DEPARTMENT OF
ECOLOGY
State of Washington

Wastewater and Stormwater Discharge Permit Fee Program

Report to the Legislature

State Fiscal Years 2007-2011

November 2013
Publication no. 13-10-056

Publication and Contact Information

This report is available on the Department of Ecology's website at
https://fortress.wa.gov/ecy/publications/SummaryPages/1210056.html

For more information contact:

Water Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

Phone: 360-407-6600

Washington State Department of Ecology - www.ecy.wa.gov

o Headquarters, Olympia	360-407-6000
o Northwest Regional Office, Bellevue	425-649-7000
o Southwest Regional Office, Olympia	360-407-6300
o Central Regional Office, Yakima	509-575-2490
o Eastern Regional Office, Spokane	509-329-3400

If you need this document in a format for the visually impaired, call the Water Quality Program at 360-407-6600. Persons with hearing loss can call 711 for Washington Relay Service. Persons with a speech disability can call 877-833-6341.

Wastewater and Stormwater Discharge Permit Fee Program

Report to the Legislature
State Fiscal Years 2007-2011

by
Mike Herold

Water Quality Program
Washington State Department of Ecology
Olympia, Washington

This page purposely left blank

Table of Contents

List of Tables

Page

List of Figures

Executive Summary

The Department of Ecology presents this report on wastewater and stormwater discharge permit fees and inspection activities to the Legislature in response to multiple directives:

- RCW 90.48.465(8) requires that Ecology present a periodic report to the Legislature on the use of funds from the Water Quality Permit account. This report contains information about fees collected and expenses paid for the state fiscal years 2008 through 2011,
- Substitute House Bill 1413, Section 2, Chapter 249, Laws of 2009 requires that Ecology, with the advice of an advisory committee, evaluate the existing fee structure, including the current inequity of fees relative to permit workload, and report its findings and recommendations, and
- RCW 90.48.565(2) requires that Ecology report on inspections conducted to implement industrial and construction stormwater permit administration

The state's Water Pollution Control Act and the federal Clean Water Act require entities that discharge water-based pollutants to surface or groundwaters or municipal sewage systems to obtain permits. In Washington, the dischargers are required to pay fees to support the State's program to administer these permits. This report shows the revenues collected and spent by the Department of Ecology.

Three divisions of water discharge permits are administered and, as of June 2011, include

- Approximately 280 "Municipal Wastewater," public entities that treat and discharge sanitary sewage
- Over 1,900 "Industrial Wastewater," discharges from businesses that discharge wastewater from production
- Over 3,800 "Stormwater," discharges of contaminated rain runoff from commercial and industrial facilities, land development and public infrastructure

Revenues and expenditures from the Water Quality Permit Account

Biennium	Permit fee revenue (AFRS)[1]	Permit Program expenditure (AFRS, Ecology only)	Working Capital Reserve[2]
2009 to 2011	$36,802,122	$33,591,023	$200,000
2007 to 2009	$35,510,354	$32,531,304	$500,000

[1] AFRS is the "Agency Financial Reporting System," an accounting system used by Washington State agencies.
[2] The permit fee fund cash balance fluctuates over five million dollars in a normal fiscal year due to the fee billing cycle. In fiscal year 2009, when the cash balance was negative for three months, the cash balance at the beginning of the fiscal year was just over one million dollars. The cash balance at the end of the fiscal year was over four million dollars. Expenditures were reduced relative to revenue in subsequent years in order to build a cash reserve and avoid a repeat of the FY2009 negative cash balance.

The Legislature allowed Ecology to raise some individual fees in both biennia by the Fiscal Growth Factors to cover increases in program costs. Permit fee revenue has trended upward by 1.5% per year over the latest 2 biennia. Expenditures have trended down by 0.3% per year over the latest 2 biennia. The Ecology FTEs[3] funded from permit fees decreased from 165 to 154 over this period.

Evaluation of the existing fee structure

Permit fees are levied according to the fee category of a permittee. There are at least 68 fee categories and subcategories in the permit fee regulations. The fee categories are composed of different types of discharges. Fees are generally structured to reflect the complexity of permits with consideration of affordability for small businesses, small public entities, and hardship cases.

Over time, the fee rate structure has become outdated and does not reflect the actual cost of administering the various categories of permits. Some fees were initially set too low to fully recover costs, some fees were capped in statute, and some initiatives limited how Ecology can raise fees. Increases in permit fees were instituted as percentage increases over the existing fees. This type of increase narrows the fee equity gap when fee rates are relatively high but is largely ineffective in promoting equity where the initial fees are very low.

The advisory group that evaluated the existing fee structure recognized that some individual facility permit fees are higher than the cost to Ecology to administer the permit. The advisory group could not reach a consensus or agree on how the fee rates should be redistributed. The current strategy to freeze permit fees for the fee categories whose contributions are adequate while increasing permit fees for the fee categories that underpay should continue. The municipal wastewater category is the largest underpaying category. The limitation imposed by the municipal fee cap is the main impediment to promoting equity among fee categories.

Ecology recommendations to the Legislature

- **Maintain the existing permit fee categories in Chapter 173-224 WAC**
- Continue to **selectively increase fees for underpaying fee categories including municipal wastewater facility fees**

The permit fee categories were created over time with extensive input from permittees and their representatives. Reducing the number of fee categories would simplify administration of the permit program but would generate additional discussion during category restructuring**. Leaving the fee structure intact** will limit the number of variables during rulemaking. The number of fee rate changes will also be more manageable. Changing the fee structure and number of categories does not directly address either of the main objectives.

The **selective fee increase** has been the chosen method to narrow the equity gap. This method has been in place over the most recent biennia. The selective fee increases narrow the equity gap

[3] Full Time Equivalent (FTE) is an acronym for the equivalent of a full time employee. That is, full time status for the time period being considered.

between categories by increasing permit fees only for the fee categories that are underpaying for services and not paying their fair share of permit costs. The amount of the fee rate increase has been limited to the fiscal growth factor. A greater increase than the fiscal growth factor would correct the equity gap more quickly. The agency lacks broad support to request a greater increase.

The limitation on fee increases imposed by the municipal fee cap generates additional inequity. The municipal wastewater facilities as a category do not fully support the cost of administering the category. The municipal cap has the effect of freezing permit fees in that category while other underpaying permit fee categories bear the cost of fee increases. A selective fee increase will not achieve equity if the municipal fee cap does not keep pace with agency costs. The permit fee account will eventually lack sufficient funds to maintain the permit program.

Stormwater permit inspections

Stormwater general permits are a type of water discharge permits issued for industrial and construction activities. Staff who are specially trained on the issues of stormwater pollution conduct the inspections of these activities. Inspectors share information on the practices that prevent and mitigate stormwater pollution.

Stormwater inspections are specially tracked and documented by the agency. Between July 2007 and June 2011, 4178 inspections were performed at permitted construction sites. The annual average of 1045 inspections compares to the annual average of 2900 active construction stormwater permit sites. On average, a construction stormwater permit site would be inspected every three years. Between July 2007 and June 2011, 1185 inspections were performed at permitted industrial stormwater sites. The annual average of 465 inspections compares to the annual average of 1,060 permitted industrial stormwater facilities. On average, an industrial stormwater permittee would receive an inspection twice during a five-year permit term.

This page purposely left blank

Introduction

The Department of Ecology (Ecology) operates the water quality wastewater discharge permit program in the state of Washington under authority of the federal Clean Water Act and the state Water Pollution Control Act. The permits issued by Ecology satisfy both federal and state law that discharges must be conditioned to meet the water quality and treatment requirements of each set of laws. Authority to establish fees that fully fund the administration of wastewater discharge permits stems from state law in RCW 90.48.465 (Water Pollution Control Act). The law states that all fees charged will 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.

This report satisfies the requirements of

- RCW 90.48.465(8) that Ecology present a report to the Legislature on the use of funds from the Water Quality Permit account. This report contains information about fees collected and expenses paid for the state fiscal years 2008 through 2011
- RCW 90.48.565(2) that Ecology report on inspections conducted and staff hired to implement industrial and construction stormwater permit administration, and
- Substitute House Bill 1413, Section 2, Chapter 249, Laws of 2009 that Ecology, with the advice of an advisory committee, evaluate the existing fee structure, including the current inequity of fees relative to permit workload, and report its findings and recommendations

Wastewater discharge permits are the state's primary tool to prevent water pollution. Ecology uses the permit system, authorized under the Federal Clean Water Act National Pollution Elimination Discharge System (NPDES) program, to protect water quality. The permit holders include large and small industries, such as pulp mills, fish hatcheries, and food-processing facilities. Domestic wastewater-treatment plants, which collectively treat sewage from the majority of homes and businesses in Washington State, also must have permits to discharge into state waters. Activities that can create pollution such as aquatic pesticide applications, shipyards, boatyards, and construction sites hold permits. The permits set conditions to prevent their discharges from harming our lakes, rivers, streams, and marine waters. Ecology recoups most of its administration costs by charging fees to all permit holders.

The Water Quality Permit account collects and spends funds from wastewater and stormwater discharge permit fees. These types of permits authorize discharges of pollutants into Washington's surface and underground waters. Ecology has required fees to cover its costs to issue and support these permits since 1988.

Fees paid by holders of wastewater and stormwater discharge permits are deposited into this dedicated account and not into the state general fund. Each biennium the state Legislature authorizes Ecology in the operating budget to spend fee funds from the permit fee account for fee-eligible activities.

This report discusses fee revenues and expenditures[4] from the permit fee account for the biennia of 2007-09, and 2009-11 (July 1, 2007, through June 30, 2011) This report also lists fee-eligible activities and gives a brief description of each Ecology program using money from the dedicated permit fee account for the two biennia.

Revenue and expenditures are divided between two broad categories of permit types based on the water source that carries the pollutants, wastewater, or stormwater. Permits that authorize discharge of both wastewater and stormwater are included in the wastewater category.

RCW 90.48.465(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.

RCW 90.48.565(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 RCW 90.48.555 and 90.48.560.

CHAPTER 249 Laws of 2009 Domestic Wastewater Facility Permit Fees, an Act Relating To Water Discharge Fees; amending RCW 90.48.465; and creating new sections.

Sec. 2. Increasing Fees by the Fiscal Growth Factor.

The department of ecology is authorized to increase fees up to the fiscal growth factor for fiscal years 2010 and 2011, except that there may be no increase in fees for fiscal years 2010 or 2011 for categories of dischargers whose fees exceed the costs of managing their permits. The department of ecology, with the advice of an advisory committee, shall evaluate the existing fee structure, including the current inequity of fees relative to permit workload, and report its findings and recommendations to the 2010 legislature.

[4] Characterization of expenditures by FTE (full-time equivalent) activity has varied based on different planning strategies and time accounting procedures and detail. The expenditure presentation beginning with the 2007-09 biennium has more detail than seen in earlier reports due to the revival of detailed time accounting practices and renewed interest in moving to a fee structure based on fee category-specific workload issues. This report attempts to bridge the transition from broadly described program activities to more specific permit administration activities.

Water Quality Permit Program Summary

National Pollution Discharge Elimination System (NPDES), and state waste discharge permits are issued and administered by the Water Quality permit program of the WA State Department of Ecology. Permits are required by statute to be secured in order to discharge wastewater and certain types of stormwater to waters of the state and waters of the U.S. Ecology administers the program rather than the federal Environmental Protection Agency (EPA), because Ecology has been delegated by the federal government to administer the NPDES permits in this state. Delegation is partially contingent on the force of state law in controlling pollutant discharges to waters of the United States.

