



WASHINGTON STATE
DEPARTMENT OF
E C O L O G Y

SMALL BUSINESS ECONOMIC IMPACT STATEMENT

For proposed amendments to
Chapter 173-224 WAC, Wastewater Discharge Permit Fees

06/25/04

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SMALL BUSINESS ECONOMIC IMPACT STATEMENT
for Proposed Amendments to
CHAPTER 173-224 WAC, WASTEWATER DISCHARGE PERMIT FEES

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Water Quality Program

06/25/04

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**Small Business Economic Impact Statement
for Proposed Amendments to
Chapter 173-224 WAC – Wastewater Discharge Permit Fees
June 25, 2004**

I. INTRODUCTION

The Department of Ecology does not believe that a small business economic impact statement is legally required for the permit fee rule revision currently being undertaken for Chapter 173-224 WAC – Wastewater Discharge Permit Fees. However, during the public comment period Ecology did receive comments from businesses questioning how fees for industrial and construction stormwater general permits were derived. In response, the Department has decided to prepare a Small Business Economic Impact Statement that will explain how Ecology developed the fee structure and fee amounts for the new fee categorization proposals for industrial and construction stormwater general permits.

Under the Regulatory Fairness Act, Chapter 19.85 RCW a small business is defined as any business entity, including sole proprietorship, corporation, partnership, or other legal entity, that is owned and operated independently from all other businesses, and that has fifty or fewer employees. Using this statutory definition for a small business, approximately 90% of the permit holders covered under the construction stormwater general permit and 75% of the permit holders covered under the industrial stormwater general permit would be classified as a small business.

According to the Regulatory Fairness Act, when a rule has a disproportionate impact on small businesses the adopting agency must, where legal and feasible in meeting the stated objectives of the statutes upon which the rule is based, reduce the costs imposed by the rule on small businesses. The statutory objectives for waste discharge permit fees are established in RCW 90.48.465 – Water Pollution Control. In addition, the passage of Engrossed Substitute Senate Bill 6415 (ESSB6415) provides additional statutory direction in setting permit fees for construction and industrial stormwater general permits.

Under RCW 90.48.465, “Fees must be established to fully recover and not to exceed expenses incurred by the department in processing permit applications and modifications, monitoring and evaluating compliance with permits, conducting inspections, securing laboratory analysis of samples taken during inspections, reviewing plans and documents directly related to operations of permittees, overseeing performance of delegated pretreatment programs, and supporting the overhead expenses that are directly related to these activities.” Subsection 4 further directs Ecology to “...consider the economic impact of fees on small dischargers and the economic impact of fees on public entities required to obtain permits for stormwater runoff and shall provide appropriate adjustments.” (The full text of RCW 90.48.465 is contained in Appendix A of this document.)

In late November and early December of 2003, Ecology held five workshops across the state describing Ecology's proposed permit fee changes. At that time the principal permit fee change for all permit holders, including construction and industrial stormwater general permit holders, was a proposed permit fee increase equal to the state fiscal growth factor, about 3.03% for Fiscal Year 2005 (FY 2005) and 2.62% for Fiscal Year 2006 (FY 2006). On March 31, 2003, this changed with the passage and the signing into law of Engrossed Substitute Senate Bill (ESSB) 6415.

ESSB 6415 requires the Department of Ecology to establish permit fees for construction and industrial stormwater general permits as necessary to fund the provisions of Sections 2 and 3 of the Act. When calculating permit fees for construction and industrial stormwater general permit holders, the Department is directed to take into consideration the differences between large and small businesses and the economic impacts caused by permit fees on those businesses. (The full text of Section 5 of ESSB 6415 is provided in Appendix B.)

II. PERMIT FEE REVENUE REQUIRED FROM CONSTRUCTION AND INDUSTRIAL STORMWATER GENERAL PERMIT HOLDERS

For FY 2004, the permit fee revenue received from construction and industrial stormwater general permit holders totaled \$653,888. For the same time period, the amount of permit fees billed to construction and industrial stormwater general permit holders totaled \$754,362. More than \$100,000 in fee billings remains uncollected or delinquent from this group, for a delinquency rate of about 13%.

