




# **Wastewater Discharge Permit Fee Program**

Report to the Legislature  
State Fiscal Biennium 1993-95

December 1995

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# Washington Department of Ecology

## **Wastewater Discharge Permit Fees Report to the Legislature State Fiscal Biennium 1993-95**

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***Note: All financial numbers contained in this report reflect Phase I Accounting Adjustments and are accurate as of November 10, 1995. Some minor variations, will occur because the state's Agency Financial Reporting System (AFRS) final reports are completed in late 1995.***

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# **Wastewater Discharge Permit Fees: Report to the Legislature**

## **Executive Summary**

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*Water pollution is the most important environmental issue facing the Northwest, according to a recent Louis Harris and Associates poll. A full 71% of northwest citizens think state government should do more to protect the environment, such as addressing the issues associated with water pollution. Since 1955 the state's Water Pollution Control Act has regulated discharges of pollutants to surface and ground waters in order to protect against threats to residents' health, livelihoods, and communities. The Act is the foundation of Washington's efforts to maintain clean water in the state. Between 1955 and 1988, all citizens bore the cost of this permit program through general fund appropriations by the Washington Legislature and through federal grants. Since 1988, however, when voters passed Initiative 97 (I-97), holders of wastewater discharge permits have been required to pay fees for the privilege of discharging to the state's waters. This report discusses fee revenues and expenditures from these permits for the period July 1, 1993 through June 30, 1995. It also summarizes program outputs and significant events for that period. Finally, this report highlights planned expenditures for the ensuing biennium.*

### **1993-95 Appropriation Levels**

<i>1993 Appropriation Level:</i> <sup>1</sup>	\$20,714,000
<i>1995 Supplemental Level:</i> <sup>2</sup>	\$19,185,000

### **Revenue Summary**

<i>Total Revenues:</i>	\$17,543,745 (7/1/93-6/29/95)
<i>FY91-93 Carry-over</i>	\$ 1,313,606
<i>Operating Budget.</i>	\$18,857,351
<i>Expenditures:</i>	\$18,931,552
<i>% of Expenditures vs. Operating Budget:</i>	100.4%
<i>% of Expenditures vs. Leg. Appropriation:</i>	98.7%

### **Municipal Contributions to Total Revenues:**

<i>Planned Municipal Revenues:</i>	\$3,913,578 (20% total program costs)
<i>Actual Municipal Revenues:</i>	\$4,075,366 (23% total program costs)
<i>Percent of Actual vs. Planned:</i>	104%

### **Industry Contributions to Total Revenues:**

<i>Planned Industrial Revenues:</i>	\$15,500,547 (80% of total program costs)
<i>Actual Industrial Revenues:</i>	\$13,468,379 (77% of total program costs)
<i>Percent of Actual vs. Planned:</i>	87%

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<sup>1</sup> Authorized by the 1993 Legislature for FY93-95 and was the basis for the permit fee rule and initial staff allotments.

<sup>2</sup> Passed by the 1995 Legislature to reflect projected lower revenues.

## **Expenditure Summary**

<b>Staff and Dollars</b>	<b>FTEs</b>	<b>\$</b>
Management and Support.	23.1	\$ 2,863,528
Permitting:	53.1	5,804,193
Technical Services:	34.5	4,915,041
Program Development.,	14.4	1,567,339
Data Management.	7.4	802,489
Indirect.	15.0	2,978,963
<b>TOTAL:</b>	<b>147.5</b>	<b>\$18,931,552</b>

## **Output Summary**

### **Permit Issuance**

- Permitted about 2,000 new permittees
- Issued, reissued or modified 289 individual permits - most ever in a two-year period
- Increased total number of permittees over 400% since 1989

### **Technical Assistance and Services**

- Conducted 941 inspections
- Conducted 387 outreach technical, assistance visits to small cities
- Published best management practices for log sort yards and auto recyclers
- Published pollution prevention guidance for industrial stormwater permittees

## **Significant Events Summary**

- Eliminated State General Fund subsidy by converting to full fee-funding
- Participated in Legislative Budget Committee audit
- Realized and managed a \$1.9 million revenue shortfall
- Established Permit Program Partnership as standing policy advisory committee

## **FY95-97 Anticipated Expenses**

- Received a \$1.1 million budget cut from 1993 Legislative authorization /eve/
  - \* will reduce progress on updating permits and unpermitted dischargers
  - \* will reduce technical assistance to permittees

## **Recommendations**

The Legislature should pass the Governor's request legislation converting the fee report from an annual to a biennial report, as recommended by the Legislative Budget Committee.

## I. Introduction

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Water pollution is the most important environmental issue facing the Northwest, according to a recent Louis Harris and Associates poll. Clean water is an essential life-sustaining right citizens of Washington are entitled to, a right they vigorously guard and demand their governments to protect. Indeed, a full 71% of northwest citizens think state government should do more to protect the environment, such as addressing the issues associated with water pollution.

In Washington, the state has a long history of fighting water pollution for safe-guarding its citizens' rights to clean water. Since 1955, the state's Water Pollution Control Act has regulated discharges of pollutants to surface and ground waters in order to protect those rights against threats to residents' health, livelihoods, and communities. This Act requires dischargers of pollutants to be regulated by limitations in permits. The Act is Washington citizens' front line of defense against the loss of their clean water rights. Wastewater discharge permits are the foundation of Washington's efforts to maintain clean water. The permits are issued, managed and supported by the Washington Department of Ecology under the federal Clean Water Act and the state Water Pollution Control Act.

Between 1955 and 1988, all citizens bore the cost of this permit program through general fund appropriations by the Legislature and federal grants. Since 1988, however, when Initiative 97 (I-97) was passed by the voters, holders of wastewater discharge permits have been obliged to pay for the privilege of discharging to the state's surface and ground waters. I-97 contains what is called the "polluter pays principle." Simply put, this means that the financial responsibility for paying for the water pollution permit program belongs with those contributing to the pollution.

To ensure that the revenue derived from permit fees are being spent efficiently and effectively, I-97 also contains a requirement that the Department of Ecology report to the Legislature on revenues and expenditures of the fee system. This report does that for the period July 1, 1993 through June 30, 1995.



## II. Revenues

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### Summary

Revenues:	\$17,543,745
FY91-93 Carry-over	\$ 1,313,606
Operating Budget:	\$18,857,351
Expenditures:	\$18,931,552
% of Expenditures vs. Operating Budget:	100.4%
% of Expenditures vs. Leg. Appropriation:	98.7%

In the FY93-95 biennium, actual fee revenues were \$17,543,745. Combined with a \$1,313,606 budget surplus from FY91-93, this produced an operating budget of \$18,857,351. The Legislature authorized \$20,714,000<sup>3</sup> to be collected from fees in FY93-95. Actual expenditures during the same period were \$18,931,552. Since Ecology had developed its biennial plan based on the \$20.7 million original appropriation level, the department was faced with a \$1.9 million revenue shortfall. This shortfall came from under-collection of projected fees, fee-category changes, delinquent fees, and small business fee reductions. Ecology avoided significant program cost overruns by managing the shortfall through freezing vacant positions and cutting contracts. These issues are addressed under "Significant Events, Shortfall."

### Projected and Actual Revenue from Municipalities

Planned Municipal Revenues:	\$3,913,578 (20% total program costs)
Actual Municipal Revenues:	\$4,075,366 (23% total program costs)
Percent of Actual vs. Planned:	104%

The permit fee rule used during the FY93-95 biennium was designed to recover \$19.4 million (to be combined with the \$1.3 million carry-over from FY91-93 to meet the original \$20.7 million authorized level). Of the total, Ecology had projected \$3,913,568 to come from municipal dischargers. This included \$3,464,622 from municipal sewage treatment plant permit fees, \$272,250 from municipal stormwater permit fees, and \$176,696 from a 5% surcharge on sewage treatment plant fees for "biosolids management." The municipal stormwater permit fees and biosolids surcharge were new permit fees in the FY93-95 biennium.

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<sup>3</sup> Passed by the 1995 Legislature to reflect projected lower revenues.

## *Projected and Actual Revenue from Industries*

<i>Planned Industrial Revenues:</i>	<i>\$15,500,547 (80% of total program costs)</i>
<i>Actual Industrial Revenues:</i>	<i>\$13,468,379 (77% of total program costs)</i>
<i>Percent of Actual vs. Planned.'</i>	<i>87%</i>

Significant changes in the industrial category in the FY93-95 biennium resulted from extending permit coverage to previously unpermitted dischargers. This was due to the issuance of general permits and from the conversion of numerous individual permittees to general permit coverage. Both of these factors required projecting numbers of new permittees. Actual permit coverage fell far short of the projected number of permits resulting in substantial revenue losses. These losses could not be avoided. This is due to the statutory prohibition of changing the fee schedule more frequently than biennially. This same statutory provision also prevents lowering fees in case of excessive revenues, such as occurred in FY91-93 causing a fund carry-over.

