DIVISION OF AIR QUALITY

FINAL

EMISSION FEE RATE EVALUATION REPORT

October 9, 2006

Appendix to Fee Report

Explanation of Data Sources
and
Additional Information and Descriptions

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Note to the reader:

The highlighted text is supplemental information in addition to the final October 2006 Fee Rate Evaluation Report. The data used in the figures and tables within this document come from the State accounting system, BillQuick, State data systems including AirTools and CATS tracking system, performance measures, and various other sources. This information was complied into numerous Excel spreadsheets. Although not directly imbedded into this document, the file/pathname for the supplemental Excel data is provided. Given the large amount of data, the Excel documents are not directly posted. If it is necessary to review the Excel documents used to generate the figures and tables or to access the supplemental Excel data, please contact Ms. Rusty Gesin, rusty_gesin@dec.state.ak.us, 907-451-2139.

1 Executive Summary

The Department of Environmental Conservation, Division of Air Quality (the Division), Air Permits Program (the Program) analyzed the emission fee rate established by AS 46.14.250 and 18 AAC 50.410. The Program is required by AS 46.14.250(g) to periodically, and at least every four years, evaluate the emission fee rate to determine if it is responsive to policy established in statute and provide a written evaluation of the findings (the Report).

Under AS 46.14.250(h)(2) "emission fees" mean fees assessed to recover costs incurred by the department and other state or local governmental agencies for the implementation of minor permits, for the implementation of construction permits, for operating permits to the extent required under 42 U.S.C. 7661a(b)(3)(A) and federal regulations implementing that provision, for execution of the permit program established under this chapter that are generally not associated with service provided to a specific facility, including the costs incurred by the department or a local air quality program to comply with AS 46.14.010 – 46.14.015; the costs may include rent, utilities, permit program management, administrative and accounting services, and other costs as identified by the department in regulations. The fees shall also be sufficient to recover the cost of the small business assistance program under AS 46.14.300 – 46.14.310.

The emission fee rate is intended to distribute the total annual incurred indirect costs of the Program in such a manner so that each permittee is assessed an annual emission fee that reflects an equitable apportionment of the fees paid by each stationary source type, size, or category.

The Program determined its past and projected program cost, workloads, budget authority, and expected fee receipts to evaluate whether any changes were needed to its emission fee rates or structure. The program calculated the technical hours per service level. This analysis provided a total program cost. Projected permit administration fees were subtracted from total program cost to determine the total shortfall to be covered by emission fees. This information is provided for both Title 5 (Section 3) and Title 1 (Section 4).

The analysis shows that expected fee receipts will be insufficient to fully fund the Program's permits services as required by the federal Clean Air Act (CAA) at the service levels desired by the public stakeholders. The cost of projected workloads exceeds projected revenue based on the existing fee structure, and the emission fee rate must be adjusted to fully fund the Program.

The Program also recognized the need to separate and deposit the emission fee receipts into the Clean Air Protection Fund (CAPF) under AS 46.14.260 for Title 5 and the Emission Control Permit Receipts Account (ECPRA) under AS 46.14.265 for Title 1.

The authority in AS 46.14.250 determines emission fees. The next emission fee review after this regulation revision is final is scheduled in 2011. The permit administration fee rates are set by the fee authority outlined in AS 46.14.24 enacted through HB160 and are subject for review again in 2009. Based on earlier comments from the Public and the regulated community Workgroup, the Program analyzed the need to bring the reevaluation of the two fees into alignment.

The Division published an initial evaluation report with proposed changes to the air permit emission fee regulations in 18 AAC 50 on May 31, 2006. The proposed annual emission rate was based on the historical method of applying a fee based on a 4-year average of expenses. Public comments were accepted June 1 through July 3, 2006. Due to additional requirements imposed by the Department of Law, the Division issued a supplemental public notice on July 10, 2006, and accepted additional comments July 10 through August 11, 2006.

In response to public comment, following the May 31, 2006, draft report, the Division further analyzed emission fee alternatives and other issues (Section 10). The Division rejected the average rate method and is establishing new annual emission fee rates for the next three fiscal years. The emission fee rate will charge an annual emission rate that is based on the cost for the fiscal year in which they are incurred**.** Each fiscal year will stand alone and not be affected by increased cost of future years**.** The annual fee rates will be set in regulation and will be become assessable on January 1, 2007.

Additionally, the Division commits to performing a combined emission fee evaluation (due in 2011) and permit administration fee evaluation by January 2009.

The Department of Environmental Conservation, Division of Air Quality, Air Permits Program recommends the following:

- Emission fees should be increased to rates described in Section 10.
- Emission fee rates are annual (state fiscal year) rates based on yearly projected revenue and Program costs and are set in regulation revision of 18 AAC 50.410.
- Under 10 ton sources should not be charged emission fees.
- Avoidance-type permits should not be charged emission fees.
- The emission fees will be allocated to the Clean Air Protection Fund (CAPF) and Emission Control Permit Receipts Account (ECPRA).
- The Program commits to evaluate the emission fees by January 2009, in conjunction with the review of the permit administration fee study.

The Program recommends further exploration of:

- Changes in AS 37.10 to adjust the 149% hourly rate should be explored.

- More equitable ways to assess a Title 1 fee for indirect agency cost.

- Spreading the peak workloads of the Title 5 Permits renewals to learn of it will favorably lower program cost.

- Increasing the appropriation of General Funds for the Air Permits Program by the new Administration elected in November 2006.

2 Air Permits Program Description

The Air Permits Program provides services in four distinct areas:

1. Title 5 Operating Permit Program,
2. Title 1 Construction Permit Program,
3. Minor Permit Program, and
4. Non-permit stationary source regulation and State Implementation Plan (SIP).

The Federal Clean Air Act requires the Title 5 Operation Permit Program, and it must be funded entirely by user fees. This program issues and enforces Operating Permits that authorize operation of major and certain minor stationary air pollution sources. The Title 5 program also allows for sources to establish emission limits to avoid the requirement to get a permit.

The Title 1 Construction Permit Program implements the new source permitting requirements in the Federal Clean Air Act. This program reviews and issues permits authorizing construction of new major sources and significant modification of existing major sources of air pollution. While the federal law does not specify how this program is to be funded, Alaska statute provides for fees to cover the cost of the Title 1 program.

The Minor Permit Program is established by Alaska statute and constitutes part of Alaska's State Implementation Plan (SIP). The Federal Clean Air Act requires each state to have a SIP, approved by the U.S. Environmental Protection Agency (EPA), to attain and maintain air quality standards in the state. While the Clean Air Act does not specifically require a Minor Permit Program, the SIP must contain measures that allow the state to evaluate and prevent the construction or modification of sources that will violate air quality standards. Alaska's SIP uses the minor permit program to achieve this goal, and Alaska statute provides for fees to cover the cost of program.

Finally, the SIP must include emission standards and other measures necessary to maintain air quality. The Air Permits Program has the responsibility for developing, maintaining, and enforcing these regulations for stationary sources. The Air Permits Program also responds to unique and unusual air pollution concerns dealing with stationary sources.

3 Title 5 Operating Permits Program

3.1 Statutory Funding Mechanisms

The Alaska Statutes established a permit administration fee and an emission fee, both deposited into the dedicated Clean Air Protection Fund (CAPF), to satisfy the federal requirement that fees be sufficient to cover the Air Permits Program and not be used for any other purpose.

The original statutes identified specific costs to be recovered from permit administration fees, with all other program costs to be recovered through emission fees. The fee rates were to be set by regulation and periodically reviewed. The original fee rates set in regulation were based on billing only technical staff hours and covered the technical staff time and benefits; a portion of clerical and manager time and benefits; travel; advertising costs; and a portion of permit staff's equipment, supplies, and indirect costs.

In 2000, HB361 affected changes to statutes and set the permit administration fee rate at 149% of the direct staff hourly salary rate, plus expenditures for goods and third party services made in providing the service. Managers and clerical staff working on a permit service charge directly to the project at 149% of their respective salary rates. The statutes also direct the Department to establish flat fees for standard services, based on the average direct cost of those services.

Emission fees established under the 1993 and the 2003 statutes cover the remainder of the program costs.

3.2 Title 5 Program Budget Authorization

Figure 1 below shows the FY07 Budget authorization for CAPF, which includes $2,966,000 for Air Permits, $71,800 for Division of Information and Administrative Services (DIAS), and $7,300 for Department of Administration. DIAS and Department of Administration do not provide direct permit service, but their budget authorizations for air permits related expense must be covered as an indirect cost of the Title 5 Operating Permits Program.

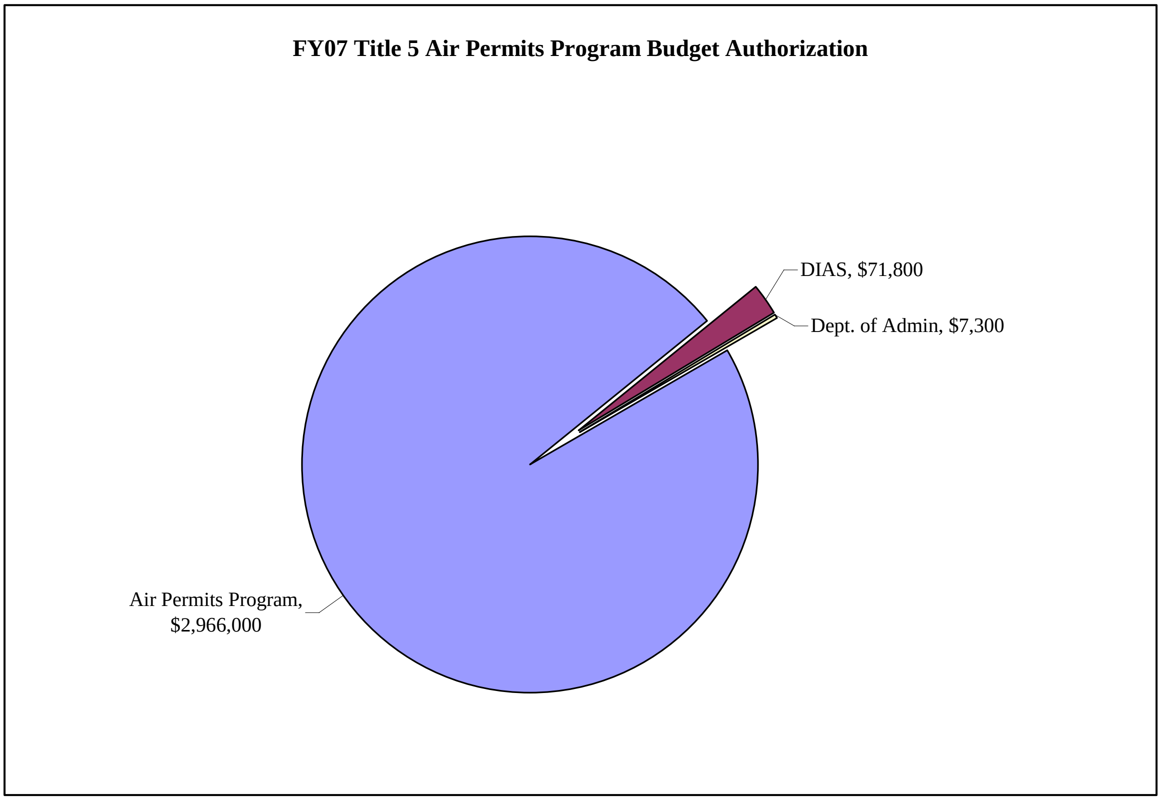


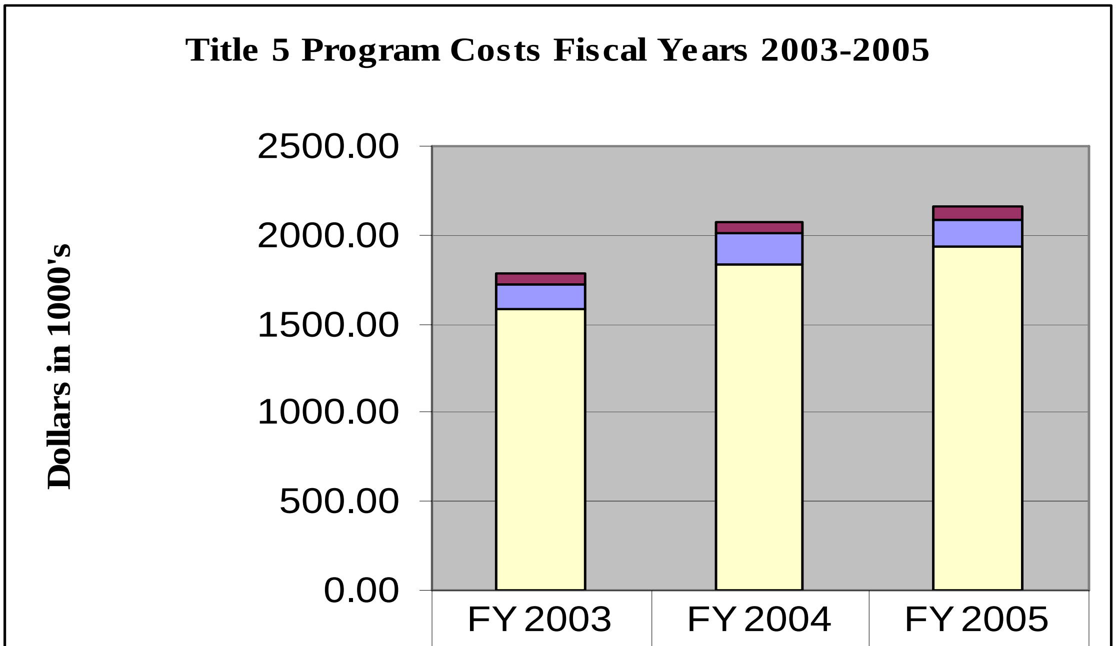
Figure 1 FY07 Title 5 Budget Authorizations for Air Permits Program

Title 5 FY06 Budget Authorization for Air Permits Program information was gathered from FY06 budget documents and was provided by DIAS.

3.3 Prior Year's Costs

In the fiscal years FY03 - FY05, both the Title 1 Construction Permit Program and Title 5 Operating Permit Program costs were paid from the dedicated Clean Air Protection Fund (CAPF). All permit fee receipts were placed in the CAPF. The Program assigned costs to the Title 5 Operating Permit Program and Title 1 Construction Permit Program using program codes[1]. However, our accounting system did not use these program codes for allocated costs[2] and DIAS costs. Therefore, we have prorated the allocated and DIAS costs between Title 1 and Title 5 Programs based on the direct personal service costs. Figure 2 shows the historical costs paid for by Title 5 fees for FY03 – FY05.

[1] Program codes are an accounting tool used by the State of Alaska to differentiate between various types of revenues and expenditures for tracking purposes.
[2] Allocated expenditures are a set percentage of funds used to fund Administrative support staff and general offices costs including DEC Administrators (Commissioner's office) and general items such as office supplies.



	FY 2003	FY 2004	FY 2005
DIAS Costs	69.72	70.93	76.52
Allocated Costs	131.63	167.70	148.89
APP Costs	1584.56	1838.63	1930.67

Figure 2 Title 5 Prior Year's Costs FY03 – FY05

Title 5 Prior Year's Costs FY03 – FY05 information gathered from FY06 Budget Documents and was provided by DIAS.

Data Sources\Title 5 prior year's costs FY 2003-2005.xls

- The APP cost is the amount spent directly by the Air Permits Program to deliver the Title 5 Operating Permit Program services.
- The allocated costs are the Department's costs to be paid by the Title 5 Operating Permit Program. These include rent, utilities, and similar Department expenses prorated by the amount of personal service expenses charged to a particular funding source.
- The DIAS cost is a flat charge imposed on the air permit fee revenues. This charge pays for DIAS to manage the time recording and billing software, prepare and mail invoices, and record payments.

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In summary, the Program spent approximately $1,785,910 delivering the Title 5 Program in FY03, $2,077,260 in FY04, and $2,156,080 in FY05.

The next sections will describe what was accomplished with those funds and how we expect our workloads and resource needs to change over the next four fiscal years.

3.4 Title 5 Permit Actions: Permit Issuance, Renewal, and Revision

3.4.1 Historical Title 5 Permit Workloads

To evaluate changes to the Title 5 Permit workloads, we examined the five main categories of permit actions:

- Title 5 Permits
- Title 5 Permit Revisions
- Owner-Requested Limits
- Pre-Approved Emission Limits
- General Permit Authorizations

The mix of permit action types can vary from year to year. To compare the workloads across several years, we examined the technical work hours devoted to performing each type of permit action during the fiscal year.

Table 1 presents our past performance on these Title 5 Permit actions. Please note: the General Permit work includes both drafting the General Permits and issuing the Authorizations to individual facilities. Also note: the number of actions decreases in FY05 with the reduction of excess emission reports due to the installation of baghouses. Table 1 also calculates the historical average for technical hours per action type.

	FY03			**FY04**			**FY05**			
Title 5 Permit Actions	# of Actions (from Performance Management Reports)	Total Technical Hours (from BillQuick Analysis)	Average Technical Hours per Action (Total Hours/# of Actions)	# of Actions (from Performance Management Reports)	Total Technical Hours (from BillQuick Analysis)	Average Technical Hours per Action (Total Hours/# of Actions)	# of Actions (from Performance Management Reports)	Total Technical Hours (from BillQuick Analysis)	Average Technical Hours per Action (Total Hours/# of Actions)	Average Hours per Action FY03-05
Title 5 Permit Actions	64	7638	119	47	3779	80	10	2494	249	115
Permit Revisions	30	1272	42	32	1357	42	15	636	42	42
ORLs	5	77	15	8	221	28	3	163	54	29
PAELs	10	12	1	7	14	2	2	18	9	2
GPs	2	1179	590	51	137	3	7	155	22	25
Total	111	10178		145	5508		37	3466		

Table 1 Title 5 Historical Performance - Permit Action and Technical Hours

Information for number of actions was provided by Title V program staff and was gathered from AirTools database system queries and performance measure reports. Average technical hours were calculated by dividing the total staff hours recorded by action type in the Department BillQuick accounting system by the number of actions.

The Program calculated the number of Title 5 permits issued by adding up initial permits and permit renewals issued for that period as recorded in AIRTOOLS. The number of actions for the other four categories was a direct count from the Program's database.

The Department committed to issue all initial Title 5 permits no later than November 2004. Therefore, the Section set Title 5 permit issuance as its main focus for FY03 and FY04. The Department issued all initial Title 5 permits by November 30, 2003. After November 2003, the Section emphasized permit revisions and renewals.

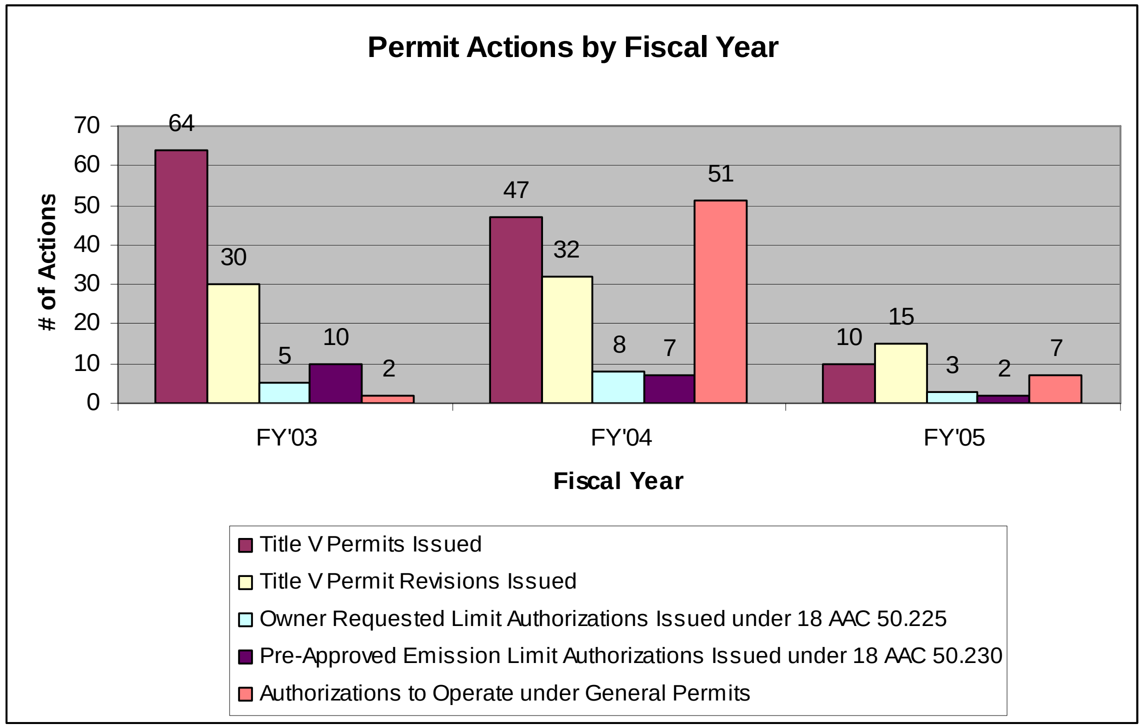
<u>Data Sources\Title 5 historical performance - permit action and technical hours.xls</u>

	A	B	C	D	E	F	G	H	I	J	K
1		**FY 2003**			**FY 2004**			**FY 2005**			
2	**Title 5 Permit Actions**	# of Actions	Total Technical Hours	Average Technical Hours per Action	# of Actions	Total Technical Hours	Average Technical Hours per Action	# of Actions	Total Technical Hours	Average Technical Hours per Action	Average Hours per Action FY 2003-05
3	Title 5 Permit Actions	64	7638	=C3/B3	47	3779	=F3/E3	10	2494	=I3/H3	=(I3+F3+C3)/(B3+E3+H3)
4	Permit Revisions	30	1272	=C4/B4	32	1357	=F4/E4	15	636	=I4/H4	=(I4+F4+C4)/(B4+E4+H4)
5	ORLs	5	77	=C5/B5	8	221	=F5/E5	3	163	=I5/H5	=(I5+F5+C5)/(B5+E5+H5)
6	PAELs	10	12	=C6/B6	7	14	=F6/E6	2	18	=I6/H6	=(I6+F6+C6)/(B6+E6+H6)
7	GPs	2	1179	=C7/B7	51	137	=F7/E7	7	155	=I7/H7	=(I7+F7+C7)/(B7+E7+H7)
8	Total	=SUM(B3:B7)	=SUM(C3:C7)		=SUM(E3:E7)	=SUM(F3:F7)		=SUM(H3:H7)	=SUM(I3:I7)		

Additional information:

The Program provides the following application processing services under Title 5: permit issuance, permit renewal, permit revisions (administrative, minor, and significant), letters of approval for general permits and owner requested limits, and registration of pre-approved emission limit notices. The program fee structure is presently set up to recoup all costs for permit application processing using permit administration fees.

This section presents a summary of the historical work load, projected work load, and projected costs for these services.



Data Sources\Title 5 Permit Actions.xls

3.4.2 Projected Title 5 Permit Workloads

Next we projected the estimated number of Title 5 Permit actions for the future.

Figure 3 shows the number of Title 5 Permit actions we expect in FY07 – FY10. The Title 5 Permits are based on the existing permits and schedule for renewals. For General Permits, the Program projected the number of Authorizations issued for the total number of General Permit sources divided by five years. Sources authorized under General Permits for asphalt plants and rock crushers are subject to Title 1 Permit fees. Since regulation changes of October 2004[3], the Program no longer considers Authorizations for these categories to be part of the Title 5 Permit workloads.

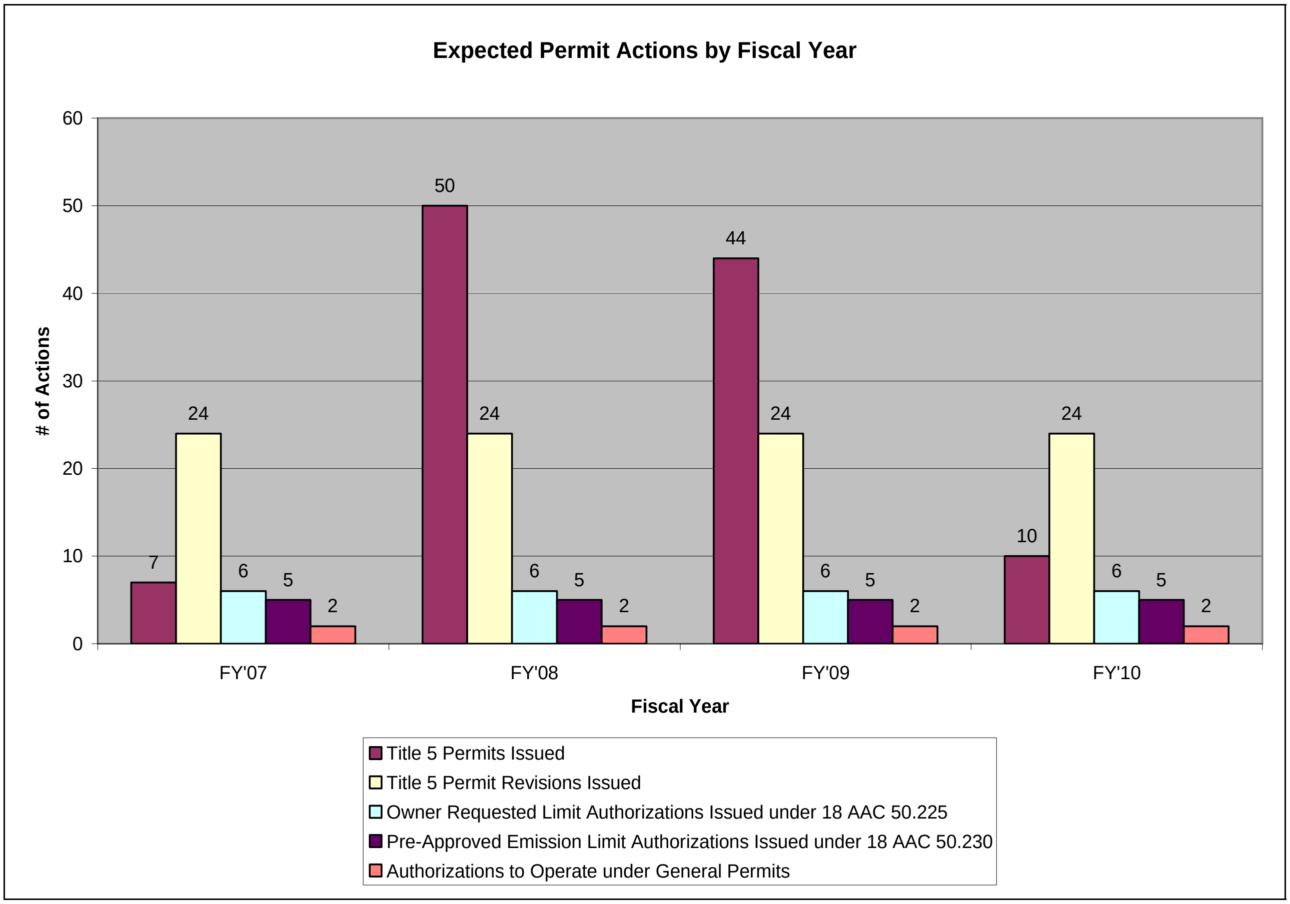


Figure 3 Title 5 Projected Permit Actions FY07- FY10

Projections were provided by Title V staff and were based on a count of permits scheduled to expire each fiscal year. The Department estimated the number of actions for the other four permit/approval categories using an average number of actions FY04-FY05. The Department excluded FY03 in order to provide a better representation of permit actions following the October 1, 2004, regulation changes.

[3] More details on future action estimates are provided in the Appendix

For general permits, the Program projected the number of authorizations issued upon the total number of general permit sources divided by five years. Sources authorized under general permits for asphalt plants and rock crushers are subject to Title 1 permit fees. The Program no longer considers authorizations for these categories as Title 5 permit workload since rule changes of October 2004.

For the next five years the Department expects similar trend of permit actions as shown in past years, except the number of Title 5 permits issued (renewed) will decrease due to the October 1, 2004, regulation change.

The fiscal year with the greatest number of Title 5 permits issued was 2003. Since Title 5 permits are effective for a five year duration, the Department expects the next peak fiscal year will be 2008.

Data Sources\Title 5 projected permit actions FY 2007-fy2010.xls

Next we projected future workloads based on technical hours.

To estimate the future permit workloads, we estimate the future technical hours needed to deliver permit actions by multiplying the historical average technical hours (Table 1) by the number of permit actions expected (Figure 3). This provides a projected number of Technical Staff hours required to complete Title 5 Permit actions.

Table 2 shows the expected technical hours needed to deliver Title 5 Permit services in FY07 – FY10. We expect future Title V permit actions to include more Title 5 renewals than initial Title V permits. Permit renewals may be less work intensive than the original Title 5 Permits, depending on the extent of changes in applicable requirements and changes proposed by the permittee in the renewal application. Review of technical hours spent on recent permit renewals indicate that some actions may require even more hours than originally predicted due to changes in federal rules or complications stemming from compliance concerns. Because the majority of initial Title 5 permits were issued before November 2003, we used data from FY03 to FY05 to project the technical hours needed per permit action. The numbers presented herein resent our best estimates at this time.

ACTION	**Average Technical Hours per Action FY03-FY05 (Table 1 info)**	**FY07**		**FY08**		**FY09**		**FY10**	
		# of Actions (Figure 3)	Total Technical Hours	# of Actions (Figure 3)	Total Technical Hours	# of Actions (Figure 3)	Total Technical Hours	# of Actions (Figure 3)	Total Technical Hours
Title 5 Permit Renewals	115	7	805	50	5750	44	5060	10	1150

Revisions	42	24	1008	24	1008	24	1008	24	1008
ORL	29	6	174	6	174	6	174	6	174
PAEL	2	5	10	5	10	5	10	5	10
GP	25	2	50	2	50	2	50	2	50
Total		44	2047	87	6992	81	6302	47	2392

Table 2 Title 5 Projected Technical Staff Hours FY07 - FY10

Projections were calculated by multiplying the historical average technical hours (Table 1) by the number of permit actions expected (Figure 3).

	A	B	C	D	E	F	G	H	I	J
1			FY 2007		FY 2008		FY 2009		FY 2010	
2	ACTION	Average Technical Hours per Action FY2003-2005 (Table 1 info)	# of Actions (Figure 3)	Total technical hours	# of Actions (Figure 3)	Total technical hours	# of Actions (Figure 3)	Total technical hours	# of Actions (Figure 3)	Total technical hours
3	Title 5 Permit Renewals	115	7	=C3*B3	50	=E3*B3	44	=G3*B3	10	=I3*B3
4	Revisions	42	24	=C4*B4	24	=E4*B4	24	=G4*B4	24	=I4*B4
5	ORL	29	6	=C5*B5	6	=E5*B5	6	=G5*B5	6	=I5*B5
6	PAEL	2	5	=C6*B6	5	=E6*B6	5	=G6*B6	5	=I6*B6
7	GP	25	2	=C7*B7	2	=E7*B7	2	=G7*B7	2	=I7*B7
8	Total		=SUM(C3:C7)	=SUM(D3:D7)	=SUM(E3:E7)	=SUM(F3:F7)	=SUM(G3:G7)	=SUM(H3:H7)	=SUM(I3:I7)	=SUM(J3:J7)

Data Sources\Title 5 projected technical staff hours FY 2007-fy 2010.xls

The preceding analysis assumes that the Program will provide the same quality of Title 5 permit service as in prior years. We believe this is a reasonable assumption because the Program has experienced a significant turnover of experienced permit staff and periodic federal rule changes.

We believe that service quality can only be improved by implementing a Quality Management System (QMS). The Air Permits Program has begun development of a QMS to provide for timely and predicable compliance/enforcement delivery. Once implemented, the QMS will provide a direct increase in service levels to the Permit Holders.

Additional Information:

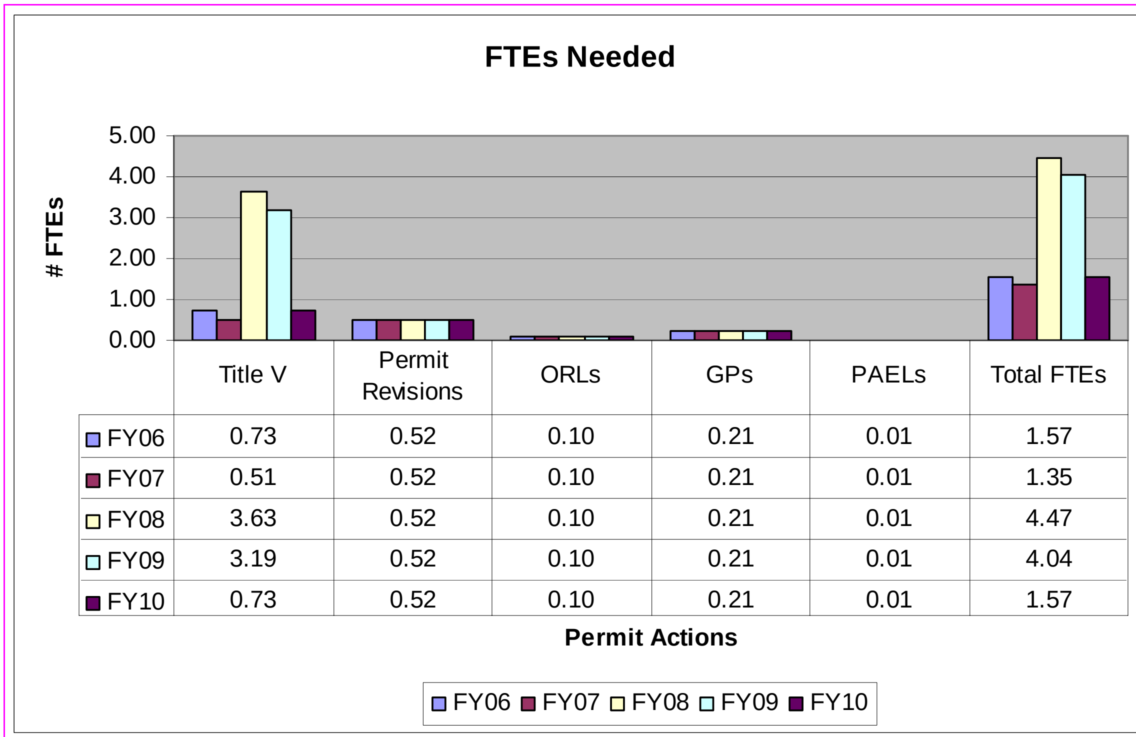
In the table below, the Department lists its performance expectations for permitting actions. The Department performance expectation is to issue all permit action requests by their respective regulatory deadline. The regulatory deadlines are:

Permit action	Regulatory Deadline	Citation
Title 5 Permits	12 months	AS 46.14.170(a)(2)
Title 5 permit revisions	Administrative – 60 days	40 CFR 71.7(d)(3)(i)
	Minor – 15 days after end of EPA 45-day review	40 CFR 71.7(e)(1)(iv)
	Significant – 9 months	40 CFR 71.7(e)(3)(ii)
Owner Requested Limits	3 months	18 AAC 50.225(c),(d),(e)
Pre-approved Emission Limit	Effective one day after DEC receives request	18 AAC 50.230(a)
General Permits	60 days	AS 46.14.160 and 46.14.210

The Department's goal is to complete all permit action requests within established deadlines. We have estimated the number of full time equivalent staff (FTEs) needed to achieve our performance goal for the next five years.