The Water Pollution Control Act, Chapter 90.48 of the Revised Code of Washington (RCW), confers the statutory authority for the permit program. The Water Pollution Control Act (WPCA) forbids activities that cause pollution of waters of the state of Washington, except as provided under authorization of Ecology. The WPCA requires that any person who conducts a commercial or industrial operation that results in disposal of wastes to waters of the state or to sewerage systems operated by public entities must procure a permit from Ecology. It further requires local governments and other public corporations, to procure permits for discharge of wastes to waters of the state. The WPCA requires Ecology to place conditions in the permits that retain high quality for all waters of the state. Permit conditions require self-monitoring, reporting, effluent limits, and practices that ensure retention of high quality waters of the state.

Wastewater discharge permits are the state's primary tool to prevent water pollution. Ecology uses the permit system, authorized under the Federal Clean Water Act NPDES program, to protect water quality. The permit holders include large and small industries, such as pulp mills, fish hatcheries, and food-processing facilities. Domestic wastewater-treatment plants, which collectively treat sewage from the majority of homes and businesses in Washington State, also must have permits to discharge into state waters. Activities that can create pollution such as aquatic pesticide applications, shipyards, boatyards, and construction sites, hold permits. The permits set conditions to prevent their discharges from harming our lakes, rivers, streams, and marine waters. Ecology revises each

Water Pollution Control Act
RCW 90.48.010
Policy enunciated.

It is declared to be the public policy of the state of Washington to maintain the highest possible standards to insure the purity of all waters of the state consistent with public health and public enjoyment thereof, the propagation and protection of wild life, birds, game, fish and other aquatic life, and the industrial development of the state, and to that end require the use of all known available and reasonable methods by industries and others to prevent and control the pollution of the waters of the state of Washington. Consistent with this policy, the state of Washington will exercise its powers, as fully and as effectively as possible, to retain and secure high quality for all waters of the state…

permit every five years, with each renewal period, increasing environmental protections if necessary. Ecology recoups most of its administration costs by charging fees to all permit holders. The state Legislature sets the fee amount through authorization of individual permit fee rate increases. The legislative budget process sets the total fee amount that may be expended by Ecology.

Two separate programs within Ecology issue the permits. The Water Quality Program issues most permits to industrial dischargers and all permits to municipalities operating sanitary and stormwater systems. The Waste to Resources (W2R) Program issues the permits for many large facilities of the secondary industries[5] and related dependent facilities.

Ecology issues permits for direct wastewater discharges to surface waters, for wastewater discharges to land or ground, because those wastes may affect state groundwater, and for discharges of industrial wastewater to municipally owned sanitary systems that do not have that authority delegated by the state.

[5] The secondary industries are manufacturing facilities that develop products from the raw materials extracted by primary industries.

Revenues and Expenditures from the Water Quality Permit Account

2007-09 and 2009-11 biennia

This report covers two biennia, the 2007-09 and 2009-11. Unlike previous reports, detailed time accounting data was available to track expenditures closely in salaries and benefits to the permit type and activity.[6]

Appropriations

In the 2007-09 biennium, the appropriation level to Ecology for Water Quality Permits was $34,022,000. The appropriation level to the Department of Agriculture (Agriculture) for Water Quality Permits was $59,000.

In the 2009-11biennium, the appropriation level to Ecology for Water Quality Permits was $36,899,000. The appropriation level to Agriculture for Water Quality Permits was $61,000. Agriculture was appropriated these amounts for inspection of facilities permitted for dairy wastewater. This report does not address detailed expenditure amounts associated with this appropriation.

Revenues

Revenues for the 2007-09 and 2009-11 biennia

Table 1 shows the amount of revenue Ecology received from routine direct billing during the 2007-11 biennia from wastewater and stormwater discharge permit holders. It also indicates the average number of permit holders within each permit fee category.

Table 1. 2007-11 Wastewater Discharge Permit Fee Revenues by Fee Category

	2007-09		2009-11	
Permit Fee Category	**Revenue Received**	**Number of Permit Holders (Average)**	**Revenue Received**	**Number of Permit Holders (Average)**
Total Sum	**$35,255,195**	**6,209**	**$36,700,935**	**6,100**
Aggregate Production - General Permit	$2,285,071	945	$2,219,104	921
Aggregate Production - Individual Permit	$15,866	3	$16,296	3
Aluminum & Magnesium Reduction Mills	$576,769	6	$529,866	5
Aluminum Alloys	$32,544	1	$33,426	1
Aluminum Forming	$97,627	1	$100,272	1

[6] Activity categories are described following the Expenditure tables. Some permit fee categories have been replaced, but the format of the permit fee revenue tables is unchanged for this report.

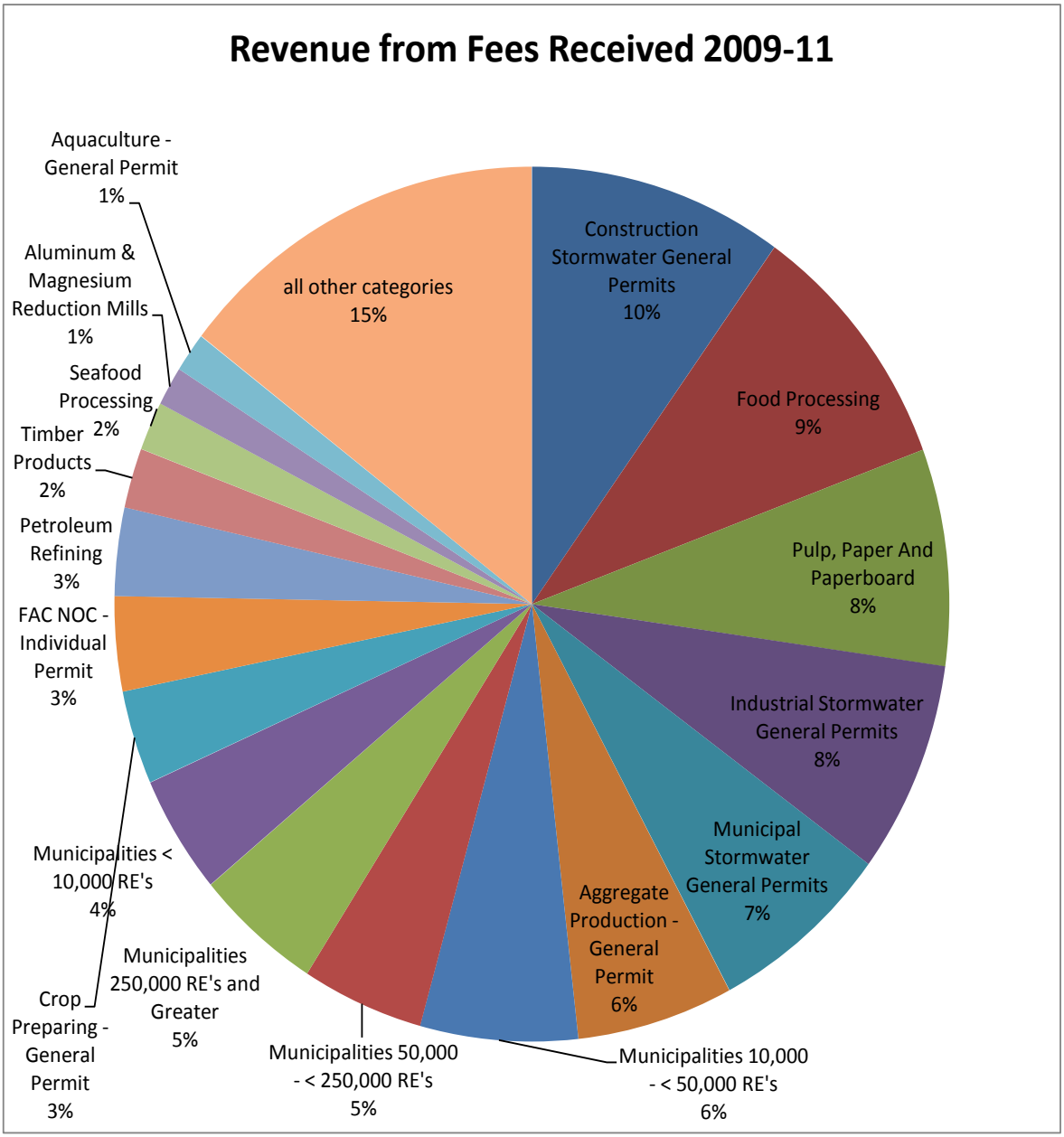
	2007-09		2009-11	
Permit Fee Category	**Revenue Received**	**Number of Permit Holders (Average)**	**Revenue Received**	**Number of Permit Holders (Average)**
Aquaculture - General Permit	$539,976	83	$538,644	83
Aquaculture - Individual Permit	$146,532	16	$165,396	17
Aquatic Pest Control	$98,741	140	$131,036	178
Boatyards - General Permit	$58,412	85	$57,082	76
Coal Mining And Preparation	$97,905	2	$100,429	2
Combined Food Processing Waste Treatment	$104,835	4	$96,000	3
Combined Industrial Waste Treatment	$105,644	3	$100,499	3
Combined Sewer Overflow System	$26,031	1	$26,736	1
Concentrated Animal Feed Operations - Individual Permit	$3,336	1	$3,606	1
Concentrated Animal Feeding Operation	$13,744	6	$15,982	6
Crop Preparing - General Permit	$1,329,190	133	$1,273,232	126
Crop Preparing - Individual Permit	$20,824	1	$21,388	1
Dairies With General Permit Coverage	$21,717	14	$19,719	12
Facilities Not Otherwise Classified - Individual Permit	$1,297,700	68	$1,282,991	70
Flavor Extraction	$1,332	4	$1,197	4
Food Processing	$3,368,287	78	$3,449,567	75
Fuel And Chemical Storage	$191,993	10	$182,153	9
Hazardous Waste Clean Up Sites	$202,125	12	$182,856	12
Ink Formulation And Printing	$37,317	4	$35,996	3
Inorganic Chemicals Manufacturing	$302,709	11	$444,604	12
Iron And Steel	$146,995	3	$167,238	3
Metal Finishing	$136,630	16	$152,175	19
Non Ferrous Metals Forming	$65,088	2	$66,852	2
Noncontact Cooling Water W/Add - General Permit	$50,100	31	$67,964	37
Noncontact Cooling Water W/Add - Individual Permit	$135,415	11	$137,453	11
Noncontact Cooling Water W/O Add - General Permit	$59,108	20	$31,250	17
Noncontact Cooling Water W/O Add - Individual Permit	$336,128	17	$428,238	21
Ore Mining	$77,743	6	$80,445	5
Organic Chemicals Mfg/RCRA	$143,368	1	$147,252	1
Organic Chemicals Manufacturing	$65,081	1	$66,844	1
Petroleum Refining	$1,170,412	5	$1,194,771	5
Photofinishers	$14,845	5	$10,027	3
Power and/or Steam Plants	$299,297	10	$300,800	9
Private & State Owned Facilities	$178,101	32	$188,717	29
Pulp, Paper And Paperboard	$2,863,596	15	$2,941,184	15
Radioactive Effluents & Discharges	$289,409	2	$297,250	2
RCRA Corrective Action Sites	$45,741	1	$46,980	1
Seafood Processing	$647,949	35	$658,985	34
Shipyards	$250,684	20	$312,428	21

