



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
Office of Air Quality Planning and Standards
Research Triangle Park, North Carolina 27711
October 15, 1992

MEMORANDUM

SUBJECT: Calculating Fees for Operating Permits
FROM: Frank Bunyard *Frank Bunyard*
Economic Analysis Section, ASB, AQMD (MD-12)
TO: Candace Carraway
Operating permits Policy Section, PPB, AQMD (MD-15)

In response to your request, I have reviewed the draft calculations for adjusting fees for inflation that were prepared by Region IV.

YEAR	CPI factor	Increment	Adjusted fee
1989	--	--	\$25.00 (base fee)
1990	0.0483	\$1.21	\$26.21
1991	0.0523	\$1.37	\$27.58
1992	0.0293	\$0.81	\$28.39

The CPI factors for each year presented above represent the year to year (e.g., 1989 to 1990) decimal increases in the September through August 12-month average for the Consumer Price Index for All Urban Consumers (CPI-U) published by the Department of Labor. This calculation is consistent with the recommendation in the Leland Deck memo, dated November 5, 1991, subject *Inflation Adjustment of Title V Fees*. In his memo, Leland recommends the September through August 12-month average of the Consumer Price Index for all urban consumers, as the most appropriate inflation index.

I have reviewed the calculations that you provided to me from Region IV. The calculations were based on the interpretation that uses directly the August CPI-U indices of two successive years. I coordinated this with Pat Nielson and Dianne Zimmerman of the Atlanta Office for the Department of Labor. Ms. Nielson concluded that either interpretation (my method and Atlanta) was theoretically sound for inflation adjustment. However, she concluded that the language in the Title V Section 502(b)(3)(B)(v) was sufficiently vague, thus leaving open the interpretation. She deferred to the Environmental Protection Agency as to choice of interpretation.

In conclusion, I would recommend that the Agency should use this interpretation based on the September through August 12-month average. Furthermore, the \$28.39 fee should be used for permit fee submittals received through the next 11 months (until September 1993).

I trust this will be helpful for you.

cc: A. Basala
K. Cox

**USE OF CONSUMER PRICE INDEX (CPI)
FOR
INFLATION ADJUSTMENT OF TITLE V FEES**

42 U.S.C. §7661a(b)(3)(B)(v)

(v) The fee calculated under clause (i) shall be increased (consistent with the need to cover the reasonable costs authorized by subparagraph (A)) in each year beginning in 1990 by the percentage, if any, by which the Consumer Price Index for the most recent calendar year ending before the beginning of such year exceeds the Consumer Price Index for the calendar year 1989. For purposes of this clause---

(I) the Consumer Price Index for any calendar year is the average of the Consumer Price Index for all urban consumers published by the Department of Labor, as of the close of the 12-month period ending on August 31 of each calendar year, and

(II) the revision of the Consumer Price Index which is most consistent with the Consumer Price Index for calendar year 1989 shall be used.

DEFINITION OF CONSUMER PRICE INDEX (CPI) FOR URBAN CONSUMERS:

CPI is defined as an index measuring the change in the cost of typical wage-earner purchases of goods and services expressed as a percentage of the cost of these same goods and services in some base period---also called cost of living index. [Webster's Ninth Edition, 1984]

CPI AVERAGE FOR DEFINED PERIOD UNDER THE ACT

CPI for period beginning Sept 1, 1989 thru August 31, 1990	[1990]	5.6%
CPI for period beginning Sept 1, 1990 thru August 31, 1991	[1991]	3.8%
CPI for period beginning Sept 1, 1991 thru August 31, 1992	[1992]	Not Available

CPI data is available from the Department of Labor, Bureau of Labor Statistics. CPI data is published on a monthly basis and as an average for a particular calendar year. The average CPI for the defined period under the Act is not published, but can be obtained from any Department of Labor regional office. When requesting the data, it is important to specify that the average is needed for the 12 month period beginning September 1 thru August 31 as indicated above.

Year-to-date CPI Calculation:

[1989] - \$25.00 Base Fee	= \$25.00	1990 Assessment Fee
[1990] - \$25.00 x .056 = \$1.40	= \$26.40	1991 Assessment Fee
[1991] - \$26.40 x .038 = \$1.00	= \$27.40	1992 Assessment Fee
[1992] - \$27.40 x [data available 9/92]		1993 Assessment Fee

Example Usage for Calendar Year 1992: For calendar year 1992, fees would be assessed at \$27.40/ton because the base fee from the previous year [1991] was adjusted based on the average CPI for the defined 12-month period ending August 31, 1991.

Other Fees: For State/local agencies using other base fee amounts, the same method of calculation should be used to account for annual inflation factors.