The data was estimated by multiplying the average hours to process each type of permit by the number of expected permit actions.

Data Sources\Title 5, Expected Actual Hrs., Sec. 3.xls



	Title V	Permit Revisions	ORLs	GPs	PAELs	Total FTEs
FY06	0.73	0.52	0.10	0.21	0.01	1.57
FY07	0.51	0.52	0.10	0.21	0.01	1.35
FY08	3.63	0.52	0.10	0.21	0.01	4.47
FY09	3.19	0.52	0.10	0.21	0.01	4.04
FY10	0.73	0.52	0.10	0.21	0.01	1.57

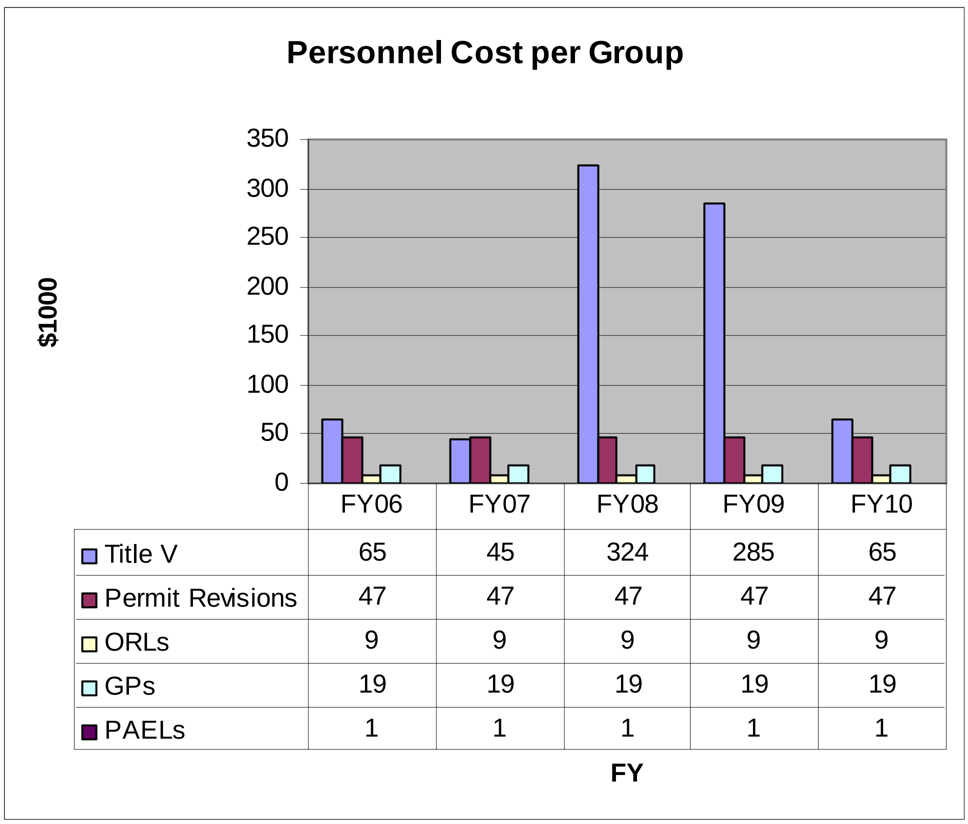
Title 5 Projected Staff Requirements

The figure above represents the number of FTEs necessary to complete all permit actions expected during the next 5 years. The data was calculated by dividing the expected hours calculated in Figure 5 by the number of work hours per year.

The following is a summary of the FTEs the Title 5 Section will need to complete the expected permit actions:

FISCAL YEAR	**# FTEs**
FY06	1.57
FY07	1.35
FY08	4.47
FY09	4.04
FY10	1.57

Note that this summary is only for permit processing actions. It excludes all other direct and indirect services.



Title 5 projected costs per permitting action

The figure above represents the estimated personnel cost to the Department to complete all expected permit actions. The data was calculated by multiplying the expected hours per actions by the calculated average 2007 salary plus benefits for a Title 5 staff member.

Data Sources\Title 5 Personnel Cost per permitting action.xls

The following is a summary of the personnel service cost to the Department to complete the expected permit actions:

FISCAL YEAR	$1000
FY06	140
FY07	121
FY08	400
FY09	361
FY10	141

Note: The Department excluded the non-personnel cost from the above cost estimates.

Since the Title 5 permit program workload is cyclical in nature, based upon the five year Title 5 permit duration, the program determined the incremental increase in Title 5 permit processing workload since FY05 by using a five-year cycle (FY06 through FY10) average. The Program determined the incremental increase cost of permitting work as the difference between FY05 cost and the projected five-year average cost.

3.5 Historical Title 5 Compliance Action Workloads – Inspection, Compliance, and Enforcement

To evaluate changes to the Title 5 Compliance, Inspection, and Enforcement workloads, we examined the two main categories of Compliance Actions:

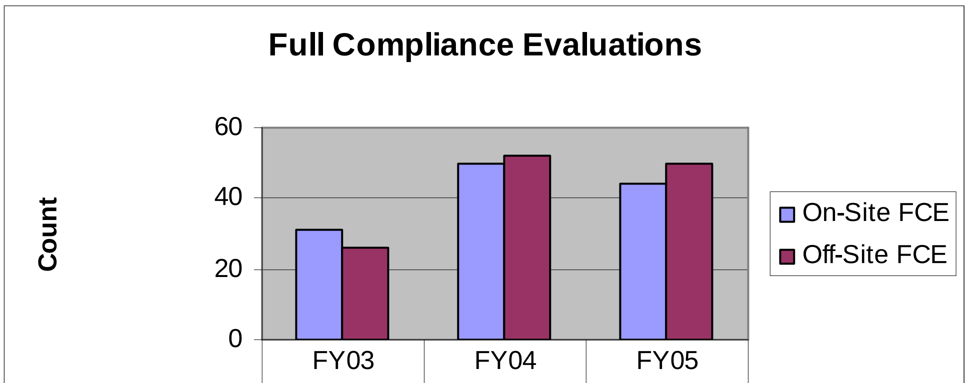
1. Routine Compliance
2. Other Compliance

3.5.1 Routine Compliance Activities

Under Routine Compliance, technical staff review scheduled facility operating reports (FOR) and annual compliance certifications (ACC) and conduct full compliance evaluations (FCEs) or inspections. Before FY04, the Program conducted compliance inspections under the EPA Compliance Assurance Agreement. In FY04, the Program adopted FCE standards under the 2001 EPA Compliance Monitoring Strategy.

Under the Program's Compliance Assurance Agreement and Compliance Monitoring Schedule, the Program conducts FCEs no less than once every two years for major Title 5 sources and no less than once every six years for sources that synthetically reduce their emissions to between 80 and 99 tons per year (SM-80).
Additional Information: Data sources for all following tables: Data Sources\Title 5 compliance workload.xls

The figure below shows the number of FCEs by type from FY03 through FY05. (Compliance Monitoring System records). For FY03, the Program reduced their routine compliance activities in order to complete the initial round of Title 5 permit decisions based on the Department's promise to complete these decisions no later than October 2003. As a result, the FY03 numbers are less than expected and not used for projected workloads. For FY04 and FY05, the Program met its goal to complete all scheduled full compliance evaluations by the end of each fiscal year.



	FY03	FY04	FY05
On-Site FCE	31	50	44
Off-Site FCE	26	52	50

Title 5 Full Compliance Evaluations FY03-FY05

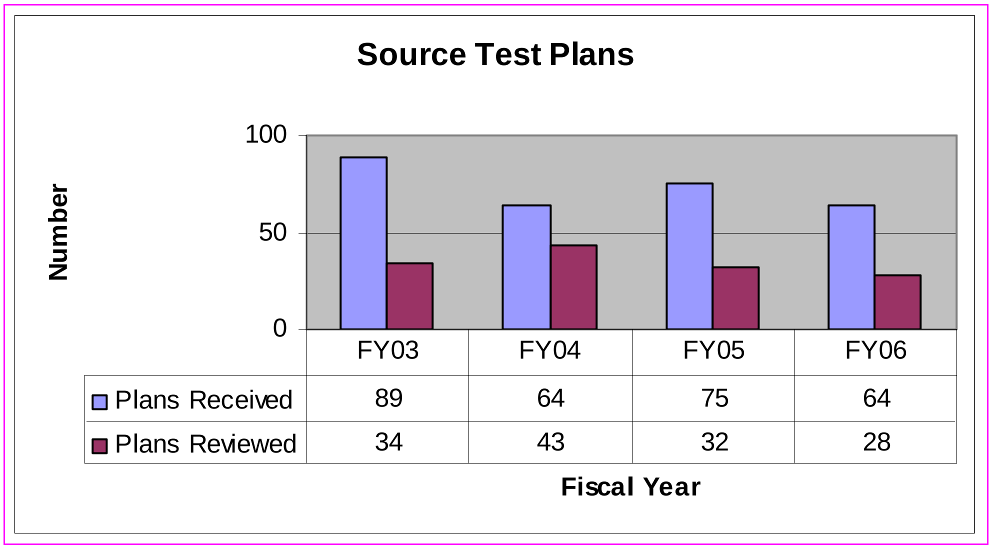
Note: FY03 data reported are for inspections, not FCEs.

The full compliance evaluations will continue to cycle between ~90 and 100 FCEs every other fiscal year based upon the Department's oil and gas initiative commitment to conduct on-site FCEs every other year at each oil or gas source. The Program alternates its FCEs between Cook Inlet/TAPS sources and North Slope sources. There are roughly 10 more sources on the North Slope, which accounts for the fluctuation.

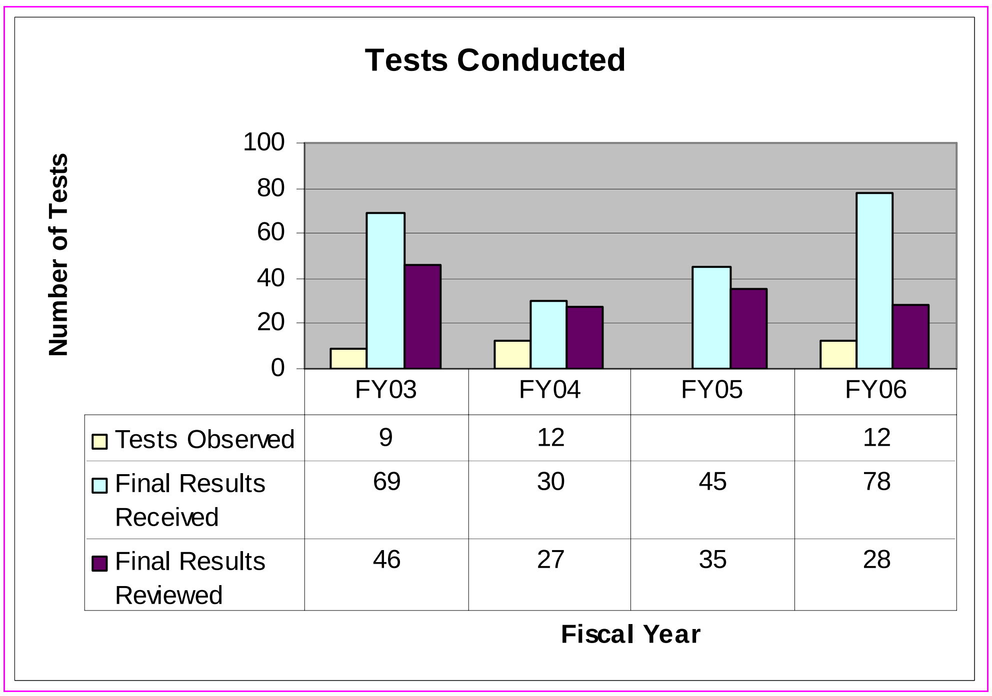
Additional Information:

Emission Source Tests

For source test reviews, the Department provides the following services: plan reviews, observations, and test result reports. The graphs below illustrate the number of source test services provided from FY03 projected through FY06:



Title 5 Source Testing Plans Received / Reviewed FY03-FY05



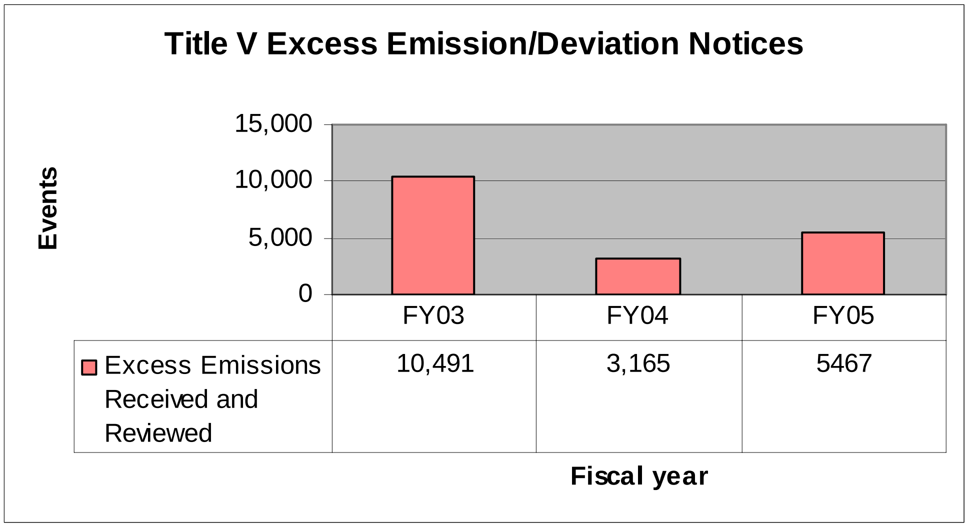
Title 5 Source Tests Conducted FY03-FY05

Historically, the Program has not achieved its goal to review each plan and each report received.

Excess Emission and Permit Deviation Notices

For excess emission and permit deviation notices, the Department logs notices into its tracking database. The Program considers investigations under informal and formal enforcement activities separately.

For excess emission and permit deviation notices, the Department historically tracked events, not notices. Therefore, the Program compiled historical data prior to February 2005 inconsistently with the current report logging activities. Regarding events, the Department logged the following number of events each fiscal year.



Title 5 Excess Emission/Permit Deviation Notices Received/Reviewed FY03-FY05

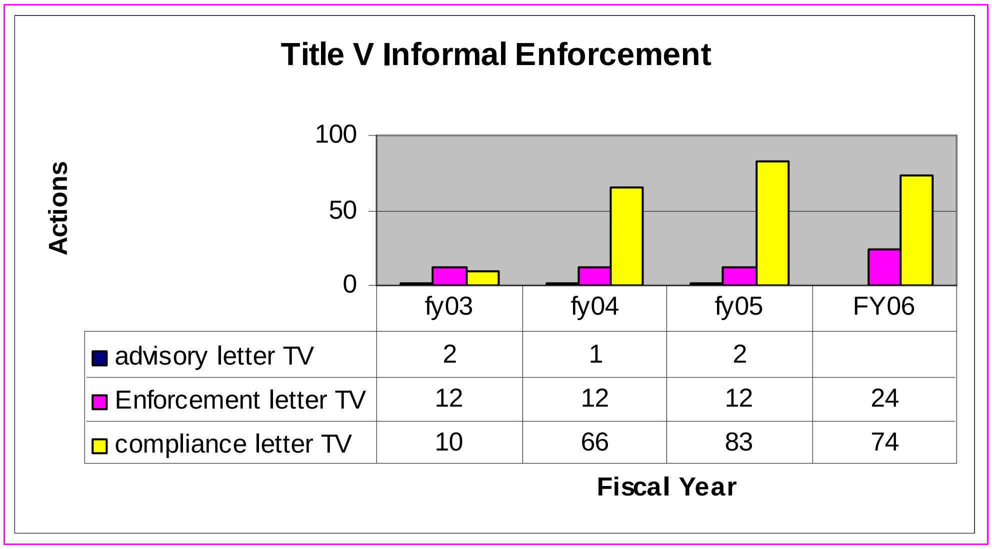
A preponderance of notices historically received concerned coal-fired boiler excess emissions. As operators retrofit the remaining coal fired boilers with baghouses under State and Federal compliance agreements, the Program anticipates a significant reduction of reports received.

Regarding notice processing, the program estimates receipt of 510 excess emissions notices per year based upon AirTools records for the first eight months of FY06 and adjusted for a 12-month period.

Informal Enforcement

The Program provides the following informal enforcement services: advisory letters, enforcement letters, and compliance letters. The activities include investigation time associated with each letter's development. The Department issued the following letters through FY05 and projected for FY06. (Compliance Automated Tracking System).

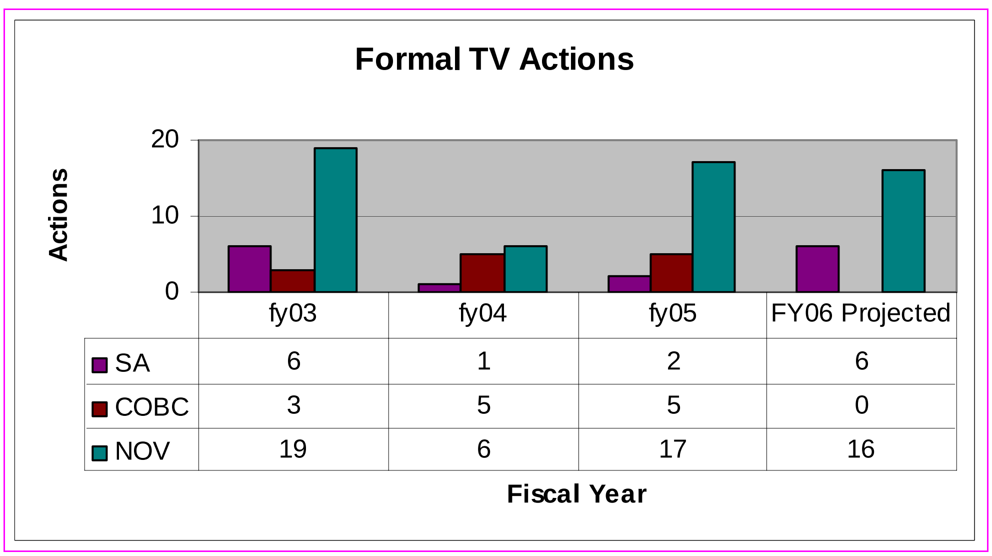
More informal compliance activities reflect the Program's first complete round of Title 5 major and synthetic minor source full compliance evaluations. The Program discovered additional permit deviations in source records that the Program could resolve using informal enforcement tools.



Title 5 Informal Enforcement Actions FY03-FY05

Formal Enforcement Actions

For Title 5 sources, the program conducts the following formal enforcement activities: judicial consent decrees, administrative compliance orders by consent (COBC), administrative settlement agreements (SA), and notices of violation (NOV). The program infrequently settles with a judicial consent decree.



Title 5 Formal Enforcement Actions FY03-FY05

The total number of formal enforcement actions range from 12 to 28 actions per year during the past three years.

3.5.2 All Other Compliance and Enforcement Actions

The remaining Compliance Actions include actions such as compliance letters, notices of violation (NOV), compliance orders by consent (COBC), settlement agreements (SA), and consent decrees that are consistent with the Department Policy and Procedure, # 04.02.102. Other Actions include source test reviews and excess emission/permit deviation notification reviews. For full details and explanation of all compliance activities, please see the Appendix.

3.5.3 Historical Title 5 Compliance Action Workloads

The mix of compliance action types can vary from year to year. To compare the workloads across several years, we examined the technical work hours devoted to performing each type of compliance action during the fiscal year.

Table 3 presents our past performance on these Title 5 compliance actions. Table 3 also calculates the historical average of technical hours per compliance action type.

Activity	FY03		FY04		FY05	
	# of Actions (from Performance Measure Reports)	Total Technical Hours*	# of Actions (from Performance Measure Reports	Total Technical Hours*	# of Actions (from Performance Measure Reports	Total Technical Hours*
Full Compliance Evaluation Off-site	26	*	52	*	50	*
Full Compliance Evaluation On-site	31	*	50	*	44	*
Total Routine Compliance Activity	***57***	*****	***102***	*****	***94***	*****
Source Test Plan Review	34	*	43	*	32	*
Source Test Results Review	46	*	27	*	35	*
Excess Emission or Permit Deviation Report Review and Processing**	10491	*	3165	*	5467	*
Observe Source Test (Hourly rate + any travel costs)	9	*	12	*	0	*
Informal Enforcement	1	*	0	*	0	*
Advisory Letter	2	*	1	*	2	*
Compliance Letter	22	*	78	*	95	*
Other Compliance Agreements	28	*	12	*	25	*
Subtotal Other Compliance Activity	***10633***	*****	***3338***	*****	***5656***	*****
Total Compliance Activity	**10690**	**3443***	**3440**	**7707***	**5750**	**8737***

**The Program does not have records providing average hour estimates for each Compliance Action. We provide the total compliance activity for each historical fiscal year from BillQuick records sorted by compliance activity.*

Table 3 Title 5 Compliance, Inspection Enforcement Actions FY03-FY05

Information for number of actions was provided by Title V program staff and was gathered from AirTools database system queries and performance measure reports. Technical hours were based on total staff hours recorded by action type in the Department BillQuick accounting system for each specific action type listed above.

Data Sources\Title 5 compliance, inspection enforcement actions.xls

Data are from past program performance measure reports and data queries from AirTools data system. Projections forward are based on the average numbers of actions for past fiscal years. Calculations of technical hours are based upon historical time tracking records in BillQuick.

Performance Goals:

Work hours on Title 5 compliance were determined from BillQuick. Work hours were summarized by activity group and by project CC and Program code.

The Department's Compliance and Enforcement performance standard is to complete all scheduled full compliance evaluations within the Compliance Assurance Agreement compliance monitoring schedule, as provided to EPA every two years. Excess emission/permit deviation goals are set by a June 2005 guidance document establishing review time frames. For report reviews with no established goal, the Section's review time frame should not exceed the permittee's time frame to prepare the report. Enforcement goals reflect EPA's 1999 timely and appropriate guidelines for addressing and resolving violations.

Compliance action	Goal	Citation
Facility Operating Report Review	Complete 60 days after receipt	
Annual Compliance Certification Review	Complete 60 days after receipt	
Full Compliance Evaluation	All complete during each fiscal year	DEC Compliance Monitoring Schedule updated once every two years
Source Test Plan Review	All reviewed. Within 15 days of receipt	18 AAC 50.345(m)
Source Test Observation	Complete write-up 30 days after observation	Not Applicable
Source Test Report Review	Complete review 60 days after receipt	18 AAC50.345(o)
Excess Emission/permit deviation Notice review	Complete review of each notification within 30 days	June 2, 2005 Excess Emission Guidance
Complaint Investigation	105 days after discovery	N/A
Compliance Letter	105 days after discovery	N/A
NOV	105 days after discovery	1999 EPA T&A guidance
Settlement (COBC/SA)	315 days after discovery	1999 EPA T&A guidance.

3.5.4 Projected Title 5 Compliance Action Workloads

Next we projected the estimated future number of Title 5 compliance actions. To service the FCE workloads, the Program will have a similar number of FCEs as in past years, when we met our EPA Agreement and Compliance Monitoring Schedule. The commitment to Oil and Gas compliance monitoring will increase the total workloads. The FCEs will cycle between 90 and 100 FCEs every other fiscal year based upon the Department's Oil and Gas Initiative commitment to conduct on-site FCEs every other year at each oil or gas source. The Program's annual FCE's schedule alternates between Cook Inlet/TAPS sources and North Slope sources. There are roughly 10 more sources on the North Slope, which accounts for the fluctuation. Additionally, more Title 5 sources are falling within the 80% Synthetic Minor[4] compliance monitoring strategy category, which also requires periodic FCEs.

Excess emission reports will continue to drop due to improved control technology on the coal-fired boilers. We expect that excess emission reports will continue to number roughly 510 per fiscal year until FY08, when the number should drop by 300 based upon completion of the remaining coal boiler baghouse projects. Reporting should drop to 210 reports each year thereafter.

For informal compliance activities, we projected the average number of each activity from FY03 through FY05 for the next four years.

For a full detailed explanation of future other compliance action workloads, please reference the Appendix.

3.5.5 Projected Technical Staff hours to service the Routine Compliance and Other Compliance Actions

To estimate future workloads, we estimated the future technical hours needed to deliver Compliance Actions by multiplying the average expected technical hours, established thru performance measures, by the projected number of compliance zctions. This provides a projected number of Technical Staff hours required to complete Title 5 compliance actions.

Table 4 below shows the projected Technical Staff hours to service the routine compliance and other compliance actions for FY07 - FY10.

[4] A Synthetic Minor Stationary Source is a source that employs operational limits in order to keep emissions of a single regulated pollutant below 100 tons per year. A 80% Synthetic Minor Source employs operational limits to keep emissions of a single regulated pollutant between 80 and 99 tons per year.

Information based on average of historical FY03-FY06 data and is adjusted upwards by 1.45 in order to account for errors in staff BillQuick accounting records (staff not properly recording time, using a catch-all category instead).

Data Sources\Title 5 compliance workload.xls

Activity	Average technical hour per action*	FY07		FY08		FY09		FY10	
		# of Actions	Total technical hours	# of Actions	Total technical hours	# of Actions	Total technical hours	# of Actions	Total technical hours
Full Compliance Evaluation Off-site	32.6	51	1662.6	51	1662.6	51	1662.6	51	1662.6
Full Compliance Evaluation On-site	72.5	47	3407.5	47	3407.5	47	3407.5	47	3407.5
Sub-Total Routine Compliance Activity		***98***	***5070***	***98***	***5070***	***98***	***5070***	***98***	***5070***
Source Test Plan Review	10.9	73	795.7	73	795.7	73	795.7	73	795.7
Source Test Results Review	10.9	56	610.4	56	610.4	56	610.4	56	610.4
Excess Emission or Permit Deviation Report Review and Processing	0.7	510	357	510	357	210	147	210	147
Observe Source Test (Hourly rate + any travel costs)	54.3	11	597.3	11	597.3	11	597.3	11	597.3
Informal Enforcement	21.8	1	21.8	1	21.8	1	21.8	1	21.8
Advisory Letter	5.8	2	11.6	2	11.6	2	11.6	2	11.6
Compliance Letter	10.9	73	795.7	73	795.7	73	795.7	73	795.7
Other Compliance Agreements	174	22	3828	22	3828	22	3828	22	3828
Subtotal Other Compliance		***748***	***7018***	***748***	***7018***	***448***	***6808***	***448***	***6808***
Total Compliance		**846**	**12088**	**846**	**12088**	**546**	**11878**	**546**	**11878**

Table 4 Title 5 Projected Compliance Activity FY07 - FY10

**Average Technical Hours are based on Performance Measure Standards*

Projections forward are based on the average numbers of actions for past fiscal years. Calculations of technical hours are based upon historical time tracking records in BillQuick . The program estimated the historical personnel services time spent conducting all Title 5 compliance work.

Data Sources\Title 5 compliance, inspection enforcement actions.xls

	A	B	C	D	E	F	G	H	I	J
1	Activity	Average technical hour per action*	FY 2007		FY 2008		FY 2009		FY 2010	
2			# of Actions	Total technical hours	# of Actions	Total technical hours	# of Actions	Total technical hours	# of Actions	Total technical hours
3	Full Compliance Evaluation Off-site	32.6	51	=C3*B3	51	=E3*B3	51	=G3*B3	51	=I3*B3
4	Full Compliance Evaluation On-site	72.5	47	=C4*B4	47	=E4*B4	47	=G4*B4	47	=I4*B4
5	***Total Routine Compliance Activity***		***=SUM(C3:C4)***	***=SUM(D3:D4)***	***=SUM(E3:E4)***	***=SUM(F3:F4)***	***=SUM(G3:G4)***	***=SUM(H3:H4)***	***=SUM(I3:I4)***	***=SUM(J3:J4)***
6	Source Test Plan Review	10.9	73	=C6*B6	73	=E6*B6	73	=G6*B6	73	=I6*B6
7	Source Test Results Review	10.9	56	=C7*B7	56	=E7*B7	56	=G7*B7	56	=I7*B7
8	Excess Emission or Permit Deviation Report Review and Processing	0.7	510	=C8*B8	510	=E8*B8	210	=G8*B8	210	=I8*B8
9	Observe Source Test (Hourly rate + any travel costs)	54.3	11	=C9*B9	11	=E9*B9	11	=G9*B9	11	=I9*B9
10	Informal Enforcement	21.8	1	=C10*B10	1	=E10*B10	1	=G10*B10	1	=I10*B10
11	Advisory Letter	5.8	2	=C11*B11	2	=E11*B11	2	=G11*B11	2	=I11*B11
12	Compliance Letter	10.9	73	=C12*B12	73	=E12*B12	73	=G12*B12	73	=I12*B12
13	Other Compliance Agreements	174	22	=C13*B13	22	=E13*B13	22	=G13*B13	22	=I13*B13
14	***Total Other Compliance***		***=SUM(C6:C13)***	***=SUM(D6:D13)***	***=SUM(E6:E13)***	***=SUM(F6:F13)***	***=SUM(G6:G13)***	***=SUM(H6:H13)***	***=SUM(I6:I13)***	***=SUM(J6:J13)***
15	***Total Compliance***		***=SUM(C14,C5)***	***=SUM(D14,D5)***	***=SUM(E14,E5)***	***=SUM(F14,F5)***	***=SUM(G14,G5)***	***=SUM(H14,H5)***	***=SUM(I14,I5)***	***=SUM(J14,J5)***

The preceding analysis assumes that the Program will provide the same quality of Title 5 Compliance service as in prior years. We believe this is a reasonable assumption because the Program has experienced a significant turnover of experienced permit staff and periodic federal rule changes.

We believe that service quality can only be improved by implementing a Quality Management System (QMS). The Air Permits Program has begun development of a QMS to provide for timely and predicable compliance/enforcement delivery. Once implemented, the QMS will provide a direct increase in service levels to the Permit Holders.

Additional information and description of projected Compliance, Inspection, and Enforcement Actions

To achieve our FCE goals, the Program will have a similar number of FCE evaluations as in past years where we met our EPA agreement and compliance monitoring schedule.

The program expects that excess emission reports will continue to number roughly 510 per fiscal year until FY08, when the number should drop by 300 based upon completion of the remaining coal boiler baghouse project. Reporting will drop to 210 reports each year thereafter.

To achieve our goals, the Program will increase its source test assignments to review all source test plans and reports. Projected number of plans and reports are the average values over FY03 through FY05. The Program will continue to observe roughly 10 emission source tests each fiscal year.

The Department's informal compliance goals do not influence the number of compliance actions each year. For informal compliance activities, the Program projected the average number of each activity from FY03 through FY06 for the next four years:

Informal Enforcement letter:	1
Advisory letter:	2
Enforcement letter:	50
Compliance letter:	58

The Department's formal enforcement goals do not influence the number of enforcement actions each year. For formal enforcement, the program projected future actions based upon the historical average similar to that of informal compliance goals:

Consent Decree:	0
Settlement Agreement:	4
COBC:	3
NOV:	15

Historical Resources:

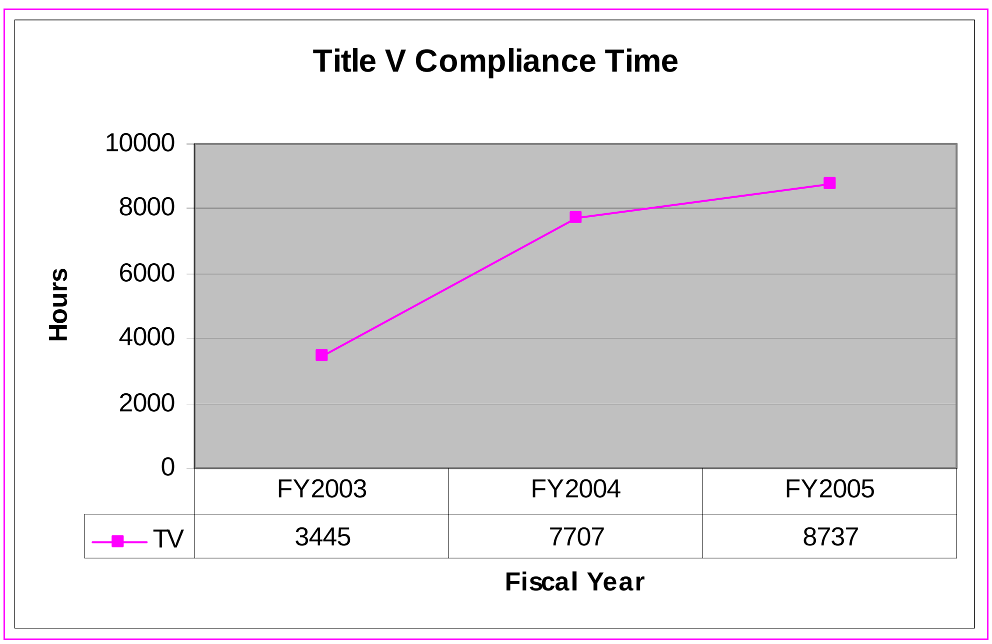
Based upon historical time tracking records in BillQuick, the program estimated the historical personnel services time spent conducting all Title 5 compliance work.

The compliance activity codes set up in the time tracking database historically did not allow for a direct assessment of time spent on each type of compliance activity.

With changes made in February 2005, the Program can now estimate time spent conducting routine compliance activities, source test plan reviews, source test observations, and source test report reviews.

