

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Name of Fee: Division of Water Quality, Nutrient Offset Payment Fees for the Neuse and Tar-Pamlico Basins, 15A NCAC 2B .0240

Statutory Authority: The nutrient offset fees are authorized in G.S. 143-214.20 and 143-214.21

Purpose of Fee: In 1996, the General Assembly set a goal of reducing nitrogen levels in the Neuse River by 30%. The General Assembly acted in response to clear evidence of environmental damage caused by excess nutrients, including massive fish kills on the Neuse River. In response to the legislature's direction, the Environmental Management Commission developed a nutrient management strategy for the Neuse River that put strict limits on new and expanded wastewater discharges and established stormwater standards intended to reduce nitrogen runoff. Later acts of the General Assembly allowed the payment of compensatory mitigation fees in place of meeting the nitrogen limits and riparian buffer requirements included in the Neuse River nutrient management strategy. The General Assembly later authorized and approved a similar nutrient management strategy for the Tar-Pamlico River Basin that addresses both nitrogen and phosphorus.

Current Fees:	Nitrogen	\$11 per pound per year
	Phosphorus	None

Revenue Generated Average of Most Recent Three Years: \$1,341,560

Proposed Fee:	Nitrogen	\$57 per pound per year
	Phosphorus	\$45 per .1 pound per year

Additional Revenue Generated: \$7,905,900 maximum

Projected Total Annual Revenue: \$9,247,460

Rationale for Fee Increase: The proposed amendments will raise compensatory mitigation fees, based on field costs, to reflect the increased cost of removing one pound per year of nitrogen through the use of nitrogen reduction measures. The current fee was originally established in 1998 and is now outdated. The proposed amendments will also establish a cost per tenth of pound of phosphorous per year for the Tar-Pamlico Basin. The amendments incorporate the land costs associated with the mitigation requirements into the offset fees (these land costs are not captured in the existing rule), and provide a mechanism that would allow the nitrogen and phosphorous fees to be automatically updated on an annual basis.

Who Pays: Developers and wastewater dischargers have the option (voluntary) of making a compensatory payment in lieu of meeting strict nitrogen and/or phosphorus loading limits in the Neuse and Tar-Pamlico River Basins.

Number Affected by Fee: No local governments have opted to pay offset fees. Over the last three years nutrient offset payments have been received from developers on 702 projects, an average of 234 projects per year.

Inception Date of Fee: 1998 for nitrogen, 2006 for phosphorus

Date of Last Fee Change: March, 1998