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STATE OF MINNESOTA POLLUTION CONTROL AGENCY

Proposed Amendments to 6 MCAR §§4.9701 - 4.9706 (Minnesota Rules Parts 7046.0010 - 7046.0070), Hazardous Waste Facility and Generator Fee Rules

STATEMENT OF NEED AND REASONABLENESS

I. INTRODUCTION

The Minnesota Pollution Control Agency (Agency) has promulgated Hazardous Waste Facility and Generator Fee Rules, 6 MCAR \$\$4.9701 - 4.9706 (recodified as Minn. Rules Parts 7046.0010 through 7046.0070), which became effective on February 6, 1984. The rules were adopted pursuant to the authority granted to the Agency by Minn. Stat. \$116.12 (Supp. 1983). The statute, together with the 1983 appropriation bill, required the Agency to establish fees to collect funds in the amount of \$794,400. In accordance with the requirement of Minn. Stat. \$16A.128, subd. 1 (Supp. 1983), the Agency has reviewed the fee schedule and has determined that it is inadequate to result in collection of the total \$794,400 as required by the legislature. As a result, the Agency is proposing amendments to the rules.

The proposed rule amendments, if adopted, will increase annual hazardous waste facility fees by 485 percent, will increase generator fees by approximately one-third, and will increase the statewide generator surcharge to 50 percent.

Several clarifying amendments to the rule are also proposed.

The Agency is amending the rules according to the procedure for noncontroversial rulemaking provided in Minn. Stat. \$\$14.21 through 14.28, except that no public hearing will be held in the

public hearing is required to be held on these rule amendments.

The Agency shall establish the fees provided in subdivisions 2 and 3 in the manner provided in section 16A.128 to cover the amount approproiated from the general fund to the agency for that year for permitting, monitoring, inspection, and enforcement expenses of the hazardous waste activities of the agency.

(Emphasis supplied.) Minn. Stat. §16A.128, recently amended by Minn. Laws 1984, art. 2, section 1, requires these fee adjustments to be made by rule. The statute provides:

> Subd. 2a. Procedure. Other fees fixed by law must be fixed by rule. The procedure for noncontroversial rules in sections 14.21 to 14.28 may be used except that no public hearing may be held. The notice of intention to adopt the rules must state that no hearing will be held. This procedure may be used only when the total fees estimated for the biennium do not exceed the sum of direct appropriations, indirect costs, transfers in, and salary supplements for that purpose. A public hearing is required for adjustments of fees spent under open appropriations of dedicated receipts.

(Emphasis supplied.)

A notice of intent to solicit outside opinion on the amendment of the rules was published in the State Register on July 16, 1984 (9 S.R. 179). Public comment on the draft rule amendments was received at a meeting of the Agency's Rules Committee held on September 24, 1984. A public informational meeting in which public comment was received on the draft rules was held on October 15, 1984.

If any metropolitan counties recover the costs of administering county hazardous waste regulations by charging fees, the fees charged by the agency outside of those counties shall not exceed the fees charged by those counties. The agency shall not charge a fee in any metropolitan county which charges such a fee. The agency shall impose a fee calculated as a surcharge on the fees charged by the metropolitan counties and by the agency to reflect the agency's expenses in carrying out its statewide hazardous waste regulatory responsibilities. The surcharge imposed on the fees charged by the metropolitan counties shall be collected by the metropolitan counties in the manner in which the counties collect their generator fees. Metropolitan counties shall remit the proceeds of the surcharge to

Subd. 3. Facility fees. The agency shall charge an original permit fee, a reissuance fee and an annual operator's fee for any hazardous waste facility regulated by the agency. The agency may include reasonable and necessary costs of any environmental review required under chapter 116D in the original permit fee for any hazardous waste facility.

the agency by the last day of the month following the

month in which they were collected.

The rationale behind the legislature's enactment of the statute was that persons generating and handling hazardous waste should pay a portion of the administrative costs of regulating hazardous waste activities.

