




Wastewater Discharge Permit Fee Program

Report to the Legislature State Fiscal Biennium 2001-2003

**December 2003
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Washington State Department of Ecology
Water Quality Program

Wastewater Discharge Permit Fee Program

Report to the Legislature State Fiscal Biennium 2001-2003

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Wastewater Discharge Permit Fee Program

Report to the Legislature

Introduction

The Department of Ecology (Ecology) is authorized by state law to assess annual fees to fund the operation of the Water Quality Wastewater Discharge Permit Program. RCW 90.48.465 (Water Pollution Control) gives Ecology the authority to establish fees that will fund the administration of wastewater discharge permits. The law states that all fees charged shall be based on factors relating to the complexity of permit issuance, and compliance and may be based on pollutant loading and the reduction of the quantity of pollutants.

The Water Quality Wastewater Discharge Permit Program has been funded through annual fees since 1987, when Senate Bill 6085 was passed authorizing the development and passage of a rule establishing annual permit fees to recover revenue to meet the biennial appropriation established by the Washington State Legislature. Ecology responded to this authorization by developing Chapter 173-224 WAC – Wastewater Discharge Permit Fees.

In 1994, voters passed Initiative 601 (I-601) which required that fee increases be linked to the state fiscal growth factor. The average fee increase for the administration of the wastewater discharge permit program since the passage of I-601 has been between two and four percent. Fees paid by holders of wastewater discharge permits are deposited in a dedicated account and not into the State General Fund. Each biennium, the State Legislature authorizes Ecology in the same operating budget to spend fee funds from the permit fee account for fee-eligible activities. This report discusses fee revenues and expenditures from the permit fee account for the 2001-2003 biennium (July 1, 2001, through June 30, 2003). This report also highlights planned activities and the related expenditures for each Ecology program receiving monies from the dedicated permit fee account for the 2003-2005 biennium (July 1, 2003, through June 30, 2005).

The number of permit fee payers statewide for the 2001-2003 biennium totaled 4,626.

2001-2003 Biennial Legislative Appropriation

Appropriation Level: \$ 24,188,395

Revenues

Actual Revenue Totals:

Municipal: \$ 5,925,393
Industrial: \$17,738,819
Total: \$23,664,210

Small Business Fee Reductions

The water quality permit law (RCW 90.48.465) requires Ecology to consider the economic impact of fees on small businesses and to make appropriate adjustments. Ecology complies with this requirement through granting fee reductions for eligible small businesses by reducing their annual permit fee by half. The eligibility requirements for small businesses consist of the following:

- Be a corporation, partnership, sole proprietorship, or other legal entity formed for the purpose of making a profit;
- Be independently owned and operated from all other businesses;
- Have annual sales of one million dollars or less of the goods and services produced using the processes regulated by the waste discharge permit; and
- Pay an annual wastewater discharge permit fee greater than \$500.

In addition to the small business fee reduction, Ecology also allows for extreme hardship fee reductions. Businesses that qualify for the extreme hardship fee reduction are allowed to have their annual permit fee reduced to \$100. The eligibility requirements consist of the following:

- Having annual sales totaling \$100,000 or less of the goods and services produced using the processes regulated by the waste discharge permit.

The total savings to small businesses that qualified for the small business and/or extreme hardship fee reduction consideration for the biennium totaled \$420,065. In fiscal year 2002, Ecology reduced permit fees for 137 businesses, resulting in savings for small businesses totaling \$203,234. In fiscal year 2003, a total of 154 businesses were granted annual fee reductions for a total savings of \$217,031. Overall, the total biennial fee revenue collection rate was reduced by 1.6 percent due to Ecology granting these small business and extreme hardship fee reductions.

Industry Contributions to Total Revenues

Revenues collected from industrial permit holders amounted to \$17,738,819 for fiscal years 2002 and 2003. This represented 75 percent of the total revenue received.

Municipal Contributions to Total Revenues

Revenues from municipal permit holders amounted to \$5,925,392 for fiscal years 2002 and 2003. This represented 25 percent of the total revenue received.

Expenditures

Available Budget

FY1999-2001 Carry-over: \$ 2,687,053*
Actual Revenue: \$23,664,210
Operating Budget: \$24,188,395

*The 1999-2001 Biennium carry-over occurred when actual revenues were higher than projected and actual expenditures were lower than projected. Ecology also determined that it was prudent to maintain a responsible fiscal carry-over reserve of the account to adjust for normal changes in the number of active permits.

The following table shows the actual expenditures by fee-eligible activity for the 2001-2003 Biennium. An explanation of each activity follows the table. FTE represents the number of full-time employees.