In the absence of ESSB 6415, to cover current program costs permit fees for construction and industrial stormwater general permit holders would have increased by the fiscal growth factor percentage rates for both FY 2005 and FY 2006. The total current permit fee billings for the construction and industrial stormwater general permits adjusted by the fiscal growth factors (FGF) would have been \$777,219 for FY 2005 and \$797,582 for FY 2006.

During the Legislative deliberations on ESSB 6415 the Department of Ecology was requested to identify all of the costs and fiscal impacts associated with the proposed legislation. The fiscal impact on the Department of Ecology was documented in a Fiscal Note that was prepared on the proposed bill. The Fiscal Note identified that an additional \$413,555 in permit fees would be required for FY 2005 and an additional \$696,046 would be required for FY 2006.

The total permit fee revenue required from construction and industrial stormwater permit holders is the sum of the current fee billings adjusted by the fiscal growth factor plus the additional fees required to fund the provisions of ESSB 6415. Due to the relatively high delinquency rate for this group of permit fee payers, the actual permit fee revenue collected is considerably less than what is billed. To account for the 13% delinquency rate, the amount of permit fees billed were adjusted so the amount actually collected would be sufficient to meet the identified funding needs for these two general permits.

PERMIT FEE REVENUE REQUIRED FROM CONSTRUCTION AND INDUSTRIAL STORMWATER GENERAL PERMIT HOLDERS		
	FY 2005	FY 2006
Current Fees Adjusted by the FGF	\$ 777,219	\$ 797,582
Increase in Revenue Due to ESSB 6415	\$ 413,555	\$ 969,046
Subtotal	\$1,190,774	\$1,766,682
Delinquent & Uncollected Fees (13%)	\$ 177,900	\$ 263,986
Total Fees Billed	\$1,368,674	\$2,030,668

Since the method Ecology is using to set fees for both industrial and construction stormwater is different than in previous years and is different for the industrial stormwater general permit and the construction stormwater general permit, the amount of fees billed under each of the two general permits must be identified. Originally, Ecology proposed splitting the total fees billed based on the relative percentage of permit holders under each of the two general permits. Concerns were raised that the work load for the two permits is not directly proportional between the two permits due to the higher number of permit applications that are processed under the construction stormwater general permit.

Annually there are an estimated 325-350 new applications received requesting coverage under the construction stormwater general permit, compared to about 35-50 new applications being received yearly requesting coverage under the industrial stormwater general permit. To account for this disparity an “application adjustment” was made. The final fee revenue split between the construction and industrial stormwater general permits is summarized in the table below.

FEE REVENUE SPLIT BETWEEN CONSTRUCTION AND INDUSTRIAL STORMWATER GENERAL PERMITS		
	FY 2005	FY 2006
Construction General Permit	\$ 645,493	\$ 944,714
Industrial General Permit	\$ 723,181	\$1,085,954
Total	\$1,368,674	\$2,030,668

III. SUMMARY DESCRIPTION OF BUSINESSES AFFECTED

As stated earlier, this proposed permit fee rule amendment significantly restructures and, in most cases, increases the waste discharge permit fees for dischargers covered under the construction and industrial stormwater general permits. Currently (FY 2004 permit fee), the annual fee assessed to all industrial and construction stormwater general permit holders totaled \$364 per permit.

There are currently more than 1,150 dischargers covered under the industrial stormwater general permit and 950 dischargers covered under the construction stormwater general permit. The number of dischargers covered under both permits varies over time. Typically the number of dischargers covered under the industrial stormwater general permit is more stable, with a year-to-year variability of plus-or-minus 50 and 100 per year. Due to the nature of construction, the

number of dischargers covered under the construction stormwater general permit is more variable, both from year-to-year and during any given year.

The types of businesses which must be covered by the industrial stormwater general permit are set by Environmental Protection Agency (EPA) stormwater regulations and include a wide range of businesses from many different industrial classifications. (See Appendix C for a listing of major industrial classifications covered by the industrial stormwater general permit.) Due to the large number of different industries covered by the industrial stormwater general permit, no attempt was made to differentiate between large and small businesses within a four-digit standard industrial classification.

