

Fiscal Estimate - 2011 Session

Original Updated Corrected Supplemental

LRB Number 11-3520/1		Introduction Number AB-0426		
Description Regulation of ferrous metallic mining and related activities, making an appropriation, and providing penalties				
Fiscal Effect				
State:				
<input type="checkbox"/> No State Fiscal Effect				
<input checked="" type="checkbox"/> Indeterminate				
<input type="checkbox"/> Increase Existing Appropriations		<input checked="" type="checkbox"/> Increase Existing Revenues		
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues		
<input checked="" type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget		
		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<input type="checkbox"/> Decrease Costs				
Local:				
<input type="checkbox"/> No Local Government Costs				
<input checked="" type="checkbox"/> Indeterminate				
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
5. Types of Local Government Units Affected				
<input checked="" type="checkbox"/> Towns		<input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities		
<input checked="" type="checkbox"/> Counties		<input type="checkbox"/> Others		
<input checked="" type="checkbox"/> School Districts		<input checked="" type="checkbox"/> WTCS Districts		
Fund Sources Affected		Affected Ch. 20 Appropriations		
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS				
Agency/Prepared By		Authorized Signature		Date
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Fiscal Estimate Narratives

DNR 1/5/2012

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Description Regulation of ferrous metallic mining and related activities, making an appropriation, and providing penalties					

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 and modifies the current laws regulating metallic mining so that they cover only mining for nonferrous minerals. 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 would characterize the fiscal impact of the bill, on DNR as indeterminate. This analysis will elaborate on a variety of the factors that led the Department to this conclusion.

Revenue Impacts

1. The bill creates a new appropriation - s. 20.370 (2) (gi) - for the regulation and administration of ferrous mines. This new appropriation differs from the existing mining regulation and administration appropriation - s. 20.370. (2)(gh) - by capping the amount of revenue a mining company could be required to pay the Department to recover costs for review of a mining permit application and development of an associated environmental impact statement (EIS). The bill sets the cap at \$1.1 million, whereas existing law establishes no cap on the Department's ability to recover costs.

For example, if permit review and EIS development costs for a proposed mine were less than \$1.1 million, as was the case with the Flambeau Mine in Rusk County, than the cap would pose no fiscal burden on the State. However, if these costs were more than the \$1.1 million, as has been the case in recently completed mine expansions in Minnesota, then those costs above \$1.1 million would have to be absorbed by the State. Cost absorption would most likely be through reallocation of staff away from other projects requiring permit review and EIS/EA development.

2. The bill also eliminates the ability of the Department to collect environmental permit fees authorized by other statutes. For example, if a proposed mine required an air construction permit, the proposed bill would not allow the Department to collect the fees authorized under s. 20.370 (2) (ci) to recover the costs of reviewing the permit as would be the case for any other situation. In this example, the air construction permit staff in DNR are program fee revenue supported, this provision means that staff time would need to be reallocated from other permit work to review an unfunded air construction permit needed by a mine.

Because of the uncertainties associated with determining actual costs in relation to the revenue cap in the new 20.370(2)(gi) appropriation or the reduced revenues associated with specific environmental permit fees that are no longer collected, revenue impacts under the bill are indeterminate.

Program Staffing/Implementation Impacts –

Another difficulty in establishing the specific fiscal impact of the bill on DNR is related to determining its effect on the costs of mine permit review, EIS development 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 and EIS development 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 and the associated EIS development:

A. DNR Pre-Application and Permitting Activity Costs

Project Management, Oversight, and Coordination: 0.5 - 2 FTE @ \$100,000/FTE/year

Mine Development - Overall management and oversight of the DNR mining permit development and

coordination with the US Corps of Engineers and other affected federal, tribal, state and local governments.

Mine Operation - Oversight of environmental performance once mine operation begins.

Permitting and Plan Review: 0.5 - 4 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;

Technical Review: 0.5 – 2 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. EIS Development

1. DNR Costs-- Resource Assessment: 0.5 - 3 FTE @ \$100,000/FTE/year

In support of EIS development, provide assessment of the impact of a mining proposal on threatened and endangered species, fish, wildlife and forestry resources, groundwater and surface water features

2. Contractor Costs-- EIS Development: \$3500,000 - \$2,700,000+ total cost

The most cost effective approach is to have one contractor develop an EIS for both the state and the US Army Corps of Engineers. To accomplish this, EIS development would need to be contracted out. EIS costs can range from \$450,000 for the 200 acre Flambeau Mine to \$2.4 million for the recently completed Keetac Mine expansion in Minnesota.

Summary:

DNR costs associated with this activity fall into three categories. Given the number of variables involved in developing these estimates of potential need, annual costs over an assumed 4 year period are described in terms of ranges:

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 for those four years.

2. DNR staff costs associated with the development of the EIS \$50,000/year for a small mining proposal to \$300,000/year for a large mining proposal

3. EIS Development performed through a contract with a consultant, in total, could range from, \$350,000 for a small mining proposal to \$2,700,000 for a large mining proposal.

Long-Range Fiscal Implications

Given a variety of uncertainties, the assumptions in this estimate do not include long-term costs to the State for on-going project oversight and monitoring after a mine permit has been issued, nor the costs associated with oversight of reclamation/ environmental monitoring after a mine has been closed.