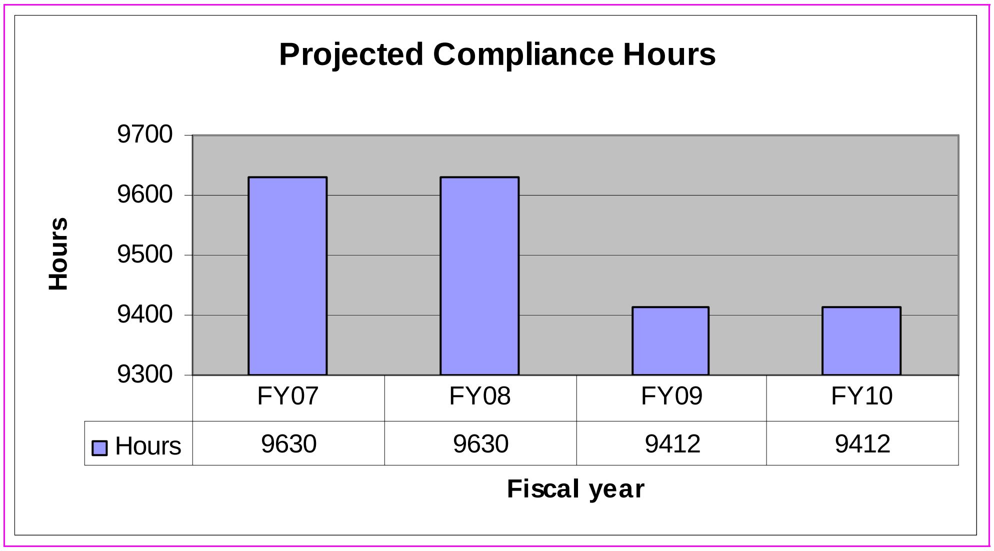
As noted above regarding permitting work, the Department shifted priorities in mid-2004, after November 2003 when the Program issued the remaining initial round of Title 5 permits for existing stationary sources.

Data sources for the following tables:
Data Sources\Title 5 compliance workload.xls



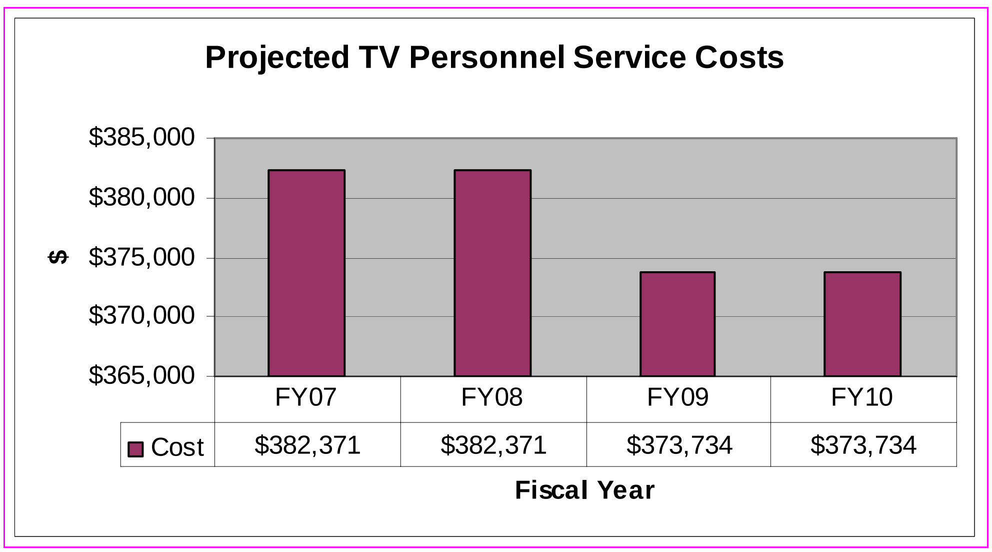
Title 5 Compliance Hours FY03-FY05

The program projected costs based upon activity adjustments mentioned above to meet the Program goals. The results are tabulated below.



Title 5 Projected Compliance Hours

The program estimated projected personnel costs using FY07 salary and benefit data for an Environmental Program Specialist (mid-range Title 5 staff) and the projected compliance hours. Projected personnel service cost range between $335,000 and $345,000 each year.



Title 5 Projected Personnel Service Costs

3.6 Other Title 5 Program Activities

In addition to the Title 5 Permit and Compliance workloads, the Program includes support work essential for the delivery of permit services. These include:

- Program Improvement
- Data Management Services

- Administrative Services

3.7 Title 5 Program Improvement

We have begun development of a Quality Management System (QMS) for Title 5 permit and compliance services. The Program intends this QMS to improve the speed, accuracy, and consistency of permit and compliance service delivery. The Program's QMS strategy consists of two elements: Design and Development, and Implementation and Audit.

3.7.1 Design and Development

We first will analyze current workflow through process mapping. Using this analysis, the Program can develop process improvements and a Quality System of "best practices". During this phase, we will develop quality policies and procedures along with work instructions, checklists, and various other standardized forms and documents.

3.7.2 Implementation and Audit

As we complete design of the QMS for each service, we will begin the Implementation and Audit phase for that service. First, we will train staff to implement applicable aspects of the Quality Management System. Then, we will audit performance to assure consistent decisions, improve timely permit decisions, increase efficiency, and identify deficiencies that require further correction. As circumstances change, audits will identify those changes and assure that the Program accounts for these changes in the QMS. QMS implementation and audit will be an ongoing function of the program.

3.7.3 Prior Year Costs

Due to a lack of trained QMS staff, there was minimal work on the QMS before FY06. For FY05, the program spent 197.5 hours with a total cost less than $23,000 dollars for Title 5 Permit process improvement. In FY06, the Program hired the technical service manger and a qualified QMS trained Environmental Program Specialist IV (EPS IV).

Information for past QMS time and expenditures were gathered from analysis of the Department's BillQuick time tracking and accounting system sorted by project/account code.

3.7.4 Projected Future Costs

The EPS IV estimated future costs based on his experience with various industry QMS projects. The cost projections include 1 FTE for the QMS plus FTE percentages of management and technical staff involved with the process. Since the Air Permits Program has locations in Juneau, Anchorage, and Fairbanks, QMS development and implementation includes travel, training, and seminars.

Table 5 below shows the estimated costs associated with a Title 5 QMS Program. The QMS costs for the design and development are projected to be slightly higher in FY07 than in subsequent years to account for the design and development of the QMS. The Program projects the Implementation and Audit costs to remain constant for FY08 to FY10. The total QMS costs for the Program are pro-rated[5] between Title 5 and Title 1.

QMS Title 5	Projected Annual Costs			
	FY07	FY08	FY09	FY10
Design and Development	$105,701	0	0	0
Implementation and Auditing	0	$96,748	$96,748	$96,748
TOTAL	$105,701	$96,748	$96,748	$96,748

Table 5 Title 5 Projected Program Improvements – QMS

Table 5 Title 5 Projected Program Improvements – QMS is a compilation of the Permitting and Compliance design and development and implementation and audit costs. The Technical Services Team developed the time and cost estimates in support of the Title 5 Permit Processing QMS.

Since the air permits division has locations in Juneau, Anchorage, and Fairbanks, QMS development and implementation includes travel to Fairbanks and Juneau as stated below. The team also estimated costs for seminars or other outside training and miscellaneous expenses. The team pro-rated the total QMS estimates for travel, seminars/training, and miscellaneous expenses for Title 5 compliance, by equally dividing total costs among three sections: Title 5 permit processing, Title 1 permit processing, and compliance. The total Title 5 FY07 costs include the costs of design and development plus annual travel, training, and miscellaneous costs.

The total QMS costs are split 70/30 to Title 5 and Title 1.
Data Sources\QMS - Task 103 & 109 QMS.xls

[5] Please see the Appendix for detailed description.

3.8 Title 5 Data Management

Data management for tracking, recording, and maintaining permitting, compliance, and enforcement records is essential to managing the Title 5 Air Permits Program and providing assistance to the clients we serve. The Program uses a customized integrated database system**,** called AirTools, to record Title 5 Permit and Compliance activity. Title 5 service delivery requires correct record and data management through AirTools.

AirTools includes two modules:

- Workload Tracking Module: This module tracks information pertaining to permitting, compliance, and enforcement. The information stored includes dates and documents related to all permit and compliance services offered by the program. Air quality staff and managers use this module to track performance, share data, prioritize workloads, and record decisions and correspondence.

- Online Services Module: This module, currently under development, will provide the regulated community and the general public a variety of online services. Please see AirTools Project in the Appendix for a list of open projects.

3.8.1 Historical Service – Title 5 Data Management

Prior to FY06, the Air Permits Program used multiple databases to keep track of work performed. These databases included in-house MS Access programs, *Permittr*, *HPV22*, and *Compliance Report Tracking*. In addition, the Program maintained a separate MS Excel spreadsheet for tracking Title 5 permit assignments. Finally, the Program tracked statewide complaints, compliance, and enforcement cases in the Complaint Automated Tracking System (CATS), an MS Access database.

The Program developed an integrated data management system to better serve the Program, its regulated community, and the general public. In addition, during stakeholder meetings, industry strongly advocated for increased on-line permitting options.

Development costs were the personal service cost of programmers required to develop the database plus technical staff input. Table 6 below shows the historical cost of the Title 5 data management activities for FY03 – FY05.

Title 5 Data Management	Expenses $			Average $
	FY03	**FY04**	**FY05**	
	$8,020.86	$177,791.64	$124,768.66	$103,527.05

Table 6 Title 5 Data Management Historical Expenses FY03-FY05

Information for historical data management expenses were gathered from analysis of the Department's BillQuick time tracking and accounting system sorted by project/account code. BillQuick project id and activity codes 01:11 & 09:03 were queried, which provided actual hours and associated costs per fiscal year calculated.

	Technical staff hours			**Averages**
	FY03	**FY04**	**FY05**	
Title 5 Data Management	266.35	1947.5	3164	1792.62
	Expenses $			
	$8,020.86	$177,791.64	$124,768.66	$103,527.05

Data Sources\Data Managment.xls

Additional information and description for Title 5 Data Management

Historical Background

Data management for tracking, recording and maintaining permitting, compliance and enforcement records is essential to manage the Title 5 Air Permits program and clients we serve. Since these are indirect services, the program currently pays for these services using emission fee revenue from CAPF.

Prior to FY06 the Air Permits Program used multiple databases to keep track of work performed. Database applications developed in-house using MS Access included: *Permittr* to keep track of incoming permit applications, *HPV22* to keep track of high priority violator cases, and *Compliance Report Tracking* to keep track of periodically submitted reports as required by both Title 5 and Title 1 permits. In addition, the program maintained the status of the Title 5 permit application processing progress on MS Excel spreadsheets. The Department maintains all enforcement cases within the Complaint Automated Tracking System (CATS) to track complaints, compliance, and enforcement cases.

Although these data management systems provided a better means to handle, manipulate, and store the data than paper files, the Program elected to develop a more robust data management system to better serve the Program, its regulated community, and the general public.

In addition, industry strongly advocated for increase on-line permitting options during stakeholder meetings. The program envisioned online services to include permit applications, existing permit look-up features, ongoing project status, and on-line payments.

The Division selected an **integrated database system** to accomplish these goals. For this, a client/server database system called AirTools was created.

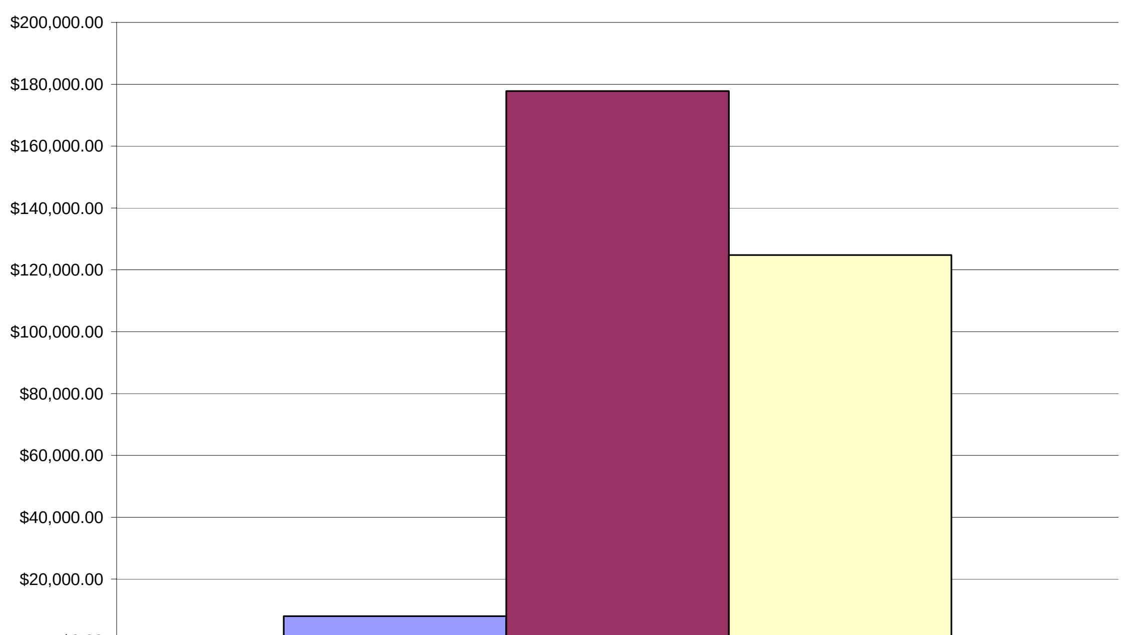
AirTools is a client/server application developed with the latest Microsoft development environment .NET using an ORACLE database to store the data. The Program began creating an interactive database for both State and Industry use in FY04. Although the Program is still enhancing AirTools features, the Program moved existing data from the old systems and started logging all in-coming reports and applications using AirTools in FY06. AirTools is an essential component of the Title 5 program data management process.

NOTE: Despite the data contained in the AirTools database, the Program considers paper files the official records repository of the Air Permits program. The Program maintains and updates the Title 5 permit processing records in the Program's Anchorage Office, and the Program maintains and updates the Title 5 compliance and enforcement records in the Fairbanks Office.

Historical AirTools Development Costs

There are two primary labor components, Programmers and the Air Program Technical staff, to provide the program data and reporting needs. For FY03, during the initial year of effort, the Program funded data management at an approximate cost of $8,020. During FY03, the Program funded data management at an approximate cost of $177,791. In FY05, data management costs were approximately $124,768.

The figure below shows a comparison of the Title 5 actual expenditures during FY03 – FY05 for Data Management activities. (Projected data management needs spreadsheet):



	Title V Data Management Costs
FY 2003	$8,020.86
FY 2004	$177,791.64
FY 2005	$124,768.66

3.8.2 Future Title 5 Data Management Services

Future cost estimates include essential AirTools reporting enhancements and the development and implementation of the Online Services module. A list of all AirTools projects, including Title 5 and Title 1 electronic permitting projects is provided in the Report Appendices.

The projected annual expenses to support the Title 5 Data Management activities for FY07 – FY10 are $259,703. This cost includes the personnel costs for programmers, Technical Staff Data Manager, Technical Services Manager, and data entry staff**.** Please reference the Appendix for detailed explanation of the estimated costs associated with Title 5 Data Management activities.

Projected Title 5 Data Management expenses were gathered from analysis of the AirTools Project List (Air Division IT Shop Task List), and included current hourly staff wages for personnel tasked with data management.
Data Sources\projected data management needs - TI AND TV.xls

Additional information and description for future Title 5 Data Management

Although much progress has been made thus far on the core functionality of AirTools for the Workload Tracking Module, additional essential reporting enhancements and the development and implementation of the Online Services module are still under development.

In addition, there are multiple projects conceived for the development of the Online Services module that are in the early stages of development that have not yet been started. All the projects will significantly further Department goals of increase work efficiency and permit predictability. The latest list of all AirTools projects, including Title 5 and Title 1 electronic permitting projects, is provided in the Report Appendices.

On-line services will require a concerted effort. The development cost is not a direct permit service and will be funded through Emission Fees, grants, or General funds. The program estimates current costs to be $1,192,119 for software development costs over the next 3 years (assuming the availability of a 1.5 FTE for programming services). Our goal is to complete development before the end of 2009. Distributed evenly over the next three fiscal years, annual development costs will be $393,373.

The program projected staff time for administration based upon a relatively small software team developing software in a highly familiar, in-house environment. People connected with the software have a thorough understanding how the system contributes to the Air Program objectives.

3.9 Title 5 Program Administration

Title 5 Program Administration consists of the following elements:

- Program Organization/Management: This represents a range of items not directly billable to permit activities, including staff time spent on workforce development, training, and budget; work plan preparation; negotiating EPA grant commitments; internal program audits; personnel evaluation; administrative form preparation; and management briefings.
- EPA Program Approval/Maintenance: EPA requires regulation technical staff to keep the Program consistent with EPA regulations, changes, and standards.
- Administration Support: Various administrative services not directly billable to permit activities, such as human resources, accounting, and fees and collections.

Program Administration activities do not directly serve a permit client but are support activities. The Program uses CAPF emission fees to pay for these indirect services.

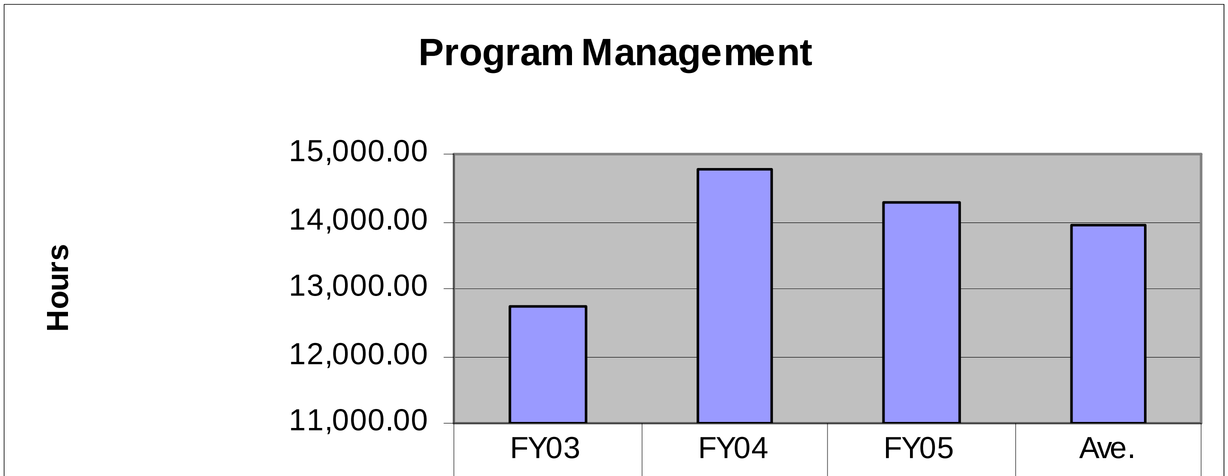
3.9.1 Program Organization/Management

We anticipate that program management activities will remain similar to past fiscal years. Therefore, no adjustments to the base program costs are needed for program management changes.

We did examine our experienced staff turnover and the effect that might have on program service delivery. There was increased activity for workforce development in FY05 and FY06. Several long-term experienced staff retired or left the program. This has resulted in a loss of facility specific knowledge and long term experienced staff. There is an additional concern with the State's ability to retain long-term, experienced staff. The Program has instituted the QMS program to insure consistent and predictable permits and compliance regardless of staff changes or knowledge base. The report did analyze the historical vacancy rate for the program. There were no significant changes outside of average vacancy. Please reference the Appendix for a detailed discussion.

Additional Information:

The Program estimated historical program organization/management and billing work based on BillQuick time records from FY03 through FY05. This is reflected in number of hours for these activities. The records represent staff time spent on program organization/management costs such as training, budget, work plan preparation, negotiating EPA grant commitments, internal program audits, personnel evaluation, administrative form preparation, and management briefings. Title 5 Program Management time is as illustrated below. The FY04 increase is due to the Program's decision to fill the Title 5 Section Manager position during the second half of FY04. In FY05, the Program retained a single Section Manager.



	FY03	FY04	FY05	Ave.
Program Management	12,736.75	14,761.00	14,280.25	13,926.00

Title 5 Program Management Hours FY03-FY05

Figure Title 5 Program Management Hours FY03-FY05 information was prepared thru queries of BillQuick time slip records with activity codes within the 01 grouping. Staff filtered the records for Title 5 emission and administration fee projects only. From that, the program removed administrative support time that the Program historically recorded as project management but which logically belongs within the permit processing direct service allocation. The program also separated billing time from program management time.

Data Sources\Historical program management Time and Costs.xls

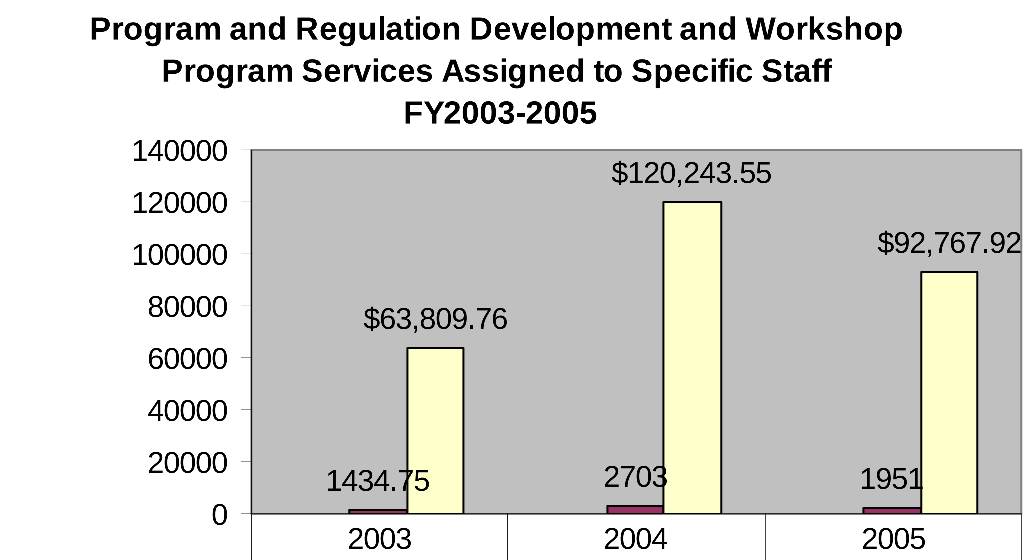
3.9.2 Title 5 EPA Program Approval/Maintenance

3.9.2.1 Historical Title 5 EPA Program Approval/Maintenance:

The Title 5 Permit and Compliance Programs are required under the Clean Air Act to follow and satisfy supporting Federal regulations. Examples of the EPA Approval/Maintenance workloads include State Implementation Plan maintenance, regulation hygiene, and new regulations. The Regulation Projects can vary from minor adjustments to major projects, such as program audits by EPA. The Title 5 Program can expect one major EPA required adjustment per year. There are also on-going minor maintenance or regulation hygiene projects.

In the past these activities were included in the cost of the Title 5 Program and were paid for from the CAPF. Past costs included a full time regulations specialist with additional personnel staff time depending on the size, scope, and level of expertise required for the regulation changes.

Additional Information
Total of all Technical Staff time is equivalent to 2.0 FTE.



	2003	2004	2005
Dedicated Staff	2	4	2
Hours	1434.75	2703	1951
Costs	$63,809.76	$120,243.55	$92,767.92

2005 information was prepared thru queries of BillQuick time slip records with activity codes within the01:05; 09:02; 09:04-05 grouping.

Data Sources\other program costs.xls

3.9.2.2 Projected Title 5 EPA Program Approval/Maintenance Activities

We have identified the following two Title 5 maintenance activities for FY07 in addition to the workloads described in section 3.9.2.1 above.

- Title 5 Program revision submittal to EPA: This task is necessary to maintain the delegation of the Title 5 Program to the State of Alaska. The task will include preparation of documents for submittal to EPA, work with EPA to ensure all information is available for EPA, and other work as necessary. It is estimated that this will require *a minimum 0.15* FTE of time, although additional time from non-primary staff may be necessary.

- EPA Title 5 Permit Processing Audit: EPA has scheduled a Title 5 Permit Program Audit. Cost estimates associated with the EPA Audit are unknown and will be based upon EPA's satisfaction with existing Title 5 procedures and permits. Staff time will be required from management, technical permit staff, and technical services staff. The previous EPA Audit for the Title 1 Program used 150 hours of Technical Staff with additional management follow-up. It is difficult to estimate the time needed for this task, even based on the Title 1 Audit data, as the data does not appear to be complete. We estimate personnel services of *a minimum* 0.20 FTE of various staff time.

The annual expense for these additional activities for FY07 is $24,118, based on the personnel cost of 0.35 FTE for Regulation Specialist, Title 5 manager, and Technical staff.

3.9.3 Title 5 Administrative Billing/Fees

3.9.3.1 Historical Title 5 Billing/Fees

In FY05, we operated under a simplified billing system. The administrative staff was previously funded by inclusion under the prior billing rate of $78/hour of permit writer time for all of the direct permit work they provided.

The Air Permits Program implemented regulations supporting HB160 (enacted in 2003) in FY05. The law and regulations completely restructured the fee system, creating fixed fees and changing the hourly time and material rates from $78/hour to actual direct costs. Implementation of the new fee program required additional administrative staff time for correct project set up in the time/billing system and correct application of fees as they are received and routed to DIAS. Under the new fee system, the flat fee receipts for compliance have reduced the number of billable hours for FY05.

Billing	**FY03**		**FY04**		**FY05**		**Average Staff Hours**	**Average Costs**
	Staff Hours	Costs	Staff Hours	Costs	Staff Hours	Costs		
	1057	$25,956.26	1131.75	$37,096.09	337.75	$8,879.68	842	$23,977.34

Table 7 Title 5 Fee and Collection Hours FY03-FY05

Information for Billing/Fee costs were provided by DIAS and through analysis of the Department's BillQuick time tracking and accounting system sorted by project/account code.

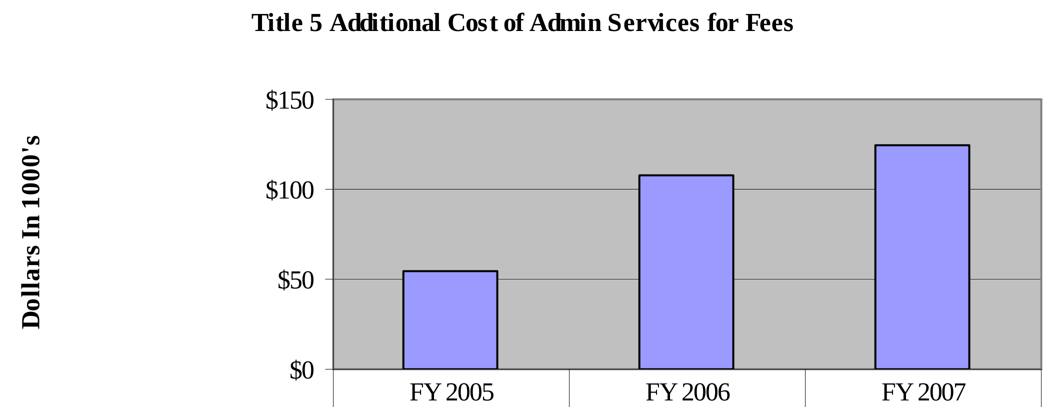
Data Sources\Historical Admin Fee Collection Time and Costs.xls

3.9.3.2 Projected Title 5 Billing/Fees Needs

The change to the new permit administration fee structure has increased the workloads for Administrative support and billing. The Administrative Managers I and III have increased time related to the new fees, including training of staff, of approximately 45 hours (6 days) per month. The change from $78/hour to the complex fee structure has added new duties requiring 30% additional time spent by Administrative Clerical staff for processing applications and fees.

In FY06, an Accountant position was added for the Air Permits Program. This position provides program support to additional fee and billing duties. This position was added to provide invoice and revenue audit, accurate projections of CAPF to project revenue shortages, coordination of actions related to late payment of fees, and budget oversight. The complex fee system required by HB160 implemented a mixture of fixed fees and hourly time and materials rates in February of 2005. These hourly staff rates must be monitored and changed periodically as staff change and/or base hourly salary rates change. This significantly changed the Program's billing methods. The Accountant position is charged with assuring staff accurately enters their time as non-billable for fixed fee work and enters and collects all flat fee charges and direct material expenses. The accountant position is 1 FTE at a cost of $67,730 plus $5,000 for training, travel, and supplies needed to support this position.

Historically, the Program shows a distribution of expenditures split between the Title 5 and Title 1 Programs of 70% to 30% respectively. The net effect to the Title 5 Program for FY07, as explained above, is an additional need for 1.66 FTE and prorated[6] training, travel, and supplies, for projected total cost of $124,790. This total includes allocated and indirect services as shown in Figure 4 below.



	FY 2005	FY 2006	FY 2007
Additional Needed (Thousands $)	$54	$108	$125

Figure 4 Title 5 Projected Fee Funding Needs

Additional information and description for Title 5 Billing/Fee Resource needs as provided by DIAS

In FY03 and FY04, the Air Permits program was included in the Division of Air & Water Quality. During these years, the extent of direct administrative work contributed to fee work by the air permits program was approximately 15 hours (2 days) per month provided by one Administrative Clerk III who processed

[6] prorated between Title 5 and Title 1 work

statements and completed and issued warning and sanction letters for accounts that were over 90 days past due. An additional 7.5 hours (1day) per month was provided by an Administrative Assistant/Manager I who reconciled CAPF fund reports into an accrual based format to provide projections to identify potential fund balance shortfalls.

In FY05 the Division of Air & Water Quality was split, creating the Division of Water and the Division of Air Quality. Supervision of the Administrative Clerk III was moved to the Administrative Assistant/ Manager I and significant time was spent reworking how past due accounts were processed.

The Air Permits program began implementation of HB161 in FY05, which completely restructured the fee system creating fixed fees and changing the hourly time and material rates from $78/hour to actual direct costs. Additional preparatory work was provided by the Administrative Manager I AND III to implement needed changes in the time/billing system. A short term increase of work, approximately 81 hours (11 days) per month, was needed for this conversion and is reflected in the FY05 calculation. These hours are removed in the FY06 and FY07 projections due to the program recognizing a need for an Accountant II position, which was created and hired in FY06.

Implementation of the new fee program recognized that additional administrative staff time would be necessary for correct project set up in the time/billing system and correct application of fees as they were received and submitted to the Division of Administrative and Information Services (DIAS). The administrative staff was previously funded by inclusion under the prior billing rate of $78/hour by permit writers for all of the direct permit work they provided. The new fee regulations require administrative staff to correctly track and mark their time to each project for the direct services they provide as their services became billable under the hourly time and material projects and must be included under the fixed fee projects to insure inclusion in upcoming fee reviews which will be used to determine future fixed fee rates. The increased need for administrative staff in relation to the new fee program became apparent. The Administrative Managers I and III have increased fee related time including training of approximately 45 hours (6 days) per month. Duties which added approximately 30% to the time spent by administrative clerical staff included correctly matching submitted fees and applications, determining if additional fees were needed per the application, setting up the correct time/billing project, requesting invoices, providing additional contact with the public to collect fees, and following up with program staff as needed on project receipt status.

The program has set a measure to turn around applications within 130 days, including public comment periods, and fee processing delays can affect the ability to meet this measure. Additionally, the administrative clerical staff is tasked with tracking cost recovery for time & material permits and fixed fee projects. Difficulty in implementing a collection procedure that satisfied DIAS needs caused delays in implementation of cost recovery procedures. These issues caused an increase of fee related time in the amount of 18.75 hours ($2^1/_2$ days) per month of Administrative Clerical time and 7.5 hours (1 day) per month of Administrative

Manager time. Questions and requests for clarification for all program staff regarding time coding are frequently elevated to the Administrative Managers due to the new fee program being established. Currently these issues take an additional 4.5% (1 day) of Administrative Manager I/III time per month to resolve questions from administrative clerical, program staff, and DIAS User Fee staff.

In FY06, an Accountant position was added and filled for the Air Permits program. This position provides program support to reconcile and audit receipts assuring appropriate use; project CAPF fund and RSS balances on an accrual basis; assist in annual billings created by implementation of HB161; and implement, assist, and audit cost recovery procedures. In addition to a full FTE, $5,000 for training, travel, and supplies are needed to support this position.

When the Administrative Clerk III position became vacant, the need for this position to be filled include the need to audit the bi-monthly staff time entries to insure that the correct project was charged, the billable hours were entered and marked correctly so that they are billed, and the appropriate activity codes were used as well as assist in cost recovery processes and provide a source of information/backup for other duties assigned to the accountant and administrative managers. It is anticipated this would account for approximately 60% of the position's duties, while 40% of duties, such as permit web posting and public notice distribution are already included in the current position description. Because this substantively changes the duties of this position and fills additional needs not currently being met by the program, the need for a full FTE in this position remains unchanged

DIAS has recently delegated to the administrative staff the duties to make some direct changes in the time/billing system; these changes relate to the status of projects. Administrative staff now have to change the billing status of a project from hourly time & material to annual fixed fee or from one type of fixed fee to another, and from application (A) status to permit (P) status. These additional duties are outlined as they also support the above mentioned additional administrative time needs. While the amount of time spent answering questions has diminished somewhat, the need for information and ongoing training for new and current staff keeps the level of need at or above the need stated for FY05.

In FY07, additional changes are expected in the billing system. DIAS is in the process of contracting and implementing a new billing system. Accountant, administrative clerical, and managerial time needs are expected to remain the same in relation to the current program; however, increases in time that will need to be devoted to the implementation of a new time/billing system are not projected at this time (proposed implementation in FY08).

Anticipated changes to fee work include addition of an Accountant II position, at a cost $72,730 (1 FTE and $5,000 for training, travel and supplies). Anticipated changes to fee work will require additional training, sometimes involving staff travel. The need for administrative supplies must also be met. The current program budget does not include amounts for administrative clerical and management travel, training, and supplies. The projected needs for fee activities are included below.

Within the Air Permits Program there are two types of funding related to permit work: Title 1 and Title 5. Based on historical personnel services cost, from FY03 through FY05, the funding for the permit work shows that an approximate distribution of funding costs for the additional administrative staff fee support should be split out 30% to Title 1 and 70% to Title 5 funding.

The above listed additional Air Permits program fee needs are estimated to be an additional 2.37 FTE at a blended cost in FY07 salary and benefit dollars of $163,751and training, travel, and supply costs at $14,520 to complete the fee work currently assigned and projected for FY07.

The net effect to the Title 5 program for FY07 is an additional need for 1.66 FTE and 70% of training, travel and supply, at a cost of $124,790 including allocated and indirect services

3.9.4 Title 5 Administrative Payroll/Human Resources

3.9.4.1 Historical Title 5 Administrative Payroll/Human Resources

In FY03 and FY04, the Air Permits Program was part of the Division of Air & Water Quality. During these years, Air Permits Program spent approximately 15 hours per month for one Admin Clerical and 7.5 hours per month for one Administrative Manager to process timesheets, verify payroll coding, and assist with some recruitment functions.