Table 1 – FY 2001-2003 Actual Permit Fee Expenditure Summary

**Wastewater Discharge Permit Program
2001-2003 Biennium Actual Permit Fee Expenditure Summary**

<i>Activity</i>	FTE's	Cost = \$
Management and Support	32.03	\$ 3,929,797
Regional and Clerical	5.86	682,976
Compliance	.66	86,062
Program Development	4.36	573,028
Permit Processing	21.82	2,748,331
Permit Management	2.03	227,157
Inspections	16.74	3,641,763
Report and Review	9.13	1,335,665
Appeals	0.4	56,051
Data Management	8.47	886,447
Technical Assistance	8.35	1,093,917
Outreach and Education	2.39	314,321
Administrative Services	15.15	1,935,275
Cost Allocation	0.0	6,636,590
Expenditures	127.4	\$ 24,147,380

Actual Expenditures by Activity

This section summarizes the fee-eligible components of the wastewater discharge permit program listed in Table 1.

Program Management and Support and Regional and Clerical

Activities in these two categories include supervision, management and clerical support of direct permit program services. These activities include permit manager support, word processing, and other clerical assistance in the course of developing permits. They also include the provision of guidance and management in controversial situations, administration of the fee system and budget, and program planning.

Compliance

Compliance activities are actions aimed at getting and keeping permit holders in compliance with their permits. Activities include the use of such methods as warning letters and telephone calls, providing technical assistance, and taking other informal actions to assure permit compliance, up to the point where formal enforcement actions are needed. Formal enforcement is not a fee-eligible activity. Formal enforcement includes sending out notices of correction, administrative orders and sometimes even monetary penalties.

Program Development

Activities under this category include those that support or guide fee-related activities. These include rule development to implement statutory requirements as well as other activities that involve the development of policies and standard operating procedures to efficiently and effectively administer the permit program.

Permit Processing

Permit processing involves soliciting and processing permit applications, evaluating and making decisions on information and data contained in the applications, preparing fact sheets to communicate how permit decisions were made, conducting a public process on draft and final permits, and issuing permits.

Permit processing also includes conducting quality assurance and quality control (QA/QC) of permits. This process involves QA/QC staff whose responsibilities include spot checking permits for consistency. It also includes a peer review process of draft permits in each Ecology regional office.

Permit processing includes activities involved in the oversight of pretreatment-delegated municipalities (those that have received authority from Ecology to write and issue their own wastewater discharge permits) as well as the assistance provided to municipalities in obtaining pretreatment delegation.

Inspections

Inspections involve facility and site inspections, compliance monitoring, and complaint response. They also include environmental investigations and special studies.

Report Review

This involves reviewing permit-required reports, such as discharge monitoring reports and other permit holder prepared submittals. It also includes engineering studies review and sewage system planning reviews.

Appeals

This involves responding to appeals of permits by permit holders and/or third parties. Appeals involve case preparation and participation by Ecology staff at the Pollution Control Hearings Board sessions.

Data Management

This involves the operation and maintenance of the permit program's central database, the Water Permit Lifecycle System (WPLCS). WPLCS is the central data management system that stores permit-specific information on each of the permitted facilities. Information includes, but is not limited to, facility name, type of facility, location, effluent limits, discharge monitoring reports, and inspection and enforcement data.

This category also includes entering data and maintaining the Billing and Revenue Tracking System (BARTS) that is used to track and account for the fees of over 4,400 permit holders.

Technical Assistance

This category includes technical assistance to permit holders before, during and after processing a permit or authorization when such assistance is not part of the normal permit review and communication process. It involves municipal wastewater treatment plant operator assistance and permit holder assistance conducted by Ecology staff on the application of rules, policies, guidelines and manuals. It also includes site visits.

Outreach and Education

This involves outreach and information sharing on the permit program that is focused on the general public or permitted industries and municipalities. It includes preparing and using educational materials and conducting outreach to permit holders on the proper use of technical manuals and guidelines.

Administrative Services

This supports agency-level activities that are not always directly attributable to programs and expenses that are charged to programs as a cost of doing business. Administrative services include financial, personnel, portions of executive-level management, and others.

Cost Allocation

Cost allocation consists of direct monetary charges to Ecology programs that are required to pay for items such as building space and communications. There are no FTE's associated with cost allocation.

Anticipated Expenses for the 2003-2005 Biennium

The 2003 Legislature authorized \$25,584,000 to be expended from wastewater discharge permit fees for the 2003-2005 Biennium. This amount is projected to be about 129 . The following table shows how fee monies are expected to support the various fee-eligible activities.

Table 2 – FY2003-2005 Planned Permit Fee Expenditure Summary

**Wastewater Discharge Permit Program
2003-2005 Biennium Planned Permit Fee Expenditure Summary**

<i>Program</i>	FTE's	Total Dollars
Management & Support	20.9	\$ 3,070,932
Regional Clerical	0.3	64,875
Compliance	1.0	155,051
Program Development	3.7	571,052
Permit Processing	26.1	3,929,383
Permit Management	0.2	20,000
Inspections	18.2	3,514,712
Report Review	12.5	1,983,077
Appeals	.2	39,193
Data Management	7.6	908,779
Technical Assistance	13.2	1,924,466
Outreach & Education	2.4	322,217
Administrative Services	23.5	4,333,399
Cost Allocation	0.0	7,270,471
Estimated Expenditures	129.7*	\$ 24,216,696

* The increase in FTE's from Table 1 to Table 2 resulted from the following:

1. Underspending of the 2001-2003 fee appropriation.
2. Individual programs changed funding from non-FTE costs to FTE costs between 1999-2001 and 2001-2003 as activities performed by these FTE's were deemed to be fee-eligible.

