

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

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1. Type of Estimate and Analysis

Original    Updated    Corrected

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2. Administrative Rule Chapter, Title and Number

NR 211, General Pretreatment Requirements

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3. Subject

Revision of NR 211 to include "Streamlining" rule additions made to the federal pretreatment regulations in 2005.

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4. Fund Sources Affected

GPR    FED    PRO    PRS    SEG    SEG-S

5. Chapter 20, Stats. Appropriations Affected

None.

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6. Fiscal Effect of Implementing the Rule

No Fiscal Effect    Increase Existing Revenues    Increase Costs  
 Indeterminate    Decrease Existing Revenues    Could Absorb Within Agency's Budget  
 Decrease Cost

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7. The Rule Will Impact the Following (Check All That Apply)

State's Economy    Specific Businesses/Sectors  
 Local Government Units    Public Utility Rate Payers  
 Small Businesses (if checked, complete Attachment A)

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8. Would Implementation and Compliance Costs Be Greater Than \$20 million?

Yes    No

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9. Policy Problem Addressed by the Rule

Adoption of these changes is necessary in order to comply with state law (ss. 283.11(2)), federal pretreatment regulations and to comply with DNR's May 18, 2012, commitment to Region 5 – US EPA, to adopt these measures and address this NR rule deficiency identified by EPA in its July 18, 2011, letter to Secretary Stepp.

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10. Summary of the businesses, business sectors, associations representing business, local governmental units, and individuals that may be affected by the proposed rule that were contacted for comments.

The following entities that might be affected by this proposed rule, and were contacted by the Department for comments regarding the economic impact of these rule changes on them, included:

108 manufacturers, subject to pretreatment requirements, directly regulated by the Department, and

26 municipal pretreatment programs regulating another 320 manufacturers subject to pretreatment requirements.

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11. Identify the local governmental units that participated in the development of this EIA.

The following municipalities provided comments to DNR regarding the impact of these rule changes on their pretreatment programs: City of Beloit, Grand Chute Menasha West Sewerage Commission, Madison Metropolitan Sewerage District, City of Manitowoc Wastewater Treatment Facility and Walworth County Metropolitan Sewerage District.

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12. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

From August 21, 2012 through September 21, 2012, the department solicited comments on the economic impact of the proposed rule change via a survey distributed to 108 DNR-regulated pretreatment industries and to 26 municipal pretreatment programs. The survey identified eight rule changes that could affect businesses and municipal pretreatment programs and requested comments from the recipients regarding the anticipated annual cost or benefit from the proposed changes. (A copy of the survey is attached in Attachment C.)

Twenty-seven industries and five municipal pretreatment program coordinators responded. Twelve industries reported that the proposed changes would have no effect and 15 reported some anticipated savings, largely from survey items 1-3. Two municipal programs reported that making changes to their sewer use ordinances and industrial permits (survey item

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8) could increase up-front costs, one program reported savings from reduced sampling, one reported no change and one responded for local industries rather than the municipal program.

Brief summaries of the economic impacts follow with more detailed breakdowns of survey responses and economic impacts in Tables 1 -3 in Attachment B. The data in these tables were generated by assuming that the responses from industries and municipal programs represented anticipated impacts from all 400 eligible pretreatment industries and all 26 municipal pretreatment programs. Thus, the total of 224 affected industries was generated by assuming that 56% of all industries were affected just as 56% of all industrial respondents (15 of 27) were affected. The average savings of \$810 was then applied to all affected industries and distributed over 3 years to allow for delays in implementation. Similarly with municipal programs, 20 of 26 were assumed to be affected because 3 of 4 program respondents reported impacts. The average cost of \$15,000 was then applied to 2/3 of the 20 affected programs (13), the average savings of \$15,000 was applied to 1/3 of the 20 (6) and both costs and savings were applied to all affected programs and distributed over 3 years.

#### **SAVINGS:**

Streamlining pretreatment regulations will provide modest savings for industries. These savings result from a decrease in laboratory costs, labor, reporting, and filing burdens. For businesses, the estimated savings of this rule range from \$80 to \$3000. (See Table 1, Attachment B.) One municipality (Grand Chute-Menasha) predicted saving \$15,000-\$17,000 per year. (See Table 2, Attachment B).

#### **COSTS:**

Revising municipal sewer use ordinances and industrial permits will present cost increases to municipal programs. Municipalities will either have to absorb these costs or pass them onto the industries they regulate. However, these revisions are single, one-time program costs, which may be partially offset over time by the benefits of reduced sampling costs and reduced staff time for inspections. Walworth Country Metropolitan Sewerage District estimated upfront costs of \$10,094, and the Madison Metropolitan Sewerage District estimated upfront costs of \$20,000.