In FY05, the Division of Air & Water Quality split, creating the Division of Water and the Division of Air Quality. The duties increased the Administrative Management time by approximately 7.5 hours per month.

In April of FY05, the Department of Administration's Division of Personnel (DOP) added new time reporting requirements that increased the time spent processing payroll to 22.5 hours per month (3 days) for one Administrative Clerical per month.

Historical costs are calculated taking the total number of hours described in the following text, multiplied by the average administrative support FY07 salaries.

HR Costs	FY03		FY04		FY05			
	hours	costs	hours	costs	hours	costs	average hours	average costs
	108	$ 4,419.03	108	$4,419.03	585	$20,841.53	801	$ 29,679.59

Data Sources\historical HR costs based on HR write-up in appendix.xls

3.9.4.2 Projected Title 5 Administrative Payroll/Human Resources Needs

In FY06, DOP assigned each Division the responsibility for verifying time entries and leave adjustments for each employee. This task was formerly done by DOP at no cost to the Divisions. This new responsibility increased the amount of payroll processing time in the Division to 67.5 hours per month.

In FY07, Division staff will have the responsibility for even more payroll duties. DOP intends to require each Division to code more information into the AKPAY system. Anticipated additional time for this task is 3.75 hours (½ day) per month per the three administrative staff processing Air Permits Program payroll, a total increase of 11.25 hours (1½ days) per month.

The net effect to the Title 5 Program for FY07 is an additional need for 0.45 FTE and prorated training, travel, and supplies, at a cost of $31,209, including allocated and indirect services shown in Figure 5 below.

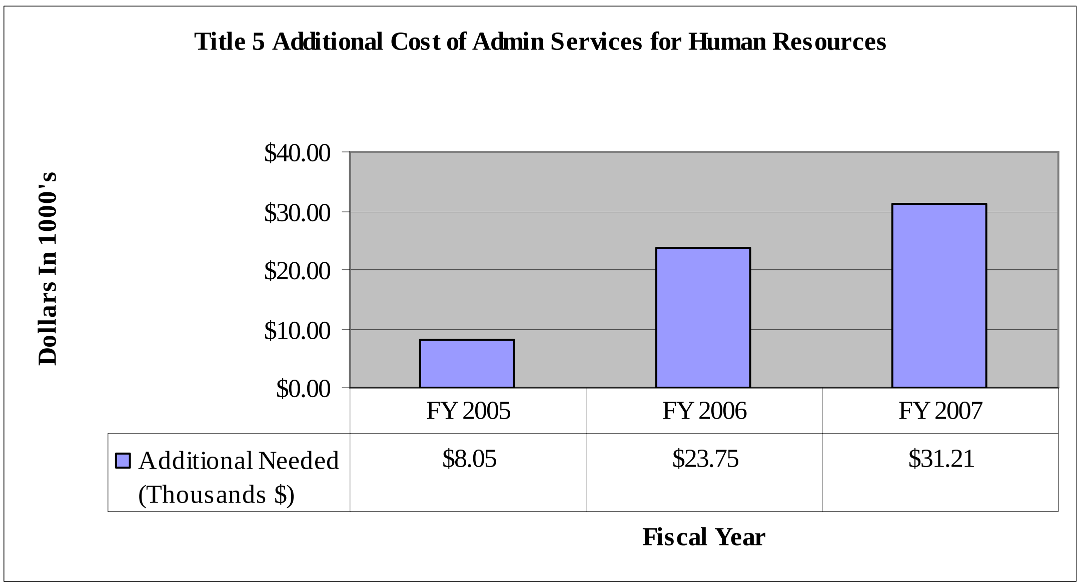


Figure 5 Title 5 Projected Human Resource Funding Needs

Information for HR costs were provided by DIAS and through analysis of the increased workload efforts multiplied by salary costs of staff involved.

Data Sources\Admin Human Resources work.xls

Additional information and description for Title 5 Human Resource Needs

In FY03 and FY04, the Air Permits program was included in the Division of Air & Water Quality. During these years, the extent of direct administrative work contributed to Human Resources (HR) by the air permits program was approximately 15 hours (2 days) of administrative time per month provided by one Administrative Clerk III, who coded in annual, sick, or personal leave hours and time distributions into the state payroll system (AKPAY). Support was also provided by an Administrative Manager I who verified that the coding which downloaded into the state accounting system (AKSAS) matched the coding shown on the timesheet and an Administrative Manager III who assisted with some recruitment functions. The time spent on these two activities by the administrative managers was approximately a total of 7.5 hours (1 day) per month. All other AKPAY work involving timesheet verification and other types of leave, as well as the majority of recruitment service, was provided by the ADEC Human Resources section.

In FY05 the Division of Air & Water Quality split, creating the Division of Water and the Division of Air Quality. The ADEC HR section along with other department's HR sections were moved and merged into the Department of Administration as a new Division of Personnel (DOP). The HR support describe above continued to be provided to the Air Permits Program by the Administrative Clerk III; however, the duties became shared with the Administrative Clerk II position for backup during leave and during times when fee related items caused submission deadlines to conflict. The time related to the duties remained the same. For the Administrative Manager I, additional payroll reconciliation and additional questions received within the Division due to the loss of the department HR section increased by about 11.25 hours (or 1½ days) per month. Additional duties were assigned to the Division by DOP and shared by the Administrative Assistant/Manager I and the Administrative Manager III which included added recruitment support, oversight of the completion and submission of new employee orientation forms, and completion of the personnel action request form (PARF), all duties which were previously performed by the department HR section. These duties increased the Administrative Management time by approximately 7.5 hours (or 1 day) per month of HR support each month.

In April of FY05, the ADEC Division of Information and Administrative Services directed all staff to complete a new supplemental time report to assure overtime eligible employees included start and stop times on timesheets as per the Division of Labor Relations directive to make time reports meet union contract language. Additional duties for the Administrative Clerk III included verifying that all submitted time reports from the timekeeping system, submitted leave slips, and the supplemental time sheet matched exactly. This increased the amount of time spent processing payroll from 15 hours per month to 22.5 hours (3 days) per month.

In FY06 DOP increased the duties of the administrative support group by assigning each Division the responsibility for verifying that the work week was met by each employee, per each union contract, as represented on the time reports and to begin coding all time into AKPAY, except for LTC Union employees timesheets, Alternate Work Week timesheets, Overtime Eligible with Travel timesheets, and timesheets that included employee Floated Holiday/Flex Leave use. These additional duties involve a great amount of detail which had to be performed within strict deadlines set by DOP in order to meet payroll warrant deadlines. The Administrative Manager III determined at this juncture, due to time constraints and work load, that payroll processing would be distributed among the three Administrative Clerk IIs in the Air Permits program. Even with this change to meet the deadline set by DOP for payroll submission, the administrative staff had to begin scanning all submitted time reports and leave slips and e-mailing them to DOP for final certification. This increased the amount of HR time required to be performed by the administrative clerks for the air permits program by 45 hours (3 days for 2 additional staff) per month. Increased questions regarding timesheets, coding, and supplemental timesheets by program staff and clerks, as well as training and oversight which had to be provided by the Administrative Managers I AND III to the clerks and program staff, raised the HR time required per month by the Administrative Managers an additional 22.5 hours (3 days) per month. Additionally, the Administrative Managers I/III received additional duties from the ADEC Division of Information and Administrative Services to implement an internal Add/Change employee form for all new or transferring employees. This duty was delegated to be completed by the program supervisors when hiring new or transferred employees.

In FY07, future increased HR needs are anticipated. DOP has acknowledged their intention to assign the remaining payroll duties currently being performed by DOP (LTC Union employee timesheets, Alternate Work Week timesheets, Overtime Eligible with Travel timesheets, and timesheets that included employee Floated Holiday/Flex Leave use) to each Division to code into the AKPAY system. Anticipated additional time for this task is 3.75 hours (½ day) per month per the three administrative staff processing air permits payroll, for a total increase of 11.25 hours (1½ days) per month.

Anticipated changes to HR work will require additional training, sometimes involving staff travel. The need for administrative supplies must also be met. The current program budget does not include amounts for administrative clerical and management travel, training, and supplies. The projected needs for HR activities are included above.

Within the Air Permits program there are two types of funding related to permit work, Title 1 and Title 5. Based on historical personnel services costs, from FY03 through FY05, the funding for the permit work shows that an approximate distribution of funding costs for the additional administrative staff HR support should be split out 30% to Title 1 and 70% to Title 5 funding.

The above listed additional Air Permits Program HR needs are estimated to be an additional .65 FTE at a blended cost in FY07 salary and benefit dollars of $40,105 and training, travel, and supply costs at $4,480 to complete the HR work currently assigned and projected for FY07.

3.9.5 Projected Title 5 FY07 Fee Report Assessment

In response to public comment, the Program agrees to an independent third party assessment of the Final Report. Cost for a report assessment is estimated to be up to $100,000 for a qualified contractor and the increases in staff time. This cost was not included in the base Program costs in the May 31, 2006, Draft Report. The costs will be prorated between Title 5 and Title 1 (70/30 split) and will be included in the new fee rate for FY07.

3.10 Projected Title 5 FY07 - FY10 Program Costs

We determined the future Title 5 program costs in the following four steps:

1. Determine the past program cost per technical hour for direct permit service.
2. Multiply the result in step 1 by the expected number of technical hours to deliver permit services in each future FY. This is the base program cost.
3. Add the expected costs for new activities not represented in the past program costs. This is the unadjusted future program cost.
4. Multiply the unadjusted future program cost by an “inflation” factor to account for general inflation and known additional personnel cost assessments.

Step 1 – Determine Past Program Costs per Technical Hour

Table 8 below shows the total technical hours for Title 5 Permit and Compliance Services, and the total cost of the Title 5 Program divided by these hours. The average of these three fiscal years gives an approximation of the Title 5 Program cost stated as a per technical hour of direct permit service. In historical FYs, these hours were charged at $78/hour for staff time and emission fees.

	FY03	FY04	FY05	Averages
Permit Action Staff Hours (Table 1)	10,178	5,508	3,466	6,384
Compliance Action Hours (Table 3)	3,443	7,707	8,737	6,629
Total Hours	13,621	13,215	12,203	13,013
Prior Year’s Program Cost (Figure 2)	$1,785,910	$2,077,260	$2,156,080	$2,006,417
Program Cost per Technical Hour	$131.11	$157.19	$176.68	$155.00

Table 8 Title 5 Historical Program Costs

	A	B	C	D	E
1		FY03	FY04	FY05	Averages
2	Permit action staff hours (Table 1)	10178	5508	3466	=AVERAGE(B2:D2)
3	Compliance action hours (Table 3)	3443	7707	8737	=AVERAGE(B3:D3)
4	Total hours	=SUM(B2:B3)	=SUM(C2:C3)	=SUM(D2:D3)	=AVERAGE(B4:D4)
5	Total Program Cost (Figure 2)	1785910	2077260	2156080	=AVERAGE(B5:D5)
6	Program cost per technical hour	=B5/B4	=C5/C4	=D5/D4	=AVERAGE(B6:D6)

Step 2 – Multiply Average Program Costs by Projected Technical Service Hours

Table 9 below shows the base Title 5 Program cost obtained by multiplying the average program cost per technical hour from Table 8 by the number of technical hours needed in each FY07 – FY10.

	FY07	**FY08**	**FY09**	**FY10**	Averages
Projected Permit Action Staff Hours (Table 2)	2047	6692	6302	2392	4358
Projected Compliance Action Hours (Table 4)	12088	12088	11878	11878	11983
Total Projected Technical Hours	14135	18780	18180	14270	16341
Average Program cost per Technical Hour (Table 8)	$155.00	$155.00	$155.00	$155.00	$155.00
Base Program Cost (total hours x hourly cost)	$2,190,925	$2,910,900	$2,817,900	$2,211,850	$2,532,894

Table 9 Title 5 Projected Base Program Cost FY07 – FY10

	A	**B**	**C**	**D**	**E**	F
1		**FY07**	**FY08**	**FY09**	**FY10**	Averages
2	Projected Permit action staff hours (Table 2)	2047	6692	6302	2392	=AVERAGE(B3:E3)
3	Projected Compliance action hours (Table 4)	12088	12088	11878	11878	=AVERAGE(B4:E4)
4	Total Projected Technical Hours	=SUM(B3:B4)	=SUM(C3:C4)	=SUM(D3:D4)	=SUM(E3:E4)	=AVERAGE(B5:E5)
5	Average Program cost per Technical Hour (Table 8)	155	155	155	155	=AVERAGE(B6:E6)
6	Base Program Cost (total hours x hourly cost)	=B5*B6	=C5*C6	=D5*D6	=E5*E6	=AVERAGE(B7:E7)

Step 3 – Add Expected Costs for New Activities

To the Base Program Cost, we added the additional duties and costs expected for:

- Program Improvement
- Data Management/Electronic Permitting
- Human Resource Activities now performed by the Division
- Billing and Accounting
- Program Revisions and Federal Approvals
- DIAS Costs
- Allocated Costs
- Fee Report Assessment

Table 10 below summarizes the projected costs expected for activities over what was expended in FY03 – FY05. These costs are summed by fiscal year and added to the base program.

Step 4 – Multiply in Personnel Cost Assessments and Adjust for Inflation

The total inflation used in the report is based on a general inflation rate of 2.5% and the additional personnel cost assessments being charged to make up for the Public Employee Retirement System (PERS) deficit.

There is an additional adjustment to fund the State Pension (PERS) deficit. The Office of Management and Budget has set a 5% increase for all state personal service per year. The PERS increase is prorated and adjusted to personal service costs. We calculated the expected Total Program Cost taking these factors into account.

To make up the PERS deficit, the Department of Administration requires every state program to be assessed an additional of 5% of each employee's salary for the next four years. The unadjusted costs in the report include salary and benefits, travel, contractual costs, supplies, and equipment costs. Salary and benefits represent about 87% of the program costs, and benefit costs are currently about 33% of salary cost. Therefore, salary cost makes up 65.25% of the unadjusted program costs (87% x 75%). Since the 5% is only charged on 65.25% of the total, it is effectively a 3.3% rate on the total. The final rate is 3.3% plus the 2.5% inflation rate, or 5.8%. See Appendix for formulas.

The projected totals including inflation and the PERS adjustment were calculated by projecting costs in today's dollars and then applying the following factors for each year (These factors are used in Tables 10, 19, 20, and 26)

FY07	1.058
FY08	1.1194
FY09	1.1843
FY10	1.253

We calculated the projected Program cost taking these factors into account. The total Projected Title 5 Program Cost for FY07 to FY10 is summarized below in Table 10.

Title 5 Program Costs	FY07	FY08	FY09	FY10	Averages
Program Improvement (Table 5)	$105,701	$96,748	$96,748	$96,748	$98,986
Data Management (Section 3.8.2)	$269,703	$259,703	$259,703	$259,703	$259,703
Program Revisions and Federal Approvals (Section 3.9.2)	$24,118	$0	$0	$0	$6,030
Billing and Accounting (Section 3.9.3 and Figure 4)	$124,790	$124,790	$124,790	$124,790	$124,790
Human Resource Activities now Performed by the Division (Section 3.9.4 and Figure 5)	$31,209	$31,209	$31,209	$31,209	$31,209
Fee Report Assessment	$70,000				
Total Additional Program Cost	$625,521	$512,450	$512,450	$512,450	$540,718
Base Program Cost (Table 9)*	$2,190,925	$2,910,900	$2,817,900	$2,211,850	$2,532,894
Total Program Cost	$2,816,446	$3,423,350	$3,330,350	$2,724,300	$3,073,612
5.8% PERS and Inflation Adjustment	$163,354	$408,748	$613,784	$689,248	$468,783
Projected Program Cost, including inflation and increased PERS	$2,979,800	$3,832,098	$3,944,134	$3,413,548	$3,542,395

Table 10 Title 5 Total Projected Program Costs for FY07-FY10

	A	B	C	D	E	F
1	**Title 5 Program Costs**	**FY07**	**FY08**	**FY09**	**FY10**	**Average**
2	Program Improvement (Table 5)	105, 701	96, 748	96748	96748	=AVERAGE(B2:E2)
3	Data Management (Section 3.8.2)	259703	259703	259703	259703	=AVERAGE(B3:E3)
4	Program Revisions and Federal Approvals (Section 3.9.2)	24118	24118	24118	24118	=AVERAGE(B4:E4)
5	Billing and Accounting (Section 3.9.3 and Figure 4)	124790	124790	124790	124790	=AVERAGE(B5:E5)
6	Human Resource Activities now Performed by the Division (Section 3.9.4 and Figure 5)	31209	31209	31209	31209	=AVERAGE(B6:E6)
7	Fee Report Assessment	225410	225410	225410	225410	=AVERAGE(B7:E7)
8	Total Additional Program Cost	=SUM(B2:B7)	=SUM(C2:C7)	=SUM(D2:D7)	=SUM(E2:E7)	=AVERAGE(B8:E8)
9	Base Program Cost (Table 9)*	$2,190,925	$2,910,900	$2,817,900	$2,211,850	=AVERAGE(B9:E9)
10	Total Program Cost	=SUM(B8:B9)	=SUM(C8:C9)	=SUM(D8:D9)	=SUM(E8:E9)	=AVERAGE(B10:E10)
11	5.8% PERS and Inflation Adjustment	=+B10*0.058	=+c10*.1194	=+D10*.1843	=+E10*.253	=AVERAGE(B11:E11)
12	Projected Program Cost, including inflation and increased PERS	=B10+B11	=C10+C11	=D10+D11	=E10+E11	=AVERAGE(B12:E12)

Comparing Table 10 to the FY07 Air Permits Program budget authorization of $2,966,000, one can see that projected expenses exceed the approved budget authorizations by $166,900 in FY07, with an average authorization shortfall of $576,395 over the next four years.

	FY07	FY08	FY09	FY10	Average
Projected Program Cost (Table 10)	$2,979,800	$3,832,098	$3,944,134	$3,413,548	$3,542,395
FY07 Budget Authorization	$2966,000	$2966,000	$2966,000	$2966,000	$2966,000
Projected Budget Shortfall	-$13,800	-$866,098	-$978,134	-$447,548	-$576,395

Table 11 Title 5 Projected Program Budget Authorization Shortfall

	A	B	C	D	E	F
		FY07	FY08	FY09	FY10	Average
1	Projected Program Cost (Table 10)	$3,133,644	$4,084,422	$4,211,087	$3,695,987	=AVERAGE(B1:E1)
2	FY 2006 Budget Authorization (Figure 1)	$2,812,900	$2,812,900	$2,812,900	$2,812,900	=AVERAGE(B2:E2)
3	Projected Shortfall	=B2-B1	=C2-C1	=D2-D1	=E2-E1	=AVERAGE(B3:E3)

3.11 Fee Structure Issues

3.11.1 CAPF Balance Forward

Funds that remain in the Clean Air Protection Fund under AS 46.14.260 at the end of FY06 are available to offset the projected shortfall for FY07. The CAPF fund can only be applied for Title 5 activities. The FY06 balance is estimated at $600,000.

3.11.2 Title 5 Permit Administration Fee Projections

The Program projected Title 5 permit administration fees for FY07 through FY10 based on program receipts for the first nine months of FY06. This is the first period with sufficient records under the new permit administration fee rates.

We used the nine-month total Title 5 permit administration fee revenue for July 2005 through April 2006 of $742,564 and prorated the project for 12 month period for total annual projection of $775,000. The program used the 12-month FY06 projection to represent projections for FY07 through FY10. The program anticipates little change in projected permit administration fee revenue for future years. The revenue structure is based upon an annual flat fee for routine compliance and permit renewal, with adjustments for non-routine actions and complicated permit actions. For activities not covered under flat fees, the Program expects little fluctuation in the year-to-year work-load.

The difference between Total Program Projected Cost shown in Table 10 and Expected Permit Administration Fees of $775,000 would need to be generated from Emission Fees (Table 12).

The Title 5 Program is funded through a dedicated fund, and the workloads vary over a five year cycle. The annual permit renewal fee recognizes this fact and is set to collect one-fifth of the expected renewal cost each year.

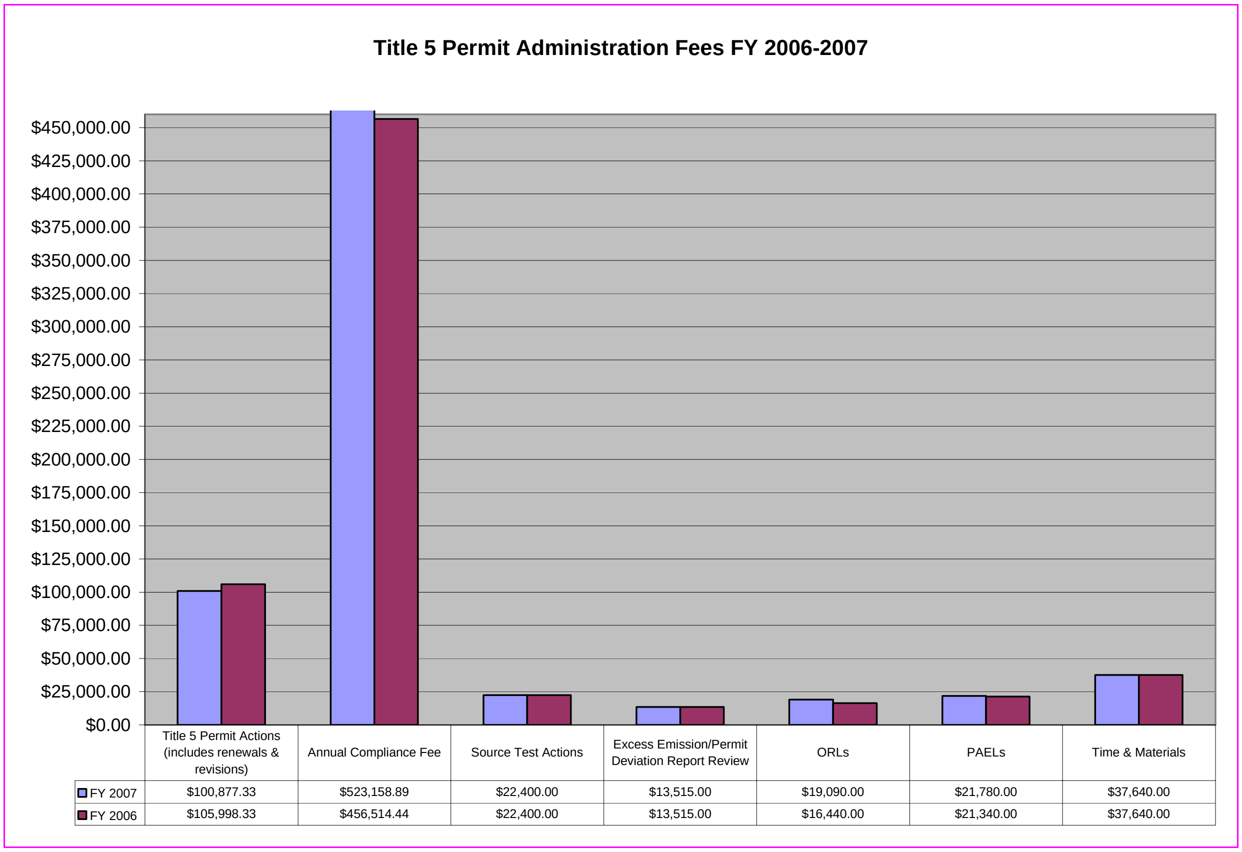
	FY07	**FY08**	**FY09**	**FY10**	**Average**
Projected Program Cost (Table 10)	$2,979,800	$3,832,098	$3,944,134	$3,413,548	$3,542,395
Expected Permit Administration Fees (Section 3.11)	$775,000	$775,000	$775,000	$775,000	$775,000
Expected CAPF Balance	$600,000				
Amount to be covered by Emission Fees	$1,604,800	$3,057,098	$3,169,134	$2,638,548	$2,617,395

Table 12 Title 5 Projected of Amount to be Covered by Emission Fees

	A	**B**	**C**	**D**	**E**	**F**
1		**FY07**	**FY08**	**FY09**	**FY10**	**Average**
2	Projected Program Cost (Table 10)	$3,133,644	$4,084,422	$4,211,087	$3,695,987	=AVERAGE(B2:E2)
3	Expected Permit Administration Fees (Section 3.10)	775000	775000	775000	775000	=AVERAGE(B3:E3)
4	Amount to be covered by Emission Fees	=B2-B3	=C2-C3	=D2-D3	=E2-E3	=AVERAGE(B4:E4)

Assumptions are based on the projected actions multiplied by the fee (or average of fees) for each category.

Title 5 permit administration fees are a mixture of fixed annual fees, fixed fees for standard services, and cost recovery fees for staff time and direct expenses. The figure below shows the estimated collection in FY06 and projected collection for FY07. We estimate that permit administration fees collected for FY07 will be $738,461.22. The $775,000 projected figure is an overall average of past collections.



Title 5 Permit Administration Fees FY06-FY07

	FY06	FY07
#actions		
Title 5 Permit Actions *(includes renewals & revisions)*	71	76
Annual Compliance Fee	274	314
Source Test Actions	56	56
Excess Emission/Permit Deviation Report Review	510	510
ORLs	64	71
PAELs	194	198
Time & Materials	320	320
Total Projected Permit Administrative Fees	$673,847.78	$738,461.22

Data Sources\Title 5 permit admin. fees FY07-10.xls

3.12 Effect of Permit Administration Fee Structure

The program determined the main effect of the restructured fee rules is a reduction in revenue. Switching from a flat $78 per technical hour for permits to an average $53 per technical hour administration fee based on the “direct cost” definition under AS 37.10.052 reduced permit administration fees by an average of $25 per technical hour. Some of this reduction is made up through the direct billing of costs, clerical support time, and manager time allowed under the direct cost definition.

We determined the annual average Title 5 permit administration fee revenue for FY03 and FY04 was $1,279,000. (The program did not use FY05 revenue records, as the fee structure changed on January 27, 2005, midway through the fiscal year.) As stated in Section 3.10, the program estimates the future Title 5 permit administration fee revenue to be $775,000 each year. Therefore, the new fee structure will collect about $504,000 less in permit administration fees than the old structure.

Does the new structure cover the cost of having a person on staff?
AS 37.10.052 defines "direct cost" as 149% of the hourly wage for direct staff time, plus the full cost of any third party goods or services used. This direct cost, however, does not cover the full cost of having a person on staff to do permit work.

To have a person on staff, one must pay for salary, benefits, holidays, vacation and sick time, training time, administrative time, as well as indirect and allocated costs, such as rent, utilities, equipment, and common supplies. Having a person on staff also increases the general program costs because of increased supervisory, payroll, and personnel action work. If the "direct cost" doesn't cover all these items, then some costs would have to be covered by other revenue sources.

For example, let's examine how this works for a new Environmental Program Specialist II (EPSII). The base salary for an EPSII in FY06 is $20.64/hour (GGU Salary Schedule 2A, pay scale 16A base). At 149%, the direct cost is calculated at $30.75/hour. We know from our past billing records that Title 5 professional staff spend an average[7] of 43.9% of their time (856 hours per year) in direct permit service, with other time devoted to training; program work not associated with an individual permit; and holidays, breaks, and sick and annual leave time. So, we can expect our new EPSII to generate an average of $26,325 in Permit Administration Fees during the year. These fees do not cover the $40,104 annual salary cost of this employee, much less the benefits, allocated costs, and indirect costs.

[7] Annual billed hours divided by annual total hours recorded in billing system.

Over time we may be able to increase the time a given employee spends in direct permit service work. Our records indicate that individual staff have been able to reach as high as 65% (1,267 hours per year) direct permit service work over a given fiscal year. But even at this individual high rate, our example EPSII would not be able to cover his or her annual salary. Also, while we may eliminate some non-direct billable time, the other program work does not completely disappear and must be done by other staff. We can expect some increased efficiency, but we cannot quantify it. While not quantified in this report, we will work to increase the portion of time staff spends in direct permit service to eliminate non-permit time.

3.13 Conclusions for Title 5

The program must collect an average of $2,617,395 in emission fees each fiscal year to meet its program delivery goals (see Table 12).

4 Title 1 Permits Program (Construction and Minor Permits)

4.1 Statutory Funding Mechanisms

The Alaska Statutes establish a permit administration fee and an emission fee. Originally all fees were deposited into the dedicated Clean Air Protection Fund (CAPF). Beginning in FY06, a separate, non-dedicated Receipt Supported Services (RSS) fund was created to collect Construction and Minor Permit fees. There is no federal requirement that fees must pay for the Title 1 Permit Programs.

The original statutes identified specific costs to be recovered from permit administration fees, with all other program costs to be recovered through emission fees. The fee rates were to be set by regulation and periodically reviewed. The original fee rates set in regulation were based on billing only technical staff hours and covered the technical staff time and benefits; a portion of clerical and manager time and benefits; travel; advertising costs; and a portion of permits staff equipment, supplies, and indirect costs.

The new statutes set the permit administration fee rate at 149% of the direct staff hourly salary rate, plus expenditures for goods and third party services made in providing the service. Managers and clerical staff working on a permit service charge directly to the project at 149% of their respective salary rate. The statutes also direct the Department to establish flat fees for standard services, based on the average direct cost of those services.

Emission fees enacted under the 1993 and the 2003 Statutes covered the remainder of the program costs.

4.2 Title 1 Program Budget Authorization

Figure 6 below shows the FY07 Budget authorization for RSS, which included $1,228,300 for air, permits, $31,100 for DIAS, $3,100 for Department of Administration, and $67,896 for allocated costs. DIAS and Department of Administration authorizations and allocated costs do not provide direct permit service, but their budget authorizations for air permits related expenses must be covered as an indirect cost of the Title 1 permits program.

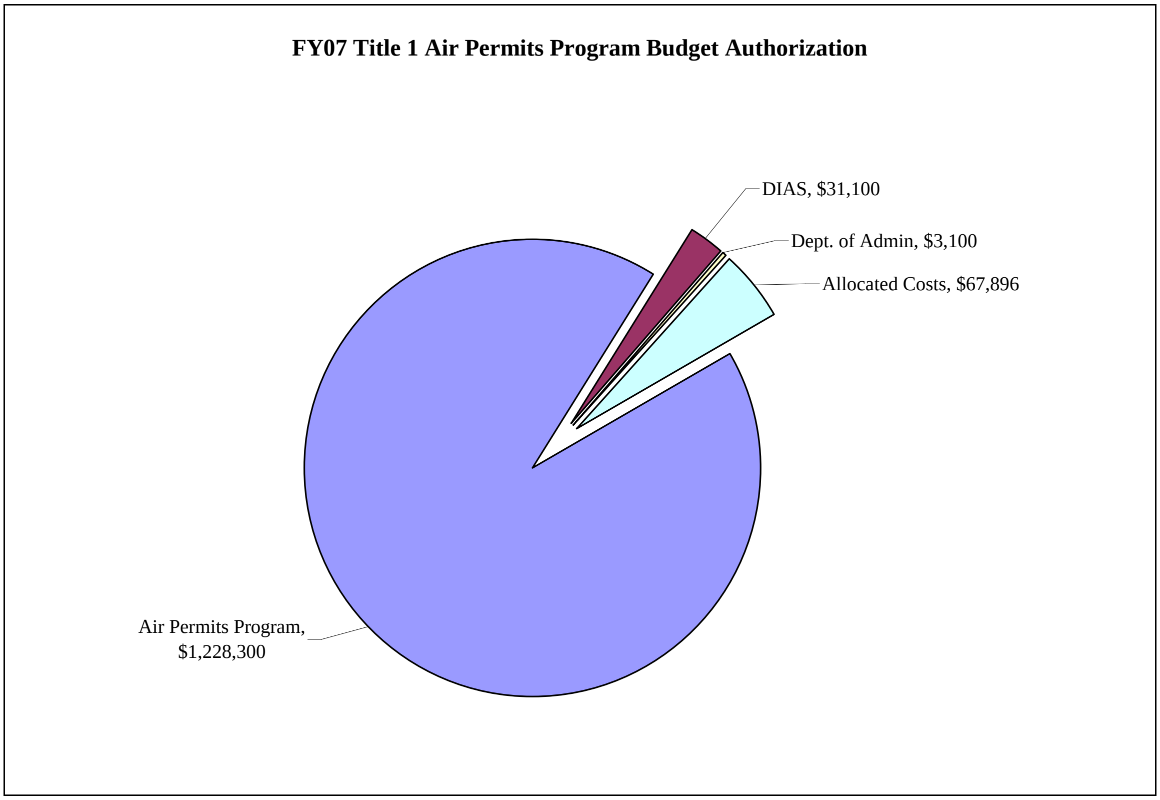


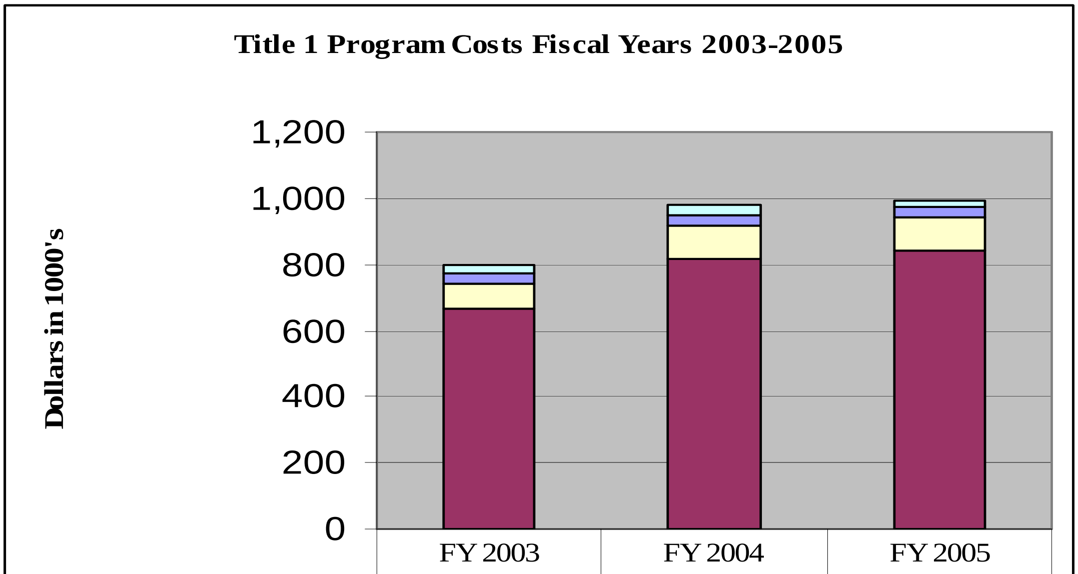
Figure 6 RSS FY07 Budget Authorizations

FY 2006 RSS Budget Authorizations information was gathered from FY06 Budget Documents and was provided by DIAS.