The appropriation which the fees are intended to cover was in the amount of \$794,400 for the 1984-1985 biennium ending June 30, 1985.

The Agency's obligation to review and, if necessary, to

adjust the amount of the fees is set forth in Minn. Stat. \$16A.128, as amended by Minn. Laws 1984, ch. 628, art. 2, \$1, which provides, in relevant part:

Subdivision 1. Approval. Fixed fees for accounts for which appropriations are made may not be adjusted without the approval of the commissioner [of finance]. If the fee or fee adjustment is required by law to be fixed by rule, the commissioners approval must be in the statement of need and reasonableness. These fees must be reviewed each six months. Except as determined by the commissioner, adjustments must be made so the total fees nearly equal the sum of the appropriation for the accounts plus the agency's general support cost and statewide indirect costs attributable to the fee function.

(Emphasis supplied.)

Based on the foregoing statutes, the Agency has statutory authority to adopt the proposed rule amendments.

III. STATEMENT OF NEED

The need to adopt the proposed rule amendments arises from the fact that actual collections of fees under the rules since their February 6, 1984, effective date have fallen short of expected revenues and that, unless the fees are increased, the Agency's collections for the biennium will fall far short of the \$794,400 target amount.

The Agency's intention in adopting the original rules was to collect over half of the \$794,400 from hazardous waste facility fees and to collect the remainder from hazardous waste generator fees. The Agency estimated that facility fees would generate

\$455,560 for the biennium. The breakdown of these estimates is shown below.

ESTIMATED REVENUES, ORIGINAL PERMIT APPLICATION AND ANNUAL FACILITY OPERATOR FEES

1983 Estimate

Permit Fees	FY 1984	Number of Facilities	FY 85	Number of Facilities	Biennium
Storage	\$13,500	9	\$22,500	15	\$36,000
Treatment & Storage	\$18,000	2	\$65,100	7	\$83,700
Thermal Treatment & Storage	\$45,600	2	\$45,600	2	\$91,200
Disposal & Storage			\$22,800	_1_	\$22,800
Subtotal	\$77 , 700	13	\$156,000	25	\$233,700
Annual Fees \$	110,930	125	\$110,930	125	\$221,860
Total \$	188,630		\$266,930		\$455,560

The Agency also estimated the amount of revenue that would be generated by the hazardous waste generator fees. The estimated revenues that these fees would generate is \$339,899. The breakdown of these estimates is shown below.

ESTIMATED REVENUES, HAZARDOUS WASTE GENERATOR FEES 1983 Estimate

	FY 84	Number of Facilities	FY 85	Number of Facilities	Biennium
Non-metro area	a			The second second	
fees	\$113,000	549	\$120,000	586	\$233,000
Non-metro surcharge	\$19,775	549	\$21,000	586	\$40,775
Metro surchare	ge				
of 1983 est.)	\$33,057		\$33,057		\$66,114
TOTAL	\$165,832		\$174,057		\$339,889

The sum of the estimate of revenues from hazardous waste facility fees and the estimate of revenues from hazardous waste generator fees and surcharge was \$795,499, which was slightly over the total sought to be collected. However, because there were a number of uncertainties involved the estimates, and given the possibility that not all fees would successfully be collected, it was reasonable to set the fees at the levels which were adopted.

Total revenues received during Fiscal Year 1984 totaled approximately \$215,000. This represents a shortfall of approximately \$139,500 from projected revenues. The reasons for this shortfall are multiple:

Approximately 30 percent of the generators were found to fall into "no fee" categories of oil-only generators; small quantity (less than 10 gallons or 100 pounds per year) or on-site recyclers.