3. Revisions made in the way Ecology's Administration Program is funded for 2001-2003 resulted in Ecology's Fee Program paying an increased 32.4% over the previous biennium. These revisions are intended to spread the cost of the Administration Program more fairly over Ecology's various funds. In prior years, other programs had essentially subsidized one-third of the Water Quality Permit Fee Program, and this was deemed no longer acceptable.
4. The amount of federal funding previously received was significantly reduced. This required replacing the loss of that funding source from other funds.,
5. Ecology received authorization to hire 8.0 FTE's during the 2000 Legislative Session. However, hiring delays resulted in these positions not being fully implemented until the 2001-2003 biennium.

Ecology programs that perform fee-eligible work and who receive permit fee monies include:

Water Quality Program

The Water Quality Program (WQP) is the designated lead for administering the wastewater discharge permit program within the agency. It also administers 99 percent of the wastewater discharge permits. The program manager is the designated policy lead of the permit program and shares policy management with the section managers of each program section and region. WQP has three sections at headquarters and sections in each of Ecology's four regional offices, as well as the Bellingham and Vancouver Field Offices.

The Program Development Services Section at headquarters is where permit rules are developed. It administers the industrial, construction, and municipal stormwater general permits, is involved in general permit development and maintenance, maintains central quality control, and provides permit manager support (e.g., permit writers manual).

Another headquarters section is the Watershed Management Section. Most of its duties are non-permit program functions. Most of the work in this section includes maintenance of the water quality standards, water body assessments, and developing policies for managing impaired water bodies. However, this section has lead responsibility for development and issuance of aquatic pest control permits.

The third section is the Financial Management Section that deals mainly with grant and loan (non-permit program) functions. The wastewater/stormwater permit fee administration is also part of this section.

The Water Quality Program has sections in each of the four regional offices (Bellevue, Lacey, Yakima and Spokane) as well as two small field offices in Bellingham and Vancouver. Each region issues, manages, inspects, and ensures permittee compliance within its regional boundaries. Water quality regional section managers report to the manager of the WQP at headquarters.

Solid Waste Services

Solid Waste Services Program at headquarters houses the Industrial Section that is responsible for permit processing, management, and inspection of 43 wastewater discharge permitted facilities, 30 of which are major industrial facilities. These facilities include mostly pulp and paper mills, aluminum mills (all but one of these mills has ceased operation for an indefinite period of time due to the energy shortage crisis, but none has yet requested termination of their permit coverage), and oil refineries. The Industrial Section also has air quality and solid waste permitting responsibilities for these permits.

Environmental Assessments Program

The Environmental Assessments Program (EAP) is Ecology's in-house environmental consultant. It conducts most detailed inspections, environmental surveys and special studies. It also conducts the fieldwork and hydraulic modeling necessary for the development of Total Maximum Daily Loads (TMDLs). Based on that work, EAP makes waste load allocation recommendations to the permitting programs (e.g., Water Quality Program) for effluent limits in permits.

Toxics Cleanup Program

The Toxics Cleanup Program's (TCP) headquarters and regional office sections administer Washington's implementation of the federal Superfund Act (CERCLA) and the state's Model Toxics Control Act (MTCA). Occasionally, cleanups involving leaking underground storage tanks and other non-independent actions require wastewater discharge permits. In those cases, TCP has lead responsibility for permit processing, management, and inspection.

The TCP also has "Urban Bay Action Teams" in the two Western Washington regions for Puget Sound. These teams coordinate major cleanups directly affecting Puget Sound. These cleanups occasionally involve wastewater discharges. In those instances, TCP has permit processing, management, and inspection responsibilities.

Nuclear Waste Program

The Nuclear Waste Program (NWP) administers environmental programs related to the Hanford Nuclear Reservation, including the Hanford Cleanup. The Environmental Protection Agency (EPA) is responsible for NPDES permitting on the reservation; however, the NWP works with EPA on those permits. The NWP is responsible for permit issuance, management and inspection of Hanford facilities having a state waste discharge permit from Ecology. Staff located in a Nuclear Waste Program field office in Kennewick conduct permit management.

Hazardous Waste and Toxics Reduction Program

The Hazardous Waste and Toxics Reduction Program (HWTRP) administers federal and state permit programs related to the handling and disposal of hazardous waste and dangerous wastes. Similar to the Water Quality Program, the HWTRP has sections in each regional office as well as at headquarters.

The HWTRP is responsible for permit processing, management and inspection of wastewater discharge for permits for facilities undergoing corrective actions under the federal Resource Conservation and Recovery Act (RCRA) and Model Toxics Control Act (MTCA). Presently, few facilities fall under this category.