## *Actual Revenue from Specific Types of Industries and Municipalities*

Table 1 shows the amount of revenue Ecology received during the FY93-95 biennium for each permit fee category. It also gives the percent of total revenue received from each category and the number of permittees within each category.

*Table I  
Wastewater Permit Fee Revenues by Fee Category (FY93-95)*

<b>Type of Industry</b>	<b>Revenue Received</b>	<b>% of Revenue Rec'd</b>	<b># of Permittees</b>
<b>Industrials</b>			
Aggregate Production	444,985.04	3.17	791
Aluminum Alloys	19,919.00	0.11	1
Aluminum and Magnesium Reduction Mills	823,506.62	4.69	7
Aluminum Forming	89,007.00	0.51	2
Aquaculture	393,887.59	2.25	105
Boatyards	47,349.32	0.27	103
Coal Mining & Preparation	67,724.00	0.39	2
Combined Industrial Waste Treatment	36,430.00	0.21	1
Combined Food Processing Waste Treatment	73,045.00	0.42	4
Combined Sewer Overflow System	37,845.00	0.22	3
Commercial Laundry	1,021.25	0.01	2
Concentrated Animal Feeding Operation	19,539.66	0.11	17
Crop Preparing	896,202.28	5.11	200
Facilities – NOC	608,149.08	3.47	72
Flavor Extraction	1,418.04	0.01	5
Food Processing	2,348,831.66	13.39	96
Fuel & Chemical Storage	157,204.00	0.90	13
Hazardous Waste Cleanup Sites	99,389.76	0.57	16
Ink Formulation & Printing	38,407.29	0.22	4
Inorganic Chemicals Manufacturing	367,798.72	2.10	15
Iron & Steel	141,063.90	0.80	4
Metal Finishing	88,115.02	0.50	18
Noncontact Cooling Water w/Additives	42,439.20	0.24	34
Noncontact Cooling Water w/o Additives	343,152.35	1.96	57
Nonferrous Metals Forming	59,757.00	0.34	3
Ore Mining	125,510.38	0.72	6
Organic Chemicals	190,550.80	1.09	3
Petroleum Refining	757,329.39	4.32	6
Photofinishing	18,193.62	0.10	7
Power and/or Steam Plants	189,689.36	1.08	18
Pulp, Paper, & Paperboard	2,460,102.31	14.02	20
RCRA Corrective Action Sites	16,148.16	0.09	1
Seafood Processing	147,569.03	0.84	29
Shipyards	157,609.67	0.90	13
Solid Waste Sites	183,168.00	1.04	13
Stormwater	922,683.38	5.26	1848
Textile Mills	125,077.00	0.71	1
Timber Products	677,639.08	3.86	28
Vehicle Maintenance & Freight Transportation	41,376.93	0.24	11
Water Plants	90,442.58	0.52	19
Wineries	8,101.25	0.05	3
<b>Industrial Category Subtotal</b>	<b>\$13,468,378.72</b>	<b>76.81</b>	<b>3601</b>

<b>Type of Industry</b>	<b>Revenue Received</b>	<b>% of Revenue Rec'd</b>	<b># of Permittees</b>
<b>Municipals</b>			
Private & State-Owned Facilities	125,777.08	0.72	30
0 - < 10K Residential Equivalent	912,010.77	5.20	236
10K - < 50K Residential Equivalent	1,183,048.81	6.74	19
50K - < 250K Residential Equivalent	650,554.21	3.71	5
250K & Greater Residential Equivalent	931,719.80	5.31	4
Municipal Stormwater Permit Fee	272,256.00	1.55	6
<b><i>Municipal Category Subtotal</i></b>	<b><i>\$4,075,366.67</i></b>	<b><i>23.23</i></b>	<b><i>300</i></b>
<b><i>Total Revenue Received (grand total)</i></b>	<b><i>17,543,745.39</i></b>	<b><i>100.4</i></b>	<b><i>3901</i></b>

*Note: Percent does not add to 100 due to rounding.*

### III. Expenditures

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#### Summary

Department of Ecology expended \$18,931,552 of wastewater discharge permit fee revenues for the FY93-95 biennium. When compared to the operating budget of \$18,857,351, this represents an *over-expenditure* of revenues received of less than one-half percent (0.4%). Compared to the actual 1995 supplemental legislative appropriation of \$19,185,000, this represents an *under-expenditure* of 1.3 %. Table 2 summarizes major categories of fee-eligible actions for the FY93-95 biennium.

*Table 2  
Wastewater Permit Fee Expenditures by Activity Category (FY93-95)*

<b>Category</b>	<b>Total FTEs</b>	<b>Total \$</b>	<b>% Total FTEs</b>
<b>Management &amp; Support</b>	<b>23.1</b>	<b>2,863,528</b>	<b>15.6%</b>
<b>Permitting</b>	<b>53.1</b>	<b>5,804,193</b>	<b>36.0%</b>
Compliance			
Permit Processing			
Permit Management			
Report Review			
Pretreatment			
Appeals			
Regional Clerical			
<b>Technical Services</b>	<b>34.5</b>	<b>4,915,041</b>	<b>23.4%</b>
Inspections			
Technical Assistance			
Outreach & Education			
Alternative Strategies			
<b>Program Development</b>	<b>14.4</b>	<b>1,567,339</b>	<b>9.8%</b>
<b>Data Management</b>	<b>7.4</b>	<b>802,489</b>	<b>5.0%</b>
<b>Administrative Services</b>	<b>15.0</b>	<b>2,978,963</b>	<b>10.2%</b>
<b>Total Estimated Expenditures</b>	<b>147.5</b>	<b>18,931,552</b>	

## *Planned and Actual Distribution of Fee Revenues*

Tables 3 and 4 provide an organizational view of those Ecology programs funded fully or partly through wastewater discharge permit fees. Table 3 shows how much money and staff (FTEs) each program *planned to expend* in FY93-95. Table 4 shows how much money and staff were *actually expended*.

## *Overview of the Organization*

The Department of Ecology is organized by environmental media and geography. The administration includes agency executive and agency-wide support services. Agency-wide implications involving legislation and appropriation request decisions reside at this level. Permit fee revenues support a portion of the administration.

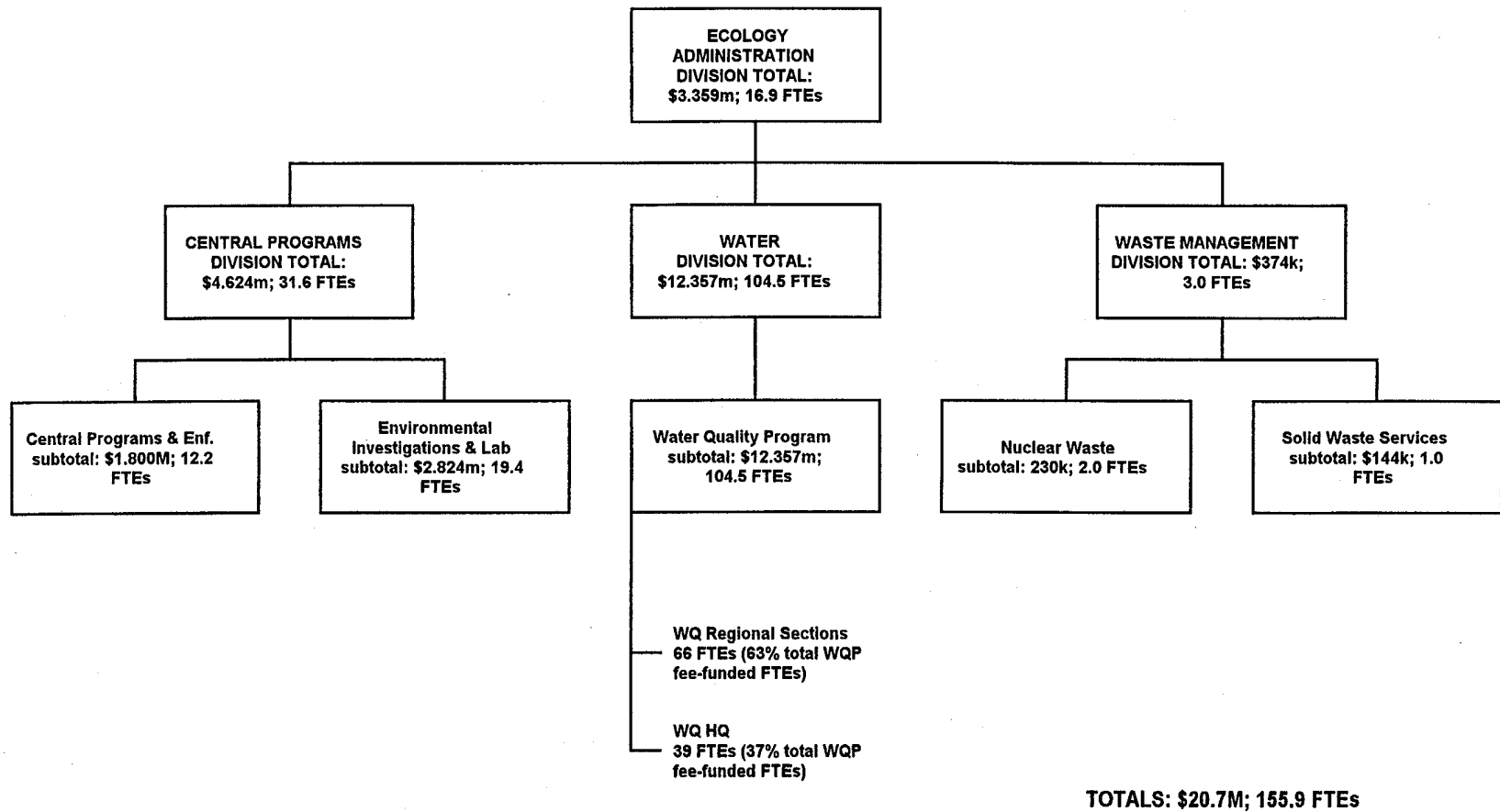
Major media levels ("divisions") are Waste Management (solid, nuclear, toxics cleanup), Central Programs (industrial section, environmental investigations), and Water (water quality, water supply, shorelands management). Another division includes air, cross-media enforcement, and environmental investigations. The wastewater permit program is housed in the Water Division.