4.3 Prior Years' Costs

In FY03 – FY05, both Title 1 and Title 5 Permit Program costs were paid from the dedicated Clean Air Protection Fund (CAPF). All permit fee receipts were placed in the CAPF. The Program assigned costs to the Title 5 Permit Program and Title 1 Permit Program using program codes. However our accounting system did not use these program codes for allocated costs and DIAS costs. Therefore, we have prorated the allocated and DIAS costs between Title 1 Program and Title 5 Program based on the direct personal service costs.

Figure 7 below shows the Program expenditures for FY03 through FY05. The direct Title 1 expenditures and the overhead payments to DIAS, allocated costs, and additional indirect costs are shown for each year. These expenditures were funded through permit administration fees, emission fees, EPA grants, and general funds. The methodology for the Title 1 expenditures and funding breakdown is described in the Appendix.



	FY 2003	FY 2004	FY 2005
Additional Indirect	29	31	21
DIAS Costs	28	28	27
Allocated Costs	74	102	100
APP Costs	668	817	845

Figure 7 Title 1 Construction/Minor Permit Expenditures FY03 - FY05

Title 1 prior year's costs FY03 – FY05 information was gather from FY06 budget documents and was provided by DIAS.

Data Sources\Title I Exp Rev for FY03-FY05.xls

- The APP cost is the amount spent directly by the Air Permits Program to deliver the Title 1 Permit Program.
- The allocated costs are the Department's costs to be paid by the Title 1 Permit Program. This includes rent, utilities, and similar Department expenses prorated by the amount of personal service expense charged to a particular funding source.
- The DIAS cost is a flat charge imposed on the Air Permit Program fee revenues. This charge pays for DIAS to manage the time recording and billing software, prepare and mail invoices, and record payments.

In summary, the Program spent approximately $799,000 delivering the Title 1 Permits Program in FY03, $978,000 in FY04, and $993,000 in FY05.

4.4 Title 1 Permit Program: Changes from Previous Years

This section describes how the quantity and quality of Title 1 work products has changed over the past three fiscal years and predicts the quantity and quality of work we expect for the next few fiscal years.

To evaluate changes to the Title 1 Permits Program the workloads can be grouped into 4 categories:

1. Title 1 permit actions
2. Program Improvement
3. Data Management & Electronic Permitting
4. Program Administration

4.4.1 Title 1 Permit Actions: Permit Issuance, Renewal and Revision

4.4.1.1 Historical Title 1 Permit Workloads

Table 13 below shows the number of Title 1 Permits (this number includes both Construction and Minor Permits) [8] actually issued by the Program in FY03 through FY05. To compare the workloads across several years, we examined the technical work hours devoted to performing each type of permit action during the fiscal year. Table 13 also calculates the historical average for technical hours per action type.

	FY03		**FY04**		**FY05**		Average Hours per Action FY03-05
Title 1 Permit Actions	# of Actions (from Performance Measurement Reports)	Total Technical Hours (from BillQuick Analysis)	# of Actions (from Performance Measurement Reports)	Total Technical Hours (from BillQuick Analysis)	# of Actions (from Performance Measurement Reports)	Total Technical Hours (from BillQuick Analysis)	
All Title 1 Permit Actions	32	6304	33	8283	33	7590	226

Table 13 Title 1 Historical Performance - Permit Action and Technical Hours

[8] Title 1 permits include all permits under AS 46.14.130, except those required under AS 46.14.130(b).

A	B	C	D	E	F	G	H	I	J	K	
1		FY 2003			FY 2004			FY 2005			
2	**Title 1 Permit Actions**	# of Actions	Total Technical Hours	Average Technical Hours per Action	# of Actions	Total Technical Hours	Average Technical Hours per Action	# of Actions	Total Techn ical Hours	Average Technical Hours per Action	Average Hours per Action FY 2003-05
3	All Title 1 Permit Actions	32	6304	=C3/B3	33	8283	=F3/E3	33	7590	=I3/H3	=AVERAGE(J3,G3,D3)

Information for number of actions was provided by Title 1 program staff, and it was gathered from AirTools database system queries and performance measure reports. Average technical hours were calculated by dividing the total staff hours recorded by action type in the Department BillQuick accounting system by the number of actions.

Data Sources\Title 1 Permit Actions, Historical and Projected.xls

4.4.1.2 Projected Title 1 Permit Workloads

We estimated the number of Title 1 Permit actions for FY07 to be the same as the Title 1 Permit activity for February 1, 2005 through January 31, 2006. This was the first consecutive 12-month period under the current Title 1 Permit and Fee Regulations. In future fiscal years, we project a slight increase in Title 1 Permitting activity due to expansion in the mining industry.

We then calculated the total technical hours for the future Title 1 Permit workloads by multiplying the historical average technical hours by the number of expected actions of each permit type. The projections are below in Table 14. Please reference the Appendix for detailed discussion.

	FY07-10			
ACTION	# of Actions	Total technical hours	Average Technical Hours per Action (from BillQuick analysis for Title 1 actions in FY06)	Average Hours per Action FY07-10
Title 1 PSD Permits	2	1260	630	
Title 1 Minor Source Permits	44	5060	115	
Total	46	6320	745	137

Table 14 Title 1 Projected Technical Staff Hours FY07 - FY10

Projected # actions was calculated by counting the number of PSD and MSS permits issued 2/1/05 – 1/31/0. *Average technical hours were calculated by dividing the total* *staff hours recorded by Title 1 activity type in the Department BillQuick accounting system by the number of actions for the time period 2/1/05 - 1/31/06.*

Data Sources\Title 1 Permit Actions, Historical and Projected.xls

4.4.1.3 Title 1 Additional Workloads

We have identified the following necessary tasks related to Title 1 Minor Permits that the Program is **not** currently performing.

Minor General Permits Development. The Program intends to develop Minor General Permits. We estimate staff time to develop a Minor General Permit at 225 hours, the same as the average time to develop a minor source-specific permit. The Program anticipates developing two Minor General Permits in FY07.

Full Compliance Evaluations (FCE) of each Minor Permit classified 18 AAC 50.502(b). The Program intends to inspect these once every five years. An FCE takes about 30 hours of staff time, so the annual additional required resources in hours is 87 permits times 30 hours per FCE divided by five, for a total of 522 hours per year.

Review fugitive dust/VOC control plans for all Minor Permits classified under 18 AAC 50.502. Site-specific VOC and dust control plans are required for an asphalt plant or soil remediation unit within one mile of an inhabited structure and for a crusher within 2000 feet. Currently, the Program does not review these plans for adequacy. We estimate that each review will take about 5 hours over and above any FCE. The Program intends to review 35 plans each year for a total of 175 hours.

The projected technical hours for the additional Title 1 workloads are listed in Table 15 below.

Additional Title 1 Actions	# of Actions (Section 4.3.1.3 discussion)	Average Technical Hours per Action (Section 4.3.1.3 discussion)	Total technical annual hours
Minor General Permit Development	2	225	450
Minor Permit Full Compliance Evaluations (Approx. 17.4 reviews per year. (87 actions x 30 hours / 5 = 522)	87/5	30	522
Fugitive Dust / VOC Control Plan Reviews	35	5	175

Table 15 Title 1 Projected Additional Actions

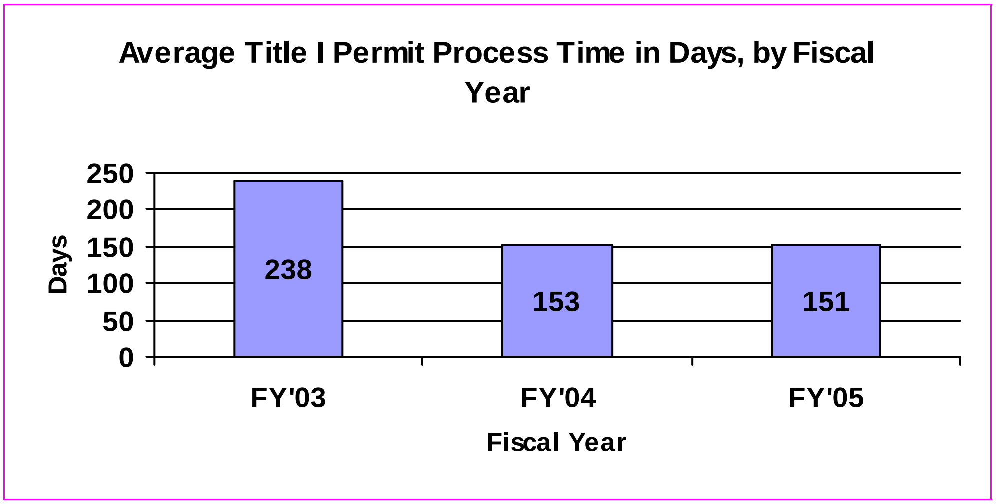
Action	# of Actions (Section 4.3.1.3 discussion)	Average Technical Hours per Action (Section 4.3.1.3 discussion)	Total technical annual hours
Minor General Permit Development	2	225	=B2*C2
Minor Permit Full Compliance Evaluations	87/5	30	=B3*C3/5
Fugitive Dust / VOC Control Plan Reviews	35	5	=B4*C4

The preceding analysis assumes that the Program will provide the same quality of Title 1 service as in prior years. We believe this is a reasonable assumption because the Program has experienced a significant turnover of experienced permit staff and periodic federal rule changes.

We believe that service quality can only be improved by implementing a Quality Management System (QMS). The Air Permits Program has begun development of a QMS to provide for timely and predicable compliance/enforcement delivery. Once implemented, the QMS will provide a direct increase in service levels to the Permit Holders.

Additional Information:

The figure below shows the average number of calendar days for the Department to issue a Title 1 Permit by fiscal year. The average over the three-year period from FY03 through FY05 is 180 days, or six months.



Information for historical Title 1 permit processing was provided by Title 1 staff and through analysis of the Department BillQuick accounting system sorted by Title 1 staff and Permit activity code.

Title 1 Average Permit Processing Time, FY03-FY05 was provided by Air Permits Program staff.

Data Sources\Title 1 Permit Actions, Historical and Projected.xls

4.4.2 Title 1 Program Improvement

4.4.2.1 Historical Title 1 Program Improvements

The Program's goal is to issue 95 percent of Title 1 Permits in 130 days or fewer. Title 1 staff has been working with Permittees to improve pre-application information, standardize permits, and implement the Minor Permit Program to improve delivery time.

The oil and gas liaison helped work through disagreements between Program staff and industry representatives. While the liaison position is no longer filled, Title 1 staff has continued to work to maintain the positive working relationship with industry.

The Program issued 37.5 percent of Title 1 Permits in 130 days or fewer in FY03, 63.6 percent in FY04, and 60.6 percent FY05. In this fiscal year through March 30, 2006, the Program has issued 60.9 percent of Title 1 permits in 130 days or fewer.

4.4.2.2 Projected Title 1 Program Improvements

We expect the efforts described under Section 4.4.2.1 above to continue in future years.

In addition, The Air Permits Program has set a goal to implement a Quality Management System (QMS). The goal of QMS is to improve delivery, predictability, and efficiency in Title 1 performance. It is an integrated system affecting all aspects of the Program. The Title 1 QMS will parallel that of the Title 5 Program. Please reference Section 3.6 for a description of the QMS.

Table 16 below shows the projected Title 1 QMS costs. The QMS costs are projected to be only slightly higher in FY07 for the design and development until the program is established. Once the QMS is in place, the Implementation and Audit cost is projected to be reduced and remain constant for FY08 to FY10. The QMS cost are pro-rated for Title 5 and for Title 1. Please reference the Appendix for detailed description.

ACTION	Projected Annual Costs			
	FY07	FY08	FY09	FY10
Title 1 QMS Design and Development	$45, 301			
Title 1 QMS Implementation and Auditing		$41,463	$41,463	$41,463
TOTAL	$45,301	$41,463	$41,463	$41,463

Table 16 Title 1 Projected Program Improvements – QMS

Data for Table 16 Title 1 QMS Projected Costs is a compilation of data provided by the QMS Section staff.

The total QMS costs are split 70/30 to Title 5 and Title 1.
Data Sources\QMS - Task 103 & 109 QMS.xls

4.4.3 Title 1 Data Management

Please reference the data management discussion in Section 3.7. As presented, the Program utilizes an integrated Database system called AirTools. The costs for AirTools, database management, and electronic permitting are prorated between Title 5 and Title 1. Electronic permitting in particular is essential to meet future needs for the Title 1 Program for the Minor General Permits.

4.4.3.1 Historical Service - Title 1 Data Management

The AirTools data system is an integrated system, with both Title 1 and Title 5 data elements managed within that system. In order to determine the separate data management costs for Title 5 and Title 1, we have apportioned the totals at a 70/30 split based on the average ratios of Title 5 Permit data documentation to Title 1 Permit data documentation. Based on that split, it is estimated that we spent an average of $53,472 in 2005 managing Title 1 data elements. Table 17 below shows the historical expenses to service the Title 1 data management activities for FY03 – FY05.

	Expenses $			Average $
	FY03	FY04	FY05	
Title 1 Data Management	$3,437	$76,196	$53,472	$44,368

Table 17 Title 1 Data Management Historical Expenses FY03-FY05

Information for historical data management expenses were gathered from analysis of the Department's BillQuick time tracking and accounting system sorted by project/account *code. BillQuick project id and activity codes 01:11 & 09:03 were queried, which provided actual hours and associated costs per fiscal year calculated.*

	Technical staff hours				Averages
	FY03	**FY04**	**FY05**		
	114.15	834.75	1356		768.30
	Expenses $				
Title 1 Data Management	$3,437.51	$76,196.42	$53,472.28		$44,368.74
Total	$3,437.51	$76,196.42	$53,472.28		$44,368.74

Data Sources\Data Managment.xls

4.4.3.2 Future Title 1 Data Management Services

Title 1 has several projects in Electronic and On-Line Permitting services to improve the Minor General Permits. Electronic and On-Line Permitting services will require considerable effort. Data migration issues are still being addressed, as are important system enhancements. The data base development costs have been prorated between Title 1 and Title 5. This was previous discussed in Section 3.8. The projected expenditures for Title 1 will be $70,567 for FY07 to FY10.

Projected Title 1 Data Management expenses were gathered from analysis of the AirTools Project List (Air Division IT Shop Task List, and included current hourly staff wages for personnel tasked with data management.
Data Sources\projected data management needs - TI AND TV.xls

4.4.4 Title 1 Program Administration

Title 1 Program administration consists of various administrative services not directly billable to the permittee including human resources, accounting, and fees and collections.

4.4.5 Additional Title 1 Administrative Services

4.4.5.1 Title 1 Administrative Billing / Fees

4.4.5.1.1 Projected Title 1 Billing/Fees Needs

There is an increased fee accounting workload due to fee structure and billing system changes. Please reference Section 3.9.3 and the Appendix for discussion and detailed estimates. All costs are prorated between Title 1 and Title 5 in accord with historical expenditure distribution.

The Title 1 Program increased workloads for billing services for FY07 requires added staff time of .71 FTE and prorated training, travel, and supplies, at a cost of $53,481, including allocated and indirect services shown in Figure 8 below.

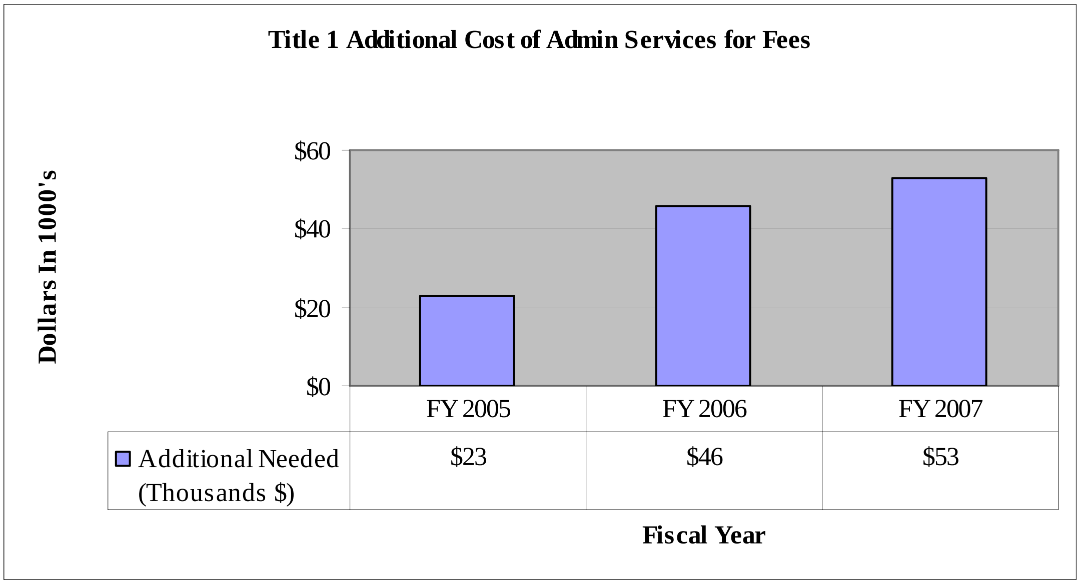


Figure 8 Title 1 Projected expense for Billing and Administration.

Information for Billing/Fee costs were provided by DIAS and through analysis of the Department's BillQuick time tracking and accounting system sorted by project/account code.

Data Sources\Administrative Fee Work.xls

Additional Title 1 Billing / Fee needs information:

In FY03 and FY04, the Air Permits program was included in the Division of Air & Water Quality. During these years, the extent of direct administrative work contributed to fee work by the air permits program was approximately 15 hours (2 days) per month provided by one Administrative Clerk III who processed statements and completed and issued warning and sanction letters for accounts that were over 90 days past due. An additional 7.5 hours (1day) per month was provided by an Administrative Assistant/Manager I who reconciled CAPF fund reports into an accrual based format to provide projections to identify potential fund balance shortfalls.

In FY05 the Division of Air & Water Quality was split, creating the Division of Water and the Division of Air Quality. Supervision of the Administrative Clerk III was moved to the Administrative Assistant/ Manager I and significant time was spent reworking how past due accounts were processed.

The Air Permits program prepared to implement HB161 in FY05, which completely restructured the fee system, creating fixed fees and changing the hourly time and material rates from $78/hour to actual direct costs. Additional preparatory work was provided by the Administrative Managers I and III to implement needed changes in the time/billing system. A short term increase of work, approximately 81 hours (11 days) per month, was needed for this *conversion and is reflected in the FY05 calculation. These hours are removed in the FY06 and FY07 projections due to the program recognizing a need for an Accountant II position, which was created and hired in FY06.*

Implementation of the new fee program recognized that additional administrative staff time would be necessary for correct project set up in the time/billing system and correct application of fees as they were received and submitted to the Division of Administrative and Information Services (DIAS). The administrative staff was previously funded by inclusion under the prior billing rate of $78/hour by permit writers for all of the direct permit work they provided. The new fee regulations require administrative staff to correctly track and mark their time to each project for the direct services they provide as their services became billable under the hourly time and material projects and must be included under the fixed fee projects to insure inclusion in upcoming fee reviews which will be used to determine future fixed fee rates. The increased need for administrative staff in relation to the new fee program became apparent. The Administrative Managers I and III have increased fee related time including training of approximately 45 hours (6 days) per month. Duties which added approximately 30% to the time spent by administrative clerical staff included correctly matching submitted fees and applications, determining if additional fees were needed per the application, setting up the correct time/billing project, requesting invoices, providing additional contact with the public to collect fees, and following up with program staff as needed on project receipt status.

The program has set a measure to turn around applications within 130 days, including public comment periods, and fee processing delays can affect the ability to meet this measure. Additionally, the administrative clerical staff is tasked with tracking cost recovery for time & material permits and fixed fee projects. Difficulty in implementing a collection procedure that satisfied DIAS needs caused delays in implementation of cost recovery procedures. These issues caused an increase of fee related time in the amount of 18.75 hours ($2^1/_2$ days) per month of Administrative Clerical time and 7.5 hours (1 day) per month of Administrative Manager time. Questions and requests for clarification for all program staff regarding time coding are frequently elevated to the Administrative Managers, due to the new fee program being established. Currently these issues take an additional 4.5% (1 day) of Administrative Managers I and III time per month to resolve questions from administrative clerical, program staff, and DIAS User Fee staff.

In FY06, an Accountant position was added and filled for the Air Permits program. This position provides program support to reconcile and audit receipts assuring appropriate use; project CAPF fund and RSS balances on an accrual basis; assist in annual billings created by implementation of HB161; and implement, assist, and audit cost recovery procedures.

The Administrative Clerk III position became vacant, the need for this position to be filled include the need to audit the bi-monthly staff time entries to insure that the correct project was charged, the billable hours were entered and marked correctly so that they are billed and the appropriate activity codes were used as *well as assist in cost recovery processes and provide a source of information/backup for other duties assigned to the accountant and administrative managers. It is anticipated this would account for approximately 60% of the position's duties, while 40% of duties, such as permit web posting and public notice distribution are already included in the current position description. Because this substantively changes the duties of this position and fills additional needs not currently being met by the program, the need for a full FTE in this position remains unchanged*

DIAS has recently delegated to the administrative staff the duties to make some direct changes in the time/billing system; these changes relate to the status of a project. Administrative staff now has to change the billing status of a project from hourly time & material to annual fixed fee or from one type of fixed fee to another and from application (A) status to permit (P) status. While the amount of time spent answering questions has diminished somewhat, the need for information and ongoing training for new and current staff keeps the level of need at or above the need stated for FY05.

In FY07, future changes are expected in the billing system. DIAS is in the process of contracting and implementing a new billing system. Accountant, administrative clerical, and managerial time needs are expected to remain the same in relation to the current program; however, increases in time that will need to be devoted to the implementation of a new time/billing system are not projected at this time (proposed implementation in FY08).

Anticipated changes to fee work include addition of an Accountant II position, at a cost $72,730 (1 FTE and $5,000 for training, travel, and supplies). Anticipated changes to fee work will require additional training, sometimes involving staff travel. The need for administrative supplies must also be met. The current program budget does not include amounts for administrative clerical and management travel, training, and supplies. The projected need for fee activities is included in Figure 8 below.

Within the Air Permits program there are two types of funding related to permit work, Title 1 and Title 5. Based on historical personnel services cost, from FY03 through FY05, the funding for the permit work shows that an approximate distribution of funding costs for the additional administrative staff fee support should be split out 30% to Title 1 and 70% to Title 5 funding.

The above listed additional Air Permits program fee needs are estimated to be an additional 2.37 FTE at a blended cost in FY07 salary and benefit dollars of $163,751 and training, travel, and supply costs at $14,520 to complete the fee work currently assigned and projected for FY07.

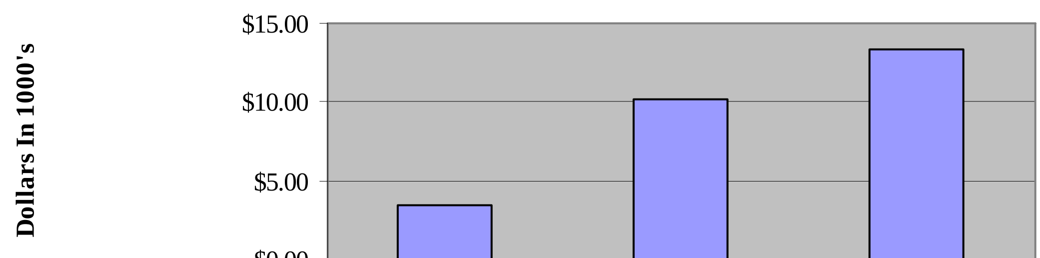
The net effect to the Title 1 program for FY07 is an additional need for .71 FTE and 30% of training, travel, and supply, at a cost of $53,481 including allocated and indirect services.

4.4.5.2 Title 1 Administrative Payroll/ Human Resources

4.4.5.2.1 Projected Title1 Administrative Payroll/Human Resources Needs

Since FY05, there have been changes in the billing system and changes in the administrative human resources workloads expected from the Air Quality Division. These additional costs are not reflected in the base cost of the Air Permit Program. Therefore, we have calculated the increased cost here. Please reference Section 3.9.4 for discussion and the Appendix for cost estimates.

Increased Human Resource services for the Title 1 Program for FY07 are estimated to include additional staff time of 0.20 FTE and prorated increased training, travel, and supplies, at a cost of $13,375, including allocated and indirect services shown in Figure 9 below.



	FY 2005	FY 2006	FY 2007
Additional Needed (Thousands $)	$3.45	$10.18	$13.38

Figure 9 Title 1 Projected Human Resource Funding Needs

Information for Human Resource costs were provided by DIAS and through analysis of the Department's BillQuick time tracking and accounting system sorted by project/account code.

Data Sources\Administrative HR Work.xls

Additional Title 1 Human Resource needs information:

In FY03 and FY04, the Air Permits program was included in the Division of Air & Water Quality. During these years, the extent of direct administrative work contributed to Human Resources (HR) by the air permits program was approximately 15 hours (2 days) of administrative time per month provided by one Administrative Clerk III, who coded in annual, sick, or personal leave hours and time distributions into the state payroll system (AKPAY). Support was also provided by an Administrative Assistant/ Manager I who verified that the coding which downloaded into the state accounting system (AKSAS) matched the coding shown on the timesheet and an Administrative Manager III who assisted with some recruitment functions. The time spent on these two activities by the administrative managers was approximately a total of 7.5 hours (1 day) per month. All other AKPAY work involving timesheet verification and other types of leave, as well as the majority of recruitment service, was provided by the ADEC HR section.

In FY05 the Division of Air & Water Quality split, creating the Division of Water and the Division of Air Quality. The ADEC HR section along with other department's HR sections were moved and merged into the Department of Administration as a new Division of Personnel (DOP). The HR support described above continued to be provided to the Air Permits Program by the Administrative Clerk III, however the duty became shared with the Administrative Clerk II position for backup during leave and during times when fee related items caused submission deadlines to conflict. The time related to the duties remained the same. For the Administrative Assistant/Manager I additional payroll reconciliation and additional questions received within the Division due to the loss of the department HR section increased by about 11.25 hours (or 1½ days) per month. Additional duties were assigned to the Division by DOP and shared by the Administrative Assistant/Manager I and the Administrative Manager III which included added recruitment support, oversight of the completion and submission of new employee orientation forms, and completion of the personnel action request form (PARF), all of which were duties previously performed by the department HR section. These duties increased the Administrative Management time by approximately 7.5 hours (or 1 day) per month of HR support each month.

In April of FY05, the ADEC Division of Information and Administrative Services directed all staff to complete a new supplemental time report to assure overtime eligible employees included start and stop times on timesheets as per the Division of Labor Relations directive to make time reports meet union contract language. Additional duties for the Administrative Clerk III included verifying that all submitted time reports from the timekeeping system, submitted leave slips, and the supplemental time sheet matched exactly. This increase the amount of time spent processing payroll from 15 hours per month to 22.5 hours per month (3 days) per month.

In FY06, DOP increased the duties of the administrative support group by assigning each Division the responsibility for verifying that the work week was met by each employee, per each union contract, as represented on the time reports and to begin coding all time into AKPAY, except for LTC Union employees timesheets, Alternate Work Week timesheets, Overtime Eligible with Travel timesheets, and timesheets that included employee Floated Holiday/Flex Leave use. These additional duties involve a great amount of detail which had to be performed within strict deadlines set by DOP in order to meet payroll warrant deadlines. The Administrative Manager III determined at this juncture, due to time constraints and work load, that payroll processing would be distributed among the three Administrative Clerk IIs in the Air Permits program. Even with this change to meet the deadline set by DOP for payroll submission, the administrative staff had to begin scanning all submitted time reports and leave slips and e-mailing them to DOP for final certification. This increased the amount of HR time required to be performed by the administrative clerks for the air permits program by 45 hours (3 days for 2 additional staff) per month. Increased questions regarding timesheets, coding, and supplemental timesheets by program staff and clerks, as well as training and oversight which had to be provided by the Administrative Managers I and III to the clerks and program staff, raised the HR time required per month by the Administrative Managers an additional 22.5 hours (3days) per month. The Administrative Managers I and III received additional duties from the ADEC Division of Information and Administrative Services to implement an internal Add/Change employee form for all new or transferring employees. This duty was delegated to be completed by the program supervisors when hiring new or transferred employees.

In FY07, future increased HR needs are anticipated. DOP has acknowledged their intention to assign the remaining payroll duties currently being performed by DOP (LTC Union employee timesheets, Alternate Work Week timesheets, Overtime Eligible with Travel timesheets, and timesheets that included employee Floated Holiday/Flex Leave use) to each Division to code into the AKPAY system.

Anticipated changes to HR work will require additional training, sometimes involving staff travel. The need for administrative supplies must also be met. The current program budget does not include amounts for administrative clerical and management travel, training, and supplies. The projected needs for HR activities are included in Figure 9 below.

Within the Air Permits program there are two types of funding related to permit work: Title 1 and Title 5. Based on historical personnel services costs, from FY03 through FY05, the funding for the permit work shows that an approximate distribution of funding costs for the additional administrative staff HR support should be split out 30% to Title 1 and 70% to Title 5 funding.

The above listed additional Air Permits program Human Resource needs are estimated to be an additional .65 FTE at a blended cost in FY07 salary and benefit dollars of $40,105 and training, travel and supply costs at $4,480 to complete the Human Resource work currently assigned and projected for FY07.

The net effect to the Title 1 program for FY07 is an additional need for .20 FTE and 30% of training, travel and supply, at a cost of $13,375 including allocated and indirect services.

4.4.6 Projected Title 1 FY07 Fee Report Assessment

In response to public comment, the Program agrees to an independent third party assessment of the Final Report. Cost for a report assessment is estimated to be up at $100,000 for a qualified contractor and the increases in staff time. This cost was not included in the base Program costs in the May 31, 2006, Draft Report. The costs will be prorated between Title 5 and Title 1 (70/30 split) and will be included in the new fee rate for FY07.

4.5 Projected Title 1 FY07 - FY10 Program Costs

We determined the future Title 1 program costs in the following four steps:

1. Determine the past program costs per technical hour in direct permit service.
2. Multiply the result in step 1 by the expected number of technical hours to deliver permit services in each future FY. This is the base program cost.
3. Add the expected costs for new activities not represented in the past program costs. This is the unadjusted future program cost.
4. Multiply the unadjusted future program costs by an "inflation" factor to account for general inflation and known additional personnel cost assessments.

Step 1 – Determine Past Program Costs per Technical Hour

Table 18 shows the total technical hours for the Title 1 Permit Service and the total cost of the Title 1 Program divided by these hours. The average of these three fiscal years gives an approximation of the Title 1 Program costs per technical hour of direct permit services.

	FY03	FY04	FY05	Averages
Title 1 Permit Staff Hours (Table 13)	6304	8283	7590	7392
Total Program Costs (Figure 7)	$799,000	$978,000	$993,000	$924,000
Program Cost per Technical Hour	$126.74	$118.07	$130.83	$125.22

Table 18 Title 1 Historical Program Costs

	A	B	C	D	E
1		FY03	FY04	FY05	Averages
2	Title 1 Permit Staff Hours (Table 13)	6304	8283	7590	=AVERAGE(B2:D2)
3	Average Total Program Costs (Figure7)	$799,000	$978,000	$993,000	=AVERAGE(B3:D3)
4	Program Cost per Technical Hour	=B3/B2	=C3/C2	=D3/D2	=AVERAGE(B4:D4)

Step 2 – Multiply Average Program Costs by Projected Technical Service Hours

Table 19 shows the base Title 1 Program costs obtained by multiplying the average program costs per technical hour from Table 18 by the number of technical hours needed for FY07 – FY10.

ACTION				FY07-10	
Title 1 PSD Permit staff hours (Table 14)				1,260	
Title 1 Minor Source Permits Staff Hours (Table 14)				5,060	
Total Hours				6,320	
Multiplied by Average Cost Per Hour ($125.22) (Table 18)					
Annual Base Program Cost				$791,390.40	
	FY07	**FY08**	**FY09**	**FY10**	**Averages**
5.8% PERS and inflation adjustment	$837,291	$885,882	$937,244	$991,612	$913,007

Table 19 Title 1 Projected Base Program Costs FY07-FY10

	A	B	C	D	E	F
1	**ACTION**			**FY07-FY10**		
2	Title 1 PSD Permit staff hours (Table 14)			1260		
3	Title 1 Minor Source Permits Staff Hours (Table 14)			5060		
4	**Total Hours**			6320		
5	Multiplied by Average Cost Per Hour ($125.22) (Table 18)					
6	Annual Base Program Cost			=E4*125.22		
7		**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**Averages**
8	5.8% PERS and inflation adjustment	=E6*1.058	=E6*1.1194	=E6*1.1843	=E6*1.253	=AVERAGE(B8:E8)

Step 3 – Add Expected Costs for New Activities

To the base Title 1 Program Costs, we added the additional duties and associated costs for:

- Minor Permit Development
- Full Compliance Evaluations
- Control Plan Reviews
- Program Improvement
- Data Management
- Human Resources Costs and Accounting Activities now performed by the Division
- Report Assessment

Table 20 below summarizes the projected costs expected over what was expended in FY03 – FY05. The result is an average projected Title 1 Permits Program cost of $1,294,298.

Step 4 – Multiply in Personnel Cost Assessments and Adjust for Inflation

The total inflation used in the report is based on two components, an expected inflation rate of 2.5% and the 5% additional being charged to make up for the PERS deficit.

To make up the PERS deficiency, the Department of Administration requires every state program to be assessed an additional of 5% of each employee's salary for the next four years. The unadjusted costs in the report include salary and benefits, travel, contractual costs, supplies, and equipment costs. Salary and benefits represent about 87% of the program costs, and benefit costs are currently about 33% of salary cost. Therefore, salary cost makes up 65.25% of the unadjusted program costs (87% x 75%). Since the 5% is only charged on 65.25% of the total, it is effectively a 3.3% rate on the total. The final rate is 3.3% plus the 2.5% inflation rate, or 5.8%.

The projected totals including inflation and the PERS adjustment were calculated by projecting costs in today's dollars and then applying the following factors for each year (These factors are used in Tables 10, 19, 20, and 26).

