

3-YEAR REGULATORY FEE AND PROGRAM COST ANALYSIS REPORT TO THE ENVIRONMENTAL QUALITY BOARD

BACKGROUND: The coal mining fees were developed over a period of several years in collaboration with the Mining and Reclamation Advisory Board. This collaboration resulted in a final fee schedule that was intended to cover a portion of the costs for the review of applications. The coal mining program is funded (up to 50%) by a grant under Title V of the Surface Mining Control and Reclamation Act. The fees were designed to cover about 37% of the state share of the costs to review applications, which was about \$400,000. The current fee schedule was finalized in November 2012.

The coal mining program includes a compliance component in addition to the permitting costs. The compliance program is implemented through routine inspections in order to administer the approved permit. The existing fee schedule does not address the compliance component of the coal mining program.

PROGRAM COST ANALYSIS:

Fee Collections:	2012-2013	2013-2014	2014-2015	2016-2017	2018-2019
	\$126,000	\$327,000	\$325,000	\$325,000	\$325,000

Program Costs:	2012-2013	2013-2014	2014-2015	2016-2017	2018-2019
Total	\$21,500,000	\$21,500,000	\$22,000,000	\$26,000,000	\$27,000,000
State Share (50%)	\$10,750,000	\$10,750,000	\$11,000,000	\$13,000,000	\$13,500,000
Permitting Costs	\$2,257,500	\$2,257,500	\$2,310,000	\$2,700,000	\$2,730,000

TREND ANALYSIS: Since the fees were intended to cover only a portion of the permitting costs, the analysis of the fee/cost ratio is focused on the state's permitting costs. The fees amount to about 14% of the permitting program costs. Projected revenue is expected to be flat, while costs will increase due to higher wage and benefits costs.

Program efficiencies have been achieved in the compliance program through the use of aerial inspections. Efficiency is also achieved through operation of the coal and noncoal mining programs together. Inspectors are responsible for oversight of all of the mining activities in a geographic area, reducing overall travel time.

ADVISORY COMMITTEE REVIEW: The draft report and updated fee schedule was presented to the Mining and Reclamation Advisory Board at the April 23, 2015 meeting. [Insert summary]

RECOMMENDATION AND COMMENT: The updated fee schedule includes increased fee amounts for each of the applications that are included in the existing fee schedule. The fee amounts were updated to account for current costs for benefits, overhead and

support. In addition fees are being recommended for additional applications which were omitted from the existing fee schedule based on the objective to generate about \$400,000 per year. Annual administration fees are also added to the proposed fee schedule since the administration of the permit generates more cost than permitting a facility. The proposed fee schedule is expected to generate about \$3.5 million per year. The permit application fees account for about \$1 million and the annual administration fees account for about \$2.5 million.

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