The Water Division has two programs: Water Quality Program (home of the wastewater discharge permit program) and the Shorelands and Water Resources Program. A Support Services Section at the Division level provides permit staff training, conducts public education on the permit program, and manages the Water Quality Permit Lifecycle System (WPLCS) data system.

See Appendix A for more detail on the organization of the permit program within the Department of Ecology.

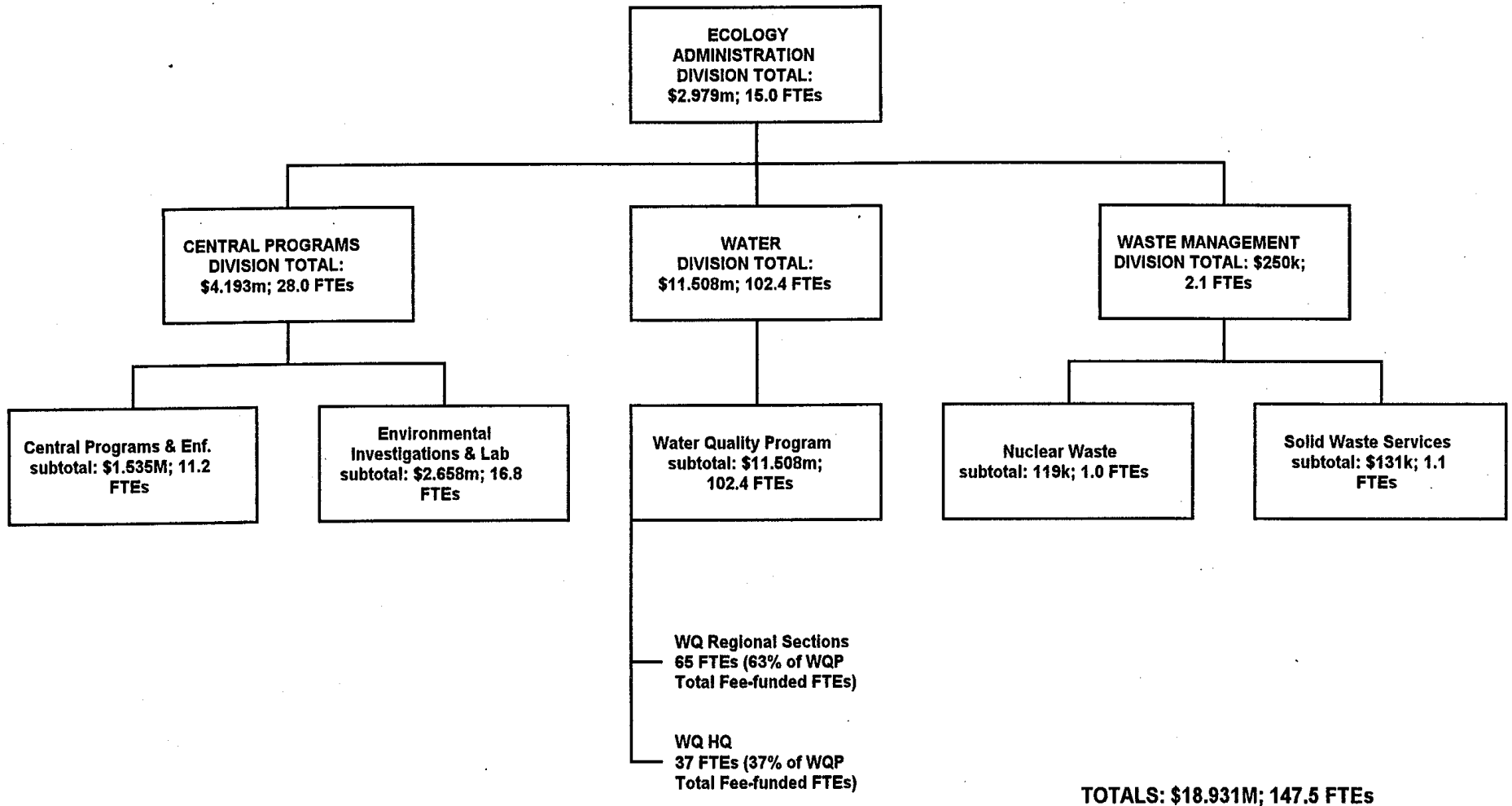
# Washington's Wastewater Discharge Permit Program

## *FY1993-95 PLANNED Distribution of Fee Funds*



# Washington's Wastewater Discharge Permit Program

## *FY1993-95 ACTUAL Distribution of Fee Funds*





## ***Planned and Actual Expenditures by Activity***

This section summarizes the major components of the wastewater discharge permit program, agency-wide. It also provides the percent of the total fee-eligible program dedicated to each component in the FY93-95 biennium.<sup>4</sup>

Tables 5 and 6 show the major categories supported by fees. Table 5 shows the ***planned*** percent of full time equivalents for each category for FY93-95. Table 6 shows the ***actual expenditures*** of full time equivalents in those categories for the same period.

### ***Permit Processing***

Permit processing involves soliciting and receiving permit applications; evaluating and making decisions on information contained in the applications; preparing fact sheets communicating decisions; conducting a public process on draft and final permits; and issuing permits.

Permit processing also involves conducting quality assurance / quality control (QA/QC) of permits. This process includes a central QA/QC staff whose responsibilities include spot check of permits for inclusion of standardized features. It also includes a peer review process of draft permits in each regional office.

Finally, permit processing includes responding to appeals of permits by the permittee or third-parties (e.g., citizen suits). Appeals involve case preparation and participation at Pollution Control Hearings Board sessions. Ecology planned to expend 17.8 % of its fee-funded FTEs on permit processing. Actual FTE expenditures were 16.9%.

### ***Inspections***

Inspections involve facility and site inspections, compliance monitoring, and compliant response. It also includes environmental investigations and special studies.