	2007-09		2009-11	
Permit Fee Category	**Revenue Received**	**Number of Permit Holders (Average)**	**Revenue Received**	**Number of Permit Holders (Average)**
Solid Waste Sites	$224,638	12	$247,864	15
Textile Mill	$130,165	1	$133,692	1
Timber Products	$797,667	20	$814,505	20
Vegetable/Bulb Washing	$12,988	6	$16,562	7
Vehicle Maintenance & Freight Transfer	$37,465	6	$36,762	6
Water Plants - General Permit	$160,540	32	$167,176	33
Water Plants - Individual Permit	$28,376	4	$32,364	4
Wineries	$100,659	15	$136,996	19
Municipalities < 10,000 Residential Equivalent's (RE's)	$1,448,622	248	$1,609,244	248
Municipalities 10,000 - < 50,000 RE's	$2,158,654	25	$2,238,046	25
Municipalities 50,000 - < 250,000 RE's	$1,646,745	3	$1,735,563	5
Municipalities 250,000 RE's and Greater	$1,497,418	5	$1,799,435	4
Municipal Stormwater General Permits	$2,325,477	144	$2,594,396	150
Construction Stormwater General Permits	$3,888,507	2,736	$3,617,143	2,596
Industrial Stormwater General Permits	$2,537,998	1,062	$2,873,379	1,090
Individual Stormwater Permits	$307,359	25	$322,880	26

The total revenue received from holders of wastewater permits and stormwater permits for the 2007-09 biennium as recorded in AFRS totaled $35,510,354.
The total revenue received from holders of wastewater permits and stormwater permits for the 2009-11 biennium as recorded in AFRS totaled $36,802,122.[7]

[7] The difference between the AFRs and the Billing and Accounts Receivable Tracking System (BARTS) revenue totals ($255,159 in 2007-09 and $101,187 in 2009-11) is due to late payments, refunds, and other adjustments to revenue receipts. Late payments are applied to the year in which the billing occurred in BARTS while AFRS is closed after the conclusion of the year. Refunds appear as expenditures in AFRS but refunds are deducted from revenue in BARTS. Some receipts are not recorded to a particular fee category and appear as miscellaneous in BARTS and therefore are not attributed to a fee category.

The chart below depicts the fee revenue generated by each of the top fee categories over the two-year period from July 1, 2009 to June 30, 2011. There are seventeen fee categories represented in the chart out of a total of 68 fee categories as tracked in BARTS.



2009-11, 2 year fee revenue by category

The next table presents the permit fee categories with the total revenue received from fees in the category and the average annual fees over the two-year period from July 1, 2009 to June 30, 2011. This table demonstrates the wide variability in permit fee rates paid by permittees.

Table 2. 2009-11, 2 Year Fee Revenue by Category and Average Annual Fee Paid Within the Category

Fee Category	Revenue Received	Average Annual Fee within the Category
Construction Stormwater General Permits	$3,617,143	$697
Food Processing	$3,449,567	$23,151
Pulp, Paper And Paperboard	$2,941,184	$98,039
Industrial Stormwater General Permits	$2,873,379	$1,318
Municipal Stormwater General Permits	$2,594,396	$8,648
Aggregate Production - General Permit	$2,219,104	$1,205
Municipalities 10,000 - < 50,000 RE's	$2,238,046	$44,761
Municipalities 50,000 - < 250,000 RE's	$1,735,563	$173,556
Municipalities 250,000 RE's and Greater	$1,799,435	$257,062
Municipalities < 10,000 RE's	$1,609,244	$3,244
Crop Preparing - General Permit	$1,273,232	$5,073
FAC NOC - Individual Permit	$1,282,991	$9,230
Petroleum Refining	$1,194,771	$132,752
Timber Products	$814,505	$20,363
Seafood Processing	$658,985	$9,836
Aluminum & Magnesium Reduction Mills	$529,866	$52,987
Aquaculture - General Permit	$538,644	$3,245
Inorganic Chemicals Manufacturing	$444,604	$18,525
Noncontact Cooling Water W/O Add - Ind Permit	$428,238	$10,196
Individual Stormwater Permits	$322,880	$6,331
Shipyards	$312,428	$7,439
Power and/or Steam Plants	$300,800	$16,711
Radioactive Effluents & Discharges	$297,250	$74,313
Solid Waste Sites	$247,864	$8,547
Private & State Owned Facilities	$188,717	$3,254
Hazardous Waste Clean Up Sites	$182,856	$7,950
Fuel And Chemical Storage	$182,153	$10,120
Iron And Steel	$167,238	$27,873
Water Plants - General Permit	$167,176	$2,572
Aquaculture - Individual Permit	$165,396	$4,865
Metal Finishing	$152,175	$4,005
Organic Chemical Mfg/RCRA	$147,252	$73,626
Noncontact Cooling Water With Additives - Individual Permit	$137,453	$6,545
Wineries	$136,996	$3,703
Textile Mill	$133,692	$66,846
Aquatic Pest Control	$131,036	$369
Combined Industrial Waste Treatment	$100,499	$16,750
Coal Mining And Preparation	$100,429	$25,107
Aluminum Forming	$100,272	$50,136
Combined Food Processing Waste Treatment	$96,000	$16,000
Ore Mining	$80,445	$8,045
Noncontact Cooling Water With Additives - General Permit	$67,964	$918
Non Ferrous Metals Forming	$66,852	$16,713
Organic Chemicals Manufacturing	$66,844	$33,422

Fee Category	Revenue Received	Average Annual Fee within the Category
Boatyards - General Permit	$57,082	$378
RCRA Corrective Action Sites	$46,980	$23,490
Vehicle Maintenance & Freight Transfer	$36,762	$3,342
Ink Formulation And Printing	$35,996	$5,999
Aluminum Alloys	$33,426	$16,713
Water Plants - Individual Permit	$32,364	$4,045
Noncontact Cooling Water Without Additives - General Permit	$31,250	$947
Combined Sewer Overflow System	$26,736	$13,368
Crop Preparing - Individual Permit	$21,388	$10,694
Dairies With General Permit Coverage	$19,719	$857
Vegetable/Bulb Washing	$16,562	$1,183
Aggregate Production - Individual Permit	$16,296	$2,716
Concentrated Animal Feeding Operation GP	$15,982	$1,453
Photofinishers	$10,027	$2,005
Concentrated Animal Feeding Operations - Individual Permit	$3,606	$1,803
Flavor Extraction	$1,197	$171

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, reducing their annual permit fee by half. A small business must meet the following eligibility requirements:

- 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 business.
- 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 discharge permit fee greater than $500.

In addition to the small business fee reduction, Ecology also allows for extreme hardship fee reductions. Businesses that qualified for the extreme hardship fee reduction were allowed to have their annual permit fee reduced to $100 for fiscal year 2008. The extreme hardship fee reduction, increased by the state fiscal growth factor for fiscal years 2009, 2010, and 2011, to the following: fiscal year 2009 = $106.00; fiscal year 2010 = $112.00; fiscal year 2011 = $117.00. The eligibility requirements consist of the following:

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

Holders of wastewater discharge permits, stormwater construction permits, and industrial stormwater individual permits, are eligible to apply for fee reductions.

The total savings to wastewater and state waste discharge small businesses that qualified for the small business and/or extreme hardship fee reduction is as follows:

- FY 2008: Ecology reduced permit fees for 115 businesses, resulting in a savings for small business totaling $264,475.
- FY2009: Ecology reduced permit fees for 142 businesses, resulting in a savings for small business totaling $273,728.
- FY 2010: Ecology reduced permit fees for 149 businesses, resulting in a savings for small business totaling $266,254.
- FY 2011: Ecology reduced permit fees for 134 businesses, resulting in a savings for small business totaling $280,330.

Expenditures for the 2007-09 and 2009-11 biennia

Table 3 below shows the actual expenditures by fee-eligible tasks for wastewater and state waste discharge permit holders in the Water Quality and Waste to Resources Programs for the 2007-09 and 2009-11 biennia. FTE represents the number of full-time equivalents engaged in permit related wastewater activities in the Water Quality and Waste to Resources Programs. The WQ and W2R programs, directly and cooperatively, administer the NPDES Wastewater/State Waste Discharge permit program in Ecology.

Table 3. 2007-11 Permit Fee WLM Expenditure Summary for Wastewater Permits

Workload Model Activities	FTEs 2007-2009	Salary & Benefits 2007-2009	FTEs 2009-2011	Salaries & Benefits 2009-2011
Total	**59.3**	**$9,465,692**	**54.7**	**$8,988,403**
Permit Issuance, Modification, and Renewal	21.0	$3,333,153	18.2	$2,997,471
Report review	10.1	$1,605,651	10.9	$1,797,026
Compliance inspection	6.6	$1,060,346	5.4	$887,451
External technical assistance	5.0	$783,527	5.3	$859,322
Compliance Non-formal Enforcement	3.7	$611,595	2.1	$344,864
Permit Application Review Approval	3.7	$584,914	3.7	$601,781
Data Management and Entry	3.7	$578,194	3.7	$604,605
Permit Coordination	2.2	$354,678	2.5	$416,828
Operator Certification	1.4	$225,250	1.0	$167,169
Policy, Guidance, and Procedures Development	1.2	$199,791	0.7	$119,043
Appeals	0.4	$75,181	0.6	$98,274
Public Outreach and Education	0.2	$37,984	0.2	$31,459
Rule Development	0.1	$15,430	0.4	$63,109

Table 4 below shows the actual expenditures by fee-eligible tasks for stormwater discharge permit holders in the WQ program for the 2007-09 and 2009-11 biennia. FTE represents the number of full-time equivalents engaged in fee-eligible tasks for stormwater discharge permits in the WQ program. Additional FTEs for stormwater were funded from STCA funds. Those FTEs and the associated expenditures are not represented here because funding was not from the permit fee fund.

Table 4. 2007-11 Permit Fee WLM Expenditure Summary for Stormwater Discharge Permits

Workload Model Activities	FTEs 2007-2009	Salary & Benefits 2007-2009	FTEs 2009-2010	Salaries & Benefits 2009-2011
Total	**31.0**	**$4,869,658**	**22.7**	**$3,699,852,**
Compliance Inspections	10.0	$1,567,266	9	$1,457,086
Permit Issuance, Modification, and Renewal	4.1	$639,507	2.5	$405,857
Report Review	3.0	$462,836	2.3	$377,071
Policy, Guidance, and Procedures Development	3.0	$463,100	1.7	$281,364
Compliance Non-formal Enforcement	2.8	$443,064	1.4	$221,548
External Technical Assistance	2.2	$340,685	2.3	$379,741
Permit Application Review Approval	1.4	$234,199	0.8	$135,903
Data Management and Entry	1.2	$198,452	0.9	$152,850
Public Outreach and Education	1.2	$199,160	1.1	$177,844
Rule Development	1.1	$166,229	0.3	$43,297
Permit Coordination	0.6	$78,503	0.3	$52,978
Appeals	0.4	$76,658	0.1	$14,313

Table 5 below shows the actual expenditures for general fee-eligible support and management tasks for discharge permits for the 2007-09 and 2009-11 biennia within the Water Quality and Waste to Resources Programs.

Table 5. 2007-11 Permit Fee Expenditure Summary for Permit Program Support

Activity	FTEs 2007-2009	Salaries & Benefits 2007-2009	FTEs 2009-2011	Salaries & Benefits 2009-2011
Total	**21.0**	**$3,114,625**	**24.6**	**$4,014,434**
Staff Supervision	6.6	$984,066	8.1	$1,341,197
Supporting Activities	4.9	$739,802	4.7	$773,743
Internal Technical Assistance	3.2	$488,365	3.3	$539,211
Permit Fee Administration	.5	$362,143	2.1	$334,911

Activity	FTEs 2007-2009	Salaries & Benefits 2007-2009	FTEs 2009-2011	Salaries & Benefits 2009-2011
Database Application Development	2.2	$334,237	3.9	$632,360
Public Disclosure Requests	1.1	$144,550	0.8	$124,486
Complaint Response	0.5	$61,462	0.4	$62,333
Other			1.3	$206,193

Expenditures by the Water Quality and Waste to Resources Programs, for other items associated with the permit program are included in the following table.

