

**HB 541 - SB 670**  
**FISCAL MEMORANDUM**



**Fiscal Review Committee**  
Tennessee General Assembly  
March 15, 2025

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**SUMMARY OF BILL AS AMENDED (005284):** Defines “artificial isolated wetlands” as those formed by human activity or unintended surface hydrology changes, including stormwater and wastewater treatment areas. Defines “isolated wetlands” as those without a continuous surface connection to navigable waters, classifying them as low, moderate, or high quality based on ecological function.

Permits developers to request a wetlands determination by submitting a certified Wetland Resource Inventory Report, including delineation, quality assessment, and isolation status if applicable. Requires compliance with the U.S. Army Corps of Engineers Wetland Delineation. Requires a final determination within 30 days of dispute notice. Permits appeals within 30 days of the decision.

Permits alterations of moderate-quality wetlands up to 0.25 acres, low-quality up to 0.5 acres, and artificial wetlands of any size without notice, approval, or mitigation, provided they do not discharge toxic pollutants or impact water quality. Requires general permits for altering moderate-quality wetlands up to 2.0 acres and low-quality wetlands over 0.5 acres up to 2.0 acres, prohibiting riparian buffer, cumulative impact analysis, or antidegradation requirements.

Limits compensatory mitigation to moderate-quality wetlands altered beyond 0.5 acres, at a 1:1 ratio. Requires individual permits for altering low- or moderate-quality wetlands over 2.0 acres and high-quality wetlands of any size. Authorize the Commissioner of the Department of Environment and Conservation (TDEC) to increase size thresholds for permitted alterations. Excludes isolated and artificial wetlands from cumulative impact assessments for permits and water quality certifications under the *Clean Water Act*. Grants the Board of Water Quality, Oil, and Gas (Board) authority to establish classification criteria and require public review of the Department’s wetland assessment tool before adoption.

Requires the Division of Water Resources (DWR) to submit an annual report by July 1, 2025, and each year after to the Governor, Comptroller of the Treasury, and relevant legislative committees.

**FISCAL IMPACT OF BILL AS AMENDED:**

STATE GOVERNMENT	
REVENUE	Environmental Protection Fund
FY25-26 & Subsequent Years	(\$78,500)

Assumptions:

- This legislation modifies the regulation of isolated wetlands, altering requirements for Aquatic Resource Alteration Permits (ARAPs) and impacting state permitting revenue.
- The DWR, within TDEC, issues ARAPs, which require compensatory mitigation to offset wetland impacts.
- Based on a Summer 2024 study conducted by TDEC, DWR processed an average of 126 general ARAP permits annually; 107 permits were issued for wetlands under 0.25 acres. Additionally, 10 individual ARAP permits per year were identified as affected.
- Under this legislation, general ARAPs for wetlands under 0.25 acres and certain individual ARAPs will no longer require fees, resulting in fewer permits issued and a decrease in revenue to the Environmental Protection Fund (Fund).
- General ARAP permits cost \$500 each, leading to a projected recurring decrease of \$53,500 in state revenue (107 permits x \$500).
- Individual ARAP permit fees range from \$50 to \$5,000, but based on historical data, they typically cost \$2,500. The 10 impacted individual permits will result in an additional \$25,000 revenue loss (10 permits x \$2,500).
- The total recurring decrease in state revenue in FY25-26 and subsequent years to the Fund is \$78,500 (\$53,500 + \$25,000).
- Eliminating permitting, notification, and mitigation requirements for certain wetland categories will result in fewer applications submitted and reduced staff time for processing ARAPs. The reduction in permit issuances will also decrease the number of required post-permitting site visits, though the exact reduction is unknown.
- However, it is not estimated to result in a significant enough reduction to necessitate reducing staff.
- Granting the Board authority to establish classification criteria and require public review of the department's wetland assessment tool may require additional administrative resources for public notice, rulemaking, and assessments. These costs are expected to be absorbed within existing resources.
- DWR is expected to submit an annual report beginning July 1, 2025, to the Governor, Comptroller of the Treasury, and relevant legislative committees using existing resources and personnel.
- The TDEC does not anticipate immediate changes to its fee structure to offset the revenue loss, but may need to adjust fees in future years if expenditures increase. Determining wetland regulatory status under new criteria may temporarily increase workload, but long-term effects on permitting operations is estimated to not be significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Executive Director