Businesses engaged in activities covered under the construction stormwater general permit are less diverse, primarily falling into two three-digit standard industrial classification numbers, 152X and 153X. These businesses include those classified as land subdividers and developers, building construction and general contractors, and heavy construction.

IV. ECONOMIC IMPACT ANALYSIS OF PROPOSED PERMIT FEES – INDUSTRIAL STORMWATER GENERAL PERMIT FEES

The economic impact of this rule is directly and solely due to the increase in permit fees. With one exception, this rule will impose no additional reporting, recordkeeping, or other compliance related costs. The change in how permit fees are structured from a flat fee to a graduated fee structure based on gross revenue will not require any new bookkeeping or professional services by any of the affected entities.

The change in fee structure will require permit holders to report to Ecology the gross revenue/ fee category into which their business fits. This information should be readily available to all affected businesses, since it is the same information which must be reported to the Washington State Department of Revenue.

Ecology is proposing to base permit fees for entities covered under the industrial stormwater general permit on the gross revenue for the previous calendar year. A graduated fee structure based on gross revenue is directly responsive to the directive to mitigate the disproportionate impact of increased permit fees on smaller businesses. Ecology was able to reduce the disproportionate impact of the new permit fees on small businesses, but was not able to eliminate it altogether.

A flat permit fee of \$705 for FY 2005 and \$1,061 for FY 2006 was considered for the industrial stormwater general permit. Compared to the graduated fee structure being adopted, a flat fee would have increased the fiscal impact on businesses with less than \$5.0 million dollars in gross revenue. Businesses with gross revenues of more than \$5.0 million dollars per year would have lower fees under a flat fee structure than they will have under the graduated fees being adopted.

Under the flat fee structure, businesses would have been eligible under the current fee rule for a small business fee reduction. A small business fee reduction is available to businesses with gross

revenues of \$1.0 million dollars per year and a permit fee of greater than \$500 per year. The small business fee reduction reduces the otherwise applicable permit fee by 50%. Under the current permit fee rule, dischargers with gross revenue of less than \$100,000 per year are eligible for an extreme hardship fee reduction. Permit fees for entities eligible for an extreme hardship fee reduction are set at \$100 per year.

Another consideration was the establishment of a one-time permit application fee in addition to the annual permit fee. The application fee would have either partially or fully recovered the costs of processing new applications for coverage. Presumably, the application fee would have been a set amount and would not have been graduated based on the size of the business. The use of an application fee could have been with either the flat fee proposal or the graduated fee proposal. Application fees are not part of the proposed fee structure for two reasons. Application fees would increase Ecology’s permit fee administration costs. Application fees also disproportionately impact small businesses.

The industrial stormwater general permit fees as originally proposed in the draft fee rule were based on an estimated distribution of permit holders amongst the different revenue categories.

INDUSTRIAL STORMWATER GENERAL PERMIT – ESTIMATED VS. ACTUAL GROSS REVENUE DISTRIBUTION		
Gross Revenue	Estimated Gross Revenue Distribution	Actual Distribution Based on Dept. of Revenue data
Less than \$100,000	-	0.04
\$0.1 - \$1.0 Million	0.2	0.14
\$1.0 - \$2.5 Million	0.3	0.14
\$2.5 - \$5.0 Million	0.3	0.12
\$5.0 - \$10.0 Million	0.1	0.10
More than \$10 Million	0.1	0.38
Municipal/State Agencies	-	0.07

Using the information from the Department of Revenue on actual gross revenue for permit holders covered under the industrial stormwater general permit and the permit fees published in the draft rule would result in collecting approximately 20% more permit fee revenue than is required to cover program costs. As a result, the final permit fees were reduced for most industrial stormwater general permit holders. The two exceptions where permit fees were not reduced were for permittees in the less than \$100,000 gross revenue category and for municipal and state agencies.