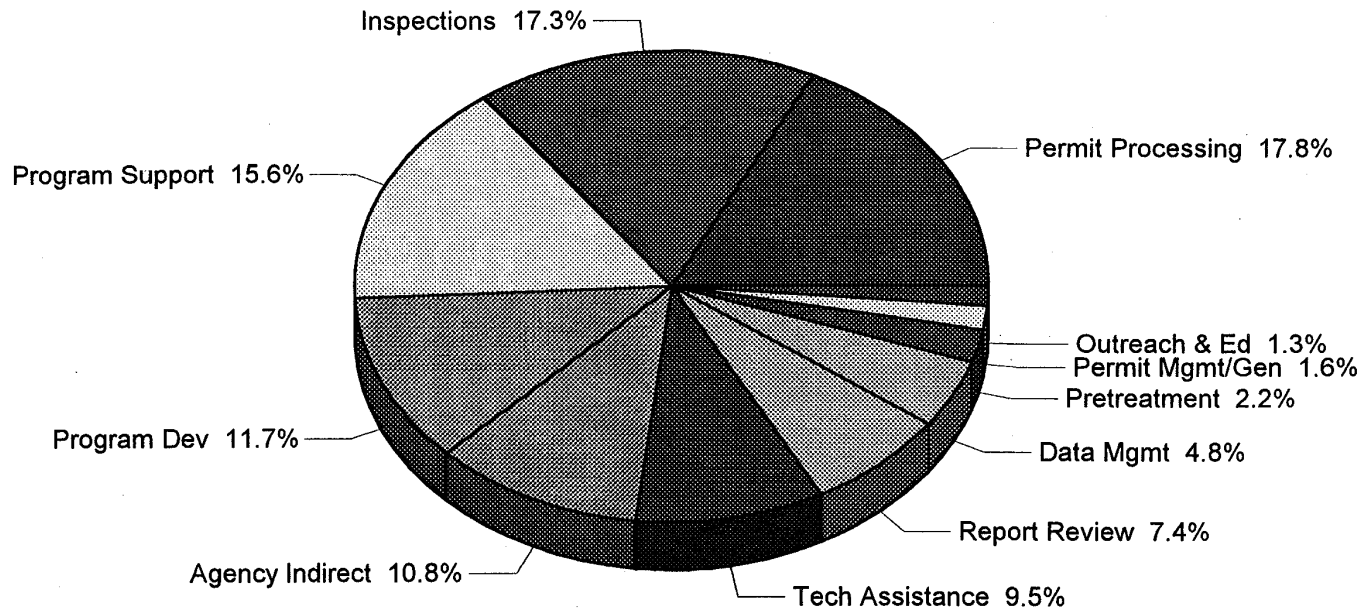
There are several types of inspections. There are reconnaissance inspections; Class I and Class II inspections; and, for municipal facilities, operation and maintenance inspections. Environmental investigations include the development of total maximum daily loads and determining wasteload allocations for point source dischargers. Special studies include surface water, ground water, and sediment quality investigations in proximity to discharges. Also included are project-specific scientific assistance and laboratory support. Ecology planned to expend 17.3% of fee-funded FTEs for inspections; it actually expended 14.1%.

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<sup>4</sup> Formal enforcement is not fee-eligible.

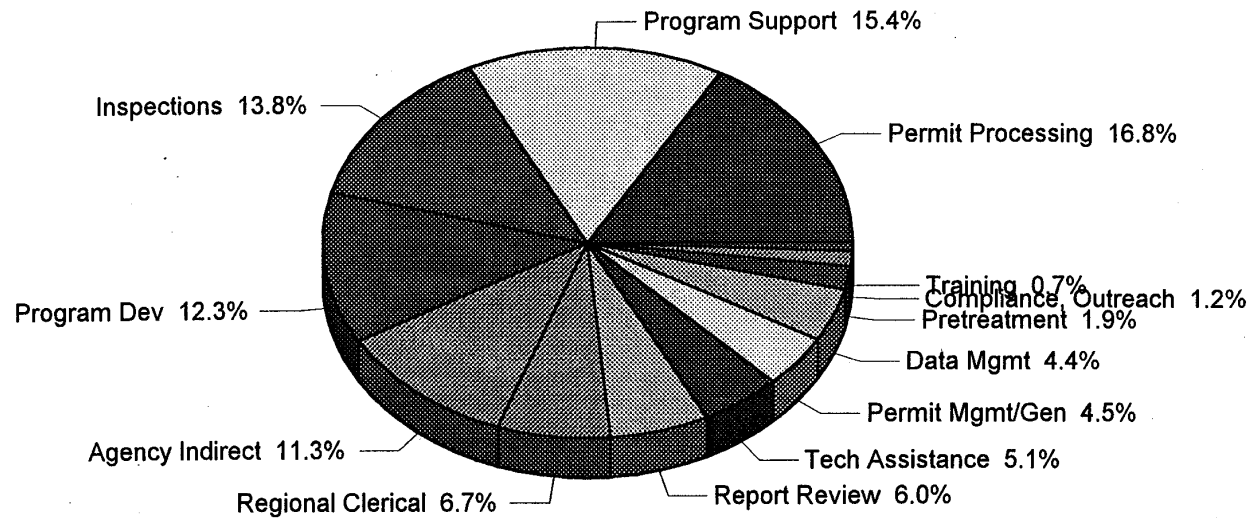
# Department of Ecology

## FY93-95 PLANNED Fee-funded FTEs by Activity



# Department of Ecology

## FY93-95 ACTUAL Fee-funded FTEs by Activity



### ***Program Management and Support***

Activities here include supervision, management and clerical support of direct permit program activities. These activities include permit manager support, word processing, and other clerical assistance in the course of drafting permits. They also include providing guidance and management involvement in controversial situations and administration of the fee system and budget and program planning. Ecology planned to expend 15.6% of fee-funded FTEs for management and support. Actual expenditures matched planned expenditures.

### ***Program Development***

Activities under program development include those that support or guide fee-related activities. These include rule development to implement statutory requirements. Some examples of these are the permit fee rule, the net pen rule, and the periodic review of water quality standards. Additionally, alternative strategies (including the Permit Program Partnership and technical assistance pilot projects) and development of legislative requests are part of program development. Other activities involve the development of policies and standard operating procedures. The department planned to expend 11.7% of fee-funded FTEs for program development. Actual expenditures were 9.8%.

### ***Agency Indirect***

This portion supports agency-level activities that are not always directly attributable to programs. It includes financial, personnel, building costs, Office of Attorney General costs, and pieces of executive-level management. Ecology planned to expend 10.8 % of fee-funded FTEs for agency indirect. Actual expenditures were 10.2%.

### ***Technical Assistance to Permittees***

This category includes assistance to permittees before, during and after processing a permit or authorization that is not part of normal permit review and communication. It includes municipal treatment plant operator assistance and permittee assistance on how to apply rules, policies, guidelines and manuals. It also includes site visits to many general-permitted facilities. Ecology planned to expend 9.5% of fee-funded FTEs for technical assistance. Actual expenditures were 7.2%.

### ***Report Review and Permittee Coordination on Submittals***

This involves reviewing permit-required reports, such as discharge monitoring reports and other permittee-prepared submittals. It also includes engineering studies review and sewage system planning reviews. The department planned to expend 7.4% of fee-funded FTEs for report review. Actual expenditures were 6.1%.

### ***Data Management***

Principally, this involves the operation, upkeep, and maintenance of WPLCS. WPLCS is the central data management system that stores permit-specific information on each of the permitted facilities. Some of the information includes facility name, type of facility, location, effluent limits, discharge monitoring reports, and inspection and enforcement data. This category includes developing standardized data system procedures, data definitions and priorities, and data entry

and retrieval. It also includes responding to public requests for WPLCS information. Ecology planned 4.8 % of fee-funded FTEs to be expended for data management. Actual expenditures were 5.0%.

### ***Pretreatment***

This includes activities involved in the oversight of pretreatment-delegated municipalities as well as the assistance provided to municipalities in obtaining pretreatment delegation. The department planned 2.2% of fee-funded FTEs as expenditures for pretreatment. Ecology actually expended 1.9%.

### ***Permit Management General***

This category includes permit program actions not associated with specific permits. Ecology planned to expend 1.6 % of fee-funded FTEs for permit management general. The department expended 3.8%.

### ***Outreach and Education***

This involves outreach on the permit program directed towards the general public or permitted industries and municipalities. It includes preparing and using educational materials and conducting outreach on the proper use of manuals and guidelines. The department planned 1.3% of fee-funded FTEs for outreach and education. It actually expended 0.7%.

## ***Planned and Actual Expenditures of Dollars and FTEs by Activity and Organizational Unit***

Tables 7 and 8 show ***planned*** (Table 7) and ***actual*** expenditures (Table 8) for the FY93-95 biennium by planning category and by Ecology program.