Table 6. 2007-11 Permit Fee Expenditure Summary for Permit Program Non-staff

Activity	WQP 2007-2009	W2R 2007-2009	WQP 2009-2011	W2R 2009-2011
Total	**$5,197,966**		**$6,168,541**	
Personal Service Contracts	$105,712	$342	$4,228	$490
Goods and Services	$1,974,021	$18,484	$2,770,091	$19,997
Travel	$215,238	$9,702	$108,753	$8,679
Capital Outlays	$196,207		$16,129	$10
Grants, Benefits & Client Services	$1,415		$2,104	
Interagency Reimbursements	($39,279)		($37,186)	
Intra-Agency Reimbursements	$2,489,189	$226,936	$3,030,063	245,183

The permit fee expenditures by the Water Quality and Waste to Resources Programs expressed in the tables 3 through 6 above for the 2007-09 biennium total $22,643,539.

The permit fee expenditures by the Water Quality and Waste to Resources Programs expressed in the tables 3 through 6 above for the 2009-11 biennium total $22,379,371.

Table 7 shows the actual expenditures by Ecology support services for fee-eligible tasks for discharge permits for the 2007-09 and 2009-11 biennia by programs other than the Water Quality and Waste to Resources Programs. *Note that cost allocations are included in each program's total.*

Table 7. 2007-11 Permit Fee Expenditure Summary for Agency Support of the Permit Program.

Activity/Program	FTEs 2007-2009	Cost 2007-2009	FTEs 2009-2011	Cost 2009-2011
Totals	**53.8**	**$9,883,363**	**52.4**	**$10,717,441**
Administrative Services	29.9	$4,792,312	27.9	$4,598,141
Environmental Assessment	18	$4,033,222	18.1	$4,896,470
Toxics Cleanup	5.5	$983,901	5.8	$1,147,931
Nuclear Waste	0.3	$67,846	0.5	$68,788
Spill Prevention, Preparedness & Response	<0.1	$6,083	<0.1	$6,111

The permit fee expenditures by the Department of Ecology expressed in the tables 3 through 7 above for the 2007-09 biennium totals $32,531,304.

The number of Ecology FTEs paid from permit fee revenue for the 2007-09 biennium for wastewater and stormwater total 165.2.

The permit fee expenditures by the Department of Ecology expressed in the tables 3 through 7 above for the 2009-11 biennium total $33,096,812.

The number of Ecology FTEs paid from permit fee revenue for the 2009-11 biennium for wastewater and stormwater total 154.6.

Workload explained for 2007-09 and 2009-11 biennia

This section summarizes the fee-eligible components of the wastewater discharge permit program listed in the expenditure summary tables for 2007-2011. The first group includes activities that are direct components of a workload model. These activities are the core work in permitting that varies from one permit category to another. The second group includes activities that are necessary to administer the permit program and shared across all permit categories.

Permit issuance, modification, and renewal

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 are made, conducting a public process on draft and final permits, and issuing individual and general permits. Issuing of a permit includes consideration of many factors such as technology available to reduce pollutants, local water quality status, and other applicable rules and policies. For a detailed description of the permit process, consult the overview section in Chapter 2 of the Washington State wastewater permit writers' manual at https://fortress.wa.gov/ecy/publications/SummaryPages/92109.html.

Applications for general permits are processed differently than applications for individual permits. An individual permit is developed from the application, and the existing permit, if a renewal. General permits are available for a prospective permittee to apply for coverage under

the general permit. A coverage action occurs for every permittee with a general permit when they apply or re-apply. An issuance action occurs for every permittee with an individual permit when they apply or re-apply.

Permit processing also includes 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 include facility and site inspections, compliance monitoring, and complaint response conducted by Ecology personnel. They also include specialized environmental investigations that might be needed to ensure permit compliance. Investigations also determine if additional conditions should be implemented within a given discharge area that does not meet state water quality standards. Inspections involve preparation, observations at the location of the inspection, and recording and documentation of the inspection. The off-site activity actually consumes more staff time than does the actual on-site observations.

Report review

This includes reviewing discharge monitoring reports from the permittee and other permit required submittals. It also includes review of documents submitted to satisfy water quality law, and regulations that may not be directly required in the permit. Examples include the review of engineering studies for treatment and process changes, and sewage system planning reviews.

Appeals

This involves responding to appeals of permits by permit holders or third parties. Appeals involve case preparation and participation by Ecology staff at the Pollution Control Hearings Board sessions. Time spent preparing for settlement agreements may be included.

Data management and data entry

Data management involves data entry and the operation and maintenance of the permit program's central database, the Permit and Reporting Information System (PARIS). PARIS improved on and replaced the Water Permit Life Cycle System (WPLCS) in FY 2011 with the assistance of contracted vendors. PARIS 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. PARIS has enhanced reporting capabilities for external viewers.

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. Much of this activity is carried on through various communication methods. It includes site visits to many general permit holders.

Compliance

Compliance activities are actions aimed at getting and keeping permit holders in compliance with their permits. Activities include the use of such methods of 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. Currently, permit fees do not fund formal enforcement.

The following actions are not direct components of the workload model, but are essential fee-eligible activities within the Water Quality and Waste to Resources Programs, whose costs are shared proportionally, based on the category core costs, by all permittees.

Program development

Activities under this category include those that support or guide fee-related permit development updates and revisions. These activities involve the development of policies, procedures, guidance, and standard operating procedures, to administer the permit program efficiently and effectively.

Staff supervision

Activities in this category include supervision and management of permit program services. They include the provision of guidance and management in controversial situations, and the administration of the program.

Support activities

Activities in this category include budget 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 of the budget, and program planning.

Internal technical assistance

This category of activity is a combination of informal training and communication between permit program staff engaged in transferring the use of program tools and practices.

Permit coordination

This activity includes tracking and guiding the permit applications through the process of review, preparation, the public review process, and responding to public and applicant queries on the status of the permit.

Operator certification

This is the management of the operator certification program for municipal treatment plant operators. This service provides for continuing education and competence testing for individuals who operate the POTWs in the state.

Permit fee administration

This activity also includes management of the fee system, 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 for about 6,000 permit holders.

Data base application development

This activity includes development of software applications that are used in the permit program. Scoping, requirements development, research, testing, and implementation conducted within the permitting program, are included in this activity.

Rule development

This activity includes rule development to implement statutory requirements such as the fee rule, permit rules, and other related rules of the Water Quality Program.

Public disclosure requests

This activity includes responding to the public disclosure office, with documents and other records, because of an official request for disclosure.

Complaint response

Responding to complaints may be charged to permit fees when the complaint stems from a situation caused by a point source discharge. Subsequent compliance inspections will be charged to this category when the discharge is from an unpermitted point source.

Outreach and education

Outreach and information sharing with a focus on the permit program is provided to the 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.

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 WQP 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 personnel assigned at Ecology's Bellingham and Vancouver field offices.

The Program Development Services Section (PDS) at headquarters has the responsibility of establishing permit rules. PDS 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 (WMS) has primary responsibility for non-permit Water Quality functions. Most of the work assigned to this section includes maintenance of water quality standards, water body assessments, and policies for managing impaired water bodies.

The Financial Management Section (FMS) within the WQP manages grant and loan activities, and the collection of permit fees. Assessing permit fees for all wastewater and stormwater permit holders, invoicing, monitoring delinquent accounts, and revoking permits for nonpayment of fees, are the duties of the Permit Fee Unit housed within this section.

The Water Quality Program Regional and Field Offices include four regional offices located in Bellevue, Lacey, Yakima, and Spokane and two field offices located in Bellingham and Vancouver. These offices are responsible for issuing, managing, and inspecting permitted facilities and promoting permit compliance.

Waste to Resources Program

The Waste to Resources Program includes the Industrial Section that is responsible for permit processing, management, and inspections for major NPDES industrial wastewater facilities statewide. These facilities include most pulp and paper mills, aluminum mills, and oil refineries. The Industrial Section also has air quality and solid waste permitting responsibilities for these permits.

The following program actions are not components of the workload model, but are fee-eligible activities and costs within the Department of Ecology that are prorated.

Environmental Assessment Program-permit assistance and water quality studies

The Environmental Assessment Program (EAP) is Ecology's in-house environmental consultant. EAP conducts 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. Specific deliverables include:

- Quality Assurance Plans and reports for TMDL/watershed pollution studies
- Technical memoranda documenting Work Load Allocation calculations, mixing zone model results, recommendations to external stormwater work group, etc.
- Data assessment reports related to point source monitoring projects
- Standard operating procedures for point source monitoring methods
- Literature reviews related to permits (e.g., stormwater Best Management Practices (BMP) effectiveness)

- Technical memoranda documenting reviews of QAPPs and reports prepared by individual permittees/consultants (e.g., for mixing zone models)
- Technical memoranda documenting reviews of QAPPs and reports prepared by general permittees (e.g., for municipal stormwater grant monitoring projects)

Toxics Cleanup Program

The Toxics Cleanup Program (TCP) headquarters and regional office sections administer Washington's implementation of the federal Comprehensive Environmental Response, Compensation and Liability 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, the TCP has the lead responsibility for permit processing, management, and inspections. The Sediments Unit is also housed in the TCP and is responsible for developing sediment quality standards and permit guidance for their implementation.

Additionally, the TCP houses the Urban Bay Action Teams. These teams coordinate cleanup activities that occasionally involve wastewater discharges as part of a treatment system for the cleanup. In those instances, the TCP has the permit processing, management, and inspection responsibilities.

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.

The Administrative Services Program provides support activities to the Water Quality Program in an effort to help it accomplish its mission related to the Water Quality Permit Fee Account. These support activities include:

- Providing information to citizens about environmental threats
- Providing executive policy direction
- Promoting working relationships with members of the Legislature and tribes
- Providing regional support services
- Providing human resource services
- Managing financial systems and issues
- Providing information technology services
- Providing safe and secure workplaces
- Managing Ecology records and ensuring appropriate public access to those records

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. These costs are included in the totals for each Ecology program listed in Table 7. Cost allocations for the Water Quality Program and Waste 2 Resources Programs are listed as intra-agency reimbursements in Table 6.

Spill Prevention, Preparedness and Response Program

The program focuses on prevention of oil spills to Washington waters and land, as well as planning for an effective response to oil and hazardous substance spills whenever they occur. Spill response planning and spill drills include coordination with wastewater permittees.

Nuclear Waste Program

The program enforces regulatory compliance and cleanup at the Hanford Site and at other facilities managing nuclear waste statewide. The program administers wastewater permits at the Hanford site.

Department of Agriculture-Dairy Wastewater Discharge Permit Program

The Washington State Department of Agriculture (WSDA) administers, implements, and enforces all sections of the Dairy Nutrient Management Act, Chapter 90.64 RCW, except for the duties of enforcement and issuance of NPDES permits. WSDA also administers, implements, and enforces Chapter 90.48 RCW regarding violations by dairies. Revenue from dairies is transferred to WSDA to fund some of these activities. Ecology retains the responsibility to issue the permits and apply NPDES enforcement until USEPA delegates WSDA to take on that role.