INDUSTRIAL STORMWATER GENERAL PERMIT FEES – COMPARISON BETWEEN PROPOSED AND FINAL FEES				
	Fiscal Year 2005		Fiscal Year 2006	
Gross Revenue	Proposed	Revised	Proposed	Revised
Less than \$100,000	\$ 100	\$100	\$ 105	\$ 105
\$0.1 - \$1.0 Million	\$ 375	\$375	\$ 500	\$ 400
\$1.0 - \$2.5 Million	\$ 400	\$375	\$ 600	\$ 480
\$2.5 - \$5.0 Million	\$ 675	\$540	\$1,000	\$ 800
\$5.0 -\$10.0 Million	\$1,000	\$745	\$1,500	\$1,200
More than \$10 Million	\$1,200	\$905	\$1,800	\$1,450
Municipal/State Agencies	\$ 650	\$650	\$ 950	\$ 950

As a percent of gross revenue, the FY 2005 permit fees for the industrial stormwater general permit are all less than 0.375%. Even with the graduated fees based on gross revenue, there is a disproportionate impact on smaller businesses, particularly businesses with gross revenues of less than \$1.0 million dollars per year. The largest impact would be on businesses with gross revenues of slightly more than \$100,000 per year, followed by businesses with gross revenues of less than \$100,000 per year.

FY 2005 INDUSTRIAL STORMWATER GENERAL PERMIT FEE – AS A PERCENT OF GROSS REVENUE				
Gross Revenue	FY 2005 Permit Fee	FY 2005 Fee as a % of Gross Revenue		
		Low	Mid	High
Less than \$100,000	\$100	N/A	0.2000%	0.1000%
\$0.1 - \$1.0 Million	\$375	0.3750%	0.0682%	0.0375%
\$1.0 - \$2.5 Million	\$375	0.0375%	0.0214%	0.0150%
\$2.5 - \$5.0 Million	\$540	0.0216%	0.0144%	0.0108%
\$5.0 -\$10.0 Million	\$745	0.0149%	0.0099%	0.0075%
More than \$10 Million	\$905	0.0091%	N/A	N/A
Municipal/State Agencies	\$650	N/A	N/A	N/A

Permit fees for Fiscal Year 2006 are higher than for Fiscal Year 2005. The FY 2006 industrial stormwater general permit fee expressed as a percent of gross revenue ranges from a high of 0.4% to a low of 0.012%. The weighted average using the midpoint of the gross revenue range for all permit holders, except municipal/state agencies, is 0.0355% (the low range was used for entities with gross revenues of more than \$10 million dollars). The revised permit fees expressed as percent of gross revenue will be less than one tenth of one percent of gross revenues for all businesses, except for businesses with gross revenues of less than \$400,000 per year.

FY 2006 INDUSTRIAL STORMWATER GENERAL PERMIT FEE – AS A PERCENT OF GROSS REVENUE				
Gross Revenue	FY 2006 Permit Fee	FY 2006 Fee as a % of Gross Revenue		
		Low	Mid	High
Less than \$100,000	\$ 105	N/A	0.2100%	0.1050%
\$0.1 - \$1.0 Million	\$ 400	0.4000%	0.0727%	0.0400%
\$1.0 - \$2.5 Million	\$ 480	0.0480%	0.0274%	0.0192%
\$2.5 - \$5.0 Million	\$ 800	0.0320%	0.0213%	0.0160%
\$5.0 - \$10.0 Million	\$1,200	0.0240%	0.0160%	0.0120%
More than \$10 Million	\$1,450	0.0145%	N/A	N/A
Municipal/State Agencies	\$ 950	N/A	N/A	N/A

V. ECONOMIC IMPACT ANALYSIS OF PROPOSED PERMIT FEES – CONSTRUCTION STORMWATER GENERAL PERMIT FEES

The economic impact of this rule is directly due to the increase in permit fees. This rule will impose no additional reporting, recordkeeping, or other compliance related costs on entities covered under the construction stormwater general permit. The change in how permit fees are structured from a flat fee to a graduated fee structure based on total disturbed acreage will not require any new bookkeeping or professional services by any of the affected entities.

