




Wastewater/Stormwater Discharge Permit Fee Program

*Report to the Legislature
State Fiscal Biennium 2003-05*

January 2006
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Report to the Legislature State Fiscal Biennium 2003-05

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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 fee increases to 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. However, during the 2003 legislative session, Ecology received an authorization allowing an increase in permit fees beyond the fiscal growth factor for the 2003-05 biennium.

Ecology chose not to increase fees beyond the fiscal growth factors for holders of wastewater and state waste discharge permits. However, for stormwater industrial and construction general permit holders, the department did increase fees beyond the fiscal growth factors because of new program enhancements that were being required as a result of the passage of Engrossed Substitute Senate Bill 6415 during the 2004 legislative session.

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 2003-05 biennium (July 1, 2004, through June 30, 2005). This report also lists fee-eligible activities and their related expenditures for both wastewater and stormwater permits and identifies and gives a brief description of each Ecology program receiving monies from the dedicated permit fee account for the 2003-05 biennium (July 1, 2003, through June 30, 2005).

The number of permit fee payers statewide for the 2003-05 biennium averaged 4,752.

2003-05 Biennial Legislative Appropriation

Appropriation Level: \$ 26,078,810*

*Includes \$165,000 appropriated to the Department of Agriculture for management of dairy wastewater permits.

Revenues

Revenue Totals:

Municipal: \$ 6,334,213 (24.9% of Total Revenues)
 Industrial: \$19,015,052 (75.0% of Total Revenues)
 Total: \$25,349,265 (7/1/03 – 6/30/05)

Revenue from Specific Types of Industries and Municipalities:

Table 1 below shows the amount of revenue Ecology received during the 2003-05 biennium. It also indicates the number of permit holders within each category. (The total revenue and number of permits depicted differs slightly from the total revenue listed above. This is because Table 1 is a real-time account receivable record, which does not track application fees and does not reflect beginning or end-of-biennia adjustments.)

Table 1 – 2003-05 Biennium Wastewater Permit Fee Revenues by Fee Category

Type of Permit Holders	Revenue Received	Number of Permit Holders (Average)
Industrials		
Aggregate Production – General Permit	1,958,224	915
Aggregate Production – Individual Permit	13,587	3
Aluminum & Magnesium Reduction Mills	392,294	6
Aluminum Alloys	27,874	1
Aluminum Forming	104,528	2
Aquaculture – General Permit	475,490	89
Aquaculture – Individual Permit	108,631	14
Aquatic Pest Control	39,089	63
Boatyards – General Permit	58,723	98
Coal Mining & Preparation	89,184	2
Combined Food Processing Waste Treatment	106,744	5
Combined Sewer Overflow System	97,556	3
Concentrated Animal Feeding Operations – Individual Permit	13,918	11
Crop Preparing – General Permit	904,937	123
Crop Preparing – Individual Permit	107,501	1
Dairies – General Permit	91,119	101
Facilities Not Otherwise Classified	1,226,136	75
Flavor Extraction	1,716	7
Food Processing	3,022,773	86
Fuel & Chemical Storage	152,073	10
Hazardous Waste Clean Up Sites	123,785	12
Ink Formulation & Printing	35,354	4
Inorganic Chemical Manufacturing	314,209	12
Iron & Steel	111,594	2

Type of Permit Holders	Revenue Received	Number of Permit Holders (Average)
Metal Finishing	149,661	21
Noncontact Cooling Water With Additives – General Permit	83,620	49
Noncontact Cooling Water With Additives – Individual Permit	273,440	17
Noncontact Cooling Water Without Additives – Individual Permit	70,828	8
Noncontact Cooling Water Without Additives – General Permit	27,336	10
NonFerrous Metals Forming	55,748	2
Ore Mining	61,323	3
Organic Chemical Manufacturing/RCRA	122,801	1
Organic Chemical Manufacturing	55,746	1
Petroleum Refining	945,946	5
Photofinishers	26,616	7
Power and/or Steam Plants	258,429	11
Private & State Owned Facilities	144,260	33
Pulp, Paper and Paperboard	2,508,586	16
Radioactive Effluents & Discharges	247,896	2
RCRA Corrective Action Sites	39,179	1
Seafood Processing	499,953	33
Shipyards	227,092	18
Solid Waste Sites	196,851	14
Stormwater – Construction General Permits	969,102	1,202
Stormwater – Industrial General Permits	1,231,930	1,145
Stormwater – Individual Permits	279,714	28
Textile Mills	111,496	1
Timber Products	709,635	22
Vegetable/Bulb Washing	10,066	7
Vehicle Maintenance & Freight Transfer	34,799	7
Water Plants – General Permit	125,013	30
Water Plants – Individual Permit	35,355	6
Wineries	64,042	9
Municipals		
< 10,000 Residential Equivalents	1,274,012	246
10,000 - < 50,000 Residential Equivalents	1,851,596	25
50,000 - < 250,000 Residential Equivalents	1,339,073	5
250,000 Residential Equivalents & Greater	1,425,081	3
Stormwater Municipal General Permits	380,952	6