2011-13 Biennium

The Legislature approved a selective permit fee increase for those fee categories that are not supporting the cost of administering permits within their category. Permittees within fee categories whose total category revenue supports the costs of the category were exempted from the increases. This selective fee increase results in an overall revenue increase estimated to be about 2 percent for each of the two years of the biennium. This revenue increase estimate assumes that the permit base is stable. Expenditures are expected to be similar to the FY 2009-11 pattern of expenditures. The permit program will also receive approximately $5 Million from STCA to fund activities that address toxic discharges in stormwater. For budget allocations from the Water Quality Permit account to Ecology programs in 2011-2013, see the budget and program overview at https://fortress.wa.gov/ecy/publications/SummaryPages/1101009.html

This page purposely left blank

Improving the Permit Fee System: Options for Permit Fees, Recommendations for Achieving Equity in Permit Fee Rates

The problem

The objective of this appendix is to inform decision-makers on the need to increase equity among fee payers while providing adequate revenue to operate the wastewater and stormwater permit program.

The Washington Department of Ecology (Ecology) administers approximately 6,000 state and federal wastewater and stormwater discharge permits that regulate the safe release of treated water into lakes, rivers, marine and underground waters. RCW 90.48.465 intends that the administration of the permit program be funded by fee revenue from the permittees who need the permits in order to discharge wastewater and storm water to waters of the state of Washington and to some municipal wastewater treatment systems.

The Water Discharge Permit program is meeting a core requirement of issuing permits in a timely manner, but the breadth of issues and some detail is not as fully addressed as it was before the economic downturn in 2008. Inspection rates, technical assistance, outreach, effluent and environmental monitoring, and thoroughness of report review have been reduced relative to the core work of issuing permits. Relatively lower risk permit categories are being underserved in order to focus on higher risk and newer permit categories.

The public trusts Ecology to control the risk of damage to state waters that could come from under-regulated dischargers. Permit fees need to be adequate so that the agency administers a program that controls those risks. This creates balance between acceptable risk and the cost to permit holders.

The permit fee revenue is collected in accordance with a fee system and structure that was established when permit fees became the sole source of revenue for the wastewater discharge permit program. In 1988, passage of Initiative 97 and legislation mandated that Ecology establish a fee program to recover expenses for issuing and managing wastewater discharge permits. The two basic options for calculating permit fees initially were 1) the cost of the administration of the category of permit and 2) the equitability in terms of the ability to pay or the financial resources of the permittee.

Since permit fees were initially established, the types of permits and fee categories have grown significantly and inequities have developed. Currently there are six broad categories of permits with at least 68 subcategories for assessing fees. The method for calculating fees varies for each subcategory. The ratio of fee versus Ecology cost is not consistent between permit categories. This inequity results in some categories subsidizing others. Fee equity is a key concern of stakeholders whose permit fees currently cover more of Ecology's costs than do others.

Over time, the fee rate structure has become outdated and does not reflect the actual cost of administering the various categories of permits. Some fees were initially set too low to fully recover costs, some fees were capped in statute, and some initiatives limited how Ecology can raise fees. Increases in permit fees were instituted as percentage increases over the existing fees. This type of increase narrows the fee equity gap when fee rates are relatively high, but is largely ineffective in promoting equity where the initial fees are very low. The larger industrial facilities are subsidizing the costs that would otherwise be borne by smaller facilities under a pure cost for service basis. Large municipal facilities, because the municipal fee rate places relatively high fees based on the number of sewer users, are subsidizing the permit costs from smaller municipalities.

In addition to fee rate inequities, total permit fee revenue falls short of fully funding the permit program. The shortfall in permit fees was partially filled by the use of the State Toxics Control Account (STCA) in recent years for some of the stormwater work involving source control of toxic pollutants. Since the fee shortfall in 2007 STCA has funded a portion of the stormwater permit activities dealing with discharge of toxics and other pollutants. Stormwater compliance inspection and permit coverage activities in particular, are funded through STCA.

STCA are appropriate to use for this activity that combines elements of both toxic source control and stormwater discharge permit programs. This funding could continue to address source control in stormwater permits. Additional funding from permit fees could be used to reduce the reliance on STCA funding.

The environment of permit fees

Wastewater discharge permits are the state's primary tool to prevent water pollution. Ecology uses the permit system, authorized under the Federal Clean Water Act National Pollution Elimination Discharge System (NPDES) program, to protect water quality. The permit holders include large and small industries, such as pulp mills, fish hatcheries, and food-processing facilities. Domestic wastewater-treatment plants, which collectively treat sewage from the majority of homes and businesses in Washington State, also must have permits to discharge into state waters. Activities that can create pollution such as aquatic pesticide applications, shipyards, boatyards, and construction sites hold permits. The permits set conditions to prevent their discharges from harming our lakes, rivers, streams, and marine waters. Ecology revises each permit every five years, with each renewal period increasing environmental protections if necessary. Ecology recoups most of its administration costs by charging fees to all permit holders. The fee amount is set by state Legislature through authorization of individual permit fee increase rates. The total fee amount that may be expended by Ecology is set through the legislative budget process.

A water discharge permit establishes the right to discharge wastes to waters of the state, a shared resource. The permits that were originally issued during the first years of permitting established the right to discharge wastes that could potentially disrupt navigation and commerce that was dependent on waters for transport. Permitting under the CWA extended to the dischargers who were using water for production processes, generating wastewater from material used in production, and using water for transport of wastes within a disposal system. This wastewater

was being dumped into waters of the state, using the assimilative capacity of the waters in disposal practices. In recognition of the damage that could be done to shared waters, the permits placed conditions, treatment and reporting requirements, and effluent limits on the right to dispose of the wastewater. Permit laws and regulations expanded as the quantity of wastes and stress on finite water resources increased. Only recently has the right to discharge stormwater, which has some of the same characteristics as wastewater, been conferred under the basis of a permit. As long as society values clean water, the restrictions on wastewater and stormwater discharge will continue. The method of applying restrictions is the wastewater discharge permitting program. The program has adapted as water quality law has become more stringent and more dischargers have been required to come under permit.

The existing permit fee structure began with the people's initiative I-97, in 1987 that mandated a principle that the cost of supplying wastewater discharge permits be paid by those who need the permits. I- 97 required that Ecology establish an annual fee program to collect expenses for issuing and administering each class of wastewater discharge permit. Rather than drawing from the general fund, supported by taxes on the general public, the funds to support the wastewater discharge program were to be supplied by the entities that used the permits to legalize discharge to the waters of the state. Any benefit to the general public that the permits created could be covered by costs passed through to the consumer or municipal customer.

The current fee system is a structure of fees arranged by permit categories and various factors coupled to fee rates. Some fee categories are a flat fee for a specific permitted activity; several categories contain subcategories based on permitted maximum discharge flow while other subcategories are based on production. The fees enable Ecology to provide information and offer assistance to permit holders, review engineering plans, conduct water quality source control studies, inspect permitted facilities, cover associated overhead costs, and do other administrative work.

The Legislature sets and maintains limitations on fee amounts for certain permit categories. Domestic wastewater facilities owned by municipalities, dairies, and aquatic pesticide dischargers received special consideration. Fees for a permit held by a municipality for a domestic wastewater facility are based on the number of residential equivalents (RE) the municipality governs. The maximum monthly rate is 18 cents per RE for municipalities. All municipalities, with the exception of Seattle King County, are at the fee cap of 18 cents per RE. Fees for these municipalities cannot be increased unless the Legislature changes the fee cap set in RCW 90.48.465 – Water Pollution Control.[8]

The number of facilities covered by wastewater and stormwater discharge permits has increased substantially since permit fees were first established in 1989. The first year that permit fees covered the cost of the permit fee program in 1994, there were 1200 facilities with individual permits and 300 facilities covered under general permits. The average cost of permit coverage has declined in recent years due mostly to the increased use of general permits in place of individual permits to demonstrate compliance with water pollution laws. The number of facilities, 6000, under permit in 2011 is managed mainly through the use of general permits. The facilities that were brought under permit since 1994 were mostly as a result of changes to federal

[8] As of July 1, 2012

law and are amenable to coverage under general permits. The administrative cost to cover a facility under a general permit is much less than the cost to cover under an individual permit. The economy of general permits is partly due to the issuance of a permit that applies to many similar facilities and partly due to a low level of oversight for most facilities under general permits. General permits are not suited for many facilities still covered by individual permits.
Ecology continues to implement cost-cutting measures and seek improvements in the permit program. Permit program efficiency measures enacted in recent years include:

- Internal process streamlining including options for permit renewals
- Use of web tools to provide permit data to the public
- Web tools to enter self-reported discharge monitoring reports
- Standardized permit format and content
- Reduced wait times for application processing

Permit fee revenue increased steadily from 2001 through 2009, consistent with the state fiscal growth factor and an increase in the number of permits being administered. Over time, a call for correction in the developing fee inequities led to a change in fee increase strategy. Beginning with the 2010 permit fee billings, fiscal growth factor increases were applied only to the fee categories that are not supporting the cost of administering permits within the category. Permittees within fee categories whose total category revenue supports the costs of the category were exempted from the increases. This equates to an overall revenue increase of approximately one-half of the fiscal growth factor, since one-half of revenue comes from those supporting the cost of their permits and one-half from those that do not. This strategy has the effect of equalizing the cost with revenue by categories, but at a very slow pace.

Expenditures declined sharply during the 07-09 biennium in response to economic conditions and a decline in the rate of fee revenue collection. A cash reserve was established during subsequent years to weather any future declines in fee revenue collection. A two to three month reserve is considered prudent because of economic conditions and periodic delays in fee collection due to the appropriation-rulemaking and billing cycle.

Ecology proposed rulemaking to overhaul the wastewater and stormwater permit fee structure in 2011 but was postponed due to a statewide moratorium on revision of regulations. A redistribution of permit fee charges to more closely reflect the cost to Ecology of providing permit services to the fee payer would increase fees for some permit holders. Many permit holders would be seeing a reduction in their fees that in total, balances the fee increases seen by other permit holders.

Options considered for bases of permit fees

The state legislature, through Substitute House Bill 1413, laws of 2009, required Ecology to convene an advisory group to address wastewater discharge permit fee inequities. The Permit Fee Task

Force[9] established to address fee inequities had recommended that Ecology change the fee structure so that a more direct relationship is established between fee rates and agency cost to provide and administer each permit. A fee rate analysis indicates that some permittees are now paying more and some paying less for their permits than they would under the fee for service concept. A preliminary fee restructuring and rate proposal was developed to stimulate the discussion about the effect and the options for implementing the fee for service concept. This initial proposal involved rearranging the permit fee payers into fewer new and consolidated categories than the existing structure. As the preliminary proposal was discussed, other options for spreading the equity around were proposed.

The options for establishing the basis of permit fees are expressed in the original text of Initiative 97: "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."

The basis of fees shall be "factors related to permit complexity and compliance." Other factors may be pollutant loading and toxicity. Permit fees may also be "designed to encourage recycling and the reduction of the quantity of pollutants."

All of these required and potential factors were considered during restructuring efforts. Other states have wastewater permit fees based on these factors and have varying success in ease of implementation. An examination of the usefulness and feasibility of various fee strategies was conducted during the early years of fee development. The limitations imposed by Washington State statutes were included in the evaluation of alternative fee strategies in the "Variable Fees for Wastewater Discharge Permits."[10]

The Permit Fee Task Force explored t evaluation of alternatives for wastewater discharge permit fee setting. It considered conceptual approaches. The options for the fee basis fall under two main types, those based on complexity or administrative cost of the permit, and those based on the pollutants discharged from permitted facilities.

Permit complexity and compliance

This fee structure approach is based on the cost involved in regulating wastewater dischargers. Revenue collected from dischargers is used to cover costs associated with the program. Two basic methods to determine cost have been used previously. They are the workload model-

[9] The Permit Fee Task Force roster is included in the appendix to this report.