FY07	1.058
FY08	1.1194
FY09	1.1843
FY10	1.253

We calculated the projected Title 1 Program cost taking these factors into account. The total Projected Title 1 Program Cost for FY07 to FY10 is summarized below in Table 20.

Additional Annual Program Duties	FY07	FY08	FY09	FY10	Averages
Minor General Permit Development (Table 13 hours x average hourly rate of $125.22 from Table 18)	$56,349	$56,349	$56,349	$56,349	
Title 1 Full Compliance Evaluations (Table 13 hours x average hourly rate of $125.22 from Table 18)	$65,365	$65,365	$65,365	$65,365	
Fugitive Dust / VOC Control Plan Reviews (Table 13 hours x average hourly rate of $125.22 from Table 18)	$21,914	$21,914	$21,914	$21,914	
Program Improvements - QMS (Table 14)	$45,301	$41,463	$41,463	$41,463	
Data Management (Section 4.3.3)	$71,567	$70,567	$70,567	$70,567	
Billing and Accounting (Section 4.3.5.)	$53,481	$53,481	$53,481	$53,481	
Human Resource Activities now performed by the Division (Section 4.3.5)	$13,375	$13,375	$13,375	$13,375	
Fee Report Assessment (Section 4.3.6)	$30,000				
Total Additional Program Duties	$357,352	$322,514	$322,514	$322,514	$331,224
5.8% PERS and inflation adjustment	$378,078	$361,022	$381,953	$404,110	$381,291
Base Program Cost from Table 19	$837,291	$885,882	$937,244	$991,612	$913,007
Total Projected Program Cost after inflation & PERS	$1,215,369	$1,246,904	$1,319,197	$1,395,722	$1,294,298

Table 20 Title 1 Total Projected Program Costs for FY07 -FY10

	A	B	C	D	E	F
1	**Additional Annual Program Duties**	**FY07**	**FY08**	**FY09**	**FY10**	**Averages**
2	Minor General Permit Development (Table 15 hours x average hourly rate of $125.22 from Table 18)	=450*125.22	=450*125.22	=450*125.22	=450*125.22	
3	Title 1 Full Compliance Evaluations (Table 15 hours x average hourly rate of $125.22 from Table 18)	=522*125.22	=522*125.22	=522*125.22	=522*125.22	
4	Fugitive Dust / VOC Control Plan Reviews (Table 15 hours x average hourly rate of $125.22 from Table 18)	=175*125.22	=175*125.22	=175*125.22	=175*125.22	
5	Program Improvements - QMS (Table 16)	45301	41463	41463	41463	
6	Data Management (Section 4.3.3)	70567	70567	70567	70567	
7	Billing and Accounting (Section 4.3.5.1.1)	53481	53481	53481	53481	
8	Human Resource Activities now performed by the Division (Section 4.3.5.2.1)	13375	13375	13375	13375	
9	Indirect Costs (DIAS & Allocated)	146658	146658	146658	146658	
10	**Total Additional Program Duties**	=SUM(B2:B9)	=SUM(C2:C9)	=SUM(D2:D9)	=SUM(E2:E9)	=AVERAGE(B10:E10)
11	5.8% PERS and inflation adjustment	=+B10*1.058	=+C10*1.1194	=+D10*1.1843	=+E10*1.253	=AVERAGE(B11:E11)
12	Base Program Cost from Table 19	$837,291	$885,882	$937,244	$991,612	=AVERAGE(B12:E12)
13	Total Projected Program Cost after inflation & PERS	=SUM(B11:B12)	=SUM(C11:C12)	=SUM(D11:D12)	=SUM(E11:E12)	=AVERAGE(B13:E13)

4.6 Fee Structure Issues

4.6.1 Estimate of FY07 Title 1 Permit Administration Fees

Title 1 Permit administration fees come from three categories:

- Time and material charges for permit actions,
- Flat fees for permit services requested by the applicant, and
- Flat compliance review fees for minor stationary sources not subject to Title 5.

The Program estimated the Title 1 Permit administration fees expected for FY07 from previous permit history as described below.

<u>Time and Materials</u>
The revenue expected for FY07 for directly billable time was calculated from the Title 1 billable dollar amounts entered in BillQuick for the second half of FY05.

This method has the following sources of uncertainty. First, only the last six months of FY05 data was used as the first six months of FY06 BillQuick data were not readily available. There would be more certainty if the data represented an entire yearly cycle under the existing program. Second, the first month of this data, January 2005, was under the old fee structure. The January data is not identified by date, so it cannot be separated. During that month, the dollar per hour rate was $25 per hour higher than the average rate under the current system, so this method could overestimate the Title 1 Permit administration fees the Program will receive. This would in turn underestimate the emission fees needed. [If January billable hours were the same as the average of the next five months, over prediction would be by about 8%. But billable hours may be less in subsequent months because flat fees would cover some of the work. If so, this would increase the over prediction of time and material Permit administration fees we will receive in FY07.]

The second part of time and materials charges is for materials. These are comprised of advertisement orders and travel costs. These are direct pass through charges, and so they would not affect the amount of money needed from emission fees. Therefore, the materials charges are listed, but they are not included in the emission fee calculations.

<u>Flat Fees</u>
The revenue expected for FY07 from flat fees is the same as that from 12 calendar months under the current program. The available data is from the period February 1, 2005, through January 31, 2006. The total amount is the sum of the number of services in each flat fee category times the associated flat fee.

<u>Flat Fees for Requested Services</u>

For open burns and general permits, the number of services provided for the period was obtained from the number of applications received from AirTools.

The number of Title 1 Owner Requested Limit (ORL) flat fees came from both AirTools and from the Air Permits final Minor Permit web page. In both cases this involved checking individual records or checking permit cover pages for the authorities cited for each permit.

The Program issued two fast track permits during this period.

Flat Fees for Compliance Review
Minor stationary sources subject to the $530 compliance review fee include

- Stationary sources with Minor General Permits – MG1, GP3, GP4, and GP9; and
- Stationary sources that are subject to Source Specific Minor Permitting (other than a PAEL or an ORL under 18 AAC 50.225) and that are not subject to Title 5.

An AirTools query gave the number of stationary sources subject to minor general permits.

The total FY07 expected revenues from the various types of Title 1 Permit administration fees are given in Figure 10.

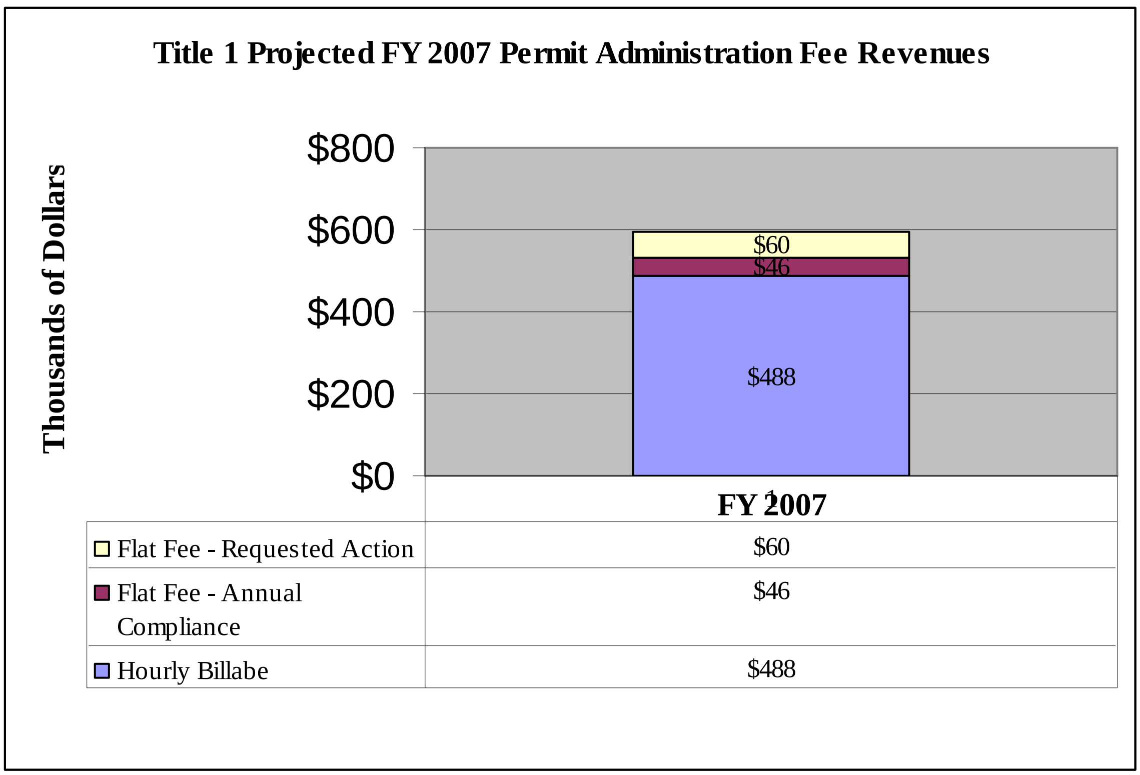


Figure 10 Title 1 Projected FY07 Revenues from Permit Administration Fees

Estimated permit administration fees for FY07 are $594,000.

Projections were based on FY05 revenues and multiplied by 2.

Data Sources\Title 1 Projected FY 2007 Revenues Permit Admin. Fees.xls

4.6.2 Projection of Fees for Title 1

Fully adhering to the statute, while also increasing program costs, will result in increasing revenue from emission fees for Title 1 permits (not currently done), increasing permit administration fees, or both. In past years, federal grant funds and state general funds have been used to fill funding gaps and execute program development and reinvention work. This gap filling is not wholly consistent with the statutory program. Furthermore, federal grant funds are expected to significantly decrease in FY07 as part of a nation-wide reduction of air quality grant funds.

	FY07	**FY08**	**FY09**	**FY10**	**Averages**
Projected Program Cost (Table 20)	$1,215,369	$1,246,904	$1,319,197	$1,395,722	$1,294,298
Expected Permit Administration Fees (Figure 10)	$594,000	$594,000	$594,000	$594,000	$594,000
Amount to be covered by Emission Fees	$621,369	$652,904	$725,197	$801,722	$700,298

Table 21 Title 1 Projected of Amount to be Covered by Emission Fees

	A	**B**	**C**	**D**	**E**	**F**
		FY07	**FY08**	**FY09**	**FY10**	**Average**
1	Projected Program Cost (Table 20)	$1,337,736	$1,411,074	$1,492,884	$1,579,485	=AVERAGE(B2:E2)
2	Expected Permit Administration Fees (Figure 10)	$594,000	$594,000	$594,000	$594,000	=AVERAGE(B3:E3)
3	Amount to be covered by Emission Fees	=B2-B3	=C2-C3	=D2-D3	=E2-E3	=AVERAGE(B4:E4)

4.6.3 Effect of Permit Administration Fee Structure

As we discussed in Section 4.1, the statute allows the permit administration fee to recover the direct cost of providing a permit service. The statute defines the direct cost as 149% of the hourly wage for direct staff time, plus the full cost of any third party goods or services used. This direct cost, however, does not cover the full cost of having a person on staff to do permit work.

To have a person on staff, one must pay for salary, benefits, holidays, vacation and sick time, training time, administrative time, as well as indirect and allocated costs, such as rent, utilities, equipment, and common supplies. Having a person on staff also increases the general program costs because of increased supervisory, payroll, and personnel action work. Either the permit administration fee charged at 149% of the staff person's base salary would have to collect enough to cover all these costs, or some costs would have to be covered by other revenue sources.

As an example, let's examine how this works for a new Environmental Program Specialist II (EPSII). The base salary for an EPSII in FY06 is approximately \$21.65/hour. At 149%, the direct cost is calculated at \$32.25/hour. We know from our past billing records that Construction permit professional staff spend an average[9] of 60.1% of their time (1,172 hours per year) in direct permit service, with other time devoted to training; program work not associated with an individual permit; and holidays, breaks, sick time, and annual leave. So, we can expect our new EPSII to generate an average of \$37,797 in permit administration fees during the year. These fees do not cover the \$41,418 annual salary cost of this employee, much less the benefits, allocated costs, and indirect costs.

Over time we may be able to increase the time a given employee spends in direct permit service work. Our records indicate that individual staff has been able to reach as high as 82% (1,267 hours per year) direct permit service work over a given fiscal year. At this individual high rate, our example EPSII would be able to cover their annual salary but not all the other costs associated with having them on staff. Also, while we may eliminate some non-billable time, the other program work does not completely disappear and must be done by other staff. We expect to be able to obtain some increased efficiencies, but we can not quantify how much.

We conclude that we can not quantify a significant change in the overall cost of the Title 1 permit Program by increasing the time staff spends in direct permit service. While not quantified in this report, we will work to increase the portion of time staff spends in direct permit service and to decrease their non-billable time.

[9] Annual billed hours divided by annual total hours recorded in billing system.

4.7 Conclusions for Title 1 permitting

The Title 1 Permits Program should collect an average of $700,298 in additional Title 1 receipts to meet its program delivery goals (see Table 21).

5 Other Air Program Duties and Costs

This section, while not discussing fees per se, is necessary to understand the other duties of the Air Permit Program and the availability or unavailability of other funding to subsidize Construction Permitting.

The mission of the Air Permit Program is to protect the Alaskan environment by ensuring that air emissions from industrial operations in the state do not create unhealthy air. This is accomplished through permitting actions and compliance assurance inspections. The Air Permits Program has the additional assignment of fulfilling duties not directly associated with a permitted, assigned facility.

Permit fees do not fund these tasks. The non-permit duties are more difficult to predict and often have a great impact on air quality, public perception of air issues, and Federal regulations. These non-permitted actions are often controversial or are subject to public or political scrutiny. While not directly connected to an air permit source, these other duties can and will affect the permitted sources due to public opinion and reaction to air quality issues. The following are the other major non-permitted duties of the Program.

- Non-Permitted Source Complaint Response, Investigations, and Enforcement.
- Regulation Development: Adoption of Federal Rules and Participation in National Policy Initiatives.
- Small Business and Public Technical Assistance including Public Information requests, such as Freedom of Information Requests (FOIAs). The public assistance actions are not often directly connected to permit sources or require research to determine the nature of the request or the applicable permitted source.
- Program Development.
- Public Workshops.
- Public Assistance, Information, and Regulations Response.
- Leave.

5.1 Non Permitted Air Program Duties Funding

The other permit duties are not eligible for funding through permit fees. The only available funding sources are the General Fund allocation and Federal Air 105 Grant for all the Air Quality Division. Only a portion of the Federal Air 105 Grant, State Matching Funds, and the State General Funds are assigned to the Air Permits Program. Other programs, such as the Air Monitoring and Quality Assurance and the Non-Point Mobile Source Program, also receive a share of these funds. Table 22 below shows the allocation of funding of the Air 105 Grant and State General Funds among the three state air programs for FY03 to FY05 and the funds available for Air Permit Program.

Available Program Dollars FY03	**FY03**	**FY04**	**FY05**
***Air Program 105 Grant*[10]**	***$2,402,279***	***$1,901,006***	***$2,560,439***
	(includes $16,454 for training funds which were not distributed among the three groups)	*includes $16,454 for training funds which were not distributed among the three groups and $154,100 for rural diesel which was added to ANPMS*	*includes $586,441 in carryover*
Allocation of Funds to the three Air Program Sections			
Air Non-Point and Mobile Sources Program	$1,311,732	$970,827	$1,500,647
Air Monitoring and Quality Assurance Program	$708,830	$617,000	$734,582
Air Permits Program	**$365,263**	**$296,725**	**$325,210**
minus			
Allocated	$28,749	$31,091	$21,408
Add'l Indirect	$17,954	$22,005	$21,201
Air Program 105 Grant Fund Dollars Available to Air Permits Program	**$318,560**	**$243,630**	**$282,601**
General Funds	***$402,700***	***$303,300***	***$287,800***
Allocation of Funds to the Air Program Sections			
Air Monitoring and Quality Assurance Program			$20,307
Air Permits Program			**$267,493**
minus			
Allocated	$1,900	$11,400	$21,808
General Fund Dollars Available to Air Permits Program	**$400,800**	**$291,900**	**$245,685**

Table 22 FY03-05 Grant and General Fund Program Dollar Allocations

Funding of non-permitted duties is through the General Fund (GF) and the EPA 105 Grant. The total amount of funds available for other Air Program costs is the sum of the available General and Grant Funds, as outlined by the below equation.

Fiscal Year	Grant (Table 22)	+	General Funds (Table 22)	=	Total funds available for other program costs
2003	$318,560		$400,800		$719,360
2004	$243,630		$291,900		$535,530
2005	$282,601		$245,685		$528,286

Table 23 Grant and General Funds Available for Non-Permit Services

Information for the preceding tables was provided by DIAS and through Budget documents

[10] The 105 Air Program Grant is a federal grant, and it is required to have matching state funds to secure the grant.

Data Sources\FY03-FY05 total GF and air 105 grant splits.xls

5.2 Other Air Program Duties Historical Expenses

To evaluate changes to the other Program duties and associated workloads, we examined the previously discussed main categories and activities.

The mix of public request and inquires, FOIAs, non-permitted complaints, investigations, and regulation actions can vary from year to year. To compare the workloads across several years, we examined the technical work hours devoted to performing the non-permit work during the fiscal year and total costs as recorded in BillQuick time record hours. The average historical costs of non-permit related activities are shown below in Table 24.

The information for historical technical hours was gathered from Bill Quick (code 09:05) time records, and the numbers of actions were gathered from Air 105 Grant Management reports and queries of the complaint tracking system.

Other Non-Permit Program Historical Base Cost				
Historical Program Costs	FY03	FY04	FY05	Averages
Historical Program Cost	$461,179	$495,543	$423,327	$460,016

Table 24 Historical Non-Permit Program Historical Costs

Information for historical other program services was provided by Air Permits Program Staff and through analysis of the Department's BillQuick time tracking and accounting system sorted by activity code for each above action.

Data Sources\other program costs.xls

5.3 Projected Increase in Non-Permit Related Service Actions

Most non-permit related service duties are expected to require the same workload and funding as received in the past, with the exception of Regulation Development.

5.3.1 Regulation Development

5.3.1.1 Historical Workloads

The Program estimated historical Regulation Development work based on BillQuick time records from FY03 through FY05. The records represent staff time and costs spent on regulation and program development, participation in national policy initiatives, and public workshops.

Regulation Development	FY03	FY04	FY05	Average
Technical Staff Hours	1435	2703	1951	2030
Program Costs	$63,810	$120,243	$92,768	$92,274

Table 25 Historical Regulation Development Expenses FY03- FY05

Information for historical other program services was provided by Air Permits Program Staff and through analysis of the Department's BillQuick time tracking and accounting system sorted by activity code.

Data Sources\other program costs.xls

5.3.1.2 Projected Regulation Development Workloads

The State has Primacy for air permits under the Federal Clean Air Act. To maintain this primacy, the Program must meet EPA tasks and standards in relation to regulation adoption and program implementation. These EPA required tasks are the State Implementation Plan (SIP), incorporation of revisions from the Federal Register, major State regulation revision as required by Federal Regulations, meeting Federal reporting requirements including a comprehensive statewide emissions inventory, CERR, and comments on National Initiatives.

5.3.1.3 Federal Regulation and National Policy Initiatives

Adoption of Federal regulations is mandated in the Clean Air Act. Each state is required to meet or exceed Federal regulations protecting Air Quality. A number of Federal regulations were adopted by reference in October of 2004 by the State of Alaska. This work required experienced Air Quality staff, in conjunction with the Department of Law, to rewrite the regulations and allow for public comment and adoption of the new regulations by the Lt. Governor.

National initiatives can have great effects on Alaska air quality issues and costs for permitted sources. Often these national initiatives are developed and implemented based on East Coast air quality issues, which may be unrelated or prohibited to the Alaskan permitted sources.

Current or upcoming proposed EPA issues/initiatives include:

- Particulate Matter 2.5 ($PM_{2.5}$)
- Mercury (Hg)
- New Source Performance Standards (NSPS)
- Ultra Low Sulfur Diesel (ULSD)
- Best Available Retrofit Technology (BART)
- Consolidation

Estimates for work needed to perform routine regulation revision work and facilitate federal program approval cannot be easily extracted from Bill Quick, due to an historical lack of specific project and activity codes for time tracking. The workload needed by Program staff was estimated based on staff's prior experience of the workloads needed for similar projects and the estimate of future work. In addition, regulation adoption will require Department of Law review and associated costs. Regulation work requires staff with higher technical skills, an ability to clearly communicate orally and in writing with others, and historical knowledge of the program.

Figure 11 shows the total estimates of staff FTE converted to annual salary, plus public hearing and travel cost for all activities associated with regulations development, adoption of federal rules, and participation in National Policy Initiatives. The total estimated costs for regulation development, adoption of federal rules, and participation in National Policy Initiatives is $133,496. This is a net increase of $41,222 over the past average expense of $92,247 (Table 25)

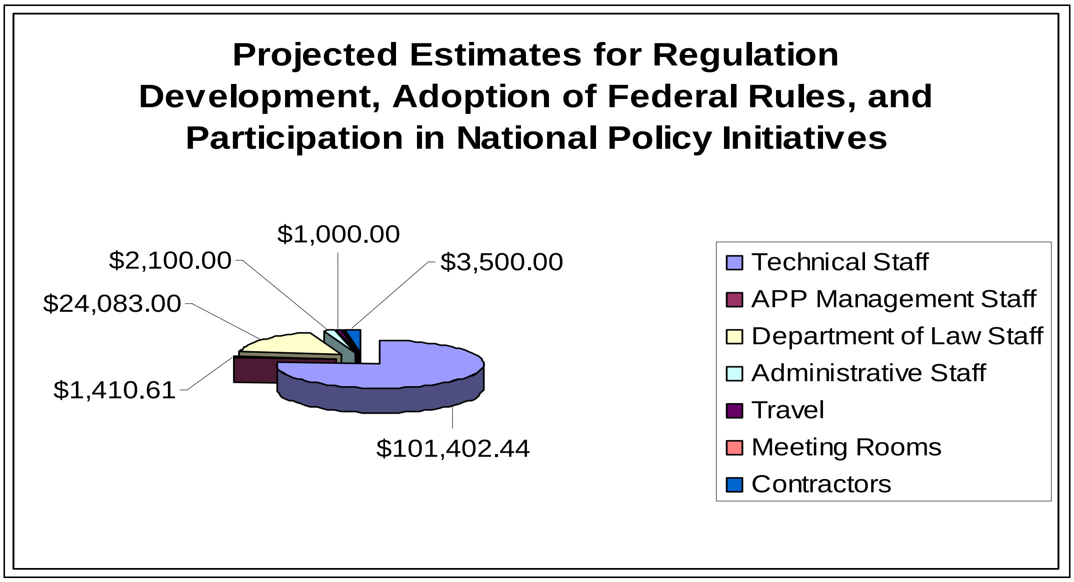


Figure 11 Projected Costs for Regulation Revision, Adoption and Participation in National Policy Initiatives

Information for projected regulation development costs was provided by Air Permits Program Staff, through analysis of the Department's BillQuick time tracking and accounting system sorted by activity code, and through estimations of staff time spent on regulation development.

Data Sources\Projected Costs for Reg. Rev. Adopt. & Part.xls

5.4 Projected Other Program Costs FY07 - FY10

Table 26 shows the projected costs for non-permit services. To project the total costs for non-permit related program services, we added the net increase of workloads for Regulation Development to the base average costs from Table 24. The projected costs are then subtracted from the available General and 105 Grant funds (Table 23).

Additional Non-Permit Related Program Duties	FY 07	FY 08	FY 09	FY 10	Averages
Annual Base Program Cost (from Table 24)	$460,016	$460,016	$460,016	$460,016	$460,016
Regulation Development Net Increase (projected costs $133,496 – historical costs $92274)	$41,222	$41,222	$41,222	$41,222	$41,222
Total Base Program Cost	$501,238	$501,238	$501,238	$501,238	$501,238
5.8% PERS and inflation adjustment	$530,310	$561,086	$593,616	$628,051	$578,266
FY05 base line General and Grant Available Funding (Table 23)	$528,286	$528,286	$528,286	$528,286	$528,286
Difference between available funding and projected costs	-$2,024	-$32,800	-$65,330	-$99,765	-$49,980

Table 26 Projected Expenses for Other Program Services FY07 – FY10

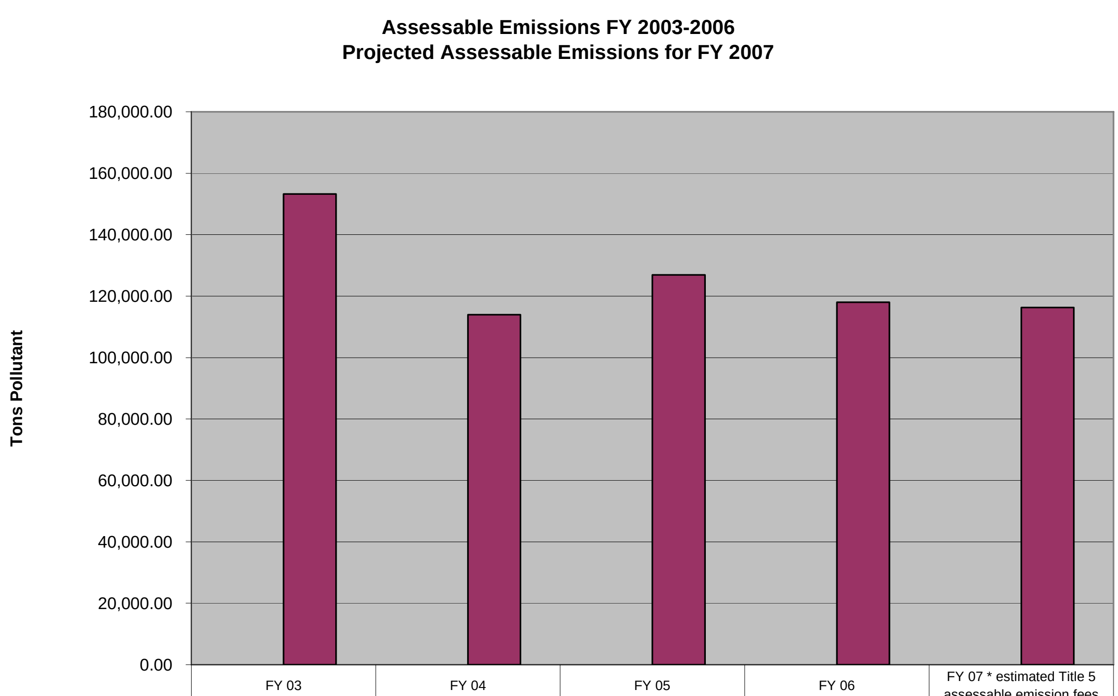
	A	B	C	D	E	F
1	**Additional Non-Permit Related Program Duties**	**FY07**	**FY08**	**FY09**	**FY10**	**Averages**
2	**Annual Base Program Cost** (from Table 27)	460016	460016	460016	460016	460016
3						
4	Regulation Development Net Increase (projected costs $133,496 – historical costs $92274)	41222	41222	41222	41222	41222
5	Total Base Program Cost	501238	501238	501238	501238	=AVERAGE(B5:E5)
6	5.8% PERS and inflation adjustment	=B5*1.058	=C5*1.1194	=D5*1.1843	=E5*1.253	=AVERAGE(B6:E6)
7	FY2005 base line General and Grant Funding	528286	528286	528286	528286	=AVERAGE(B7:E7)
8	Difference between available funding and projected costs	=B7-B6	=C7-C6	=D7-D6	=E7-E6	=AVERAGE(B8:E8)

Subtracting the projected base costs for non-permit related services from the available General and Grant funding sources shows that General Funds and Grant Funds must continued to be utilized to provide essential non-permit related and public services, and therefore they are not available to subsidize the Title 5 or Title 1 Programs.

6 Projected Assessable Emissions

6.1 Title 5 Assessable Emissions

We estimate that the FY07 Title 5 assessable emissions will be 116,342 tons of pollutants, for which the Program would collect approximately $1,456,602 if the current rate of $12.52 / ton remained the same. Air Permits Assessable Emissions for FY06 were 118,053 tons of pollutants. The fees collected for FY06 were $1,478,024. Based upon the FY06 Title 5 fee collections, and reported actual emissions for FY06, there is a decline in the amount of fees collected as Title 5 sources more vigilantly estimate their potentials to emit. Additionally, some stationary sources no longer pay Title 5 emission fees as they obtained alternative permit avoidance and minor source permits. Currently, Emission fees collected from Title 5 sources are deposited into the Clean Air Protection Fund (CAPF).



	FY 03	FY 04	FY 05	FY 06	FY 07 * estimated Title 5 assessable emission fees
Fee Rate/Ton	$5.07	$12.52	$12.52	$12.52	$12.52
Assessable Emissions	153281.24	113959.45	126887.10	118053.07	116342.07

Figure 12 Assessable Emissions FY03-FY07

Information for assessable emissions was provided through analysis of fee receipts for FY03-FY06 and was provided by DIAS.

Data Sources\Assessable Emissions.xls

6.2 Title 1 Assessable Emissions

Projections are based on emission fee estimates from all stationary sources subject to a Title 5 Permit, plus emission estimates from Title 1 and Minor Sources. The assumption is made that in order to hold a Title 5 permit, the stationary source must have first obtained a Title 1 permit, and therefore would be subject to both Title 1 and Title 5 fees. Projections are based on an average of FY06 actual emissions and include emission of each air pollutant of more than 10 tons of that air pollutant per year. Projections do not include sources operating under an approval to operate as allowed by 18 AAC 50.225 or 18 AAC 50.230. Figure 14 below shows the projected assessable emissions for FY07.

The total assessable emissions projected for FY07 are **118,242** tons per year from all Title 5 sources (116,342 tons) and Minor Sources (1,900 tons). This is based on the FY06 emission fee receipts (divided by $12.52/ton), minus the assessable emissions from Minor Permits for transportable drill rigs (1,848 tons for MG1s and one source specific permit)[11] from the most recent 12 month period (March 2005 – February 2006).

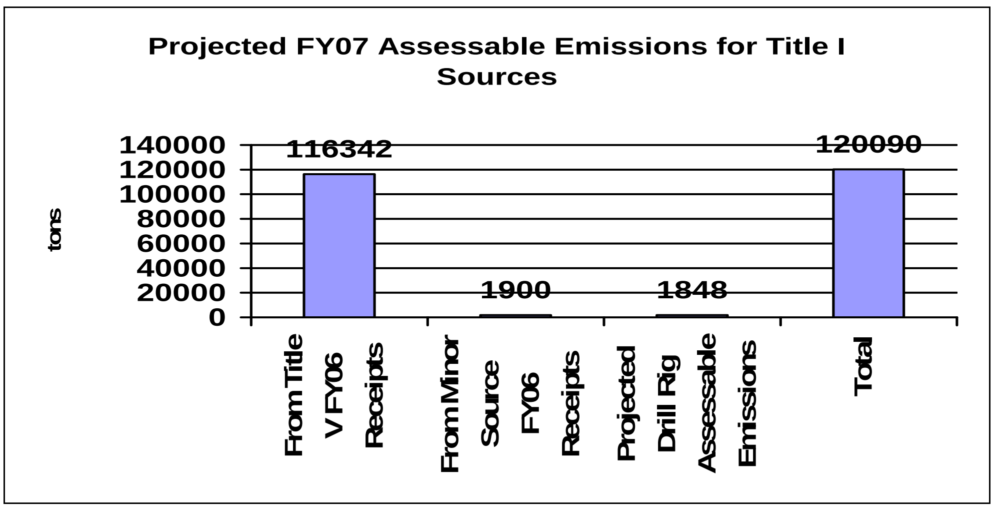


Figure 13 Title 1 Projected FY07 Assessable Emissions (TPY)

Currently no annual emission fees are assigned to Receipt Supported Services (RSS) except for portable oil drilling operations. We expect to collect $57,077 in emission fees in FY06 from portable oil drilling operation emission fees. The projected fee for the Portable oil drilling permits will reflect the new emission fee rate for Title 1 sources.

Information for assessable emissions was provided through analysis of fee receipts for FY03-FY06 and was provided by DIAS.

[11] The minor source specific permit for drill rigs is one permit for operating up to 12 rigs at different locations. The assessable PTE is 3,228 tons for that permit. The applicant intends to pay on monitored actual emissions; for this purpose the estimate is about 1/3 of the PTE, or 1,000 tons. Assessable emissions for the 12 month period from drill rigs under MG1s are 1,848 tons and are not included in this fee study.

Data Sources\Assessable Emissions.xls (for Title 5 and MSS)

Data Sources\MG1 Emission Fees.xls (for Drill Rigs)

7 Program Fiscal Management

7.1 Funding sources for Air Permits

The air permit statutes provide two mechanisms for cost recovery: permit administration fees (per AS 46.14.240) and emission fees (per AS 46.14.250). The permit administration fee rates are set by the fee authority outlined in HB160 and are subject for review by January 2009. The authority in AS 46.14.250 determines emission fees. Emission fees must be evaluated every 4 years. The next review after this regulation revision is final is scheduled in 2011. The Program receives minimum funding from General Funds and EPA Grant.

The purpose of the emission fees is to recover the cost for activities not associated with services provided to a specific facility – that is, activities not covered by permit administration fees. Examples listed in AS 46.14.250(h) include rent, utilities, permit program management, administrative and accounting services, the small business assistance program, and other costs identified by the Program in regulations. The "total annual incurred costs" for these services are to be recovered through emission fees, per AS 46.14.250(d).

Rather than relying on grants and general funds, the Program needs to change its fiscal approach through adjustment of its fees. The new fiscal approach must rely on the dual combination of permit administration fees and emission fees. The only option to fully fund the Program at this time is through emission fees. **It is immediately apparent from the analysis conducted in Sections 3 and 4 that there is a shortfall of revenue necessary to fully fund Air Permit Program operations strictly from emissions fees at the current rate that is charged for the emissions fees. The current rate as listed in 18 AAC 50.410(b) is $12.52/ton of emissions per year**. The emission fee rates must be adjusted to fully fund the services of the Air Program.

7.2 Management of Funding Sources

7.2.1 Title 5 Funding

The fee program must be structured to cover applicable costs of the Program. The Title 5 program is required by the Federal Clean Air Act and must be funded entirely through fees, either permit administration fees or emission fees. The fees collected for Title 5 work are deposited into the Clean Air Protection Fund (CAPF). Since the Title 5 Program is required by federal regulations, the Alaska Constitution allows revenue deposited into the CAPF to be carried over between fiscal years. This minimizes the financial struggles that occur between fiscal years. However, these funds may not be used to fund Title 1 work. Federal regulations prohibit the use of Title 5 funds for non-Title 5 work.