**Table 7**  
**Wastewater Discharge Permit Fees**  
**PLANNED Expenditures for FY93-95**

**WATER QUALITY PERMIT FEES**  
**PLANNED EXPENDITURES**  
**93-95 BIENNIUM**

	WATER QUALITY	FTEs	CENTRAL PROGRAMS	FTEs	EILS	FTEs	NUCLEAR WASTE	FTEs	SOLID WASTE	FTEs	ADMIN	FTEs	TOTAL PLANNED FTEs	AGENCY TOTAL PLANNED \$	% PLANNED FTEs
MANAGEMENT & SUPPORT	2,132,823	17.1	301,746	2.0	421,351	5.3							24.4	\$2,855,920	15.6%
REGIONAL CLERICAL	764,000													\$764,000	
COMPLIANCE															
PROGRAM DEVELOPMENT	2,055,233	18.2											18.2	\$2,055,233	11.7%
PERMIT PROCESSING	3,043,171	25.9	199,870	1.9									27.8	\$3,243,041	17.8%
PERMIT MANAGEMENT	287,666	2.5											2.5	\$287,666	1.6%
INSPECTIONS	1,240,051	9.0	343,418	1.9	2,402,447	14.1	230,738	2.0					27.0	\$4,216,654	17.3%
REPORT REVIEW	982,969	9.2	302,501	2.3									11.5	\$1,285,470	7.4%
PRETREATMENT	365,894	3.4											3.4	\$365,894	2.2%
APPEALS															
DATA MANAGEMENT	365,894	7.5											7.5	\$365,894	4.8%
TECHNICAL ASSISTANCE	903,129	9.7	652,478	4.1					143,586	1.0			14.8	\$1,699,193	9.5%
OUTREACH & EDUCATION	216,479	2.0											2.0	\$216,479	1.3%
ADMINISTRATIVE SERVICES											3,358,556	16.9	16.9	\$3,358,556	10.8%
<b>ESTIMATED EXPENDITURES</b>	<b>12,357,309</b>	<b>104.5</b>	<b>1,800,013</b>	<b>12.2</b>	<b>2,823,798</b>	<b>19.4</b>	<b>230,738</b>	<b>2.0</b>	<b>143,586</b>	<b>1.0</b>	<b>3,358,556</b>	<b>16.9</b>	<b>155.9</b>	<b>\$20,714,000</b>	

**Table 8**  
**Wastewater Discharge Permit Fees**  
**ACTUAL Expenditures for FY93-95**

**WATER QUALITY PERMIT FEES**  
**ACTUAL EXPENDITURES BY CATEGORY**  
**93-95 BIENNIUM**

	WATER QUALITY	FTEs	CENTRAL PROGRAMS	FTEs	EILS	FTEs	NUCLEAR WASTE	FTEs	SOLID WASTE	FTEs	ADMIN	FTEs	TOTAL PLANNED FTEs	AGENCY TOTAL PLANNED \$	% PLANNED FTEs
MANAGEMENT & SUPPORT	2,130,980	16.7	320,621	2.5	411,926	3.9							23.1	2,863,528	15.6%
REGIONAL CLERICAL	787,277	10.0											10.0	787,277	6.8%
COMPLIANCE	62,283	0.7											0.7	62,283	0.4%
PROGRAM DEVELOPMENT	1,420,548	13.2	15,688	0.1					131,102	1.1			14.4	1,567,339	9.8%
PERMIT PROCESSING	2,644,823	23.0	182,045	1.5			71,023	0.5					25.0	2,897,892	16.9%
PERMIT MANAGEMENT	601,822	5.6											5.6	601,822	3.8%
INSPECTIONS	753,771	6.6	308,135	1.5	2,178,786	12.4	38,759	0.3					20.9	3,279,451	14.1%
REPORT REVIEW	848,887	7.0	203,883	1.6	35,934	0.3	10,013	0.1					9.0	1,098,716	6.1%
PRETREATMENT	331,373	2.8											2.8	331,373	1.9%
APPEALS	24,831	0.2											0.2	24,831	0.1%
DATA MANAGEMENT	801,741	7.4	710	0.0			38	0.0					7.4	802,489	5.0%
TECHNICAL ASSISTANCE	703,876	6.4	502,953	4.1	32,019	0.2							10.6	1,238,848	7.2%
OUTREACH & EDUCATION	150,366	1.1	792	0.0									1.1	151,158	0.7%
ALTERNATIVE STRATEGIES	245,583	1.9											1.9	245,583	1.3%
ADMINISTRATIVE SERVICES											2,978,963	15.0	15.0	2,978,963	10.2%
<b>ESTIMATED EXPENDITURES</b>	<b>11,508,162</b>	<b>102.4</b>	<b>1,534,826</b>	<b>11.2</b>	<b>2,658,665</b>	<b>16.8</b>	<b>119,833</b>	<b>1.0</b>	<b>131,102</b>	<b>1.1</b>	<b>2,978,963</b>	<b>15.0</b>	<b>147.5</b>	<b>18,931,552</b>	

## IV. Outputs

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### *Summary of Program FY93-95 Outputs*

Tables 9 and 10 highlight Water Quality Program outcomes derived from wastewater discharge permit fees. Table 9 shows activities *partly or wholly fee-eligible*<sup>5</sup> contained in the Water Quality Program biennial plan and actual results. Table 10 shows activities *partly or wholly fee-eligible* that were not in the program plan, but which were conducted.

FY94-95 had the most number of individual permits issued or reissued than any previous two-year period. Two hundred and eighty-nine (289) individual permits were issued in that time frame, compared with 193 in FY92-93; 221 in FY90-91; 97 in FY88-89; and 194 in FY86-87.

Additionally, there was a significant increase in the number of permitted facilities in FY93-95. More than 2,000 new permittees were brought into the system bringing the total permittees to about 4030. Through efficiency measures (mainly, the development of general permits) the number of permits has increased over 400% since 1989.

Also, 941 inspections were conducted in FY93-95 and 387 outreach technical assistance visits to small municipalities were conducted. Other technical assistance included developing best management practices for log sort yards and auto recyclers, and pollution prevention recommendations for industrial stormwater general permittees.

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<sup>5</sup> Not all of these activities are 100% fee-eligible. TMDLs, for example, are 50% fee-eligible.



Table 9  
Wastewater Discharge Permit Program  
Water Quality Program FY93-95 Program Plan Accomplishments

<b>Planned Activity</b>	<b>Actual Results</b>
Scope issues for FY98 and 99 basins	Scoping/Needs Assessment completed: Skagit/Stillaguamish, Columbia Gorge, Horseheaven/Klickitat, Upper Columbia, Pend Oreille, Island/Snohomish, South Puget Sound, Okanogan, Crab Creek, Esquatzel
Guidance for implementing Total Maximum Daily Loads (TMDLs)	Drafted guidance. Coordinating with EPA Region 10
Develop TMDLs: Black River, Chehalis River, Inland Empire Paper waste load allocation (WLA), Puyallup River, Quincy Industrial WLA, Snoqualmie River, South Fork Palouse River, Spokane River (metals)	TMDLs Completed
Initiate Triennial Review	Underway
Develop 303d List	Completed
Groundwater guidance/studies	Underway
Conduct Spokane Metals Reduction Pilot	50% complete. Delayed due to budget cuts.
Conduct Pollutant Trading/Chehalis	Not conducted due to lack of local interest.
Investigate Fee Restructuring	Permit Fee committee decision was not to proceed for FY95-97
Integrate growth management	Staff review guidance developed
Alternative strategies brown bags	4 conducted
Outreach strategy for watershed approach	In each needs assessments (see watersheds, above)
Begin transition of permit program to watershed approach	Completed
Reissue/issue 262 permits	Individual permits reissued/issued = 289 (agency total)
Develop & issue 6 municipal stormwater permits	Complete. Issue date = 7/5/95. Effective date = 8/5/95
Conduct 713 inspections	Completed 941 inspections
Conduct 16 pretreatment audits/inspections	6 Audits Completed
Issue sand and gravel general permit	Completed
Issue fruit packing general permit	Completed
Issue dairy general permit	Completed
Develop vegetable/bulb washers model permit	Completed
Develop BMPs for vehicle maintenance and photoprocessors	Completed
Provide permit coverage for new general permittees	Actual coverage = 2,106 new permittees
Provide technical assistance visits to small cities	387 outreach visits conducted
Develop BMPs for stormwater permittees	Completed log sort yards BMPs and Auto Recyclers BMPs
Provide ongoing technical assistance to permittees	Conducted industrial stormwater shop sweeps, and responded to telephone inquiries, developed stormwater pollution prevention planning guidance
Develop discharge standards for net pens	Behind schedule. Rule plan and advisory committee underway
Complete design of data management system	Completed
Evaluate roles and responsibilities of permit program	Completed

Examine basis for fee system	Part of fee restructuring. On going
Pursue program efficiencies through total quality management (TQM) team on permit application process	Completed
Pursue program efficiencies through TQM team on discharge monitoring report process	Completed
Develop enhanced technical outreach plan	Survey and plan completed
Participate in water reuse pilot	Completed

Table 10  
Wastewater Discharge Permit Program  
Water Quality Program FY93-95 Unanticipated (non-planned) Accomplishments

<b>Activity/Actual Results</b>	<b>Comments</b>
ESHB 1743: Completed Privatization Study of Inspections (12/94)	Completed. Required without funding
ESHB 1743: Completed Status Report on Privatizing Draft Fact Sheets and Permits	Underway. Required without funding
ESHB 1743: Implementation of Privatizing Draft Fact Sheets and Permits	Ongoing through 12/96. Required without funding
Participated in Legislative Budget Committee audit	Completed
Conducted shop sweeps with hazardous waste program (approx. 900 visits.)	Completed
Revised and Reissued Hatcheries General Permit.	Completed
Conducted multi-media inspector training to enhance cross-program service delivery	Completed

## V. Significant Events

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### *State General Fund Subsidy Eliminated*

Initiative 97, passed by the voters in 1988, requires the wastewater discharge permit program to be funded from fees. The FY93-95 biennium was the first biennium where no permit fee eligible activities were paid for through state general fund. State general fund subsidies to the permit program were phased out over time since 1989 when Initiative 97 became effective. Tables 11 and 12 show the trend away from state general fund in dollars and staffing, respectively. In FY87-89 state general fund paid about 42% of the permit program. Currently, only about 3 % of the permit program is supported by state general fund (about 4% of staff). The only part of the permit program funded through state general fund is formal enforcement. This activity is the only element expressly non-fee eligible under statute.