In contrast to the industrial stormwater general permit, where permit fees are graduated based on the permit holders gross revenue, Ecology is setting permit fees for construction stormwater general permit holders based on the total area (in acres) disturbed by the construction activities. Ecology did consider using other methods for setting permit fees for construction stormwater permit holders, including gross revenue and total project value. Based on discussions with representatives of the building and construction industry, disturbed area was selected as a method of setting permit fees because disturbed area information is readily available, and is approximately related to project value.

One of the complications in setting permit fees for the construction stormwater general permit is that there is little correlation between area being disturbed for construction and whether the permit holder is a small business. In fact, the entity required to apply for the construction stormwater general permit is the site owner, which may be a private property owner, developer, or contractor.

Traditionally, analyses such as this are developed using industry-based economic data (employment, revenue, etc.) organized according to the Standard Industrial Classification (SIC) system of 1987. This system was supplanted by the North American Industrial Classification System (NAICS) in 1997. This system resulted from the North American Free Trade Agreement, and was intended to provide a uniform data collection and reporting framework for Canada, the United States, and Mexico. Most data and information from federal sources has the NAICS framework. This process is still underway at the Washington state level, and most state-specific information is still organized via the SIC system.

In many cases, SIC industrial sectors and NAICS industries are exact matches. However, NAICS includes many sectors that represent economic activities that have grown up in recent years (e.g., much of the “high tech” industry) and old SIC sectors have been combined into new NAICS sectors or divided between them. The result is that earlier data from the SIC system and more recent data from the NAICS framework cannot be directly compared over time.

Yet another classification system has been developed and used by the United States Internal Revenue Service. This was known as the “Enterprise Industrial Classification System” (EIC) when based upon SIC information, and the “Principal Business Activity” (PBA) system when derived from NAICS data.² The PBA system groups firms together based on the activity generating the major source of their revenue. It turns out that – at least in this case – the relevant SIC and NAICS sectors can be consolidated into individual PBA sectors. This has been done (using 2002 employment and revenue SIC data provided by the Washington Departments of Employment Security and Revenue), and results in the following PBA classifications for this analysis:

- PBA 233110 – Land Subdividers and Developers
- PBA 233205 – Building Construction and General Contractors
- PBA 234000 – Heavy Construction

As noted above, information provided by Washington agencies permitted identification of the aggregated revenues for firms falling within each of the PBA sectors upon which this analysis is structured. Similar precision was achieved for the number of firms and employees in an array of employment size brackets ranging from 1 to 4 through equal to or greater than 1,000 employees. This information was used to calculate revenue per employee, total revenue, and average revenue per firm for each employment bracket. Finally, average revenue for all “small” firms (fewer than 50 employees) and “large” firms (50 or more employees) was calculated as weighted averages of the employment bracket-specific revenues with the number of firms in each bracket serving as the weights.

The following tables display estimated revenues for small and large firms in the PBA sectors listed previously. All values are in whole 2002 dollars.

AVERAGE ESTIMATED GROSS REVENUES FOR SMALL AND LARGE BUSINESSES COVERED UNDER THE CONSTRUCTION STORMWATER GENERAL PERMIT			
PBA	Sector	Small Business	Large Business
233110	Land Subdividers and Developers	\$379,879	\$5,237,727
233205	Building Construction and General Contracting	\$1,360,508	\$25,318,858
234000	Heavy Construction	\$1,759,697	\$1,539,427

² See Troy, Leo *Almanac of Business and Industrial Financial Ratios, 34th Annual Edition, 2003*, Aspen Publishers, New York, or see www.aspenpublishers.com

Note: The average estimated gross revenue for large businesses in the Heavy Construction sector are less than the average estimated gross revenue for small businesses in this sector. A speculative but likely explanation is that this may be partly attributable to revenue constraints upon public spending for highways, roads, and streets – a significant element in the activity and earnings of large heavy construction firms. On the other hand, residential and commercial activity has remained relatively vigorous. Smaller heavy construction firms are expected to be more active in this area through operations such as land clearing, grading, excavating and the installation of on-site utilities and other infrastructure. Thus, the rather unusual outcome of average revenues for small Heavy Construction firms is greater than the revenues for large firms in that sector during 2002.