Year 1985 based on the most recent information available. figures are shown below:

REVENUE PROJECTIONS FOR 1985 IF NO AMENDMENTS ARE ADOPTED

Facility Annual Fees	\$30,000
Facility Application Fees	\$69,600
Non-Metro Generator Fees	\$100,000
Metro Generator Surcharge	\$33,000
TOTAL	\$232,600

These projections expect that the Agency can expect a shortfall of \$208,987 for Fiscal Year 1985 unless the Agency increases the fees.

The following chart demonstrates the expected shortfalls for both Fiscal Year 1984 and Fiscal Year 1985, based on revised revenue estimates.

-9-COMBINED TOTALS SUMMARY FY 84 FY 85 Biennium 1983 Projection \$354,462 \$440,987 \$795,449 Current Projection 215,000 232,000 447,000 \$139,462 Shortfall \$208,987 \$348,449 Without an increase in the fee schedule revenue from fees will continue to decrease. This is because: The facility "Application" fee, which is three to eight times the "Annual" fee, is a one-time only fee. Approximately one-half of facilities requested to submit 2. a "Part B" application have withdrawn from or changed facility activities. The application fee is not collected from these facilities, and subsequent annual fees are lost. 3. Facilities and generators continue to respond to the high cost of hazardous waste disposal through reduction in the number and volumes of hazardous waste streams and through waste recycling. These actions are encouraged by the Agency but result in lost fees. Further reductions in fee collections will inevitably result in the Agency's failure to meet its statutory mandate to collect \$794,400 through these fees. For this reason, it is necessary to amend the rules to increase the fees. IV. STATEMENT OF REASONABLENESS Because the Agency collected only \$215,000 during Fiscal Year 1984, in order to collect enough money to meet the target of \$794,400, the Agency must raise its hazardous waste facility and generator fees to generate \$579,400 during Fiscal Year 1985.

The Agency believes that the following steps would result in the collection of enough money to meet the \$794,400 target by the end of the 1984-1985 biennium:

- Increase in generator fees to the level allowed by statute; i.e., the general levels currently charged by Hennepin County (approximately a one-third increase.)
- Increase in the statewide generator surcharge from 17.5 percent to 50 percent.
- Increase facility annual fees by 485 percent.

The Agency has projected revenues based on the fee schedule contained in the proposed amendments. These figures are shown below.

REVENUE PROJECTIONS FOR 1985 IF AMENDMENTS ARE ADOPTED

Facility Annual Fees	\$146,000	
Facility Application Fees	\$69,600	
Non-Metro Generator Fees	\$270,000	
Metro Generator Surcharge	\$94,000	
TOTAL	\$579,600	

When the \$579,600 is added to the \$215,000 already collected by the Agency, the total is slightly (\$200) over the target amount. However, given the fact that there are several uncertainties involved in the estimates, and given the possiblity that not all fees will successfully be collected, it is reasonable to set the fees at the levels proposed in the rules.

The proposal to increase the fees to a level high enough to

The following discussion addresses the reasonableness of the specific provisions of the proposed amendments to Minn. Rules Parts 7046.0010 - 7046.0070.

Minn. Rule Part 7046.0010, Definitions

The Agency proposes to add two definitions to Minn. Rule Part 7046.001, one for "free liquids" and one for "response action." The definition of "free liquids" is identical to that set forth in the Hazardous Waste Rule, Minn. Rule Part 7045.0020. The definition of "response action" references removal or remedial action definitions contained in the Environmental Response and Liability Act, Minn. Stat. \$115B.02, and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, P.L. 96-510. It is reasonable to adopt definitions used in the hazardous waste rules and in statutes pertaining to hazardous waste because it promotes consistency among Agency programs.

Minn. Rule Part 7046.0020, Hazardous Waste Facility Fees

The Agency proposes to amend subpart 1 of the rule to state that a person who owns or operates a hazardous waste facility

that is in operation July 1 in any year must remit an annual facility operator's fee for that fiscal year. The need for this amendment was shown during the administration of the fee rules, because questions arose as to whether facilities who went out of existence during a given year were subject to an entire year's annual fee. The proposed amendment makes it clear that if a facility exists on July 1 it is subject to annual fees for that year. This is reasonable because it provides certainty both for facilities and for the Agency as to whether fees will be collected for any given facility.