[10] "Variable Fees for Wastewater Discharge Permits" Ecology Publication #92-98 was published in November 1992. The study evaluates whether fees should be used in addition to wastewater discharge permits to control pollution from permit holders. It addressed whether such fees would increase control of water pollution and at what cost to the agency.

predictive method and the recent cost-predictive method. Direct billing for permit services is another option based on permit complexity and compliance, but was not seriously contemplated except for specific and extraordinary services. Each predictive method has its benefits and shortcomings in establishing cost-based permit fees.

Workload model – predictive method

This model calculates fees based on desired type and number of actions and staff time per actions over a permit's life cycle. The fee calculation is then pro-rated among categories so that total fee revenue matches the spending and fee rates approved by the Legislature. The model was developed as a planning tool, but was adopted for calculating permit fees. Fee needs are spread out among categories during a buildup to a complete permit program.

Permit issuance and renewal costs are significant and repeated every five years based on statutory requirements. A five-year lifecycle model is more predictable and stable in its fee setting than shorter timeframe work models.

It has the advantage of accounting for all needed activity in each category regardless of short term priorities. The workload model results are based on the needed number of permit actions and the staff resources (hours) needed to perform those actions for each permit or general permit coverage. The sum of these resource needs determines the permit fee that would be required.

There are drawbacks on this method. One is reliance on a model with perceptions that it may be arbitrary in determining needed actions. Another is the need to calibrate the model and recalculate permit activities as the permit program changes with permit cycles.

The proposed restructuring of permit fee categories and new fee rates in 2011 was based on outputs from the workload model. Initial model outputs were based on inputs reflecting anticipated needs, so the outputs of predicted cost were scaled down to reflect the actual, current revenue levels collected now. The projected permit fees would have revised category fee expectations and driven changes in fees for individual facilities as fees were aligned with category costs.

Workload modeling is used in calculating fees for new permit categories. It is particularly sensitive to the predicted number of covered permittees under a general permit. This can lead to an underestimate of needed revenue per facility when the actual number of permitted facilities is fewer than the number of anticipated permitted facilities.

Recent cost – predictive method

This method uses time tracking tools for staff resources as the basis for calculating permit program expenditures at the permit fee category level of complexity. Staff record hours spent on the various permit activities that can be assigned by fee category. Additional program and agency costs in permit administration that are not specific to a fee category are assigned in proportion to the initial staff hours assigned by fee category. Fluctuations in annual permit costs are smoothed by averaging costs over a longer time horizon.

This method is limited to the actual costs incurred, which reflect decisions on priorities of activities due to limited resources. This limitation could be an advantage in that it recognizes the element of environmental risk that plays into the priority-setting decisions. The ease of explaining this method compared to other fee setting methods is a distinct advantage.

Permit costs are established by tracking existing activities and costs in the Time Management System (TMS) maintained to document salaries and benefits for Ecology staff. Other charges are based on the cost of salaries and benefits and FTE counts. An example of the breakdown of permit costs by fee categories are presented in Table 8 for FY 07-09. TMS data was limited to the fee categories that were individually coded during the FY 07-09 biennium. As a result, not all fee categories are itemized but are agglomerated into categories that are more basic.

A shortcoming is the reliance on recent, real-time data that fluctuates through the permit cycle and when various geographic-based activities drive work activities. This creates the need to average actual costs over a time frame wider than the state two-year fiscal biennium and permit fee recalculation schedule.

This has been the method used to establish which permit fee categories are paying their way and which are being subsidized by other categories to support the permit program. Recent selective permit fee increases were applied to the underpaying categories only. This has the effect of slowly increasing equity in permit fees.

Pollutant loading and toxicity

Pollutant loading fees are based upon the quality, quantity, and toxicity of wastewater discharges. These concepts for fees are difficult to implement, such as the rewards for reduction and recycling of pollutants, and fees conditioned by the quality of effluent from a permitted facility or the condition of the receiving waters. They can theoretically provide permit holders with incentives to improve the quality, and reduce the quantity and toxicity of wastewater discharges.

The incentive to reduce certain characteristics of a discharge is a reduced permit fee. Because of relatively low cost to supply a permit to a discharger and the high cost of pollution controls, permit fees limited by agency costs cannot possibly provide an adequate incentive to economically justify additional pollution controls. In practice, the cost of pollutant treatment and reduction far exceeds the savings that might be achieved from reduced permit fees. Permit fees that cannot exceed the cost of the permitting program are far less expensive than additional, incremental pollution controls that would reduce the fees.

Pollutant loading method

This is a permit fee based on the pollutants discharged or authorized to discharge in the wastewater permit. States have various methods to calculate and apply the fee. The basic issue that is essential to calculating the fee involves an agreement or decision over how to quantify the many different pollutants that are discharged under a permit. The pound for pound impact of pollutants varies widely and no state purports to address every pollutant and equate the environmental impact of each. There are examples of permitting agencies that attempt to base at least part of the permit fees on pollutant loading. These may be very complex. States that have

at least a portion of the wastewater discharge permit fees based on pollutant loading factors include New Jersey, Wisconsin, California, Texas, and Louisiana.[11]

Pollutant loading methods involve some system of pollutant accounting so that permit program expenses are covered despite fluctuations in the quantity of pollutants discharged. There are shortcuts to arrive at permit fees without performing exhaustive analysis of every discharge. Pollutants usually singled out for this type of fee method include temperature, flow, nutrients, and toxics. Elements of local pollutant impacts are incorporated into some permit fee calculations, such as the sensitivity to a certain pollutant as identified through a TMDL or 303(d) listing designation.

The permit fee taskforce discussed this option at length and concluded that permit limitations should address pollutant reduction. Any limited incentives toward fee reductions are not worth creating a new fee accounting system to support fees based on pollutant loadings. The permitting system and existing permit effluent limitations already serve the purpose of controlling pollutants.

The 1992 study concluded that permit requirements are the most efficient in reducing pollutants. The study also concluded that pollutant-based fees are neither very effective in reducing pollutants, nor efficient in generating revenue that may only be used to fund the permit program.[12]

Assimilative capacity method

Wastewater dischargers would be charged based upon their use of a particular water body's assimilative capacity. Concept is that assimilative capacity is a limited public resource and, as such, use of the limited capacity for private benefit should be fairly charged. Beneficiaries of public resources for private benefits would be charged appropriately. One possibility is to charge a permit fee based on a chosen, common pollutant that can be tested relatively easily and is an indicator of the quantity of other pollutants discharged into the public domain. Examples are Biological Oxygen Demand, Chemical Oxygen Demand, Total Organic Carbon, and discharge flow. The analytes are ones that are reduced during wastewater treatment and often reported by dischargers under permit. This approach shares some of the flaws associated with other pollutant loading fee methods such as a complicated pollutant measuring and accounting system.

Environmental damage-based method

This fee structure would charge wastewater dischargers permit fees based upon environmental impact. This would include impacts to water quality temperature, pH, flow, aquatic organisms, etc. Costs could be based on relative measures of environmental damage assessments, bioassays, or whole effluent toxicity. Environmental damage methods make up portions of permit fees for some states.

[11] EPA 2005
[12] "Variable Fees for Wastewater Discharge Permits" Ecology Publication #92-98

Additional information on other states use of these methods and a summary of the findings from an earlier permit fee effort can be found in Ecology's 1992 Variable Fee Study (Publication #92-98) particularly the section on "Specific Variable Fee Systems."

Options for achieving equity in permit fee rates

Many factors and possibilities are considered to achieve equity based on program cost. One of the first to consider is the question at which level of permit grouping should equity be addressed. This runs the gamut from the individual facility to consideration of all permittees equally. Ultimate equity would call for individual billing for all services, but this was rejected due to the complications and added cost arising from six thousand entities under permit with many levels of administrative costs. Averaging all costs and assigning costs equally would also be unfair because of the variability of oversight costs between facilities and permits. This leads to something in between, which is how permit fees are grouped now by industry categories and general permit types.

An issue that may emerge is phasing in the fee rate changes from cost basis correction. There are those who would see reduced fees and those whose fees would increase, some considerably in terms of percentage increases. Those that receive reductions may want the resulting fee reduction amounts to take effect immediately, while those that receive increases may promote a gradual increase in their rates. The objective is to neither increase nor decrease overall revenue. Therefore, fee increases delayed would equal fee reductions delayed.

Another issue that may come into play is the **municipal cap** that has the effect of not allowing any fee increase for the municipal sanitary plants. This causes other categories to supply the revenue that covers the cost of the municipal sanitary permit administration. Changes to the municipal cap would require additional legislation. [13]

New options for individual charges/cost recovery

- Institute **a minimum permit** fee

A **minimum fee** could be established to supplement selective fee increases and improve fee equity. A minimum fee would replace the extreme low end of some permit fees with a minimal amount that begins to cover some of the permitting cost. A minimum fee would narrow the fee gap between fee payers within a permit fee category and to some extent, between fee categories. The minimum fee that is under consideration would set the low end of permit fees that any fee payer would pay for permit coverage.

The amount of a minimum fee would be established during rulemaking. Except for facilities that qualify for the small business or hardship exceptions, with a minimum fee, each permittee would have a minimum fee amount based on whether it holds a general permit or an individual permit.

[13] 2013-2015 Ecology Operating & Capital Budget Request; Proposal Title: Water Discharge Fees

The minimum fee could be set at a level that covers basic or minimum costs or at some lower value. Minimum costs have not yet been evaluated for all permit types. Some relevant information is already available. For instance, in 2007-09, the average annual cost to administer an individual permit was about $12,000/yr while the average cost to administer each coverage under a general permit was about $1,600/yr. A minimum fee would increase equity mostly within fee categories while the ongoing selective fee increases promote greater equity between categories.

- **Institute separate charges** for activities that are permittee-generated and non-routine

Cost recovery fees for permit services that are non-routine (not required by the permit alone) could be established. Examples are processing and review of new permit applications for individual permits, applications for permit modifications, and engineering reports due to facility expansion or other facility changes. These services are needed occasionally, create unplanned costs for the agency, and are not routine for most permitted facilities. The permit taskforce members agreed that these costs should not be shared by all members of the fee category but charged directly to the facility needing the extra service.

Proposed permit fee recommendations

The agreements reached as consensus with the permit fee taskforce are that 1) fees should be based on the cost of providing permit services and that 2) the costs should be adjusted at the fee category level and not at the individual level. A third objective held by Ecology is that fees will be adjusted as needed to provide revenue for permits and services that are sufficient to satisfy statutory and regulatory requirements associated with water discharge permitting.

In compliance with the general directive in the water discharge fee statute, the Water Quality Program is promoting fees based on permit complexity and compliance. The "fee for service" approach in both the Workload Model and Cost Predictive Method has potential to bring more equity to the permit fee requirements based on cost to the agency.

The strategy to reduce fee inequity under consideration is more conservative than a total fee restructuring proposed in 2011. This proposal is to:

- **Maintain the existing categories**
- Continue to **selectively increase fees for underpaying fee categories including municipal wastewater facility fees**

The permit fee categories were created over time with extensive input from permittees and their representatives. Reducing the number of fee categories would simplify administration of the permit program but would generate additional discussion during category restructuring**. Leaving the fee structure intact** will limit the number of variables during rulemaking. The number of fee rate changes will also be more manageable. Changing the fee structure and number of categories does not directly address either of the main objectives.

The **selective fee increase** has been the chosen method to narrow the equity gap. This method has been in place over the most recent biennia. The selective fee increases narrow the equity gap

between categories by increasing permit fees only for the fee categories that are underpaying for services and not paying their fair share of permit costs. The amount of the fee rate increase has been limited to the fiscal growth factor. A greater increase than the fiscal growth factor would correct the equity gap more quickly. The agency lacks broad support to request a greater increase.