For comparison purposes, the dollar amounts shown are initial allotments for each biennium. Actual expenditures vary from these. For example, FY93-95 about \$18.9 million in fees was expended, compared to the initial allotment shown as \$20.7 million.

*Table 11  
Funding History (millions \$)*

	1987-89	1989-91	1991-93	1993-95	1995-97
GFS	<b>\$2.55</b>	<b>\$6.3</b>	<b>\$2.238</b>	<b>\$1.113</b>	<b>\$0.7</b>
Fees	<b>\$3.6</b>	<b>\$7.373</b>	<b>\$14.326</b>	<b>\$20.714<sup>6</sup></b>	<b>\$19.6</b>
Total	<b>\$6.15</b>	<b>\$13.673</b>	<b>\$16.584</b>	<b>\$21.827</b>	<b>\$20.3</b>
% GFS of Total	<b>41.5%</b>	<b>46.1%</b>	<b>13.5%</b>	<b>5.1%</b>	<b>3.4%</b>

*Table 12  
Staffing History*

	1987-89	1989-91	1991-93	1993-95	1995-97
GFS FTEs	<b>35.5</b>	<b>46.6</b>	<b>22.2</b>	<b>12.5</b>	<b>6.1</b>
Fees FTEs	<b>50.0</b>	<b>63.4</b>	<b>112.7</b>	<b>155.9</b>	<b>138.1</b>
Total FTEs	<b>85.5</b>	<b>110.0</b>	<b>134.9</b>	<b>168.4</b>	<b>144.2</b>
% GFS FTEs of Total FTEs	<b>41.5%</b>	<b>42.4%</b>	<b>16.5%</b>	<b>7.4%</b>	<b>4.2%</b>

<sup>6</sup> Reduced in the 1995 Legislature to \$19,185,000 through a supplemental budget.

## ***Legislative Budget Committee Audit***

In August 1994 the Legislative Budget Committee (LBC) issued its report on *Department of Ecology Wastewater Discharge Permit Fees (Report 94-2)*.

The wastewater permit fee portion of the state Water Pollution Control Act (RCW 90.48.465 (7)) required the LBC to review permit fees established under Initiative 97 and report its findings to the Legislature in January 1994. The LBC complied with this mandate by conducting its study and publishing it in August 1994. The scope of the LBC study was designed to:

- Study revenues and expenditures for the wastewater discharge permit program; and
- Identify program elements funded through fees.

### ***Determining Eligible Costs***

The LBC reported that Ecology conducts activities which are not related to specific permits. Those activities, in Ecology's and LBC's view, are necessary if the program is to meet the Declaration of Policy in Section 1 of Initiative 97. That section reads:

*"The main purpose of this act is to raise sufficient funds...to prevent the creation of future hazards due to improper disposal of toxic wastes into the state's lands and waters "*

The LBC concluded that Ecology must make some judgments regarding which activities should be funded fully or partly from permit fees. Specifically, the LBC concluded that:

*"...Rule-making and development of new programs are necessary components of the wastewater discharge permit program, and many such activities are required by law. We believe that Ecology's interpretation seems reasonable and consistent with the Declaration of Policy in Initiative 97.*

### ***Other Compliance Issues***

The LBC concluded Ecology also complies with statutory provisions for the following:

- Small Business Fee Reductions;
- Caps and Credits for Municipalities;
- Category Changes;
- Appeals; and
- Indirect Dischargers.

### ***\$1.3 Million Beginning Balance***

Ecology began the 1993-95 biennium with a \$1.3 million balance in the permit fee account. This balance is attributable to the following:

- The carry-over (or beginning balance) from the previous biennium (\$281,614);
- Collections over target in 1991-93 (\$340,669); and
- Under-expenditures in the 1991-93 biennium (\$691,323).

The LBC concluded that the carry-over and over-collections:

*"...are not considered problems because of the magnitude of growth in costs to be recovered through permittee increases. Together, they amounted to 4.1 percent of the appropriation plus compensation increases."*

### ***Direct and "Indirect" or "Administrative" Services***

The LBC found that 56% of the staff in FY91-93 were direct service staff and 44% were "indirect," "overhead" or "administrative." The LBC reported that its treatment of these distinctions was consistent with standards, the Government Accountability Act, and with other analyses of administrative costs.

### ***Program Outcomes***

LBC focused on Ecology's implementation of the watershed approach, which it views as:

*"...an innovative and comprehensive approach to solving water quality problems."*

However, the LBC expressed concerns that insufficient resources were available to Ecology to conduct monitoring in a given watershed in subsequent years:

*"Thus, Ecology may not be able to measure progress towards the program's long-term objective of meeting water quality standards by 2010."*

### ***LBC Recommendation 1***

*"...The requirement of Initiative 97 for the Department of Ecology to submit an annual report to the legislature should be modified to require a biennial report to the legislature.."*

### ***LBC Recommendation 2***

*"Ecology should pursue efforts to develop an easily explainable rationale for setting wastewater discharge permit fees for the 1995-97 biennium. In that process, consideration should also be given to factors which Initiative 97 allows the Department to address in determining its permit fee structure, e.g., the reduction of the overall pollution level and toxicity of wastewater."*

### ***\$1.9 Million Revenue Shortfall***

The 1993 Legislature approved \$20.7 million permit fee budget for Ecology. In January 1995, the Office of Financial Management submitted a supplemental budget request that reduced the amount to \$19.1 million. The supplemental budget was meant to reflect lower collection rates than planned. Nonetheless, the fee schedule that Ecology had developed was designed to "rebate" the \$1.3 million carry-over from FY91-93 to permittees in the form of lower-than-necessary fees. In other words, rather than designing the fee schedule to recover the originally approved \$20.7 million authorization, Ecology set fees to recover \$19.4 million, or \$1.3 million less than \$20.7 million. The result was that permittees had very minimal increases over the previous biennium (about 2 %).

As Ecology began to collect fees to recover the authorized amount, Ecology began to experience revenue shortfalls. The reasons for this shortfall are as follows:

- Reduced revenue from under-collections of fees from fewer than projected industrial stormwater permittees (estimated loss of \$614,000);
- Non-issuance of Hanford wastewater discharge permits (estimated loss of \$314,000);
- Reduced revenue from under-collections of fees from fewer than projected sand and gravel permittees (estimated loss of \$281,000); and
- Reduced revenue from fee-category changes, delinquent fees, and small business fee reductions (estimated loss of \$660,000).

Ecology managed this shortfall by the following:

<i>Freezing About 14 Vacant Fee-funded Positions:</i>	<i>Savings of \$ 840,000</i>
<i>Administration Program (indirect) Cut:</i>	<i>Savings of \$ 500,000</i>
<i>Intermittent Vacancies Over 24 month period.</i>	<i>Savings of \$ 332,000</i>
<i>Sediments Contract Cuts (Central Programs):</i>	<i>Savings of \$ 212,000</i>
<i>Non-staff Cut (Solid Waste Services Program):</i>	<i>Savings of \$ <u>5,000</u></i>
<b><i>TOTAL SAVINGS.</i></b>	<b><i>\$1,889,000</i></b>

### ***Permit Fee Restructuring/Partnership***

In August 1994 the Department of Ecology convened an advisory committee called the Permit Fee Restructuring Committee. The Committee was composed of permit fee payers and their associations. The original scope of the Committee was to evaluate alternative methods for fee-setting in order to establish a more equitable, understandable, and supportable fee-setting method.