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 by 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.
- 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:

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

Historically, holders of industrial and construction stormwater general permits were only eligible to apply for an extreme hardship fee reduction because their annual permit fee totaled less than \$500. With a fee increase imposed for fiscal year 2005, construction general permit holders who met the established criteria for small business fee reduction were eligible to apply for the first time. The fee schedule adopted for fiscal year 2005 for industrial stormwater general permit holders was developed in a manner that would incorporate both small business and extreme hardship reductions into its schedule.

Wastewater and State Waste Discharge Permit Holders

The total savings to wastewater and state waste discharge small businesses that qualified for the small business and/or extreme hardship fee reduction consideration for the 2003-05 biennium totaled \$452,647. In fiscal year 2004, Ecology reduced permit fees for 144 businesses, resulting in savings for small businesses totaling \$282,864. In fiscal year 2005, 98 businesses were granted annual fee reductions for a total savings of \$169,783.

Construction Stormwater General Permit Holders

The total savings to construction stormwater small businesses that qualified for the small business and/or extreme hardship fee reduction consideration for the 2003-05 biennium totaled \$6,525. In fiscal year 2004, Ecology reduced permit fees for four (4) businesses, resulting in a savings for small businesses totaling \$1,056. In fiscal year 2005, eight (8) businesses were granted annual fee reductions for a total savings of \$4,875.

Industrial Stormwater General Permit Holders

A total of (9) industrial stormwater general permit holders qualified for an extreme hardship fee reduction for Fiscal Year 2005. The total savings to those small businesses totaled \$2,376. When the fee rule was last amended, fees for industrial stormwater were changed so that companies with gross revenue less than \$100,000 had a maximum annual fee totaling \$100.

Companies with gross revenue between \$100,000 and less than \$1,000,000 had their annual fee set at \$375, the fee amount they paid for the previous fiscal year.

Expenditures

Available Budget

2001-03 Biennium Carry-over: \$ 3,244,239*
 Actual Revenue: \$25,349,265
 Operating Budget: \$25,504,954

*The 2001-2003 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 task for the 2003-05 Biennium. FTE represents the number of full time employees.

Table 2 – 2003-05 Biennium Actual Permit Fee Expenditure Summary

<i>Activity</i>	FTE's	Cost = \$
Management and Support	16.58	\$ 2,539,766
Regional and Clerical	6.16	862,983
Compliance	.60	83,708
Program Development	1.70	240,571
Permit Processing	29.39	4,116,106
Permit Management	1.86	259,758
Inspections	21.98	2,996,676
Report and Review	5.83	846,155
Appeals	0.55	86,460
Data Management	6.65	931,058
Technical Assistance	9.00	1,295,254
Outreach and Education	7.20	1,007,533
Administrative Services	22.2	3,082,859
Cost Allocation	0.0	7,156,066
Expenditures	129.5	\$ 25,504,954

Actual Expenditures by Activity

This section summarizes the fee-eligible components of the wastewater discharge permit program listed in Table 2.

Program Management and Administrative Support

Activities in these 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, budget, and program planning.

Compliance

Formal enforcement is not a fee-eligible activity. 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 other actions until such a time issues might escalate to a level where formal enforcement actions are needed.

Program Development

Activities under this category include those that support or guide fee-related permit development updates and revisions. 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 individual and/or general permits.