The limitation on fee increases imposed by the **municipal fee cap** generates additional inequity. The municipal wastewater facilities as a category do not fully support the cost of administering the category. The municipal cap has the effect of freezing permit fees in that category while other underpaying permit fee categories bear the cost of fee increases. . A selective fee increase will not achieve equity if the municipal fee cap does not keep pace with agency costs. The permit fee account will eventually lack sufficient funds to maintain the permit program.

Hazardous Substance Tax Revenue

The task force noted that stormwater permit administration benefitted from a valid use of funds from the hazardous substance tax for control of toxics through permits. RCW 90.48.465 intends that the cost of administration of the permit program be funded by fee revenue from the permittees who need the permits. In the latest few years, the permit program is increasingly augmented with funds from the hazardous substance tax. Funding from the State Toxics Control Account (STCA) is now up to 15% of total permit program expenditures. Permittees could be funding the 15% gap rather than relying on STCA funds. An increase of 15% overall revenue, proportioned through the permit community would greatly increase fees and suffers from the same lack of support among fee-payers. Ecology intends that this use of funding derived from the hazardous substance tax be continued rather than increasing overall fee rates.

Legal basis of permit fee adjustment

The following text from statute is relevant to the permit fee setting process.

RCW 90.48.035
Rule-making authority.

The department shall have the authority to, and shall promulgate, amend, or rescind such rules and regulations as it shall deem necessary to carry out the provisions of this chapter, including but not limited to rules and regulations relating to standards of quality for waters of the state and for substances discharged therein in order to maintain the highest possible standards of all waters of the state in accordance with the public policy as declared in RCW 90.48.010.

RCW 90.48.465
Water discharge fees — Report to the Legislature.
(1) The department shall establish 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.

RCW 43.135.055[14]
Fee restrictions — Exception.
(1) A fee may only be imposed or increased in any fiscal year if approved with majority legislative approval in both the house of representatives and the senate and must be subject to the accountability procedures required by RCW 43.135.031.

[14] [2011 c 1 § 5 (Initiative Measure No. 1053, approved November 2, 2010); 2008 c 1 § 14 (Initiative Measure No. 960, approved November 6, 2007); 2001 c 314 § 19; 1997 c 303 § 2; 1994 c 2 § 8 (Initiative Measure No. 601, approved November 2, 1993).]

Ecology Cost by Selected Permit Fee Categories

Table 8 below was developed for the Permit Fee restructuring effort in 2010 to determine the cost of permit categories for which data was available. The costs are based on Time Management System (TMS) data from the 07-09 biennium. Fund sources for this analysis included General Fund-State, State Toxics Control Account and the Performance Partnership Account funds from EPA as well as the Water Quality Permit Account.

Table 8. 2007-09 Permit Program Expenditure Summary by TMS Permit Categories, All Agency Expenditures15

Permit Type	2007-09
Individual Industrial Permits	$10,050,788
Individual Municipal Permits	$9,778,489
General Permits - Construction Stormwater	$4,514,692
General Permit – Industrial Stormwater	$3,953,221
Municipal Stormwater and WSDOT	$3,419,143
General Permit - Sand & Gravel	$2,051,427
Individual Industrial Stormwater	$567,988
Individual Construction Stormwater	$552,420
Aquatic Pest, Nuisance Weeds, Noxious Weeds, Irrigation etc.	$552,330
General Permits - Fruit Packers	$351,082
General Permits - Boatyards	$337,835
General Permits - CAFO/Dairies	$207,222
General Permits - Upland Aquaculture	$204,435
General Permits - Water Treatment Plant	$51,796
Total	**$36,592,868**

The permit fee expenditures from the Water Quality Permit Account by the Department of Ecology expressed in preceding tables 3 through 7 for the 2007-09 biennium totals $32,531,304**.** The difference of $4,061,564 represents funding from other sources that contributed to the support of the permit program during the 2007-09 biennium.

This analysis provides the basis and methodology for determining the actual costs of administering the various permit fee categories. Permit fee increases are based in part on a comparison of permit fee revenue and these expenditures by fee category each biennium. Expenditures are averaged out over biennia to accommodate the fluctuations inherent in a five-year permit cycle.

[15] Based on expenditures from the Water Quality Permit account FY08 and FY09, expenditure amounts extrapolated from salaries and benefits costs assigned in the Time Management System.

This page purposely left blank

Expenditures from Construction and Industrial Stormwater Inspections

This section provides additional information to meet RCW 90.48.565(2) that Ecology report on inspections conducted to implement industrial and construction stormwater permit administration. Previous sections address the other reporting requirements associated with stormwater permits.

The permit fees for industrial and construction permits were first established with the original permit fee rule in 1988, but not as separate categories. The fee assessment in the initial fee rule was based on the flow rate from a facility and did not distinguish stormwater discharges and wastewater discharges. By 1992, industrial stormwater was in a separate fee category but included both discharges from an industrial facility and from construction activities. The permit fee for industrial stormwater permittees ranged from $1,650 to $6,600 per year in 1992, based on the total acreage of the facility, and with a 30% reduction for permittees who held a general permit rather than an individual permit.

The first general permit for industrial and construction stormwater activities came on line in 1994. In anticipation of nearly 3,000 permit holders, only $265 per year in fees were assessed to each industrial and construction general permit holder. The fee amount was based on the estimated cost of the stormwater general permit program to be shared by at least 3,000 permit holders. Services include permit coverage administration, inspections, overhead, and permit issuance. When actual permittees were less than half of the anticipated total, revenues were not adequate to fund this part of the permit program. This initial low fee would have lasting repercussions with the limitations based on new or increased fees placed by later legislation. The limitations on fee increases were held to the fiscal growth factor until FY 2005, keeping the stormwater fees at a level that did not support adequate staff effort at inspection and service to the stormwater sector.

Some improvement in achieving inter-category equity has occurred. Legislation in 2004 allowed an adjustment to the fee in adding new subcategories based on gross revenue for the industrial stormwater general permit and based on construction site area for the construction stormwater general permit. Subsequent permit fee increases bring these fee categories closer to but not achieving equity. Current estimates indicate total equity will not be achieved by 2020 if Fiscal Growth Factor (FGF) increases continue at the current rate.

The chart in Figure 1 demonstrates the gap between stormwater fee revenue and the expenses incurred in the administration of the fee categories. The volatility of construction stormwater fee revenue is also evident in the downturn in fees revenue despite the 4% annual increases in fee rates for these fee categories. The reduction in expenditures for the construction stormwater permit in FY10 and FY11 are due to fewer facilities under permit and fewer site visits during those years.

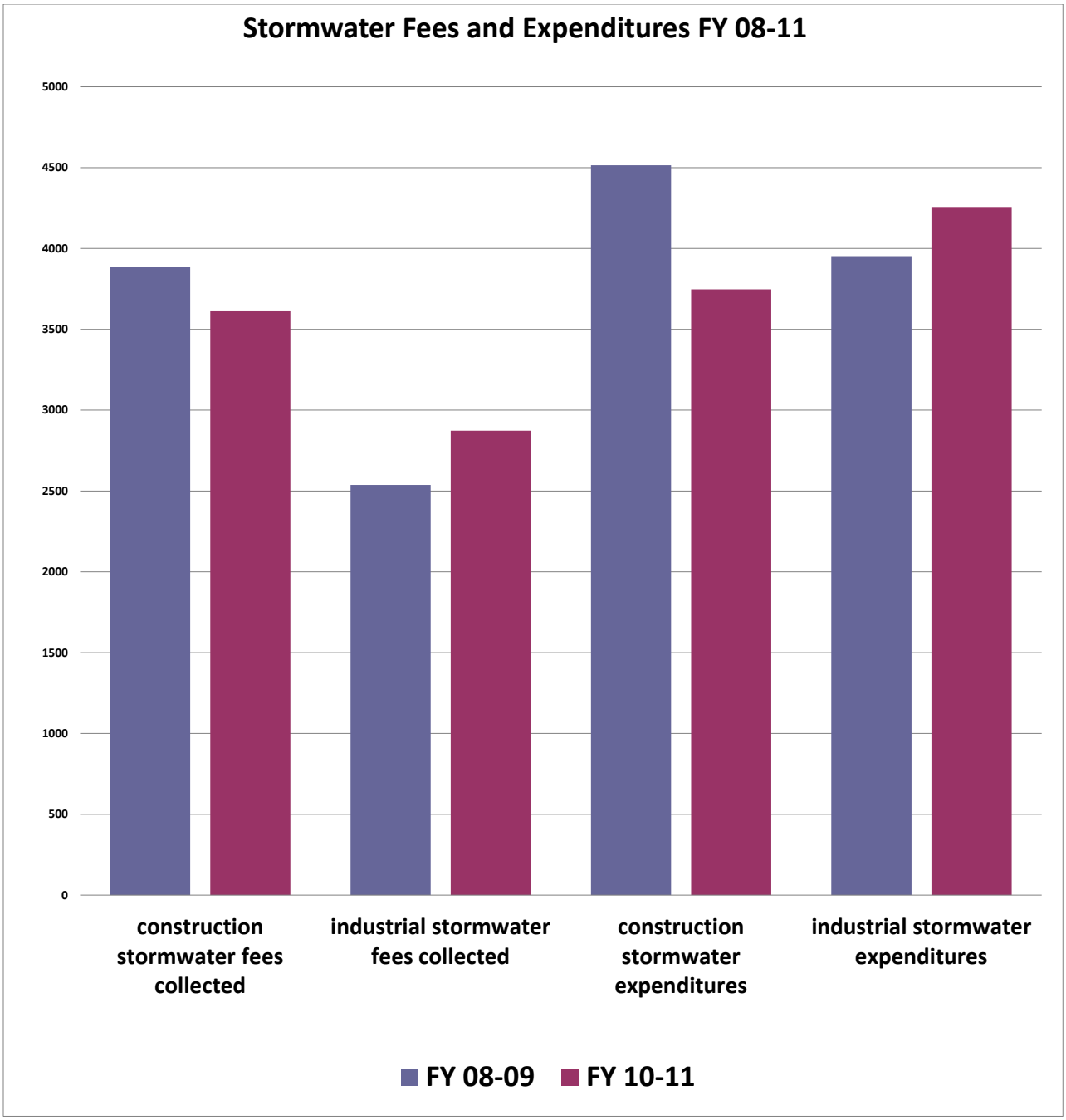


Figure 1. Industrial and Construction Stormwater General Permits 2-Year Revenue and Expenditures (dollars in thousands$)[16]

Construction activity has a direct impact on revenue from stormwater permit fees. Expansion of construction stormwater permit coverage was anticipated to bring in more revenue from the stormwater sector to allow greater service. As new staff were being hired to conduct additional

[16] Source: BARTS, Table A-1, and extrapolations from TMS

inspections and provide other permit services in the stormwater sector, a budget shortfall in the permit fee fund dictated a freeze on new hires.

The 2008 economic downturn further impacted the permit fee program. Permit fee revenue did not meet budget projections. Then as the state's entire budget faced a shortfall, global management steps were taken to manage the deficit. A statewide hiring freeze restricted state employment. During the 2007-09 and the 2009-11 biennia, Ecology Water Quality Permit Program staff supported by permit fee revenue decreased from 114 to 88 FTEs (actual, funded staff). Rather than increasing the number of inspectors as originally anticipated, the number of inspectors declined slightly during this time period due to the economic downturn and fewer permitted activities to inspect.

The chart in Figure 2 demonstrates the number and type of total site visits conducted between July 1, 2005 and June 30, 2011. The total number of FTEs performing site visits (stormwater and wastewater) was nine in FY 06-07, ten in FY 08-09, and nine again in FY 10-11.