The Committee evaluated numerous alternatives for fee-setting. Some of the alternatives are as follows:

- Watershed surcharge;
- Environmental-damages based;
- Technology-based;
- Prohibitive fees;
- New Jersey-model;
- Pollutant-loading based;
- Workload model-based;
- Status quo; and
- Numerous other options, combinations, and hybrids.

To date, the Committee has considered about 30 alternatives, combinations, and hybrid systems. It narrowed its focus to a pollutant-loading based system, a workload model system, and the existing methodology (i.e., status quo). The Committee asked Ecology to develop these systems. Consequently, a pollutant-loading based system was designed and implemented with assistance from the state of Wisconsin. The pollutant-loading system uses discharge monitoring data and effluent limits to generate a price per pound of pollutant discharged per day for each facility.

The workload model approach is a computer-spreadsheet that calculates amount of direct time Ecology spends on different categories of permits. The workload model is primarily a tool for planning staff time. When support services are added in and combined with a revenue target, the workload model can be used to help set fees. In setting fees, the workload model, fee appropriation, and number of permittees in each category are used to determine the percent of the total appropriation for each category of permits. That percent is then applied to the number of permittees within the category to determine individual fees.

Under the pollutant-loading system, the largest dischargers would see significant increases in fees. Conversely, medium and small dischargers would see significant fee reductions. The reverse is true with the workload approach: small dischargers' fees would go up, while large dischargers' fees would go down.

Any restructuring system would require prior Legislative approve under Initiative 601. During the 1995 legislative session, Ecology sought to comply with I-601 by requesting this approval. The request was submitted in the Governor's budget and was also contained in the Senate's budget. However, the Legislature did not grant the approval. Following the 1995 Session, the Committee reconvened itself as the Permit Program Partnership and agreed to expand its focus to a standing policy advisory group and add new members. It added additional business and municipal representatives, environmental and tribal entities. The Committee's work continues. It has not reached consensus on fee-system restructuring.

## VI. Anticipated Expenses for FY95-97

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### *Budget Cut Impacts*

Due to budget cuts made by the 1995 Legislature, progress achieved in FY93-95 on upgrading outdated permits and extending permit coverage to unpermitted dischargers will be slowed. Additionally, program improvements recommended by the Efficiency and Accountability in State Government (Efficiency Commission) will also be cut back. Finally, technical assistance and outreach to permittees and the public are reduced. Table 13 shows these cuts.

### *FY95-97 Biennium Fee Budget*

The 1995 Legislature authorized \$19.6 million to be recovered and expended from wastewater discharge permit fees for the FY95-97 biennium. Total fee-funded FTEs for this period amounts to 138.1 FTEs, down from 155.9 FTEs in 1993 and 147.5 FTEs in 1994. Ecology's approach for use of these resources is outlined below.

### *Permit Issuance Plan*

In 1993, Ecology's Water Quality Program adopted the "watershed approach to water quality management." This was done as a way to manage the permit workload through effective and efficient application of limited staff resources. FY96 is the third-year of a five-year transition period into the watershed approach. For each basin in the state, the watershed approach:

- conducts environmental scoping (year one);
- conducts monitoring and investigations (years two and three);
- prepares technical reports (year four); and
- issues permits (year five).

For the FY95-97 biennium, Ecology plans to issue wastewater discharge permits primarily within targeted water quality management areas (also referred to as watersheds or river basins) according to the five-year schedule of the watershed approach. Table 14 gives the planned number of permits.

Note that the numbers are approximate. They are based on workload, available staffing, and numbers of permits within the watersheds scheduled in the five-year cycle. For non-scheduled watersheds, permits will be issued based on priorities such as high environmental risk, new permits, or substantially-revised industrial processes.



*Table 13  
Wastewater Discharge Permit Program  
Impacts Budget Cuts*

<b>Position Cut</b>	<b>Description</b>	<b>Impact</b>
1 $\frac{3}{4}$ Permit Managers Staff (NWRO = 1; ERO = 0.75)	Permit writers/managers.	Reduced progress on updating old permits.
1 Industrial Stormwater Permit Manager (SWRO)	Permit manager aimed at bringing more industries under general permit and for technical assistance.	Reduced progress on unpermitted discharger discovery and in technical assistance to stormwater permittees.
1 Pretreatment Coordinator Staff (WQ/HQ)	Central coordinator for services to delegated municipalities and for seeking new delegations and coordinates delegation with EPA.	Reduced effort in seeking new delegations. Potential for inconsistencies.
1 Senior Environmental Engineer Staff (WQ/HQ)	Unpermitted dischargers discovery and general permit technical assistance.	Reduced progress on reducing unpermitted discharger universe and in assistance to permittees.
1 Permit Manager Support Staff (WQ/HQ)	Hydrogeologist technical support to permit managers.	Reduced technical assistance to permit managers for ground water discharge permits.
1 Efficiency Commission Alternative Strategies Staff (WQ/HQ)	Technical assistance to Spokane on metals reduction. Development of Pollutant Trading Program. Multi-media training.	Delay/cessation of Spokane Metals Reduction Project. Delay of pollutant trading. Minor impact on multi-media training.
1 PSWQA Plan Education and Outreach Staff (WQ/HQ)	Public education on permit program. Water quality newsletter.	Less public education on program that protects water quality.
1 PSWQA Plan Permittee Outreach Staff (WQ/HQ)	Technical assistance and outreach to permittees. Permittee surveys.	Less general technical assistance to permittees.
$\frac{1}{2}$ Clerical Staff (WQ/HQ)	Secretarial support for permit and support staff.	Delays in word processing for staff.
$\frac{1}{2}$ Municipal SW Technical Assistance Staff (WQ/HQ)	Maintenance and contributions to municipal stormwater manual.	Reduced technical assistance to municipalities re: stormwater.
1 Permit Manager Support Staff: Training (WQ/HQ)	Central training officer for permit writing, inspections, and other program elements.	Greater reliance on EPA and private sector for training.
1 Supervisor (WQ/HQ)	Section supervisor of support section (one-half time plus parts of others)	Flatter organization.
2 $\frac{1}{2}$ Indirect FTEs (DOE/Admin)	Indirect services reduction (e.g., planning and budgeting)	More program-specific responsibilities.

TOTAL REDUCTIONS from 1995  
Budget Cuts = Approx. 14 FTEs

Table 14  
FY95-97 Permit Issuance Plan

	FY96			FY97		
	<i>Muni</i>	<i>Ind</i>	<i>Subtotal</i>	<i>Muni</i>	<i>Ind</i>	<i>Subtotal</i>
<b>SWRO</b>	23	33	56	13	21	34
<b>NWRO</b>	8	43	51	11	20	31
<b>ERO</b>	2	10	12	5	7	12
<b>CRO</b>	9	4	13	9	16	25
<b>PMS</b>	0	192 <sup>7</sup>	192	0	180	180
<b>Ind Sect</b>	0	4	4	0	6	6
<b>NWP</b>	0	3	3	0	2	2
<b>NWTRP</b>	0	1	1	0	0	0
<b>TOTAL</b>	42	290	332	38	252	290

*SWRO* = Southwest Regional Office, Water Quality Program  
*NWRO* = Northwest Regional Office, Water Quality Program  
*CRO* = Central Regional Office, Water Quality Program  
*ERO* = Eastern Regional Office, Water Quality Program  
*PMS* = Permit Management Section, Water Quality Program  
*Ind Sect* = Industrial Section, Headquarters  
*NWP* = Nuclear Waste Program  
*HWTRP* = Hazardous Waste Program

<sup>7</sup> Includes permits for 12 netpens for FY96 and 180 construction sites under the industrial stormwater general permit for FY96 and FY97.

## VII. Recommendation

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### *Convert to Biennial Report*

Ecology has submitted a legislative proposal to the Governor's Office to implement the Legislative Budget Committee's recommendation to convert the annual permit fee report to a biennial report. Ecology recommends passage of this legislation.

## Appendix A: Organization of the Wastewater Discharge Permit Program Within the Department of Ecology

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### ***Water Quality Program***

The Water Quality Program (WQP) is the policy lead of the wastewater discharge permit program at the agency. It also administers the vast majority of permits (almost 4000). The program manager is the designated policy lead. WQP has three sections at headquarters.

The Permit Management Section is the home of the permit program and its section manager is the chair of the Point Source Management Team (supervisor-level policy team). The Permit Management Section is where permit rules are developed. It also administers the industrial stormwater general permit; is involved in general permit maintenance; maintains central quality control; and provides permit manager support (e.g., permit writers manual).

Another WQP headquarters section is the Watershed Management Section. Most of its duties are non-permit program functions. Its permit program responsibilities include maintenance of the water quality standards and 303d policy. The third section is the Financial Management Section, that deals mainly with grant and loan (non-permit program) functions. It also houses the permit fee system administration.