7.2.2 Title 1 Funding

Alaska Statutes provide for fees to cover the costs of the Title 1 program. Fees collected for Title 1 work are deposited into the Emission Control Permit Receipts Account (ECPRA) under AS 46.14.265 for Title 1. The Alaska Constitution prohibits the carry over of funds from ECPRA.

The Program has previously used general funds and grants to help finance the Title 1 Program. For the reasons explained in Section 5, the Program can no longer continue using these revenue sources to fund the Title 1 Program.

Managing the accounts requires care to ensure adequate resources to pay for each program through the fiscal year. Problems arise when Title 1 fees meant to cover services for the next fiscal year are received near the end of the previous fiscal year. The Title 1 fee must be completely spent by the end of the fiscal year or be returned to the state's general fund.

7.3 Funding Other Air Program Activities

It is projected that non-permit services will exceed available General and Grant Funding assuming that General Fund, Grant Fund authorizations, and Program allocations remain constant based on historical funding.

Funding for non-permit related duties is through the General Fund (GF) and the EPA 105 Grant. The total amount of funds available for other program costs is the sum of General and Grant Fund less the Allocated and DIAS costs, as outlined in Section 5, Table 25.

Analysis of BillQuick time accounting and project and activity codes shows that air permits has already overspent the available funds for services not directly related to permitted sources. Section 5, Figure 11 shows the hours of staff time and personnel costs associated with other program services not directly related to permitted sources. In FY03, Air Permits program spent $461,179; in FY04, $495,543; and in FY05, $423,327 providing services not directly related to a permitted source. The difference between the available General and Grant Funds and the amount spent was used subsidize the Title 1 program.

Table 27 below outlines the availability of general and grant funds, the expenses associated with non-permit related services, and the sum differences for FY03 – FY05, and the projections for FY07.

Total funds available from Grant and General Funds for other program costs (Table 25)		Other Program Expenses (Figure 11)	Difference
FY03	$719,360	$461,179	$258,181
FY04	$535,530	$495,543	$39,987
FY05	$528,286	$423,327	$104,959
		Projected Other Expenses Costs (Table 26)	
Projected FY07	$528,286	$532,565	($4,279)
Projected FY08	$528,286	$565,848	($37,562)
Projected FY09	$528,286	$601,235	($72,949)
Projected FY10	$528,286	$638,778	($110,492)

Table 27 Available General Fund and Grant Fund Program Dollars

8 Alternatives to Address Funding Gap

The Program has analyzed several options to address the proposed increases in Emission fees based on comments from the public and the Air Permits Program. These include:

- Fee structure alternatives
  - Under 10 tons
  - Title 5 Avoidance
- Cost reductions
- Title 1 Application fees
- Legislative options
  - Increase in General funds
  - Changes to the 149 % staff rate

8.1 Fee Structure Alternatives

8.1.1 Assess Emission Fees to Under 10 Ton Sources Exempt under 18 AAC 50.410(b).

The option to charge emission fees to the sources emitting under 10 ton does not provide a viable alternative. There are 30 Title 5 sources that produce fewer than 10 tons of emissions. If these sources all emitted the maximum emissions, the total potential tons for the under 10 ton sources would be estimated to be 300 tons. Adding the under 10 ton sources to the assessable emissions will only reduce the 4 year Emission fee by $0.06 for Title 5 and $0.01 for Title 1. The increased cost of accounting and billing to collect from these smaller operations could exceed the potential revenue. The one feasible method to reduce the accounting cost is to charge a flat fee of $300 per source. This may be viewed as inequitable, as the smaller sources would be paying based on their full potential to emit while larger sources would have the option of paying based on actual emissions.

Tables 30 and 31 below show the effect on emission fees if we include the under 10 ton sources.

Title 5 Additional Revenue Source Under 10 Ton Assessable Emissions-4 year average			
Emissions Exempt under 18 AAC 50.410(b) (under 10 tons)			
Estimated Emissions from "under 10 ton" Group		300	tons
Projected Title 5 Emissions		116,342	tons
Total Projected Title 5 Emissions		116,642	tons
Proposed Title 5 Emission Fee Allocation including Under 10 Ton Emissions			
Projected Average Annual Expenses Covered by Fees (Table 12) $2,617,395		116,642	$22.44
Net effect on Proposed Title 5 Fee including Under 10 Ton Emissions			
4-year Average Title 5 Fee without Under 10 Ton Group		$22.50	
Title 5 Fee with Under 10 Ton Group		$22.44	
Net Effect on 4 year Average Fee			$0.06

Table 28 Proposed Title 5 Emission Fee including Under 10 Ton Group

Title 1 Additional Revenue Source including Under 10 Ton Assessable Emissions-4 year average			
Emissions Exempt under 18 AAC 50.410(b) (under 10 tons)			
Estimated Emissions from "under 10 ton" Group		300	tons
Projected Title 1 Emissions		118,242	tons
Total Projected Title 1 Emissions		118,542	tons
Proposed Title 1 Emission Fee Allocation including Under 10 Ton Assessable Emissions			
Projected Average Annual Expenses Covered by Fees (Table 21) $700,298		118,542	$5.91
Net effect on Proposed Title 1 Fee including Under 10 Ton Assessable Emissions			
4 year Average Title 1 Fee without Under 10 Ton Group		$592	
Title 5 Fee with Under 10 Ton Group		$5.91	
Net Effect on 4 year Average Fee			$0.01

Table 29 Proposed Title 1 Emission Fee including Under 10 Ton Group

8.1.2 Charge Emission fees to Title V Sources Operating under 18 AAC 50.225, 18 AAC 50.230, or 18 AAC 50.508(6) (Avoidance Group)

Sources operating under authorizations provided under 18 AAC 50.225, 18 AAC 50.230, or 18 AAC 50.508(6) are considered to be part of the Avoidance Group. The Avoidance Group consists of sources operating under authorizations from the Program. Authorizations are not permits. They are incentive based to encourage sources to assume certain standards and/or operating limits to avoid needing a Title 5 Permit. These sources are comparable to Title 1 “once and done” permits. The Avoidance Group pays a one-time application permit administration fee and annual permit administration compliance fees. They do not pay emission fees.

Generally, sources that have avoidance authorizations are small rural power generators that provide a vital service to communities. These communities have limited funding options and are incurring an increasing financial burden due to higher fuel costs.

The Program is obligated to look at all sources for the potential for emission fees based on emitted tons of pollutants. The Draft May 31, 2006, Emission Report reviewed the option of charging an emission fee to the Avoidance Group, based on initial consideration of the Potential to Emit (PTE) tons. Under this option, the Avoidance Group sources would pay emission fees for the first time. Under this alternative they would be treated differently then in the past and would pay emission fees every year under the ORL. Imposing emission fees for this group would further strain the smaller communities' limited funding options.

8.1.2.1 Avoidance Group PTE and Estimate Effective on Emission Fees.

The total Avoidance Group emissions are 10,593 tons. Emissions for the permit avoidance groups are calculated based on an estimate of the potential to emit, averaged and multiplied by the total number of sources operating under each permit avoidance category. These calculations are delineated by source category in Table 30.

Source Category	ORLS	PAELS (Diesel)	PAELS(Gas Bulk)	Total
NUMBER OF SOURCES	48	136	27	
Average Potential to Emit	63	36	99	
Total Estimated Emissions	3024	4896	2673	10593

Table 30 Estimated Permit Avoidance Emissions

Information for above table was gathered thru the sum of total number of permit types listed in AirTools, multiplied by estimated PTE based on query of a sampling of Operating Reports. Average PTE was based on preliminary 2005 facility operating data and was calculated by Title 5 staff.

Data Sources\orl-paels emissions.xls

If the **full** potential to emit Avoidance Group tonnage is included into the **total** assessable emissions to calculate the rates, the 4 year average emission fee rate would be reduced an average of $0.48 for Title 1 and $1.88 for Title 5. Please refer to Table 31 for the net effect of the Avoidance tonnage on the 4 year average emission fee rate.

Title 5 Additional Revenue Source with Avoidance Group Assessable Emissions-4 year average			
Avoidance Groups (ORLS/PAELS) operating under 18 AAC 50.225 or 18 AAC 50.230, or 18 AAC 50.508(5)			
Estimated Emissions from Operating Avoidance Group Sources		10,593	tons
Projected Title 5 Emissions		116,342	tons
Total Projected emissions		126,935	tons
Proposed Title 5 Emission Fee Allocation including Avoidance Group			
Expenses / total projected emissions including avoidance group			
Projected average annuals expenses to be covered by fees (Table 12) $2,617,395		126,935	$20.62
Net effect on Proposed Title 5 Fee including Avoidance Group			
4 year Average Title 5 Fee without the Avoidance Group (Table 27)		$22.50	
Proposed Title 5 Fee with the Avoidance Group		$20.62	
Net effect of Avoidance Assessable Emission tons on Title 5 fee			$1.88
Title 1 Additional Revenue Source with Avoidance Group Assessable Emissions			
Avoidance Groups (ORLS/PAELS) operating under 18 AAC 50.225 or 18 AAC 50.230, or 18 AAC 50.508(5)			
Estimated Emissions from Operating Avoidance Group Sources		10,593	tons
Projected Title 1 Emissions		118,242	tons
Total Projected emissions		128,835	tons
Proposed Title 1 Emission Fee Allocation including Avoidance Group			
Expenses / total projected emissions including avoidance group			
Projected average annual expenses to be covered by fees (Table 21) $700,298		128,835	$5.44
Net effect on Proposed Title 1 Fee			
4 year Average Title 1 Fee without the Avoidance Group (Table 27)		$5.92	
Proposed Title 1 Fee with the Avoidance Group		$5.44	
Net effect of Avoidance Assessable Emission tons on Title 1 fee			$0.48

Table 31 Proposed Emission Fee including Avoidance Group

The Program did not recommend charging an emission fee the Avoidance group in the Draft May 31, 2006, Emission Report. The Program did request comments in regards to this issue.

Previous comments from some of the public and Workgroup members were strongly supportive of emission fees that would create an incentive to reduce emissions. Other public and Workgroup members supported charging emission fees to operators who executed emission controls such as operating under Owner Requested Limits to avoid the need for Title 5 Permit.

8.1.2.2 Final Analysis of Emission Fee for the Avoidance Group.

In response to Public Comments on the May 31, 2006, Draft Emission Report, the Program further examined charging Title 5 emission fees to the Avoidance Group. The Program analyzed the equitability, expense, revenue, and legality of charging the emission fee to the Avoidance Group.

Table 32 below outlines the expenses and revenue related to the Avoidance Group.

	ORL	PAEL
Total Work Spent on Avoidance (technical hours Feb 2005 – July 2006)	278.75	24.75
Total Avoidance Cost (Technical hours x $155/technical hour)	$43,206	$3,836
Revenue from Direct Fees on Avoidance (Feb. 2005 to July, 2006)	$31,840	$1,540
Amount of Total Avoidance Cost not Covered by Direct Fees	-$11,366	-$2,296
Estimated Revenue from a full PTE Charge on Avoidance (tons x 4 year Average Fee of $25.42/ton)	$76,870	$192,404

Table 32 Avoidance Group Expenses and Revenue

Assessing the full Title 5 fee to this source group is not equitable to the associated level of work.

The Program spent 304 technical hours processing 30 permit avoidance requests from February 2005 – July 2006. The direct permit administration fees collected from the Avoidance group pay for 71% of the programs cost associated with the group. However, the estimated revenue from emission fees (assessed in PTE) is 2000% more than is needed to cover the indirect costs of processing the requests.

The Program anticipates that the revenue to be collected from reported actual emissions versus the average potential to emit would be significantly lower, making this option less viable and an added accounting burden.

The initial revenue estimate was based on fees for the potential to emit tons. Under 18 ACC 50.410(c), a source can pay for only the actual tons emitted. It is anticipated the Avoidance Group sources will only pay emission fees based on actual tons emitted. This would significantly reduce the anticipated revenue that is based on PTE, as estimated in the May 31, 2006, Draft Emission Report. In addition, the billing and administrative cost for collecting a significantly smaller bill may exceed any revenue received.

Assessing emission fees would require additional costly regulation changes.

The authorization for Avoidance is not considered a permit. The Avoidance authorizations are for sources that have avoided needing a permit. Authorizations issued under 18 AAC 50.225, 18 AAC 50.230, or 18 AAC 50.508(6) are not currently defined as permits under 18 AAC 50.990. Air Quality Control Regulations 18 AAC 50.410 allow billing of assessable emissions to stationary sources subject to a permit. Changing the definition to include the Avoidance Authorizations in the classification of a permit would require a regulation change. The cost and time for the regulation change will not justify the anticipated revenue.

The Program will not charge the avoidance group the emission fee based on the finding that the emission fee places an inequitable cost burden on sources that is not supported by the associated work and that it would require a costly regulation change.

8.2 Service cuts

It was recommended by the Workgroup that the Program provide due diligence and review options for reductions in the services as a means of reducing Program costs. Four areas were selected for examination: eliminate negotiation and permitting assistance on flat fee projects, reduce staff personnel, eliminate program quality management/process improvement efforts (QMS), and eliminate Program efforts directed at electronic permitting.

8.2.1 Quality Management System

The Program embarked on a Quality Management System (QMS) strategy based upon stakeholder input as a result of a process analysis and benchmark study conducted by the Program, US EPA, EPA Region 10, and the Alaska Oil and Gas Association (AOGA)[12] (hereafter "the study"). The objective was to improve the efficiency and effectiveness of the Program's air permit process. The Program adopted the study's recommendations to improve the quality of permit applications and to improve the overall process as a means to gain efficiencies and improve stakeholder interaction. Central to adoption of the study's recommendations was the issue to create and deploy a QMS umbrella to the many processes used by the Program. While enactment of many of the study's recommendations and conclusions only truly began in FY05 and continued in earnest in FY06, significant progress has already been made. One key example is the implementation of AirTools, a database that centralized the Program data with regards to permits, compliance, and document review status and has made data queries much more efficient. AirTools has been essential to moving the Program along towards a technology-based solution of electronic permitting, which was one of the recommendations in the study.

The Program discussed QMS design, development, and audit within Sections 3.6 and 4.3.2. The implementation of a QMS was a direct result of adopting the recommendations in the study[13]. These costs could be saved by not implementing the QMS, thus realizing a direct savings to the Program of those costs. This savings would be a one-time solution.

Program QMS implementation costs can be directly tied to standardizing new business methods, temporary inefficiencies imposed while changing over from old permitting templates and methodologies, and other short-term inefficiencies.

[12] "*Benchmarking and Process Analysis Report for Alaska Department of Environmental Conservation*" prepared by Don Arkell and Lucinda Mahoney (KPMG LLP)
[13] Executive Summary, Overview of Recommendations of the study referenced in 1 above.

As practices become standardized, these costs decrease as more and more permit actions are undertaken under the new methods and practices.

QMS has the potential to accelerate the Program's ability to respond to permitting issues, and ease the learning curve for new staff personnel[14] by introducing standardized methods and processes, technology based solutions, and other efficiencies.

The Workgroup comments were supportive of the continuation of the QMS program including comments that the current projection may be under funding the program. The program would enact a Title 5 short-term savings of $105,701 for FY07. For subsequent years, the program projects a savings of $96,748. See Section 3.6.2., Table 5 for incremental QMS costs for Title 5 permitting and compliance respectively. The program would enact a Title 1 short-term savings of $45,301 for FY07. For subsequent years, the program projects a savings of $41,463. See Section 4.3.2.2, Table16 for incremental QMS costs for Title 1 permitting and compliance respectively.

8.2.2 Eliminate Negotiation and Permitting Assistance on Flat Fee Projects

Permittees often need assistance with activities related to flat fees or with fee negotiations. These tacks increase the workloads and incurred cost of the Program to all permit holders. This additional service can be eliminated. Permit applications will be expected to be submitted with the correct fee and application without any assistance of Air Permits Staff. If the Program is to realize this cost savings, we would have to adopt a strict policy to return all applications if associated fees are incorrectly paid.

8.2.3 Reducing Staff Personnel

The Program employs senior managers, environmental engineers, technicians, and support personnel within the guidelines approved by the legislature. The Benchmarking and Process Analysis Report (Summary Table 1 of the State Survey Data from Benchmarking study) shows DEC permitting staff numbers to be in line with other states with equivalent workloads. Reduction of Program staff would lead to delays in permit processing, increased workloads among remaining staff, delays in information gathering during all phases of permitting, and a reduction in the Program's ability to maintain a proactive compliance posture.

Reduction of Program staff personnel would need to be offset by efficiency gains in other areas not yet identified, along with legislative relief, and would impact the Program's ability to attract and maintain knowledgeable experienced staff, all of which would have a direct impact on the Program's ability to respond to compliance or permitting demands.

[14] Executive Summary, Discussion of Findings of the study referenced in 1 above.

Section 3.3, as noted in Figure 14 below, discussed the cyclical permitting workloads that will peak during FY08, based on the five year cycle of Title 5 permit issuance. The Program is currently staffed at a level to support the FY07 workloads. It is anticipated that the current workloads priorities will be adjusted to accommodate the FY08 peak permitting workloads. Any reductions in staffing levels would have to be made up from as yet unidentified gains in efficiency. Figure 14 below summarizes the staff-hour workloads devoted to actual and anticipated permitting levels. The peak in FY08 is a direct result of a large number of permit actions completed in FY03 that have a five year renewal cycle.

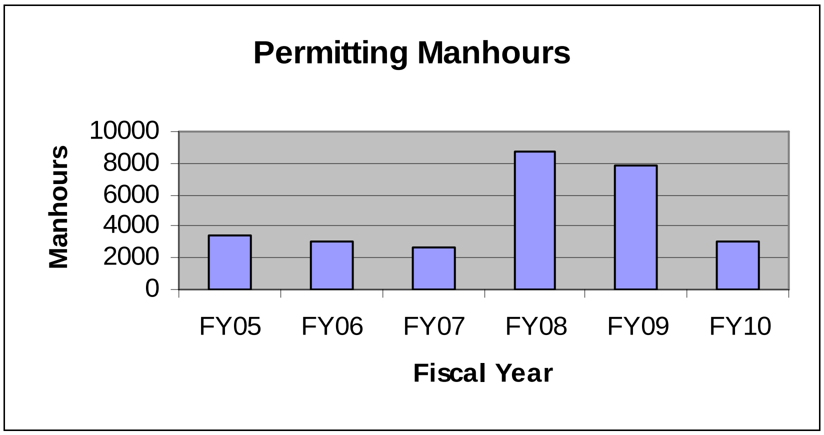


Figure 14 Title 5 Permitting Service Hours

Information was provided through analysis of BillQuick records multiplied by staff salary.

Data Sources\Projected T5 hours.xls

8.2.4 Eliminating Program Technology Efforts

The development of technology-based solutions as a means of gaining efficiencies in the permitting process was a recommendation from the adopted study.[15] The study indicates that many other states also use technology elements as an efficiency multiplier.[16] Using these recommendations, the Program planned a push towards electronic permitting with a view towards reducing permit processing time, standardization along QMS efforts, and more efficiency in Program processes.

[15] Executive Summary, Overview of Recommendations of the study referenced in 1 above.
[16] Discussion of Findings, Best Practices Employed by Other States of the study referenced in 1 above.

The deployment of AirTools embodies one element of the Program's push towards technology as a means to increase efficiency among Program elements. Each active element of AirTools increases the Program staff ability to share information and have information readily available to them rather than querying which office has the hardcopy data needed. AirTools also allows collaboration among Program staff.

Elimination of these technology based solutions and Program initiatives would only offer short-term savings and has the potential to increase costs associated with permitting in the future. As Program permitting workloads advance into a more mature phase, as indicated in the large number of permit renewals on the horizon, electronic permitting has the best chance of capturing repetitive tasks and gaining permitting efficiencies through technology-based advances.

The Program calculated the annual Title 5 costs of electronic permitting in Section 3.7. By eliminating electronic permitting, the Program could reduce expenses by $259,703 (Section 3.7.2) and $70,567 (section 4.3.3.2) each year. Please reference the Appendix for detailed explanation of the estimated costs associated with Title 5 data management and electronic permitting.

8.3 Emission Fees Only When Obtaining a Title 1 Permit

In this option, permittees would pay emission fees only when they request or obtain a new Title 1 permit. For a new stationary source, the assessable emissions would be the potential to emit. For a modification, the emission fee rate would apply to emissions from the new equipment and possibly also include actual emissions from existing equipment in operation before the permit action was requested. The increase would be calculated based on either potential or actual emissions, depending on the permit threshold that applied to the modification.

If a stationary source were subject to more than one Title 1 permit during a single fiscal year, the Program would assess the emission fee only once.

This approach would affect a limited number of stationary sources per year. Based on calendar year 2004 and 2005 averages, the emission fees would be carried by 27 sources subject to source specific permit actions and 9 authorizations under the MG1 for portable oil and gas drill rigs (see Figure 15). The assessable emissions associated with these sources are illustrated in Figure 16. The figures show considerable variability among years in the number of permit actions and assessable emissions. The number of source specific permit actions per year varied from 17 to 36 (Section 4, Table 13 shows the average permit actions)

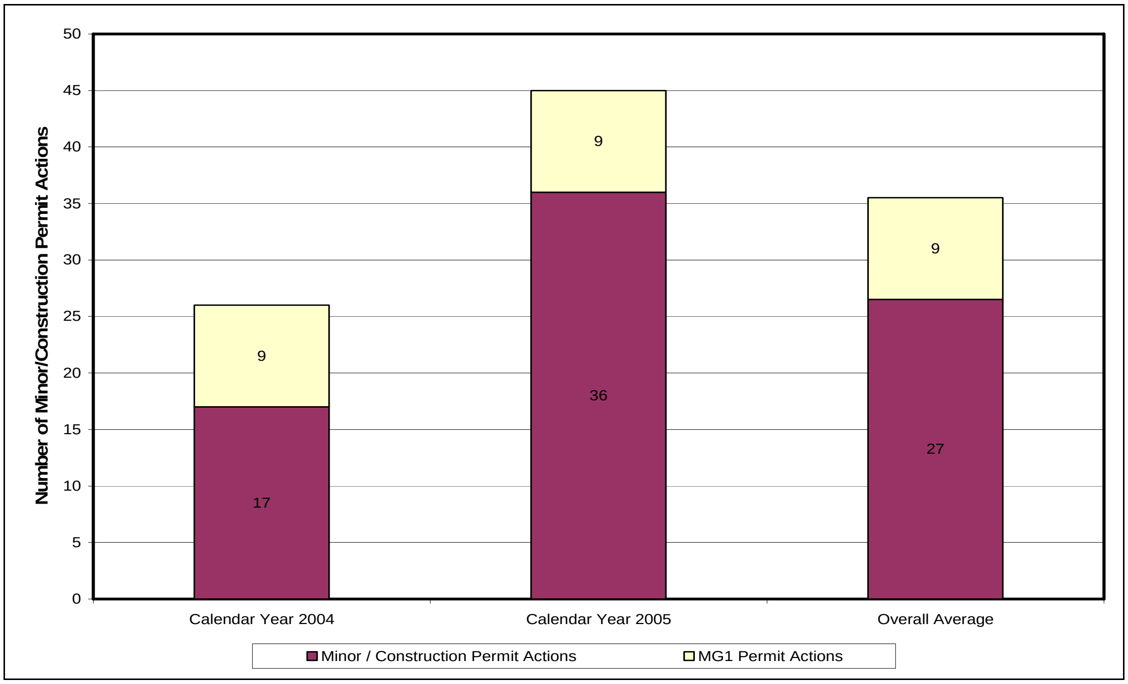


Figure 15 Permit Actions Subject to Option 2 Emission Fees

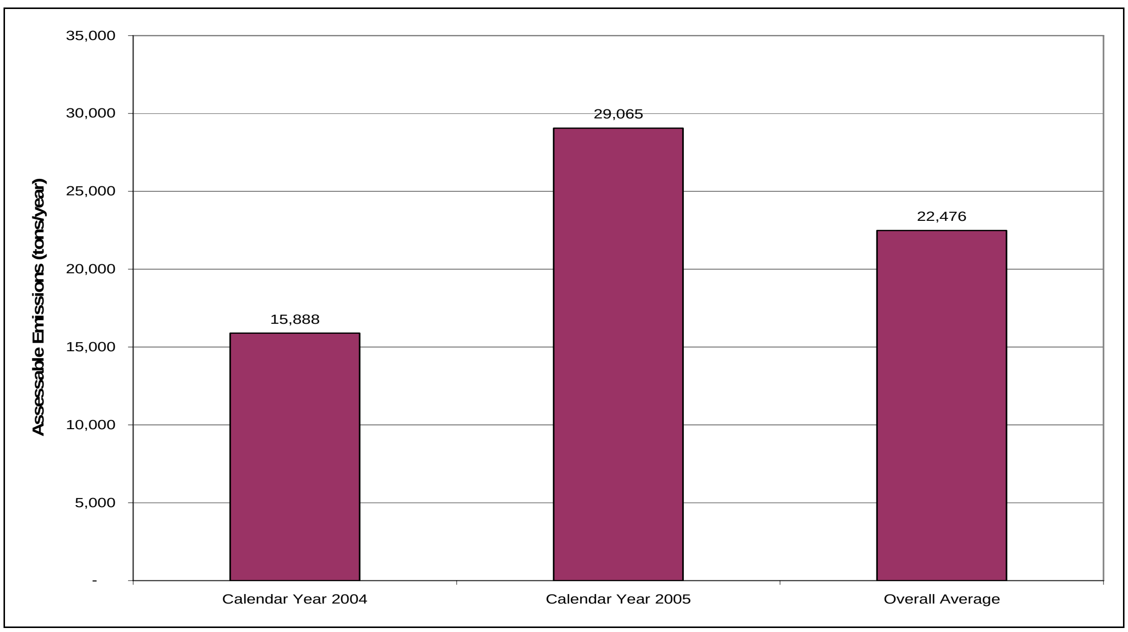


Figure 16 Average Assessable Emissions under Option 2

Information for preceding figures was based on the sum of assessable emission as reported in permit applications submitted 1/1/04 - 12/31/04 and 1/10/05 - 12/31/05

Data Sources\TI EF Structure Alternatives.xls

The expenses to be covered by emission fees are $700,298 (Table 21). Based on the stationary sources and emissions used from 2004 and 2005, under Emission fee for Applications, the Title 1 emission fees per permit would vary from $400 to $122,000. The fee would not be related to the complexity of the permit.[17]

Dividing the estimated number of applications by the projected average expenses for Title 1 ($1,294,298 – Table 20) the average Title 1 emission fee per permit when charging only for Title 1 applications is $47,937.[18]

Upon first review, a $47,937 fee would seem inappropriately high. There may be other alternatives for recovering the indirect cost of the Title 1 permits that provide a more finite or accurate reflection of the indirect cost of each Title 1 permit where Title 1 permits range from very complex new developments to rather simple and straightforward minor changes to a facility. However, our analysis leads us to believe that another fee structure, other than a fee base upon emission rate, would be necessary to achieve equality. Such a change would require existing law to be changed. While DEC is not opposed to changes in law, it would be a substantial undertaking.

8.3.1 Advantages and Disadvantages of Title 1 Application Emission Fee

Advantages:

- The entire Title 1 permit program would be paid for by those using it.

Disadvantages:

- The fees would be very high for those who pay and could prevent applicants from getting needed changes to their permits or from building or making needed upgrades to their stationary sources. At least one planned pollution control project might be shelved as a result or at least made considerably more expensive.
- This option could make it more difficult for the Program to manage when payments are received. It is possible that substantial amounts of revenue could be swept to the General Fund at the end of the fiscal year if projects occur just before the fiscal year end. This could result in under-funding the program and providing poorer service.
- If invoices were sent for payment at the beginning of the following year (after service is provided) instead of being up-front payments, a small number of defaults on those payment could significantly hamper the Program since each payment would be a much more substantial portion of available revenue.
- The necessary staffing level would be harder to predict and manage. The funding needed to keep staff available for permit requests would depend on a variable and unpredictable revenue source. This could result in substantial delays in permit issuance.

[17] While the emission fee part of the cost of a permit would depend solely on the assessable emissions of the stationary source rather than the complexity of the permit, an emission fee for a PSD permit would be at least $8600, based on emissions.

[18] The number of source specific permit actions does not count more than one for stationary sources that received two or more permits in a year. Average assessable emission is an approximate number based on the assessable emissions used to bill FY06 emission fees. Complete data for MG1s was not available for both years, so the numbers reflect 2005 only.

- Because the emission fees would not be related to the complexity of the permit, applicants could pay greatly different amounts for the same service.
- Emission rates would be difficult to predict. A fair and adequate emission fee rate would be very difficult to determine.

8.4 Legislative Options

8.4.1 Adjust the 149% staff rate.

Background information on the calculations of the 149% rate was provided by DIAS. Data Sources\149% calc.xls

The permit administration hourly fee rate is currently set at 149% of the hourly employee cost to the state for Air Permit employees under AS 37.10.052 and AS 46.14.240.

The Workgroup commented that the 149% hourly rate should be adjusted to reflect the current actual cost for a DEC employee. Changing the 149% rate requires legislative action to amend AS 37.10. As per the Workgroup's request, the Program researched how the 149% rate was determined. This research was not absolutely conclusive. It appears the rate originated largely from a December 1998 report prepared for DEC by the McDowell Group entitled **A Rationale and Methodology for User Fees.** The report studied fee rates related to the Department's wastewater permitting program. The report was used as a supporting document in the deliberation of HB361 that created portions of AS 37.10. Ultimately, it appears that the 149% was a negotiated number arrived at during legislative discussions since it is not directly noted in the McDowell report. It is commonly understood by those involved in the legislative discussion that the 149% was a best attempt to capture the total direct costs to the state of a DEC employee while that person was engaged in work duties described in HB361. In summary, it was intended to capture: the direct hourly salary cost; the employee's health and retirement benefit costs; and the costs of holiday leave, sick leave, and vacation leave for an average tenured employee.

The Program attempted to further break down the 149% cost elements in order to re-visit those elements to understand which have significantly increased since HB361 became effective in FY01. The most notable increases today are for retirement benefits and health insurance. The division's accounting records indicate that benefits were 121% of hourly salary costs in FY01. For purposes of reasonable grouping, we are labeling those benefits costs as "retirement benefit" costs. If we subtract the 121%, the residual "non-retirement" benefit costs are 28%. For purposes of this analysis, we believe it is reasonable to assume the 28% accounts for the health insurance; legal trust benefits; and holiday, sick, and vacation leave costs. Table 33 is constructed to reflect the Department's best current estimate of how retirement benefits costs are escalating in the immediate future. This is then used to reflect a suggested change to the 149% value of total benefits costs for future years. This estimation is provided as an approximate range of cost increases. Certainly more exhaustive analysis and projections would need to be done prior to suggesting a statutory change to the 149% value in AS 37.10.

Hourly Rate set in 2001 by House Bill 361 and Alaska Statute 37.10	**Benefit Ratio to Salary in Base Year 2001**	**Unitemized Additional Personnel Costs**
149%	21%	28%
Fiscal Year	Benefit Ratio to Salary	Hourly Rate Adjusted to Reflect Actual Cost Salary + Benefit Ratio + Unitemized Additional Personnel Costs (i.e. 2001=100%+21%+28%)
FY 2001	21%	149%
FY 2002	22%	150%
FY03	22%	150%
FY04	22%	150%
FY05	26%	154%
FY06	29%	157%
FY07	32%	160%
FY08	37%	165%
FY09	42%	170%
FY10	47%	175%

Table 33 Hourly Rate Direct Cost Percentage

Information was gathered through analysis of historical staff salary rate and was provided by DIAS
Data Sources\149% calc.xls

Increasing the 149% hourly rate would have the potential to increase the permit administrative fee revenues and lower the dependence on emission fees. However, changing the 149% hourly rate would involve a legislative process. It will not provide the revenues in the near term that are required to pay for the projected expenses for the Air Permit Program or a reduction in the proposed emission fee.

DEC favors such a change to the 149% because the underlying policy is consistent with HB361. However, if such legislation is to be proposed and potentially succeed, it will need support by the Permittees. It is important to note that until such legislation is passed, the Air Program will need to fund service levels through the emission fees.

One element of the report was the definition of a Designated Regulatory Service of a resource agency. There was an assumption that a Designated Regulatory Service would receive up to 60% of its revenue from General Funds. The Air

Permits Program was not part of the initial study nor was it originally defined as a Designated Regulatory Service as it is required to be fully funded by fees. The Air Permits Program was determined to be a Designated Regulatory Service under HB160 for the establishment of the current Permit Administration fees.

8.4.2 Increase in General Funds

In FY06 the Air Permits Program received $274,451 in Federal Grant/GF matching funds and $213,000 in general funds. We expect a 16% decrease in Federal Grant Funds in FY07. This is a decrease of $43,912 to the Air Permits Program. The projected federal grant funds will be $230,598. General funds are projected to be at stable funding levels. Current funding will be required to pay for other program costs as discussed in Section 5 and Section 7.2.

The Air Permits Program is fully funded from fees, unlike other regulatory programs that receive up to 60% of the funding from federal or general funds.

Based on comments from the Workgroup and Alaska Oil and Gas Association, there is support to pursue increased General Funds to support the Air program. There are several important considerations:

1. There is an immediate funding gap. There is still the need to fill the existing funding gap, until (or if) such time these general funds are available.

2. Any general funds received must be applied to Title 1 activities, not Title 5. Federal law required the Title 5 permits to be funded through fees.

The Program would understand that any increase in General Funds would be applied to a reduction in the Title 1 Emission rate and pursue an emission rate regulatory adjustment.

9 Other Fee Considerations

Previous sections of this report have presented the various effects of the emission fees by comparing previous fees; reviewing for fee inequities; and analyzing the cost and the effect on types, sizes, and categories of sources. This section provides an overall view and additional information relative to the emission fee.