Expressed as a percent of gross revenue, the permit fees for Fiscal Year 2005 range from a low of 0.0014% for large building construction and general contractors with a small 5-acre or less construction project, to a high of 0.2435% for the average small land subdivider and developer developing a 20-acre or greater site.

FY 2005 CONSTRUCTION STORMWATER GENERAL PERMIT FEES AS A PERCENT OF AVERAGE GROSS REVENUE						
	Land Subdividers and Developers		Building Construction and General Contractors		Heavy Construction	
Disturbed Acres	Small	Large	Small	Large	Small	Large
< 5	0.0921%	0.0067%	0.0257%	0.0014%	0.0199%	0.0227%
5 - < 7	0.1053%	0.0076%	0.0294%	0.0016%	0.0227%	0.0260%
7 - <10	0.1448%	0.0105%	0.0404%	0.0022%	0.0313%	0.0357%
10 - <20	0.1974%	0.0143%	0.0551%	0.0030%	0.0426%	0.0487%
20+	0.2435%	0.0177%	0.0680%	0.0037%	0.0526%	0.0601%

For Fiscal Year 2006, the low range for a large building construction and general contractor with a small 5-acre or less construction project totals 0.0015%. The high for the average small land sub-divider and developer developing a 20-acre or greater site totals 0.3685%.

FY 2006 CONSTRUCTION STORMWATER GENERAL PERMIT FEES AS A PERCENT OF AVERAGE GROSS REVENUE						
	Land Subdividers and Developers		Building Construction and General Contractors		Heavy Construction	
Disturbed Acres	Small	Large	Small	Large	Small	Large
< 5	0.0987%	0.0072%	0.0276%	0.0015%	0.0213%	0.0244%
5 - < 7	0.1606%	0.0116%	0.0448%	0.0024%	0.0347%	0.0396%
7 - <10	0.2172%	0.0158%	0.0606%	0.0033%	0.0469%	0.0536%
10 - <20	0.2961%	0.0215%	0.0827%	0.0044%	0.0639%	0.0731%
20+	0.3685%	0.0267%	0.1029%	0.0055%	0.0796%	0.0909%

As stated previously there is little correlation between the size of a business and the amount of disturbed acres associated with the construction project. The use of disturbed acres to set fee categories is roughly related to project value. Setting permit fees so they relate to project value avoids disproportionately impacting lower value projects.

VI. ANALYSIS OF STATUTORY OPTIONS TO REDUCE THE DISPROPORTIONATE IMPACTS OF FEES ON SMALL BUSINESSES

Under RCW 19.85.030 when an agency identifies that there will be a disproportionate impact on small businesses the agency shall, where legal and feasible in meeting the stated objectives of the statute upon which the rule is based, reduce the costs imposed by the rule on small businesses. Under RCW 19.85.030(2) methods to reduce the costs on small businesses may include:

(a) Reducing, modifying, or eliminating substantive regulatory requirements. As stated earlier, permit fees for construction and industrial stormwater general permit holders are required to be adjusted to cover the increased costs associated with the passage of ESSB 6415. The use of graduated fee structures for both the industrial and construction stormwater general permits reduces the disproportionate impact on small businesses that a flat fee structure would have had.

(b) Simplifying, reducing, or eliminating recordkeeping and reporting requirements. The reporting requirements for gross revenue and disturbed acreage are necessary to reduce the disproportionate impact of the fees on small businesses. In both cases, the use of gross revenue and disturbed acreage the information as fee setting categories were chosen because the information is readily available and will not require new recordkeeping.

(c) Reducing the frequency of inspections. The permit fee rule does not involve inspections.

(d) Delaying compliance timetables. Not applicable to this rule amendment.

(e) Reducing or modifying the fine schedule for non-compliance. The fee rule does not have a fine schedule for non-payment or non-compliance so this mitigation option is not applicable for this rule.

(f) Any other mitigation techniques. As described earlier, the proposed fee schedule for construction and industrial stormwater general permit holders reduces the disproportionate impact of increased permit fees on small businesses.

