

TO: Permits Branch
FROM: Mike Porta
DATE: August 25, 2011
SUBJECT: New Permit Fee Factor

Effective September 1, 2011 the new \$/ton factor will be : \$22.65

All new and annual air fees invoiced on or after September 1 should be calculated based on the adjusted \$/ton factor.

The permit fee regulations (Regulation #9) require in §9.502 that the \$/ton factor be changed each September to account for changes in the Consumer Price Index. The actual language is:

(A) \$/ton factor is \$16/ton until September, 1994, after which time it shall be increased annually by the percentage, if any, by which the federal Consumer Price Index exceeds that of the previous year.

On January 28, 2005 the Commission revised Regulation 9. These revisions, among other things, allow the Department to forgo the annual adjustment to the \$/ton permit fee factor in certain circumstances. Specifically, §9.502(A) states in part:

The Director may, after considering the factors contained in §9.901 of this regulation, decide not to increase the \$/ton factor in a year when the fee fund has a balance greater than 150% of the amount of money expended from the fund in the previous year.

As shown in the following table, the conditions in §9.502(A) have not been met. Accordingly, the \$/ton factor will increase this September. Specifically, the TPE0000 fee fund balance (which contains the non-part 70 air permit fees as well other Department permit fees) is less than 150% of the amount of air expenditures from that fund in the previous year.

FEE FUND	EXPENDITURES	150% OF EXPENDITURES	FEE FUND BALANCE
105 (TPE0000)	\$807,011.64	\$1,210,517.46	\$831,682.99
Title V (TPET500)	\$4,619,219.55	\$6,928,829.32	\$14,074,440.03

Regarding the Consumer Price Index, the most recent information available is the July CPI¹ which was released from the Bureau of Labor Statistics in August, 2011. Usually the CPI is compared from one year to the next. In 2009 the CPI decreased (by 2.097%); however, fees were not decreased since it was the opinion of the Department's legal staff that since Regulation 9 specifically addresses increases of the permit fee, it should not be decreased or increased by a negative number. Therefore, the fee factor remained the same. In 2010 the CPI increased by 1.235% but was still below 2008 levels. Since the permit fee factor was not decreased when the CPI dropped, it was not increased in 2010. The July 2011 CPI now exceeds the 2008 value and the fee factor will be adjusted using the July 2008 and 2011 values. This will result in the lowest increase.

The following table contains the CPI values for the past three years:

July 2008 CPI-U:	219.964
July 2009 CPI-U	215.351
July 2010 CPI-U	218.011
July 2011 CPI-U	225.722

Using this information, a new \$/ton value has been calculated. It was determined as follows:

July 2008 CPI-U:	219.964
July 2011 CPI-U	225.722

$$(1+(225.722-219.964)/219.964) \times \$22.07 = \$22.65$$

cc Karen Bassett
Mike Bates
Pat Stair
Sherri Gage

¹There are two CPI's, the CPI-U and the CPI-W. The CPI-W is based on urban wage earners and clerical workers. The CPI-U is based on all urban consumers and is the index normally used by the media. The CPI-U will be used to adjust the fees.