

DEPARTMENT OF ENVIRONMENTAL QUALITY

PERMIT FEE PROGRAM EVALUATION

JANUARY 2004

A REPORT TO THE GENERAL ASSEMBLY

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**DEPARTMENT OF ENVIRONMENTAL QUALITY
PERMIT FEE PROGRAM EVALUATION
A REPORT TO THE GENERAL ASSEMBLY**

INTRODUCTION

This report evaluates the implementation of permit fee programs at the Department of Environmental Quality (DEQ) as required by Sections 10.1-1322, 10.1-1402.1 and 62.1-44.15:6 of the Code of Virginia. These sections state that:

“On January 1, 1993, and January 1 of every even-numbered year thereafter, the Board [State Air Pollution Control Board, State Water Control Board, Virginia Waste Management Board] shall evaluate the implementation of the permit fee program and provide this evaluation in writing to the Senate Committees on Agriculture, Conservation and Natural Resources and Finance; and the House Committees on Appropriations, Conservation and Natural Resources, and Finance. This evaluation shall include a report on the total fees collected, the amount of general funds allocated to the Department, the Department's use of the fees and the general funds, the number of permit applications received, the number of permits issued, the progress in eliminating permit backlogs, and the timeliness of permit processing.”

In addition to the general requirements identified above, Section 62.1-44.15:6 sets out the following specific requirements for the Water Permit Program.

“Beginning January 1, 1998, and January 1 of every even-numbered year thereafter, the Board shall make a report on the implementation of the water permit program to the Senate Committees on Agriculture, Conservation and Natural Resources, the Senate Committee on Finance, the House Committee on Appropriations, the House Committee on Conservation and Natural Resources and the House Committee on Finance. The report shall include the following: (1) the total costs, both direct and indirect, including the costs of overhead, water quality planning, water quality assessment, operations coordination, and surface water and ground water investigations, (2) the total fees collected by permit category, (3) the amount of general funds allocated to the Board, (4) the amount of federal funds received, (5) the Board's use of the fees, the general funds, and the federal funds, (6) the number of permit applications received by category, (7) the number of permits issued by category, (8) the progress in eliminating permit backlogs, (9) the timeliness of permit processing, and (10) the direct and indirect costs to neighboring states of administering their water permit programs, including what activities each state categorizes as direct and indirect costs, and the fees charged to the permit holders and applicants.”

1 PERMIT FEE ANALYSIS

1.1 Program Funding and Expenditures

The information that follows provides a brief overview and summary of the status of the funding and expenditures for the Department of Environmental Quality's Permit Fee Program for FY 2003.

- Permit Fee Revenues: In FY 2003, a total of \$12,863,522 was collected by the Department of Environmental Quality in water, air, and waste permit fees.
- General Fund Allocations: In FY 2003, a total of \$9,382,486 in General Funds was budgeted for the water, air, and waste permit programs.
- Staffing: In FY 2003, DEQ employed a total of 171 water permit program staff, 145 air permit program staff and 74 waste permit staff; this includes permitting, inspection and enforcement staff.
- Program Costs: In FY 2003, DEQ expended \$10,347,991 for direct water permit program costs, \$8,421,990 for direct air permit program costs, and \$4,776,116 for direct waste permit program costs. Total direct costs expenditures for FY 2003 were \$23,546,097.
- Water Permit Program Funding: In FY 2003, permit fee revenues covered 23.8% of water permit program direct costs, which includes the direct costs to issue and enforce permits. Permit fee revenues covered 12.0% of total program costs (this includes water quality monitoring and planning activities that support permit issuance and evaluation as well as indirect and overhead costs).
- Waste Permit Program Funding: In FY 2003, permit fee revenue covered 9.2% of waste permit program direct costs. Permit fees covered 7.1% of total program costs (this includes indirect and overhead costs).
- Air Permit Program Funding: In FY 2003, permit fees covered all of the permit program costs as defined by federal rules. Permit fee revenues covered 118.2% of air permit program direct costs and 64.0% of total program costs (this includes air quality monitoring and planning activities that support permit issuance and evaluation as well as indirect and overhead costs).

1.2 Program Efficiencies

Over the past ten years, the DEQ has been required to implement additional programs including CAFO permitting, poultry permitting, stormwater management permitting program, Title V permitting and the nontidal wetlands program. These expanded programs have increased the number of facilities requiring permits and oversight, but over that same time period staffing has decreased. With the increase in the number of regulated facilities, the DEQ has made changes in order to regulate these facilities more efficiently.