The WQP has water quality sections in each of the four regional offices (Bellevue, Lacey, Spokane and Yakima). Each region issues, manages, inspects, and conducts enforcement on permitted facilities within its regional borders. Water quality regional section managers report to the manager of the WQP at headquarters.

### ***Central Programs***

Ecology's Central Programs is located at headquarters in Lacey. It has several key sections involved in the management of the wastewater permit program. The Industrial Section administers the second most number of permits of all Ecology programs. It has full permit processing, management and inspection responsibility for 29 NPDES Major Industrial permits, two NPDES Minor Industrial permits, and six state permit to POTWs. These permits are for some of the largest industrial facilities in the state. They include most pulp and paper mills and oil refineries. The Industrial Section also has air quality and solid waste permitting responsibilities for these permits.

The Sediments Unit is responsible for developing sediment quality standards and permit management guidance for their implementation. Sediment quality standards are required by state law.

The Enforcement Unit is responsible for setting agency-wide enforcement goals and policies for standardization.

### ***Environmental Investigations and Laboratory Services Program***

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

### ***Nuclear Waste Program***

The Nuclear Waste Program administers environmental programs related to the Hanford Nuclear Reservation, including the Hanford Cleanup. EPA is responsible for NPDES wastewater permitting on the Hanford Reservation. However, the Nuclear Waste Program works in concert with EPA on those permits. Additionally, the Nuclear Waste Program is responsible for permit issuance, management and inspections of Hanford facilities having a state waste discharge. The permitting work is done by staff in a NWP field office in Kennewick.

### ***Hazardous Waste and Toxics Reduction Program***

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

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

### ***Toxics Cleanup Program***

The Toxics Cleanup Program (headquarters and regional offices sections) administers Washington's implementation of the federal Superfund Act (CERCLA) and state MCTA. Occasionally, cleanups involving leaking underground storage tanks and other nonindependent actions require wastewater discharge permits. In those cases, TCP has lead responsibility for permit processing, management and inspections.

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

### ***Solid Waste Services***

Solid Waste Services (headquarters, minor regional presence) has two main responsibilities in the wastewater discharge permit program. SWS is the lead program for permit processing, management and inspections of wastewater discharge permits for discharges from operational landfill corrective actions under MCTA cost recovery. This means SWS does not receive permit fees; rather costs incurred are derived from settlement agreements under the MCTA.

SWS's other major responsibility of the permit program is the development of the municipal biosolids management program. Biosolids (sludge) is a byproduct of wastewater treatment. As municipalities have converted to secondary treatment, the volume of sludge has dramatically increased. State law requires sludge permits for disposal / composting or other means of sludge management. Structurally, biosolid permits fall under water quality laws as do their funding source. The state Water Pollution Control Act (Chapter 90.48 RCW) specifically directs Ecology to collect wastewater discharge permit fees from municipalities for the costs of the biosolids program. Those costs are to be included in the existing cap on the permit fees set for the water quality permit program. Presently, a five percent surcharge of municipal permit fees pays for the biosolids program.

## Appendix B: Wastewater Discharge Permit Fee Financial and Administrative Accounting System

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### *Introduction*

The financial and administrative accounting system for planning, tracking, and report wastewater discharge permit fees is detailed in the fee report to the Legislature for the FY91-93 biennium. It is summarized here.

Budget and planning processes at Ecology are both externally and internally driven. The Office of Financial Management (OFM) develops rules and guidelines for agencies to follow throughout the two year budget cycle. EPA, other state agencies and the Legislature have varying levels of influence over our planning and budgeting processes. Needs of stakeholders and agency management require effective systems and processes to provide timely and accurate expenditure and output information by activity.

Prior to the first permit fee legislation, Water Quality Program costs were tracked with little distinction made between "permit" and "non-permit" related WQP activities-and no distinction made between permit "fee-eligible" or "non-fee" activities. Basic budget and planning accountability systems and related processes used by Ecology and the WQP are discussed below.

### *Biennial Program Plan*

A detailed program plan is prepared each biennium to allocate positions to activities and tasks and, where appropriate, to outputs. The plan takes into account legislative revisions, additions, and/or deletions to current law. Schedules for all tasks are included in a milestone component of the plan. The plan is coordinated to facilitate timely budget allotments.

Monthly reports on status of meeting program plan commitments are prepared at the program, section and unit levels. These are detailed assessments of the numerical status of planned commitments by section.

Quarterly reports on program plan elements that are included in the State / EPA Agreement (SEA) are submitted to EPA. Quarterly reports on program status are also presented to Ecology's Assistant Directors and Director.

### *Budget*

The agency builds its budget consistent with the two year cycle and process managed by OFM. Ecology begins building its budget about a year and half in advance of the ensuing biennium. Using the "incremental" budgeting process, Ecology builds "add" or "cut" proposals into its current level of spending, which is adjusted for authorized compensation increases and other mandatory cost variables.

The agency's budget proposal is incorporated into the Governor's state-wide budget proposal for submittal to the Legislature for consideration. Once approved, the budget is allotted to specific

program activities and responsible organizational units in accordance with the detailed program plans of those programs administering permit fee supported activities.

The allotments are loaded into the statewide Agency Financial Reporting System (AFRS) per OFM rules and guidelines. Five character Super Index Codes (SICs) are established and become the mechanism used within AFRS to ensure allotments and expenditures are distributed correctly by fund source, as well as by activity and responsible organizational unit.

The Time Management System (TMS) interfaces with AFRS to track salary and benefit expenditures at additional levels of detail. TMS tracks at the same level identified in AFRS through the SICs. It can also be used to track at lower levels of detail utilizing job codes and, if needed, task codes.

Ecology complies with OFM rules and guidelines for accounting and financial reporting. Both AFRS and TMS generate monthly and biennium to date expenditure information. As indicated above, TMS tracks salary and benefit expenditures by activity and fund/appropriation and has the capability of tracking category of discharger in the "fee structure."

The AFRS also includes detailed allotment information. The system provides detailed tracking of planned versus actual expenditures by activity, fund/appropriation, organizational unit, and object (e.g., equipment and travel).

### *Agency Financial Reporting and Time Management Systems*

The budget tracking system used by the Water Quality Program is described below. Other Ecology programs involved in waste discharge permit fee-eligible activities also use the AFRS systems to track expenditures. However, the SIC codes are not used in the exact same way, and the level of detail of tracking varies.

Five character Super Index Codes (SICs) were established for each of the above activities. The five character code is, used as follows:

- Character 1** Identifies the Ecology Organization Program
- Character 2** Identifies Primary Activity (e.g., Waste Discharge Permits)
- Character 3** Identifies Sub-activity
- Character 4** Identifies the responsible Organizational Unit
- Character 5** Identifies the Fund Source

As mentioned previously, TMS allows for the use of job codes. Job codes were used to identify the permit fee category assigned to holder of wastewater discharge permits. Job codes are used primarily to track revenue from fee payers. Job codes are also used along with SICs to track time expenditures in appropriate activities. For some activities such as permit applications processing, permit issuance, and inspections, the workload model can be used to set planned outputs based on the resource level dedicated to the activity.



## *Permit Fee Accountability*

In the 1991-93 biennium, Ecology improved its planning, budget, tracking, monitoring, and reporting systems for the wastewater permit program. Additional improvements occurred in the FY93-95 and continue into the FY95-97 biennium. Since the activities tracked have been significantly expanded and clarified, a closer relationship between the program plan and the budget has been developed.

Also beginning in the 1993-95 biennium, further steps were taken to enhance and integrate the management systems for waste discharge permit activities.

### Workload Model

The workload model has been restructured so that a model is available for each different category of permit. Example of permit categories are:

Major Municipal NPDES Permit  
Minor Municipal NPDES Permit  
Major Industrial NPDES Permit  
Minor Industrial NPDES Permit  
State Waste Discharge to Land Permit

### Planning

Planned activities have been coordinated with the workload model and designated by the permit categories in the workload model where appropriate.

### Budget

SICs have been assigned to the expanded planning activities.

### Tracking

The use of job codes has been expanded. Job codes are still used to track revenue by fee category. Job codes have also been assigned to each permit category in the workload model and program plan and to other program plan activities.

Advantages of the new system are:

- More detailed tracking and reporting for internal management needs and external communication of permit program activities.
- The workload model can be verified and adjusted using AFRS/TMS and activity output tracking.
- In addition to use for program planning, the workload model can be used for budget development. It can also be used to estimate program resource and funding needs for a fully funded adequate program for comparison to existing resources and funding level.
- The workload model estimates program resource needs and could serve as a basis for setting permit fees, if consensus of the Permit Program Partnership is achieved and I-601 compliance is authorized by the Legislature.