VII. SUMMARY OF EFFORTS TO INVOLVE AND NOTIFY AFFECTED SMALL BUSINESSES OF THE PROPOSED FEE CHANGES

- November/December 2003 - Public Scoping Workshops were held statewide
- March 18, 2004 - Program Partnership Meeting

- March 25, 2004 - Met with business and environmental representatives to discuss fee setting and fee structure
- April 1, 2004 - Met with business and construction industry representatives to discuss fee setting and fee structure
- April 12, 2004 - Mailed out public hearing announcement containing revised stormwater fee structure to 4,700 permit holders and interested parties
- May 6, 2004 - met with Association of Washington Businesses (AWB) Water Quality Committee and others to discuss fee proposal
- May 12, 13, 17, 18, 19, 20, 2004 - Statewide public workshops and hearings

APPENDIX A –

RCW 90.48.465 Waste Discharge Fees.

(1) The department shall establish annual fees to collect expenses for issuing and administering each class of permits under RCW 90.48.160, 90.48.162, and 90.48.260. An initial fee schedule shall be established by rule and be adjusted no more often than once every two years. This fee schedule shall apply to all permits, regardless of date of issuance, and fees shall be assessed prospectively. 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 toxicity and be designed to encourage recycling and the reduction of the quantity of pollutants. Fees shall be established in amounts to fully recover and not to exceed expenses incurred by the department in processing permit applications and modifications, monitoring and evaluating compliance with permits, conducting inspections, securing laboratory analysis of samples taken during inspections, reviewing plans and documents directly related to operations of permittees, overseeing performance of delegated pretreatment programs, and supporting the overhead expenses that are directly related to these activities.

(2) The annual fee paid by a municipality, as defined in 33 U.S.C. Sec. 1362, for all domestic wastewater facility permits issued under RCW 90.48.162 and 90.48.260 shall not exceed the total of a maximum of fifteen cents per month per residence or residential equivalent contributing to the municipality's wastewater system.

(3) The department shall ensure that indirect dischargers do not pay twice for the administrative expense of a permit. Accordingly, administrative expenses for permits issued by a municipality under RCW 90.48.165 are not recoverable by the department.

(4) In establishing fees, the department shall consider the economic impact of fees on small dischargers and the economic impact of fees on public entities required to obtain permits for stormwater runoff and shall provide appropriate adjustments.

(5) The fee for an individual permit issued for a dairy farm as defined under chapter 90.64 RCW shall be fifty cents per animal unit up to one thousand two hundred fourteen dollars for fiscal year 1999. The fee for a general permit issued for a dairy farm as defined under chapter 90.64 RCW shall be fifty cents per animal unit up to eight hundred fifty dollars for fiscal year 1999. Thereafter, these fees may rise in accordance with the fiscal growth factor as provided in chapter 43.135 RCW.

(6) The fee for a general permit or an individual permit developed solely as a result of the federal court of appeals decision in *Headwaters, Inc. v. Talent Irrigation District*, 243 F.3rd 526 (9th Cir. 2001) is limited, until June 30, 2003, to a maximum of three hundred dollars. Such a permit is required only, and as long as, the interpretation of this court decision is not overturned or modified by future court rulings, administrative rule making, or clarification of scope by the United States environmental protection agency or legislative action. In such a case the department shall take appropriate action to rescind or modify these permits.

(7) All fees collected under this section shall be deposited in the water quality permit account hereby created in the state treasury. Moneys in the account may be appropriated only for purposes of administering permits under RCW 90.48.160, 90.48.162, and 90.48.260.

(8) The department shall present a biennial progress report on the use of moneys from the account to the legislature. The report will be due December 31st of odd-numbered years. The report shall consist of information on fees collected, actual expenses incurred, and anticipated expenses for the current and following fiscal years.

APPENDIX B –

Engrossed Substitute Senate Bill 6415, SECTION 5

NEW SECTION. **Sec. 5** *A new section is added to chapter 90.48 RCW to read as follows:*

(1) The department shall establish permit fees for construction and industrial stormwater general permits as necessary to fund the provisions of sections 2 and 3 of this act. When calculating appropriate fee amounts, the department shall take into consideration differences between large and small businesses and the economic impacts caused by permit fees on those businesses. Fees established under this section shall be adopted in accordance with chapter 34.05 RCW.

