (increased from 4,000 tons)

1,250 tons (increased from 1,000 tons) per pollutant if the sum of all pollutants, except carbon monoxide, is less than 6,100 tons

This bill would make changes to the annual air quality reports required from DEQ to the governor and legislature as well. The DEQ would no longer be required to report the percentage and number of permit to install (PTI) applications that were reviewed for technical completeness within 30 days of receipt of an administratively complete application by the department. The DEQ would be required to report the percentage and number of PTI applications for which a final action was taken by the department within **180 days (increased from 60 days)** of receipt for those not required to complete public participation, or within **240 days (increased from 120 days)** of receipt for those that are required to complete public participation. The DEQ would also be required to report the percentage and number of PTI applications for which a processing period extension was requested and granted.

## **FISCAL IMPACT:**

This bill would extend the sunset on DEQ's air quality fees by giving the department the authority to continue to collect these fees for four more years. The department uses these fees to operate the state's air quality program which regulates emissions and mitigates the effect of air pollution on health and the environment. The Environmental Protection Agency (EPA) has delegated Michigan's air emissions regulation to DEQ. The fee increases included in this bill are necessary for DEQ to comply with the EPA's air emissions requirements. Failure to meet the requirements would result in the EPA taking over the operation of Michigan's air quality program.

Air quality fees currently generate \$9.6 million in annual revenue for DEQ. The increases included in this bill are projected to generate an additional \$1.2 million resulting in a new total of \$10.8 million in annual revenue. These rate increases were assumed in HB 4093 (H-1) which appropriates the DEQ budget for FY 2015-16. The air emissions charge of \$51.15 per ton included in HB 4093 (H-1) and in this bill is lower than the \$65 per ton rate included in the FY 2015-16 Executive Budget. This projected additional revenue is anticipated to be sufficient for DEQ to maintain control of Michigan's emissions regulation.

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