There may also be costs, in the form of reduced revenue, for commercial laboratories in Wisconsin as they will receive fewer wastewater samples for testing from industries and programs. According to pretreatment reports submitted by industries, ten laboratories perform the great majority of testing done by these industries. Table 3, (Attachment B), shows the Department's estimates of the economic impact of this reduced revenue on the labs based on the following assumptions:

- 1) 56% of all eligible industries (224) receive permission to reduce pollutant testing by four tests/year, for an average, reduced revenue to labs of \$100/year/industry.
- 2) 5% of all eligible industries (11) receive permission to eliminate all testing because they qualify as Non-significant Categorical Industrial Users for an average reduction to labs of \$500/year/affected industry.
- 3) 10% of all eligible industries (22) receive permission to reduce all testing by 50%, for an average reduction to labs of \$250/year/affected industry.
- 4) Total revenue reductions (\$33,000/year) after all affected industries take advantage of the rule changes will take

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more than one year to be realized. Reductions have been distributed over 3 years to allow industries and municipalities time to make, or approve, reduced sampling requests and time to request and receive DNR permission to change sewer use ordinances and industrial permits.

### NO CHANGE:

Twelve businesses, of the 27 that responded, and one municipal respondent, out of four, reported that the proposed rule would have no fiscal impact on their operations:

National Plating; Master Lock Company; Cintas Corporation; Gusmer Enterprises; Wisconsin Paperboard Corp; AlSCO; TAB; Precision Metalsmiths; Tasman Leather Group, LLC; Madison Gas and Electric; Glover's Manufacturing, Inc.; Catalytic Converters; and the City of Beloit.

Impacts from the proposed rule changes are also not expected at an additional ten industries, categorized as centralized waste treatment facilities (CWTs) by federal pretreatment regulations. These rule changes will repeal extra requirements for CWTs that conflict with corresponding federal requirements. Because the requirements to be repealed have not been consistently applied, or enforced, their repeal should not add or detract from routine operating expenses at CWTs.

### ECONOMIC IMPACT:

Based on the responses from 27 industries and four municipal pretreatment programs and Department estimates of the impact to commercial labs, the statewide economic impact of this rule appears to be minor. Because the impact of these changes may take as many as three years to be fully realized, it has been distributed over three years, and beyond, to account for this. (See Table 3.) Totalling the costs and benefits reported by survey respondents, 224 industries likely to be affected by these rule changes may see average savings of \$810 each, with total statewide savings approaching \$181,000, three years after rule implementation; of the 20 municipal programs likely to be affected, two-thirds of them may see initial, one-time costs averaging \$15,000 each and one-third, increasing annual benefits of \$15,000 each, culminating in net, total statewide savings of \$90,000 annually after 3 years. Finally, the ten commercial laboratories affected may see combined, total revenue losses of \$33,000 per year after all affected industries have taken advantage of the rule changes in three years. While we recognize that these facilities are only a sampling of those in the state, we believe that their responses are representative of similar facilities throughout the state. Ultimately, the costs and benefits are both small enough that the economic impact of the streamlining regulations on the state is minimally positive at best, negligible at worst.

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### 13. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

This rule modification offers modest savings in sampling costs to those industries that can meet the requirements and receive DNR or municipal approval, as appropriate. Adopting these changes will also satisfy DNR's 2010 commitment to EPA to make DNR pretreatment requirements consistent with federal requirements.

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### 14. Long Range Implications of Implementing the Rule

Industries can realize small cost savings through reduced sampling and testing fees - if they request them and meet the requirements. Municipalities and laboratories will have initial implementation costs but municipalities may achieve small savings over time due to reduced staff time, if they adopt the voluntary, cost-saving measures into their ordinances and industrial permits.

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### 15. Compare With Approaches Being Used by Federal Government

Rule changes equivalent to those proposed have been in effect in federal pretreatment regulations since 2005.

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### 16. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

All the above neighboring states have already adopted these proposed rule changes into their respective administrative codes.

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### 17. Contact Name

Robert J. Liska

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### 18. Contact Phone Number

608 267 7631

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This document can be made available in alternate formats to individuals with disabilities upon request.

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### ATTACHMENT A

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1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

Based on responses from industrial manufacturers, about one-half of small business manufacturers are expected to realize small reductions in costs (\$810 annually) for wastewater sampling and testing.

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2. Summary of the data sources used to measure the Rule's impact on Small Businesses

Comments received by the Department from 27 industries regarding the economic impact of the proposed rule changes on their businesses.

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3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe:

The rule's impact on Small Business is expected to be small and beneficial, therefore methods to reduce this impact were not considered. In addition, enactment of the proposed rule changes was presumed because state law (ss. 283.11(2)) requires that state rules comply with and not exceed federal regulations, which already contain the proposed changes.

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4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

The rule adopts the federal "Streamlining" changes to Wisconsin's pretreatment requirements which offer reduced sampling costs to industries that qualify.

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5. Describe the Rule's Enforcement Provisions

This rule contains no enforcement provisions but the Department follows a "stepped enforcement" policy in which the severity of DNR enforcement responses increases with each succeeding violation, culminating in referral of a facility to the Department of Justice for prosecution.

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6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes     No
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