

Fiscal Estimate Narratives

DNR 3/4/2013

LRB Number	13-1470/1	Introduction Number	AB-0046	Estimate Type	Original
Description Regulation of metallic mining, an occupation tax on iron mining, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department of Natural Resources (DNR) regulates mining for metallic minerals. The laws under which DNR regulates metallic mining apply to mining for ferrous minerals (iron) and mining for nonferrous minerals, such as copper or zinc. This bill creates new statutes for regulating iron mining.

Given the variety of physical/geographical circumstances, the unknown number of applications and the complexity of regulatory assumptions surrounding any potential mining project that could be submitted for DNR review, the Department characterizes the fiscal impact of the bill as indeterminate.

I. Revenue Impacts

a. The bill exempts metallic mining waste from the \$7/ton tipping fee, which is deposited into the state environmental fund.

b. The bill makes changes to how metallic mining is taxed. Under current law, the state imposes a net proceeds occupation tax on the mining of metallic minerals, and the tax is adjusted annually to reflect the change in gross national product. By comparison, the bill requires a person who is mining ferrous minerals in this state to pay a tax equal to \$2.412 for each 2,240 pounds of ferrous minerals extracted from mines in this state, based on a three-year average. The tax rate would be annually adjusted to reflect the change in the gross domestic product.

c. Under current law, a person who intends to apply for a mining permit must make three payments of \$50,000 each to the investment and local impact fund. Under the bill, a person who intends to apply for a mining permit must instead make three payments of \$100,000 each to the investment and local impact fund.

The Department is unable to accurately estimate the impacts that these changes would have on state revenue collections.

II. Program Staffing/Implementation Impacts

Another difficulty in establishing the specific fiscal impact of the bill is related to determining its effect on the costs of mine permit review and long term monitoring and regulatory review. Proposals to mine ferrous minerals in the state will vary widely as to the extent (surface area and depth) and location of the mine. Therefore, it is very difficult to accurately predict the staffing and other fiscal impacts of the bill.

Ranges of potential costs to the Department for permit review associated with a mining proposal are provided below to further illustrate the categories of costs that might be associated with review of a mine permit:

A. DNR Pre-Application and Permitting Activity Costs

1. Project Management, Oversight, and Coordination: 0.5 - 2.0 FTE @ \$100,000/FTE/year

Mine Development - Overall management and oversight of the DNR mining permit development and coordination with the U.S. Corps of Engineers and other affected federal, tribal, state and local governments.

2. Permitting and Plan Review: 0.5 - 4.0 FTE @ \$100,000/FTE/year

Reclamation plan development, review and approval;

Plan review and approval for waste management facilities, wastewater treatment, storm water management, and water supply;

Environmental permitting for air, waste, wastewater, stormwater, high capacity well, water use, ch. 30 and wetland permitting needs;

3. Technical Review: 0.5 – 2.0 FTE @ \$100,000/FTE/year

Provide technical assistance to support review of specialized data needed to support ground water modeling, and surface water impacts.

B. Post-Mine Oversight & Inspection

Staffing needs for oversight and inspections once the mine has been developed will vary, depending upon the scale and method of the operation. A rough estimate of staff for a larger mining project would be three mining staff, listed as follows:

1. Natural Resources Program Manager--\$78,500/yr. for salary/ fringe
2. Field staff position--\$67,100/yr. for salary/fringe for either a hydrogeologist-advanced, waste mgmt. specialist-advanced, or a water resources mgmt.-specialist-advanced
3. Office technical staff--\$67,100/yr. for salary/fringe for either a hydrogeologist-advanced, waste mgmt. specialist-advanced, or a water resources mgmt.-specialist-advanced

In addition, an estimated two engineering staff would be needed once a mine is operational. Costs for each position are estimated at \$87,100/yr. for salary/fringe, for either an advanced level air management engineer, wastewater engineer, water resources engineer, or water supply engineer.

C. Contested Case Hearing

Under this bill, the Department estimates that it would incur \$370,000 in costs to participate in a contested case hearing on an iron mining project. This estimate factors in the possibility of a longer contested case period, since the bill specifies that the contested case hearing must be completed no more than 680 days after the application for the mining permit has been deemed complete. The costs estimates are itemized as follows:

1. Total staff time--810 days, or roughly 3.1 FTE (assuming 260 days/FTE) @ \$100,000/FTE = \$310,000.

This estimate includes:

- a. 20 staff @ 9 days each for preparation of testimony, review of other parties' testimony, discovery activities, hearing and post-hearing = 180 days
 - b. Project coordinator staff person @ 50% for 300 days = 150 days
 - c. Two other key staff at 30% time for the 300 days = 180 days
 - d. Legal staff--one attorney for 300 days
2. Consultant expenses associated with the process are estimated at \$60,000 (6 consultants @ 10 days each @ \$1,000/day).

3. Expenses that DOA would bill the Department for providing a hearing examiner and transcription services are estimated at \$209,000/year. These costs include the following:

- a. Senior level hearing examiner--\$140,000/yr. in salary and fringe costs
- b. Clerical support staff--\$44,000/yr. in annual salary and fringe costs.
- c. An estimated \$25,000/yr. for transcription services, assuming that DNR would contract with DOA for those services.

Summary:

1. DNR pre-application and permitting activity costs could range from \$150,000/year for a small mining proposal to \$800,000/year for a large mining proposal as described above.

2. If a mine is established, annual staffing costs for oversight and inspections are estimated at \$386,900 for three mining-related positions and two engineering positions.

3. One-time costs of \$370,000 are estimated for Department staff to participate in a contested case hearing, plus additional one-time costs of \$209,000/yr. for the duration of the hearing to contract with DOA for a hearing examiner and transcription services.