The Agency proposes to amend Subparts 1.A. and 1.B. to increase annual facility operator's fees by 485 percent. This is reasonable because it is necessary in order for the Agency to collect the needed \$579,400 for Fiscal Year 1985. It is more fair to raise annual facility operator's fees than to increase application fees because it spreads the increase over all facility operators in the state.

The Agency proposes to amend Subpart 1.B. to specify that the category entitled "Treatment (not otherwise specified) does include open burning and that the category entitled "Thermal treatment" excludes open burning. This change is for clarification only and is therefore reasonable.

The Agency proposes to amend subpart 3 to add a category entitled "Treatment + storage" with a fee calculation of

"Treatment + 0.2 x fee for storage." It is reasonable to establish this category because this type of facility exists in Minnesota. The rationale for setting the fee level is the same as the one used for setting fee levels in the original rules and is therefore fair and reasonable.

The Agency proposes to amend subpart 5 to delete paragraph A relating to facilities which have submitted the Part B application described in 40 C.F.R. Parts 122 and 264. This paragraph was originally adopted to address the situation where people had already submitted applications before the rules became effective. The paragraph allowed those persons sixty days to submit application fees. Because that sixty days has expired, this paragraph is no longer necessary. Therefore it is reasonable to delete it. The Agency is also proposing to amend paragraph B of subpart 5 to simply state that the permit application fee must be paid upon submission of the application. This amendment is clarifying only and is therefore reasonable.

The Agency proposes to amend subpart 6.A. to add the word "permit" before the word application. This amendment is for clarification only and is therefore reasonable.

Minn. Rules Part 7046.0030, Nonmetropolitan Area Generator Fees

Subpart 1 contains a list of information which the Agency
uses to base its nonmetropolitan generator fees. The Agency

proposes to change the word "or" to "and" toward the end of the list to clarify that the Agency will use all appropriate information available to it. This amendment is for clarification only and is therefore reasonable.

The Agency proposes to amend subpart 2 to clarify how the Agency determines which small quantity generators qualify for exemption. It also specifies that the Agency, in determining equivalencies between liquid wastes and solid wastes, considers one gallon of liquid hazardous waste to equal ten pounds of solid hazardous waste. It is reasonable for the Agency to clarify to small generators the basis on which it will determine whether they meet the criteria for the exemption.

The Agency proposes to add a subpart 2a, Retroactive fee collection. The amendment explicitly states the responsibility of generators to pay fees for those previous years in which the Hazardous Waste Facility and Generator Fee Rules were in effect and in which the generator produced hazardous waste. Generators were, by law, required to disclose their hazardous waste generation in 1980 or soon after beginning waste generation. Those who failed to comply with this requirement were not billed for fees. This creates an unfairness in the regulated community which this amendment seeks to correct. If fees are not collected retroactively, generators who complied with the law will pay more than their fair share of the Agency's costs of the regulation of

hazardous waste activities. Therefore, this proposed amendment is reasonable.

The Agency proposes amend subpart 3 to replace the term "the effective date of parts 7046.0010 to 7046.0070" with the date which is one day before the actual effective date of the rules. The effective date of the rules was February 6, 1984. Replacing the phrase with this date is reasonable because the rules will have been effective on any date after February 5, 1984. Replacing the phrase with the date is reasonable for the further reason that it saves the regulated public the trouble of investigating the actual effective date of the rules. In addition, the Agency proposes to amend subpart 3 to increase nonmetropoiltan generator fees generally up to the maximum level allowed by statute; that is, the general levels charged by Hennepin County. The fees are increased by approximately one-third. This is reasonable because it is necessary in order for the Agency to collect the needed \$579,400 for the Fiscal Year 1985.