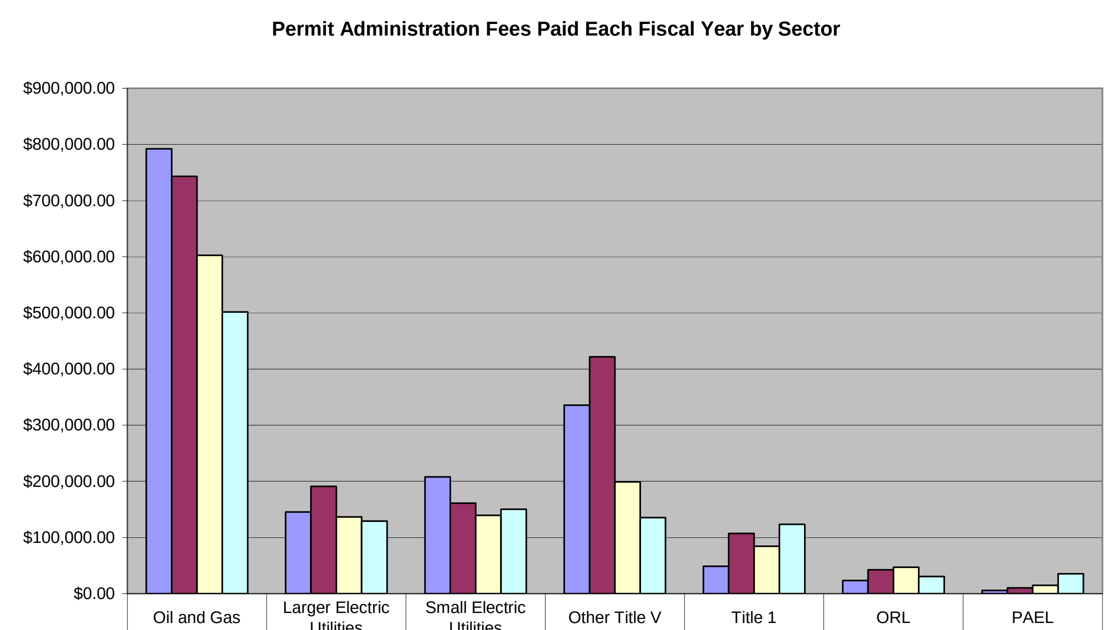
9.1 Fees by Sector

9.1.1 Permit Administration Fees by Sector

Information for Fees by Sector was gathered from revenue receipts, sorted by source (sector) category. Revenue documents were provided by DIAS.

Data Sources\FY03-06 revenues.xls

Figure 17 below provides information on the Permit Administration Fees paid by fiscal year by sector. The administration fees have decreased as previously discussed, due to the new regulations enacted in December 2005. The Oil and Gas sector has the greatest decrease in administration fees along with other Title 5 permit holders. The Permit Administration fees paid by the small electric utilities Permit Administration Fees have been slightly reduced. Title 1 and PAEL sources have had an increase in fees.



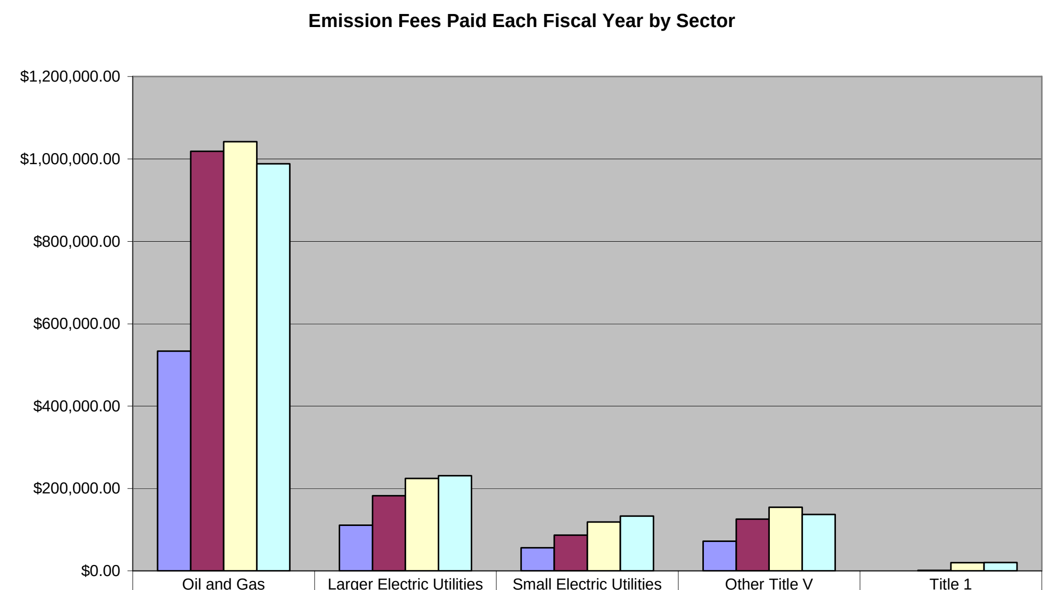
	Oil and Gas	Larger Electric Utilities	Small Electric Utilities	Other Title V	Title 1	ORL	PAEL
FY03 Admin	$792,148.50	$145,665.00	$207,811.50	$335,809.50	$48,808.50	$23,556.00	$5,850.00
FY04 Admin	$743,164.50	$191,166.30	$161,109.00	$421,728.49	$107,386.50	$42,437.17	$10,257.00
FY05 Admin	$602,590.75	$136,596.03	$139,318.43	$198,938.93	$84,711.55	$47,094.70	$14,928.48
FY06 Admin	$501,437.97	$129,244.29	$150,230.08	$135,533.59	$123,363.01	$30,638.07	$35,324.83

Figure 17 Permit Administration Fees Paid by Sector FY03-2006

This information is from queries on revenue receipts from the accounting program Bill Quick, sorted by fee type, fiscal year, project ID, and sector.

9.1.2 Emission Fees by Sector

Figure 18 represents emission fees paid by sector by fiscal year. Again, the Oil and Gas and Title 5 sources show declining emission fees. However, the emission fees for the electric utilities have increased.

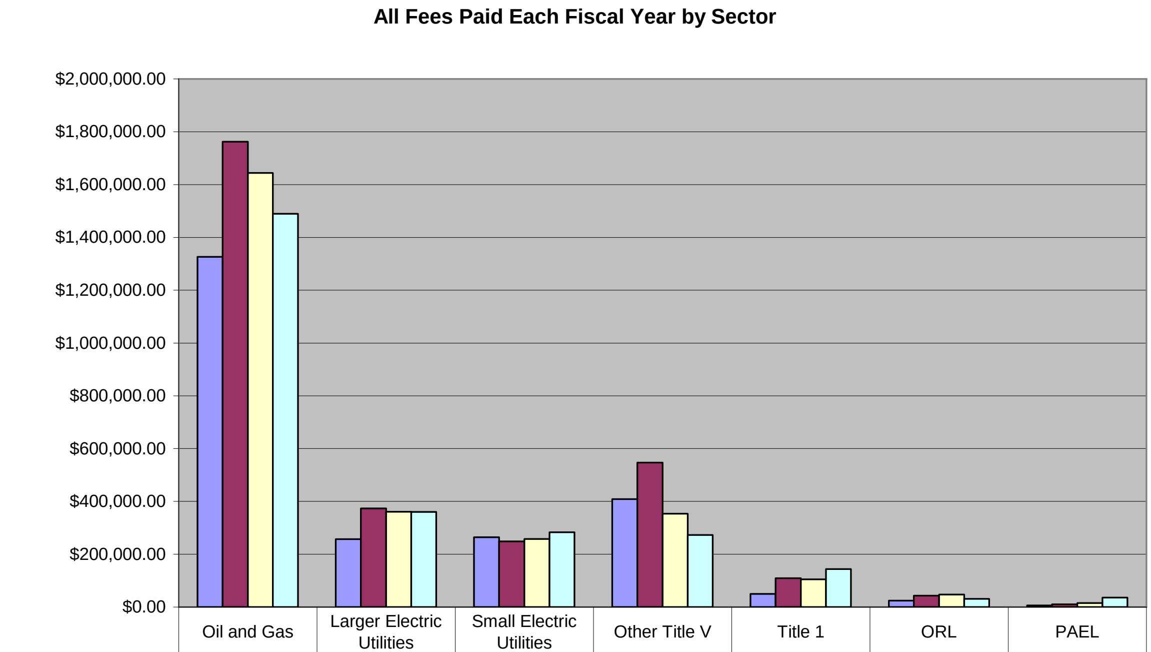


	Oil and Gas	Larger Electric Utilities	Small Electric Utilities	Other Title V	Title 1
FY03 Emission	$533,744.25	$110,921.46	$55,962.66	$72,414.81	$197.73
FY04 Emission	$1,018,647.40	$182,541.79	$87,070.06	$125,405.63	$1,262.33
FY05 Emission	$1,041,584.63	$224,395.96	$118,689.60	$154,434.20	$19,643.88
FY06 Emission	$988,419.57	$230,981.48	$133,112.64	$137,219.20	$20,269.88

Figure 18 Emission Fees Paid by Sector FY03-FY06

9.1.3 All Fees by Sector

Figure 19 below represents Total Fees Paid FY03 – FY06 by Sector. The current fee structure has decreased fees for Oil and Gas and Title 5 sources. Title 1 and small utilities have increased in all fees. The large utilities fees have remained somewhat constant.



	Oil and Gas	Larger Electric Utilities	Small Electric Utilities	Other Title V	Title 1	ORL	PAEL
All Fees Paid FY03	$1,325,892.75	$256,586.46	$263,774.16	$408,224.31	$49,006.23	$23,556.00	$5,850.00
All Fees Paid FY04	$1,761,811.90	$373,708.09	$248,179.06	$547,134.12	$108,648.83	$42,437.17	$10,257.00
All Fees Paid FY05	$1,644,175.38	$360,991.99	$258,008.03	$353,373.13	$104,355.43	$47,094.70	$14,928.48
All Fees Paid FY06	$1,489,857.54	$360,225.77	$283,342.72	$272,752.79	$143,632.89	$30,638.07	$35,324.83

Figure 19 Total Fees Paid FY03-FY06 by Sector

This information is from queries on revenue receipts from the accounting program Bill Quick, sorted by fee type, fiscal year, project ID, and sector.

9.1.4 Percentage of Emission Fees by Sector

Figure 20 compares the percentage of emission fees paid by sector based on the past, present, and projected emission fee per ton. The overall effect of the projected emission fees does not significantly alter the past percentages or place an undue burden on one sector. The Oil and Gas percentage of emission fees paid decreased when fees changed from $5.07/ton to $12.52/ton. The new proposed emission fees maintain the current levels.

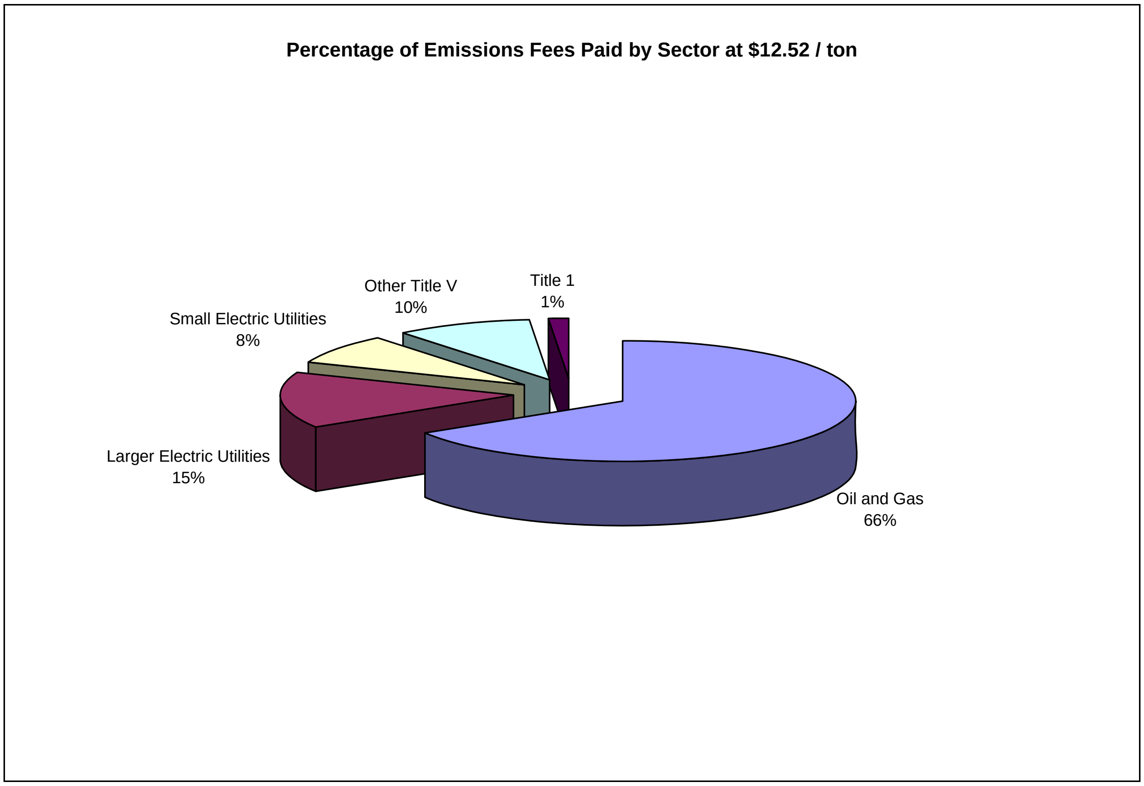


Figure 20 Emission Fees paid by Sector January 2005-FY06

10 Emission Fee Structure and Implementation

10.1 Analysis of the Draft Report and Public Comments Published May 31, 2006

The Division published an initial evaluation report and proposed changes to the air permit emission fee regulations in 18 AAC 50 on May 31, 2006 (Draft Report). Public comments were accepted June 1 through July 3, 2006. Due to additional requirements imposed by the Department of Law, the Program issued a supplemental public notice on July 10, 2006, and accepted additional comments July 10 through August 11, 2006.

The draft evaluation report proposed to increase the emission fee based on the historical practice of a flat fee based on the 4-year average projected program costs for FY07 – FY10.

Public comments to the May 2006 draft evaluation report recommended:

- A phased or short term fee rate increase to fund and administer the program though FY08 rather than FY10.
- Charge emission fees to stationary sources currently operating under Avoidance Authorizations (Owner Requested Limits and Pre-Approval Limit Authorizations).
- Pursuing other funding mechanism through changes in AS 37.10 and/or an increase in General funds for Title 1 services.
- Any fee increase to be implemented beginning January 2007, to match industry's fiscal budgets that are based on the calendar year.

The Division reviewed the comments and analyzed the effects on the rates and responded to each comment.

The Response to Comments is referenced within the Appendix to this report.

10.2 Phased or Short Term Emission Fee

The public comments strongly recommended the Program further analyze and consider alternatives to an emission fee that was based on a shorter duration other than a rate based on a 4-year average. The comments supported a rate that was phased in FY07 and FY08.

The Division reviewed the Draft Report to address the comments for a phased-in fee that will provide an emission fee structure that ensures full funding of services. The Division evaluated four emission fee structure alternatives.

A) Rate based on 4-year average
B) Annual Rate based on each Fiscal Year

C) Annual rate FY07 and Average Rate FY08 Forward
D) 2-year Average Rate

In addition, evaluation of each alternative emission fee structure must consider requirements of key elements mandated by Federal and State statutes**.**

First, revenues need to match the workloads. Title 1 funds must be spent in the fiscal year that fees are collected and cannot be carried over to other fiscal years (see discussion in Section 7, Funding Sources).

Second, the emission fees must be deposited into proper accounts – Title 1 fees into the ECPRA account and Title 5 fees into the CAPF.

Third, analysis the effect of the two sources of fee revenue on different evaluation schedules. The emission fee rate and permit administration fees are established by AS 46.14.240 and 18 AAC 50.410 and AS 46.14.250 and 18 AAC 15.400 respectively. Currently, they are on different schedules for adjusting fees rates. The permit administration fees are scheduled to be re-evaluated by January 2009. The emission fee is not required to be re-evaluated until FY11. Any change in the permit administration fee rates may affect the rates charged for emission fees. It is fiscally prudent to balance the funding formula to have equitable funding from both the permit administration fees and emission fees set on the same evaluation schedule.

Table 34 below provides a comparison for the alternative fee structures. Please note all rates included the adjustment to the Program costs as presented in Section 3 (Table 10) and Section 4 (Table 20). All rates presented are the annual emission fee rate.

ANNUAL EMISSION FEE ALTERNATIVES

	Option A	Option B			Option C		Option D	
	SINGLE SET RATE	ANNUAL RATE FOR EACH YEAR			FY07 RATE; THREE YEAR AVERAGE		TWO YEAR AVERAGE RATE	
	Rate Based on Projected Four Year Average	Rate Based on Annual Projections			Rates Based on FY07 Cost and Averaged over Three Years		Rate Based on Averaged rate FY07/08; Average Rate FY09 Forward	
	FY07 forward	FY07	FY08	FY09	FY07	FY08 forward	FY07/08	FY09 forward
*Current Annual Title 5 Rate **	*$9.77*	*$9.77*	*$9.77*	*$9.77*	*$9.77*	*$9.77*	*$9.77*	*$9.77*
Increased Fee over Current Title 5 Rate	*$12.73*	*$4.02*	*$16.51*	*$17.47*	*$4.02*	*$15.63*	*$10.27*	*$15.19*
New Annual Title 5 Rate	***$22.50***	***$13.79***	***$26.28***	***$27.24***	***$13.79***	***$25.40***	***$20.04***	***$24.96***
*Current Annual Title 1 Rate **	*$2.75*	*$2.75*	*$2.75*	*$2.75*	*$2.75*	*$2.75*	*$2.75*	*$2.75*
Increased Fee over Current Title 1 Rate	*$3.17*	*$2.51*	*$2.77*	*$3.38*	*$2.51*	*$3.40*	*$2.64*	*$3.71*
New Annual Title 1 Rate	***$5.92***	***$5.26***	***$5.52***	***$6.13***	***$5.26***	***$6.15***	***$5.39***	***$6.46***
Total Annual Emission Fee	**$28.42**	**$19.05**	**$31.80**	**$33.37**	***$19.05***	***$31.54***	**$25.42**	**$31.42**
Phased or short term Title 5 fee increase through FY08	No	Yes			Yes		No	
Income matches cash flow requirements for each fiscal year	No	Yes	Yes	Yes	Yes	No (FY09)	No	No

CAPF balance applied to FY07 for all fee calculations is estimated at $600,000

All Fees include additional $100,000 increase in FY07 for audit in response to Public Comments.

All fees are based of the premise that the program is fully funded.

* The current emission fee rate of $12.52 is splt between the Title 5 and Title 1 Programs; $9.77 is deposited into the CAPF account per AS 46.14.260 and 2.75 is deposited in the ECPRA account per AS 46.14.265.

** Emission Fees are expected to be re-evaluated in FY09 in conjunction with Permit Administration Fee Study.

Table 34 Fee Rate Alternatives

10.3 Evaluation of Fee Rate Alternatives

10.3.1 Four year Average.

Historically, the emission fees were an annualize rate that was an average based on the total costs to be recovered divided by the number of years over which the fee is collected. The average rate was then assessed as the annual emission fee until the next 4-year evaluation. The May 31, 2006, Draft Fee Rate Emission Report used the 4-year historical average method to set the emission rate. Based on the public comments and further review by the Program, this alternative was rejected by the Division. Public comments requested a phase-in of the emission fees to closely match current workloads with current emission fee income. There is concern about having a fee based on future costs. In addition, public comments were supportive for changes in the direct cost rate set at 149% and increases in general funds. Any changes to the funding sources and formula would affect the emission rate. However, these require legislative changes and do not address the immediate shortfall.

The 4-year average rate does not match service levels and deposit requirements.

The Program re-considered the proposed 4-year average due to the restriction of spending the funds that are deposit into the ECPRA. This is not a dedicated fund, and any receipt revenue must be used within the fiscal year they are received. With a 4-year average rate, the Title 1 emission fee revenue would collect an excess of the required funds to pay for the services in FY07 and FY08 and under collect necessary funds in FY09 (Please reference Table 28). In FY07 and FY08, the excess funds would be returned to the State and not be available to pay for necessary services. However, there would be a shortfall of required revenue in FY09 to provide for Title 1 services. Using any multi-year average alternative does not allow the Title 1 revenues to match Title 1 expenses.

The Division rejected the 4-year average rate approach to address the funding shortfall based on strong public comments and the restriction, in statute, on the Title 1 funding source.

10.3.2 FY07 Single Rate with Three year Average Rate and Two Year Average Rates

These rates were considered as an option to provide a phased-in approach in response to public comments. Both methods allow for a phased- in rate for FY07 and then an average rate for future years. When these alternatives were first considered they had the elements for a phased-in approach. However, while they do provide a phased approach for FY07, any average method for future years has the same restrictions on Title 1 funds as the 4-year average mentioned above in section 10.3.1. In addition, the average rate does not match cost with workloads that peak during the high permit renewal years of FY08 and FY09.

The Division rejected rates with emission fees based on averages.

10.3.3 Annual Rate Based on Each Fiscal Year

This rate will charge an annual emission rate that is based on the cost for the fiscal year in which they are incurred**. Each fiscal year will stand-alone and not be affected by increased cost of future years.** In each fiscal year, the fee revenue is matched to the associated cost to provide the workload services for that year.

This rate is the only method that allows for the Title 1 fee to align with costs. This option minimizes the risk of over-funding or under-funding the Program.

The annual rate based on each fiscal year is responsive to public comments for a phased-in rate. There is no averaging of future cost or rates based on different workloads of the other fiscal years. The higher cost for the renewal years in FY08 and FY09 will not increase the cost for FY07. This allows for the phased-in approach in FY07.

The annual rate based on each fiscal year provides the required elements for the fee rate structure. Establishing an annual fee rate for each year is the best option for meeting the fiscal needs of the Program, and is responsive to public comments for a phased-in fee rate. The Department's decision is to set an annual rate per fiscal year based on the level of funding required to support the Program through FY09.

The annual rate based on each fiscal year is the Division's recommendation for establishing the emission fees.

10.4 Emission Fee Implementation

Air Quality Control Regulation, 18 AAC 50.410, outlines the emission fee rate. 18 AAC 50.410 will be repealed and readopted to reflect the final emission fees. Please reference the Appendix for the new regulation language.

10.4.1 Phase In Rate for FY07

There is an increase in the annual emission fees for FY07 from the current $12.52/ton rate to a new total annual rate of $19.05/ton (Title 5 rate of $13.74/ton + Title 1 rate of $5.26/ton).

Please note that the Title 5 emission fee rate for FY07 is lower than the rate required to pay for the Program's annual expenses. The Division will apply $600,000 of the existing CAPF funds toward the Title 5 fee rate. This will reduce the Title 5 annual rate from $18.45/ton to the rate in this regulation action of $13.74/ton.

10.4.2 FY 07 Rate Effective January 1, 2007

Public comments requested that any increase in fees from this regulation action be effective as of January 1, 2007. To accommodate the public comments the annual rate will be prorated and will become effective January 1, 2007. This allows the regulated community to have the funds and budgets correspond to their fiscal years.

Currently permitted sources have already been billed the annual rate of $12.52/ton for FY07 emissions. In order to collect the increased revenue that is necessary to cover FY07 costs, an additional assessment will be collected for the period from January 1, 2007, to June 30, 2007. Because the additional assessment will only be collected over a six-month period, it is necessary for the additional fee rate to be double the difference between the existing rate and the actual FY07 annual rate. Therefore, the additional assessment required in January 2007 will be $8.04/ton for Title 5 and $5.02/ton for Title 1, for a combined additional emission fee of $13.06/ton.

Additionally, any sources that receive new permits from January 1, 2007, through June 30, 2007, will pay both the $12.52/ton rate and the additional assessment for their permit.

10.4.3 Annual Rate Based on Each Fiscal Year for FY08 and FY09.

An increase in the Title 5 annual projected work load will begin in FY08, as a large number of Title 5 permits originally issued in FY03 will need to be renewed in FY08 and FY09. Therefore, the funds needed to fully support the work load in FY08 and FY09 will result in an increased fee rate for those years.

Beginning in FY08, the Department will implement a fee of $26.28/ton for Title 5 and $5.52/ton for Title 1, for a combined emission fee of $31.80/ton.

Beginning in FY09, the Department will implement a fee of $27.24/ton for Title 5 and $6.13/ton for Title 1, for a combined emission fee of $33.37/ton.

Emission fees for authorization under the Minor General Permit #1 (MG1s) will reflect the new Title 1 annual rate but will continue to be assessed as a flat fee payment. The emission fees for MG1s will be reduced from the current rate that was based on $12.52/ton.

10.5 Where Emission Fee Receipts are Deposited

The regulation revision includes language to apportion collected revenues for respective Title 1 and Title 5 expenses. Title 1 emission fees will be deposited into the EPCRA non-dedicated fund account under AS 46.14.265(a), and Title 5 emission fees will be deposited into the CAPF dedicated fund account under AS 46.14.260.

For each air pollutant from stationary sources permitted subject to 18 AAC 50.326 /AS 46.14.130(b), if the stationary source emits more than 10 tons of that air pollutant for that year and except that the emission fee for reduced sulfur compounds or ammonia is limited to the first 4,000 tons of emissions in the year, both Title 1 and Title 5 emission fees will be collected and allocated as indicated above.

For stationary sources not required to obtain an Operating Permit under AS 46.14.130(b) but otherwise required to obtain a construction permit or a minor permit in accordance with 18 AAC 50.502(c) or 18 AAC 50.508(5), Title 1 emission fees will be collected and allocated to the ECPRA; the emission fee will be payable in the fiscal year following the fiscal year in which the permit was issued.

For stationary sources not required to obtain a construction permit or minor permit in accordance with 18 AAC 50.502(c) or 18 AAC 50.508(5) but otherwise required to obtain a construction permit in accordance with 18 AAC 50.502(b), Title 1 emission fees will be collected and will be allocated to the ECPRA.

10.6 Schedule of Permit Administration Fee and Emission Fee Evaluations

10.6.1 Align the Fee Evaluations to a Uniform Schedule.

The two primary funding sources of Program Fees are required under statute to be evaluated and analyzed on a 4 year schedule. A fee rate cannot be determined and set into regulation without a report that provides for an evaluation of the fee. This provides for good public policy for a periodical review of the fees charged to operate the Program. Under AS 46.14.250(g), the Department is required to evaluate the emission fees set under this regulation revision in four years. The Department would not be required to conduct the emission fee study until 2011. Under AS 37.10.050, the permit administration fees are to be evaluated in FY09.

Currently, the funding sources are on different schedules for adjusting fees rates. This has created conditions that are not conducive for comprehensive funding of Program services. The evaluation and analysis included in any study of permit administration fees have a direct effect on the rate charged for emission fees. Emission fees must cover any revenue shortfalls not covered by permit administration fees. The Report demonstrates this effect in Section 3 (Table 12) and Section 4 (Table 21). A funding formula that provides alignment of the rate evaluations will provide a business model to provide full funding of Program services. It is fiscally prudent and sound management to align the two sources of revenue at the same time.

The comments received in Workgroup meetings were supportive of finding “the formula” that balances the two sources of fee revenues. In addition, fee study evaluations and regulations revisions are costly and time consuming. Combining the two fee evaluations will reduce Program costs and provide a smoother fee process for the regulated community.

10.6.2 Options to Align Fee Evaluations to a Uniform Schedule

AS 46.14.250(g) requires the fee evaluation “at least” every four years. To comply with the statute, the Department will need to complete the emission evaluation study by 2011. The statute does allow the Department to conduct the emission fee evaluation study in advance of FY11. The Division plans to evaluate the emission fees by January 2009, in conjunction with the review of permit administration fee study required by AS 37.10.050. However, there is no guarantee safeguard in the statute or regulation that the emission fee study will be completed prior to 2011. The Program’s commitment to a combined fee study by January 2009 can be strengthen by:

- a verbal commitment from the Department,
- regulation language that sets an FY09 date for fee evaluation, and
- regulation language that ends or “sunsets” the emission fees at the end of FY09.

10.6.2.1 Verbal Commitment from Department

This approach is responsive to public comments and provides a verbal assurance. It would not require any additional regulation language. The verbal commitment is not a guarantee that the study will be completed in FY09.

The Division has a significant working relationship with the regulated community through the Air Permits Workgroup. This open communication has allowed for transparency regarding the operation, costs, issues, and challenges of the Program. There is a general atmosphere of resolving of issues though open dialog within the confines allowed by statutes and regulations.

10.6.2.2 Provide Language in the Regulation Revision to Conduct the Next Emission Fee Evaluation in FY09

Committing the Department through language in this regulation revision does provide an increased assurance for an emission fee study in FY09. It is important to note that the statute allows the program to review and set fees at any time prior to the 4-year deadline. The additional language in this regulation revision would remove the option and reset the date to FY09. However, it is not a complete guarantee. If the Department did not complete the fee study, the regulated community could seek correction in the courts.

10.6.2.3 The Emission Fee Sunsets in July 2009

The regulation revision language can set the FY09 fees to end with the date of the state fiscal year on June 30, 2009. This would effectively sunset the emission fees. A sunset date would force the issue of completing the next emission fee evaluation by January 2009[19], by limiting the ability of the Program to collect receipts through emission fees without meeting the statutory requirements. New emission fees could be established based on the current evaluation that includes FY10 projections. However, this evaluation does not include the effect of any changes to the permit administration fee (PAF) evaluation to be completed by January 2009. If the emission fee evaluation is not concluded and the new emission fee is not enacted by the end of FY09, there is great risk for a reduction of Program services to the regulated community, as well as other impacts including:

- Cutbacks in service due to lack of funds
- Loss of program momentum
- Loss of staff
- Economic disruption to the state economy
- Non-Compliance with state statute and federal law
- Breach from historic policy

Committing the Department through sunset language in this regulation revision provides an increased assurance for an emission fee evaluation by January 2009. However, it is not a complete guarantee.

[19] January 2009 is the date that allows for a new fee rate to be adopted in regulation and effective prior to the beginning of the 2010 fiscal year that begins on July 1, 2009.

11 Business Model for Permit Reform

Beginning in the fall of 2002, the Division embarked on a goal to provide predicable and reliable delivery of permitting services. The Division convened a public workgroup of the regulated community and public interest stakeholders to provide a channel of communication to accomplish this objective. This communication process underpinned by the features of law that require periodic evaluation of program costs and user fee rates has resulted in establishing a method of dialogue between the department and stakeholders that is more aptly called a business model. The Division has found it useful as a method for learned involvement by stakeholders. The model is not only applicable to the initial permit reform, but has ongoing value for future year stewardship of the Air Permits Program.

During the first phase of permit reform the following occurred:

- Passage of HB160
- Aligned the Permit Administration Fees with policy in HB361 and AS 37.10
- Alignment with Federal Regulations though adoption of federal rules by reference
- Increased proportion of projects approved through less involved minor permit procedures
- Increased ability to meet permittee timelines of time critical projects

. The next steps for continued permit reform include:

- Increase efficiency
- Implement a Quality Management System
- Full funding of all Program services
- Balance the funding sources or "formula" of fee revenues

This Emission Fee Rate Evaluation Report is a vital element of the second phase of permit reform. It provides the necessary analysis to establish future year program work elements and their respective costs to engender a discussion of the value and merits of each work element. The Report provides fundamental facts with analysis necessary to examine various fee rates and structures. These facts also provide insight into other legal or policy choices that can affect fee rates, such as consideration to revisit the 149% rate in AS 37.10.058 or use of general funds.

One key outcome of the most recent public review of the report and proposed fee changes is the anticipated value expected by aligning the permit administration fee and emission fees evaluation schedules. This will create a far better opportunity to balance the use of funding sources in setting future year fee rates for the two distinct fees set out in law. The Division plans to evaluate the emission fees by January 2009, in conjunction with the review of permit administration fee study required by AS 37.10.050. However, there is no statute or regulation that provides a guarantee safeguard to permittees or the Workgroup that the emission fee will be evaluated in FY09 – it just makes good business sense to do so. The only true safety net in law is the 4-year periodic review, which necessitates an emission fee evaluation in 2011.

In summary, the business model recently used by DEC is a method of dialogue between the department and the affected stakeholders founded upon a thorough analysis of the work products and finances of the Air Permit Program. It's a model based on full factual disclosure and a shared knowledge and understanding of the Air Permits work products necessary to ensure continuation of state, rather than federal, program control. It is renewed and reinforced by an honest periodic reconciling of the costs, value, and efficiencies of those products before future year fee rates are established.

There are perhaps several ways to attempt to reinforce the use of the business model in future years. The Division believes the best way is to not set fee rates that continue beyond the date of when the next fee review is required. This action reinforces that a new fee report and associated public dialogue will occur prior to setting a new fee rate. For these reasons, the Department is deciding to not establish an emission fee rate for FY10, since we are committing to a new combined fee report in 2009. This approach does entail the risk that unforeseen events will prevent the Division from adopting the FY10 fee rates in time to prevent disruption of Air Permit services. The Division believes, however, that the consequences of such disruption would be so severe as to ensure that any future administration will adopt timely new rates or, in extreme circumstances, extend existing rates until new rates can be adopted.

12 Conclusion

12.1 Summary of Report Process

This Report has met the requirements under AS 46.14.250(f). The Department, through this Report, has made every effort to have a transparent process that allows for a full disclosure of the data, information, and analysis used to make informed decisions for the delivery of Program services to the public and the regulated community.

The primary authors of this Report acknowledge the efforts and commitment of the many individuals and entities that assisted the Division of Air Quality in the successful conclusion of this endeavor.

12.2 Division of Air Quality, Air Permits Program Recommendations

The Program needs to change its fiscal approach. The new fiscal approach must rely on the dual combination of permit administration fees and emission fees. The permit administration fees have decreased and the program cost have increased, especially with regard to employee retirement and benefits.

There is an immediately apparent shortfall of revenue necessary to fully fund Air Permit Program operations strictly from emissions fees at the current rate listed in 18 AAC 50.410(b) as $12.52/ton of emissions per year. Therefore, if the State is to retain jurisdiction of the air permitting functions, emission fees must be increased.

The Department of Environmental Conservation, Division of Air Quality, Air Permits Program recommends the following:

- Emission fees should be increased to rates described in Section 10.
- Emission fee rates are annual (state fiscal year) rates based on yearly projected revenue and Program costs and are set in regulation revision of 18 AAC 50.410.
- Under 10 ton sources should not be charged emission fees.
- Avoidance-type permits should not be charged emission fees.
- The emission fees will be allocated to the Clean Air Protection Fund (CAPF) and Emission Control Permit Receipts Account (ECPRA).
- The Program commits to evaluate the emission fees by January 2009, in conjunction with the review of the permit administration fee study.

The Program recommends further exploration of:

- Changes in AS 37.10 to adjust the 149% hourly rate should be explored.
- More equitable ways to assess a Title 1 fee for indirect agency cost.
- Spreading the peak workloads of the Title 5 Permits renewals to learn of it will favorably lower program cost.
- Increasing the appropriation of General Funds for the Air Permits Program by the new Administration elected in November 2006.