(2) In its biennial discharge fees progress report required by RCW 90.48.465, the department shall include a detailed accounting regarding the method used to establish permit fees, the amount of permit fees collected, and the expenditure of permit fees. The detailed accounting shall include data on inspections conducted and the staff hired to implement the provisions of sections 2 and 3 of this act.

APPENDIX C –

Types of Industries Covered by the Industrial Stormwater General Permit

SIC Major Group	Major Group Description	Number of Permit Holders
24	Lumber and Wood Products, Except Furniture	213
42	Motor Freight Transportation and Warehousing	170
50	Wholesale Trade - Durable Goods	122
34	Fabricated Metal Products	99
20	Food and Kindred Products	69
37	Transportation Equipment	58
28	Chemicals and allied products	56
49	Electric, Gas, and Sanitary Services	54
30	Rubber and Misc. Plastic Products	47
35	Ind. and Com. Machinery and Computer Equipment	45
45	Air Transportation	42
44	Water Transportation	36
32	Stone, Clay, Glass and Concrete Products	33
51	Wholesale Trade - Nondurable Goods	28
41	Transit and Interurban Highway Passenger Transportation	26
26	Paper and Allied Products	18
33	Primary Metal Industries	17
40	Railroad Transportation	11
36	Electronic and Electrical Equipment	10
39	Miscellaneous Manufacturing	10
29	Petroleum refining and related industries	7
17	Construction - Special Trade Contractors	6
38	Measuring etc...	5
25	Furniture and Fixtures	4
47	Transportation Services	4
10	Metal Mining	3
16	Heavy Construction Other Than Building Construction	3
22	Textile Mill Products	3
27	Printing, Publishing and Allied Industries	3
52	Building Materials, Hardware, Garden Supply	3
14	Mining/Quarrying of Nonmetallic Minerals Except Fuels	2
59	Miscellaneous Retail	2
76	Miscellaneous Repair Services	2
82	Educational Services	2

SIC Major Group	Major Group Description	Number of Permit Holders
95	Administration of Environmental Quality & Housing Programs	2
7	Agricultural Services	1
12	Coal Mining	1
23	Apparel Manufacturing	1
73	Business Services	1
75	Automotive Repair, Services, and Parking	1

APPENDIX D –

CROSSWALK BETWEEN IRS PBA CODES VERSUS SIC AND NAICS SYSTEMS

Lists NAICS and SIC sectors where appropriate

PBA Code 233110 – Land Subdividers and Developers

- SIC 6552 – Land Subdividers and Developers/
NAICS 233110 - Land Subdividers and Developers

PBA Code 233205 – Building Construction and General Contracting

- SIC 1521 – General Contractors – Single Family Homes/
NAICS 233210 – Single Family Housing Construction
- SIC 1522 – General Contractors – Residential Buildings Other Than Single-Family/
NAICS 233220 – Multifamily Housing Construction
- SIC 1531 – Operative Builders/
NAICS 233210- Single Family Housing Construction **AND**
NAICS 233220- Residential Buildings Other Than Single-Family
- SIC 1541 – General Contractors – Industrial Buildings and Warehouses/
NAICS 233310 Manufacturing and Industrial Building Construction
- SIC 1542 – General Contractors – Nonresidential Buildings Other Than Industrial
Buildings and Warehouses/
NAICS 233320 – Commercial and Institutional Building Construction

PBA Code 234000 – Heavy Construction

- SIC 1611 – Highway and Street Construction Except Elevated Highways/
NAICS 234110 – Highway and Street Construction
- SIC 1622 – Bridge, Tunnel, and Elevated Highway Construction/
NAICS 234120 – Bridge and Tunnel Construction
- SIC 1623 – Water, Sewer, Pipeline and Communications and Power Line Construction/
NAICS 234920 – Power and Communication Transmission Line Construction
- SIC 1629 – Heavy Construction Not Elsewhere Classified/
NAICS 234930 - Industrial Nonbuilding Structure Construction **AND**
NAICS 234990 – All Other Heavy Construction