The DEQ is also sensitive to the costs incurred by the regulated community to comply with Virginia's regulations. The DEQ is taking steps to reduce the costs incurred by the regulated community to comply with regulatory requirements. This includes the use of streamlined applications for Virginia Pollution Discharge Elimination System (VPDES) permit renewals, reduced inspections based on compliance histories of VPDES facilities, and online permit applications for 7 different general permits. In addition to these changes, the DEQ has reviewed areas in which technology could be used to operate the agency more efficiently and is working on

a system to allow online payments and plans to pursue the development of a system to allow for the online submission of monitoring data. The DEQ will continue to explore the use of technologies that will reduce costs to the agency and the regulated community.

**TABLE 1.1 – 1 PERMIT PROGRAM REVENUE
FY 2003
PERMIT PROGRAM REVENUE**

Permit Program Revenue				
	WATER	AIR	WASTE	TOTALS
Fees Collected¹	2,466,058	9,958,559	438,905	12,863,522
Federal Funds	3,145,398	3,302,191	1,794,021	8,241,610
Total	5,611,456	13,260,750	2,232,926	21,105,132

GENERAL FUND ALLOCATIONS

Direct Permit Programs				
	WATER	AIR	WASTE	TOTALS
Budgeted	5,633,159	1,585,408	2,163,919	9,382,486
Expended	5,400,420	1,179,476	2,219,758	8,799,654

ALL DEQ GENERAL FUNDS

All DEQ General Funds	
	TOTALS
Budgeted	31,804,558
Expended	31,804,548

¹ Permit Fees Collected really refers to fund revenue. Although the permit fees represent the majority of the revenues, other revenues, such as interest earned, increases the total collections significantly.

1.3 Permit Program Staffing

The following chart contains information on the program staffing levels and funding for those positions for FY 2003. The staffing levels do not result in whole numbers because staff listed includes staff members who are funded through more than one program area.

**Table 1.3 – 1 DEQ Permit Fee Analysis Summary – Permit Program Staffing
Based on Actual FY 2003 Costs and Revenues**

Program Title	General Fund	Fee Fund	Federal Fund	Total Staffing
Water	92.75	59	19.1	170.85
Air	38.8	88.85	17.75	145.4
Waste	36.29	16.58	21.08	73.95
PERMIT MEDIA SUBTOTALS	167.84	164.43	57.93	390.2
Water Quality Plan	12.15	0	13	25.15
Air Quality Plan	7.5	6	2.5	16
Air Quality Monitoring	1	5.56	15.69	22.25
Air Quality Enforcement	1	.25	0	1.25
Water Quality Monitoring	41.2	0	2.6	43.8
Operations Coordination	36	0	0	36
TOTAL STAFFING	266.69	176.24	91.72	534.65

1.4 Permit Program Costs

The following table, *Actual Permit Program Costs and Revenues*, provides more detailed information on the Department's use of permit fees, general funds, and federal funds for FY 2003.²

Table 1.4 – 1 Actual Permit Program Costs and Revenues (FY 2003)

	Water Permits	Air Permits	Waste Permits	Total
DIRECT COSTS				
NET DIRECT COSTS	10,347,991	8,421,990	4,776,116	23,546,097
INDIRECT COSTS				
Programmatic Overhead Costs				
WQ Plans	2,697,968			2,697,968
AQ Plans		2,021,747		2,021,747
AQ Monitor.		1,419,253		1,419,253
WQ Monitor	3,905,334			3,905,334
AQ Enforcement		105,123		105,123
Operation Coord.	905,342	914,206	252,293	2,071,841
Administrative Overhead				
Statewide Costs	0	0	0	0
Equip. Use Allowance	72,897	74,052	32,570	179,519
Policy	26,688	25,157	11,813	63,658
Account.	180,930	155,396	140,636	476,962
Computer Services	709,363	780,099	345,735	1,835,197
General Services	1,002,180	1,062,626	332,861	2,417,667
Executive Direction	365,710	343,910	160,083	869,703
Personnel	259,071	243,627	113,403	616,101
Sub-Total	10,145,484	7,145,194	1,389,394	18,680,072
TOTAL COSTS	20,493,475	15,567,184	6,165,510	42,226,169
PERMIT AND FEDERAL REVENUES				
Permit Fee	2,466,058	9,958,559	438,905	12,863,522
Federal	3,145,398	3,302,191	1,794,021	8,241,610
TOTAL Revenues	5,611,456	13,260,750	2,232,926	21,105,132
Cost in Excess of NGF Revenue	14,882,019	2,306,433	3,932,584	21,121,037

² See Attachment A: Cost Allocation Methodology

2. PERMIT PROGRAM MEDIA AREA EVALUATIONS

2.1 Water Permitting

An analysis of the status of the Water Permit Programs within DEQ is provided in this section.