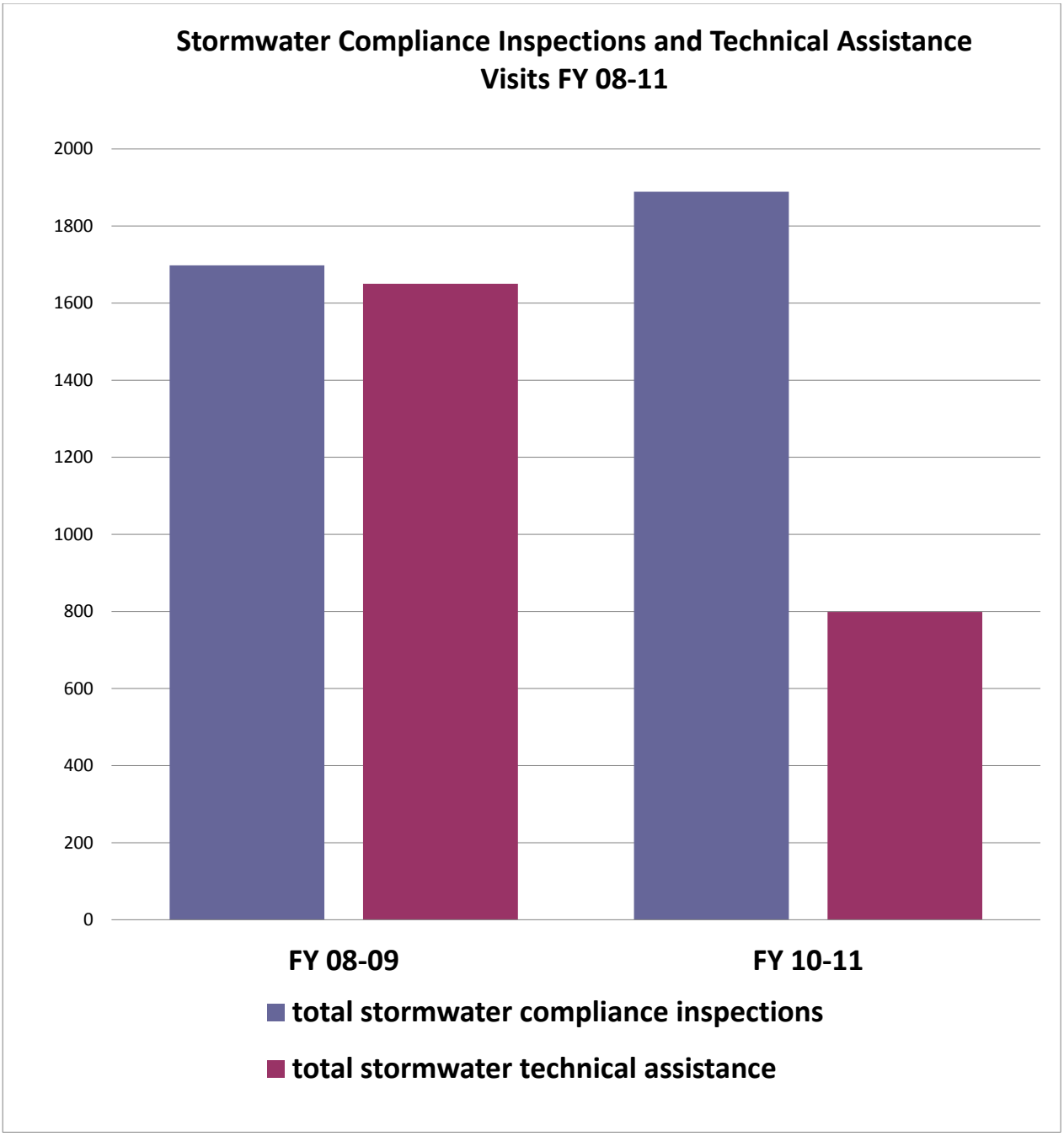


Figure 2. Compliance Inspection and Technical Assistance Visits at Industrial and Construction Stormwater General Permit Sites, 2-Year Totals.[17]

Note that a compliance inspection is just one type of inspection that may be conducted at a facility.

Inspection activity priorities changed during this time period. Ecology inspectors and staff provided technical assistance to permittees in an effort to implement the new requirements in the stormwater permits. Monitoring and reporting was a new requirement for many permittees and a substantial effort was needed to acquaint stormwater dischargers with the procedures.

[17] Data Source: Performance Progress Measures of Agency Activity, OFM

The chart in Figure 3 presents the number of total inspections, not just compliance inspections, logged between FY08 and FY11. Beginning in FY 2008, performance measures were established for stormwater inspections. The expectations for FY 08 and FY 09 were that 400 industrial stormwater inspections and 1,200 construction stormwater inspections should be logged each year. The number of inspectors dropped for much of FY10 and FY11, creating lower expectations. The expectations for FY 10 and FY 11 were that 320 industrial stormwater inspections and 800 construction stormwater inspections should be logged each year.

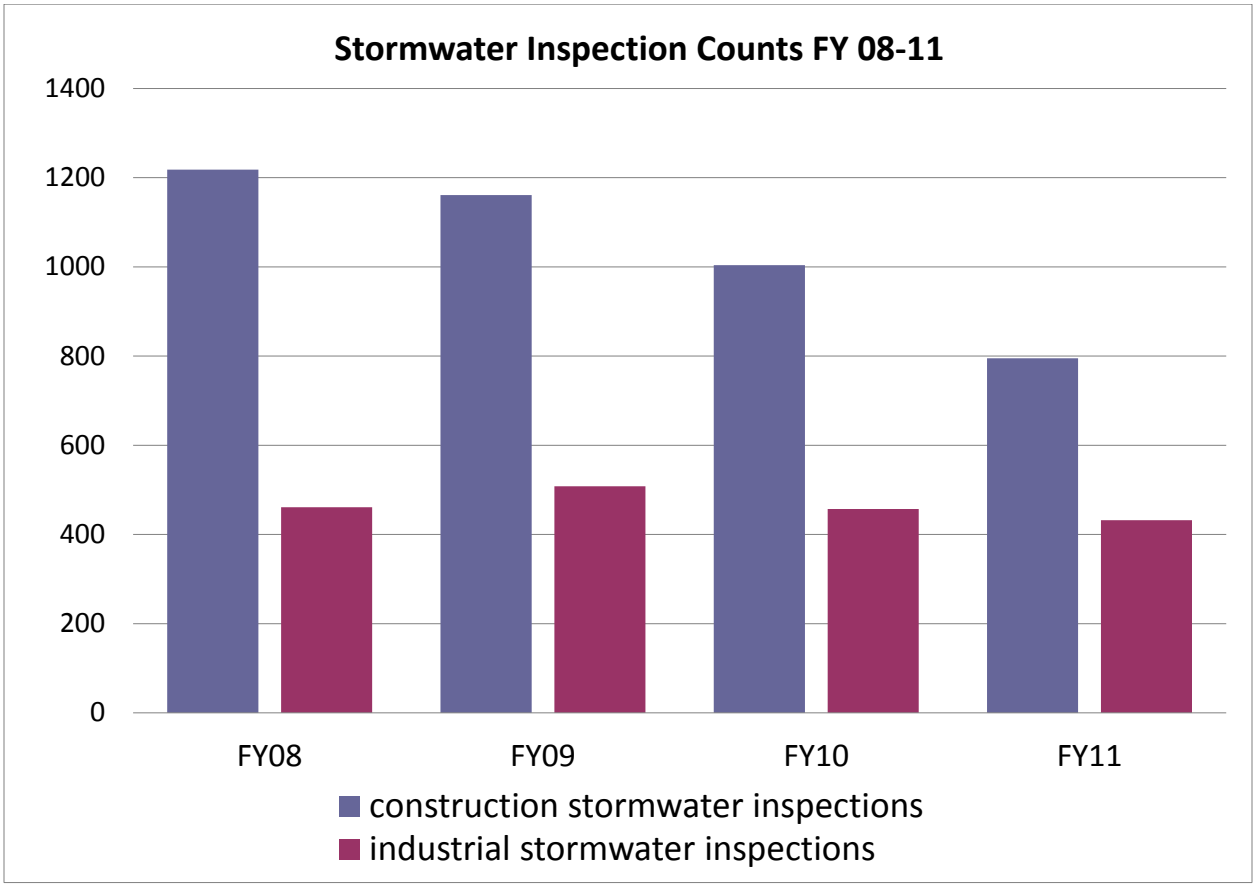


Figure 3, Stormwater Inspection Counts by Permit Type FY 08-11[18]

[18] Data source: Performance Progress Measures of Agency Activity, OFM

This page purposely left blank

Appendix

Permit Fee Task Force Members

Last Name	First Name	Organization	Address	City	St
Hildebrandt	Pete	Oil & Aluminum Industries	5141 Heights Lane NE	Olympia	WA
Collins	Van	Legal Council, Assn. General Contractors	410 11th Ave. SE, Ste. 203	Olympia	WA
Ennis	Mike	Assn. of WA Business	1414 Cherry St. SE	Olympia	WA
Schroeder	Carl	Assn. of WA Cities	1076 Franklin St. SW	Olympia	WA
Merrill	Laura	WA State Assn. of Counties	206 10th Avenue SE	Olympia	WA
Schrappen	Peter	NW Marine Trade Assn.	1900 North Northlake Way #233	Seattle	WA
Gonzales	Jed	City of Newcastle	13020 Newcastle Way	Newcastle	WA
Swanson	Rod	Clark County Environmental Services	1300 Franklin suite 150 PO Box 9810	Vancouver	WA
Johnson	Ken	Weyerhaeuser	PO Box 9777	Federal Way	WA
Castle	Art	Building Industry Assn. of WA	111 21st Avenue SW PO Box 1909	Olympia	WA
Smith	Craig	NW Food Processors Assn.	PO Box 3937	Salem	OR
Smith	Gary	Independent Business Assn.	16541 Redmond Way 336C	Redmond	WA
Poulson	Pete	Port of Kalama	380 West Marine Drive	Kalama	WA
Thorpe	Ed	Coalition for Clean Water	5325 Sunrise Beach Rd NW	Olympia	WA
Bowman	John	Lakehaven Utility District	31627 1st Avenue South PO Box 4249	Federal Way	WA
Burroughs	Blair	WA Assn. Sewer & Water Districts	2800 South 192nd Street Ste 104	Sea-Tac	WA
White	Dave	King County Wastewater Treatment Div. King Street Ctr.	201 S Jackson Street Rm. 700	Seattle	WA
Pvarner	Phyllis	City of Bellevue	450 110th Avenue NE	Bellevue	WA
Navetski	Doug	King County		Seattle	WA
Herrin	Sharmin	King County		Seattle	WA

Last Name	First Name	Organization	Address	City	St
McCabe	Christian	NW Pulp & Paper Assn.	212 Union Avenue SE Ste. 103	Olympia	WA
Steinmann	Linda	WA State Office of Financial Mgmnt.	PO Box 43113	Olympia	WA
Trim	Heather	Futurewise	816 Second Avenue Suite 200	Seattle	WA
Redman	Scott	Puget Sound Partnership	PO Box 40900	Olympia	WA
Chattin	Bruce	WA Aggregates & Concrete Assn.	22223 7th Avenue South	Des Moines	WA
Poppe	John	West Sound Utility District No. 1	2924 SE Lund Avenue	Port Orchard	WA
Bartlett	Heather	WA Dept. of Fish & Wildlife	600 Capital Way North	Olympia	WA
Herrington	Stacy	WA State Dept. of Transportation, Environmental Services Office	PO Box 47331	Olympia	WA