The Agency proposes to amend subpart 4 to clarify it. It is now divided into two parts, subpart 4 and subpart 4a.

Originally, subpart 4 referred to a "waste that has not been previously reported to the agency." Actually, previously unreported wastes could fall into two categories: 1) wastes that a generator had already been producing but which the generator did not list on the disclosure; and 2) wastes which result from a

new process of the generator. The amended subpart 4 clarifies that if a generator who had filed a disclosure and had been producing a waste that was not listed on the disclosure, the generator must pay not only \$40 but also the annual fees and surcharges according to fee schedule that was in effect for each year in which the waste had been produced. This amendment is reasonable because it restores to the agency the fees which it rightfully should have been paid if the generator had complied fully with disclosure requirements. The new subpart 4a relates to wastes from a new process and provides that the generator must pay \$40. This is not a change from the original rule, but merely a reorganization.

The Agency proposes to amend subpart 5 to increase nonmetropolitan generator annual fees generally up the the maximum level allowed by statute; that is, the general levels charged by Hennepin County. The fees are increased by approximately one-third. This is reasonable because it is necessary in order for the Agency to collect the needed \$579,400 for Fiscal Year 1985. In addition, the Agency proposes to provide that the size of an additional waste stream which is subject to fees is "greater than 10 gallons or 100 pounds" and that "solid waste reported in terms of volume, e.g. 55 gallon drums, will be converted to weight units by a conversion factor of 10 pounds per gallon reported." It is reasonable to specify

the volumes of additional wastes subject to fees because under the initial rules generators did not know how significant an additional waste stream would have to be before the Agency would seek to collect fees. These additions provide clarity to generators.

The Agency proposes to amend subpart 6 to delete the staggered payment schedule for nonmetropolitan generators. This amendment has the effect of making the payment due date depend upon the receipt of notice from the director. This simplifies the payment schedule for generators and is therefore reasonable.

The Agency proposes to amend subpart 7 to simplify the calculation of late fees. The original rule provides for a penalty fee based in part on "the unpaid penalty." The amendment deletes charges on the unpaid penalty but escalates the late fee from ten to fifteen percent if the annual generator fees are unpaid beyond ninety days of the due date. The Agency also proposes to amend the rule to provide that if fees are unpaid beyond ninety days of the due date, the generator becomes liable for the reasonable additional expenses the Agency incurs in collection of the fee, in addition to the fees and late fees. This provision is reasonable because persons who fail to pay fees for a period in excess of 90 days force the Agency to take steps to collect the fees, which represents a regulatory cost to the Agency. If the fee schedule is to be successful in generating

the \$579,400 for Fiscal Year 1985 it is necessary to recapture those costs. The rule as proposed contains an additional sentence listing the types of items which would be included in the term "reasonable additional expenses the Agency incurs in collection of the fee"; however, during the comment period the Agency staff intends to propose that the last sentence in subpart 7 be deleted.

Minn. Rule Part 7046.0040, Generator Surcharge

The Agency proposes to amend this rule to increase the annual generator surcharge applicable to all generators in the state from 17.5 percent to 50 percent. This is reasonable because it is necessary in order for the Agency to collect the needed \$579,400 for Fiscal Year 1985. It is most fair to impose these increases on a statewide basis because that approach has the effect of spreading the Agency's program costs more evenly over regulated parties.

Repeal of Minn. Rule Part 7046.0050, subpart 1

The Agency proposes to repeal Minn. Rule Part 7046.0050, subpart 1, which provides:

Waste oil exemption. Generators of waste oil are not subject to generator fees for waste oil if the waste oil is beneficially reused and does not contain hazardous wastes listed in Code of Federal Regulations, title 40, part 261, subpart D. If the director has information that the waste oil contains any listed hazardous wastes, the generator shall be subject to the appropriate fees.