Permit processing also includes conducting quality assurance and quality control (QA/QC) of the content of the permit before it is issued by the headquarters or regional office. This QA/QC process involves checking permits for consistency with both federal and state law.

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 technical assistance provided to municipalities in obtaining pretreatment delegation.

Inspections

Inspections involve facility and site inspections conducted by headquarters and regional offices, compliance monitoring, and complaint response. They also include specialized environmental investigations that might be needed to ensure permit compliance and/or to determine if special conditions need to be implemented within a given discharge area that might not meet state water quality laws.

Report Review

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

Data management involves the operation and maintenance of the permit program's central database titled 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 permit holder and financial data and maintaining the Billing and Revenue Tracking System (BARTS) that is used to track and account for the fees of over 4,752 permit holders.

Technical Assistance

Technical assistance is provided to permit holders before, during, and after processing a permit or authorization that is not part of the normal permit review and communication process. It involves municipal wastewater treatment plant operators and permit holders on the application of rules, policies, guidelines, and manuals. It also includes site visits to many general permit holders.

Outreach and Education

Outreach and information sharing with a focus on the permit program is provided to 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 staff members associated with cost allocation.

Anticipated Expenses for the 2005-07 Biennium

The 2005 Legislature authorized \$32,147,000 (includes \$238,000 that is appropriated to the Department of Agriculture for operation of the dairy program) to be expended from wastewater discharge permit fees for the 2005-07 Biennium. The total fee-funded FTE's is projected to fund about 164.50 FTEs during this period. The following table shows how fee monies are planned to support the various fee-eligible activities.

Table 3 – 2005-07 Biennium Planned Permit Fee Expenditure Summary

<i>Program</i>	FTEs	Total Dollars
Management & Support	34.50	\$ 4,830,000
Regional Clerical	5.00	700,000
Compliance	4.8	672,000
Program Development	5.50	770,000
Permit Processing	38.0	5,320,000
Permit Management	5.0	700,000
Inspections	10.0	3,739,263
Report Review	8.0	1,120,000
Appeals	2.25	315,000
Data Management	9.3	1,302,000
Technical Assistance	17.89	2,504,600
Outreach & Education	2.21	309,400
Administrative Services	22.05	3,087,000
Cost Allocation	0.0	9,117,000
Estimated Expenditures	164.5	\$ 32,147,000

Ecology Programs Funded With Permit Fees

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 managed by Ecology. The Water Quality Program manager is the designated policy lead of the permit program. The 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 (PDSS) at headquarters has the responsibility of establishing permit rules. PDSS administers the industrial, construction, and municipal stormwater general permits and is involved in other types of general permit development and maintenance; maintains central quality control. This section also provides technical support to the permit managers (e.g., permit writers manual).

The Watershed Management Section located at headquarters has primary responsibility for non-permit Water Quality Program functions. Most of the work assigned to this section includes maintenance of the water quality standards, waterbody assessments, and policies for managing impaired water bodies.

The Financial Management Section within the Water Quality Program deals mainly with grant and loan (non-permit program) activities. Assessing permit fees for all stormwater and/or wastewater permit holders, invoicing, monitoring delinquent accounts, and revoking permits for nonpayment of fees are the duties of the Fee Unit housed within this section.

Water Quality Program Regional and Field Offices. The Water Quality Program is comprised of four regional offices located in Bellevue, Lacey, Yakima, and Spokane. The program also has two small field offices in located Bellingham and Vancouver. Each region is responsible for issuing, managing, inspecting permitted facilities, and ensuring permittee compliance within its regional boundaries. Water quality regional section managers report to the manager of the WQP at headquarters.

Solid Waste and Financial Assistance Services

Solid Waste and Financial Assistance Services Program at headquarters includes the Industrial Section that is responsible for permit processing, management, and inspections for 43 wastewater discharge permitted facilities statewide, 30 of which are major industrial facilities. These facilities include most 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 have 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 Assessment Program

The Environmental Assessment Program (EAP) is Ecology's in-house environmental consultant. EAP also 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), or water quality cleanup plans. Based on that work, EAP also provides 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 the lead for 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 that have been issued a state waste discharge permit from Ecology. Staff members located in a Nuclear Waste Program field office in Kennewick conduct permit management.