-19-This repeal is reasonable because, due to the most recent amendments to the Agency's hazardous waste rules, certain oils of pertroleum origin are no longer listed as hazardous wastes, and therefore the exemption is no longer necessary. V. SMALL BUSINESS CONSIDERATIONS IN RULEMAKING Minn. Stat. \$14.115 (Supp. 1983) requires the Agency, when proposing rules which may affect small businesses, to consider the following methods for reducing the impact of the rule on small businesses: (a) the establishment of less stringent compliance or reporting requirements for small businesses; (b) the establishment of less stringent schedules or deadlines for compliance or reporting requirements for small business; (c) the consolidation or simplification of compliance or reporting requirements for small businesses; (d) the establishment of performance standards for small businesses to replace design or operational standards required in the rule; and (e) the exemption of small businesses from any or all requirements of the rule. While drafting the proposed rule amendments, the Agency did consider whether it could make the rules less stringent and simpler with respect to small businesses. However, the important consideration in the regulation of hazardous waste is not the size of the business but the volume of hazardous waste being generated, stored, treated, or disposed. Differentiations on the

basis of business size may or may not reflect the volume of hazardous waste being regulated.

An attempt was made to categorize treatment, storage, and disposal facilities on the basis of size to reduce the facility fees for smaller facilities. However, because the technical review and enforcement effort are similar for facilities regardless of size, it became clear to the Agency that such a categorization was unrealistic for most facilities. One such categorization was made, however, by providing lower fees for a small storage facility (less than 550 gallons or 10 drums).

The amendments will raise the annual facility fees by approximately 485 percent. The actual dollar increase ranges from \$385 per year to \$11,150 per year. The Agency is not aware of how many persons liable for facility fee payment have small business status. It is highly unlikely that any of the disposal and treatment facilities or piles and surface impoundment storage facility operators qualify for small business status. The fee increases for remaining categories of storage facilities range from \$385 per year to \$1,750 per year. It is unknown whether any small businesses are liable for these fees and what impact the amendment may have upon any such businesses.

Many generators of hazardous waste may qualify for small business status. If waste generation and management practices remain the same the fee increase will be approximately 70 percent

for generators located in non-metropolitan area counties and 35 percent for generators located in metropolitan counties. The average total of all non-metropolitan area generator fees and surcharge fees in Fiscal Year 1984 was \$205. It is unknown whether the increase will affect small businesses significantly.

The Notice of Intent to Adopt Rule Amendments Without a Public Hearing specifically alerts the public that the Agency is considering making a modification to the proposed rule amendment which would exempt from the payment of initial generator fees certain classes of non-metropolitan generators. The exemption is being considered for generators of small quantities of hazardous waste whose wastes are being recycled off-site, such as dry cleaners, automobile service stations, and small automobile repair facilities. Many small businesses may benefit from such an exemption.

VI. CONCLUSION

Based on the foregoing, the proposed amendments to Minn.

Rules Parts 7046.0010 - 7046.0070 are both needed and reasonable.

Dated: 11/9/84

Thomas J. Kalitowski Executive Director

STATE OF MINNESOTA

43115

Office Memorandum

DEPARTMENT of Finance

Tom Kalitowski, Executive Director

Minnesota Pollution Control Agency

DATE:

November 5, 1984

FROM :

TO

Gordon M. Donhowe www.

PHONE: 6

HONE: 6-2438

SUBJECT:

Approval of PCA's Hazardous Waste Generator and Facility Fee Schedule

Your proposed Hazardous Waste Generator and Facility Fee Schedule is approved as submitted.

Laws of 1983, Chapter 301, Section 25 requires that fees shall cover the cost of the hazardous waste regulatory program for the biennium ending June 30, 1985. The proposed fee schedule complies with this provision in the law.

The proposed fee schedule may become effective after the necessary rule making procedures have been accomplished.

BO/BN/JMS/032

REGEN WED