- Since 1993 the average length of time needed to process a water permit decreased by 27 days for Virginia Pollutant Discharge Elimination System (VPDES) individual permits, increased 33 days for Virginia Pollution Abatement (VPA) individual permits (excluding the one anomaly), and decreased by 33 days for processing Virginia Water Protection (VWP) individual permits.
- In FY 2003, DEQ issued a total of 1324 water permits. In FY 2001, DEQ issued a total of 977 water permits.

Table 2.1 – 1 Water Permitting Processing Times (FY 1993 – FY 2003)³

	VPDES	VPA	VWP
1993	135	107	100
1995	164	85*	91
1997	114	75	56
1999	116	65	70
2001	141	185	65
2003	108	187**	67

*DEQ reviewed eight (8) permit applications in 1995 that required an average processing time of 539 days.

**During FY 2003, one permit required 1,320 days to process. Without this anomaly, average processing time in FY 2003 was 140 days.

**Table 2.1 – 2 Water Permits Processed FY 2003
Comparison of FY 2003 and FY 2001 Data**

	VPDES (indv/gps)		VPA (indv/gps)		VWPP	
	2003	2001	2003	2001	2003 ⁴ (indv / gps / gps-ro/NPR)	2001 (indv/Waiv/ NPR)
Applications Received	175/1,419 ⁵	224/772	20/9	24/34	90/120/ 353/601	857
Applications Deemed Complete	283/1,419 ⁵	218/772	18/9	20/34	76/85/329/611	45/86/567
Permits Issued	261/1	251/0	25/0	27/1	68/87/320/562	699
Permits Appealed	0/0	1/0	0/0	0/0	0/0/0/0	0/0
# Expired Permits	27/0	17/0	13/0	14/0	29/0/0/0	17/0/0

³ Permit Processing Times presented in “Days.”

⁴ The Virginia Water Protection Program no longer includes waivers. The numbers listed for 2003 represent the number of activities in the following categories: individual permits; general permits, general permits- reporting only; and NPR.

⁵ Includes 976 applications for coverage under the storm water construction general permit.

2.2 Air Permitting

An analysis of the DEQ Air Permit Program is presented in this section.

- In FY 2003, DEQ met its goals for processing major and minor source permits requiring hearings 86% of the time. The goal for permits with Administrative Amendments was met 95% of the time. It met its goal for processing minor source permits not requiring hearings 95% of the time. DEQ met its goals for processing state operating permits 93% of the time.
- In FY 2003, DEQ issued a total of 1072 air permits. The total number of permits issued in FY 2001 was 1030.

Table 2.2 – 1 Air Permitting Processing Times (FY 1993 – FY 2003)

Air Permit Processing Time Comparison (Days)					
	Major or Minor Permits w/Public Hearing	Minor Permits w/No Public Hearing	Administrative Amendments	PSD Permits	Title V
1993	22	100	21	224	--
1995	23	58	12	42	--
1997	24	75	19	NA	--
1999	36	50	29	162	322*
2001	80	32	33	45	986
2003	110	40	24	199	1173

*The First Title V Permit was issued in July 1998.

Table 2.2 – 2 Air Permits Processed FY 2003

AIR PERMITS PROCESSED FY 2003											
	PSD & Non attainment	Major	Minor w/Hearing	Minor – No Hearing	Admin. Amendment	Exemptions	Title V	State Operating	Acid Rain	General	Total
Apps. Received*	4	4	2	318	69	299	10	30	9	11	756
Apps. Withdrawn	0	0	0	31	6	4	2	6	1	1	51
Apps. Denied	0	0	0	0	0	0	0	0	0	0	0
Permits in Process (07/01/2002)	5	4	1	76	3	28	74	63	3	1	258
Permits Issued	7	4	3	310	64	299	66	79	9	9	850
Permits in Process (06/30/2003)	2	4	0	53	2	24	16	8	2	1	112

*Includes both complete and incomplete applications; including applications that were exempt, denied, deferred, and withdrawn.

2.3 Waste Permitting

An analysis of the Solid Waste permitting programs within the Department of Environmental Quality for FY 2003 is presented in this section. A comparison with previous fiscal year's permitting programs is also presented in the tables that follow.

- Since 1993, the average time for processing solid waste Part A applications, solid waste Part B applications, Storage and Treatment applications, Post-Closure application and Permits-by-Rule applications have decreased steadily. In FY 2001 the accounting of permit processing time was changed to reflect the total days involved. Because these days include man-hours devoted to activities other than permit application processing, it is not possible to make a direct comparison of the results for FY 2001 to previous years' figures that were documented in man-hrs.
- In FY 2003, DEQ issued a total of 84 solid waste permits and 72 hazardous waste permits. In FY 2001 a total of 81 solid waste permits and 46 hazardous waste permits were issued.

Table 2.3 – 1 Solid Waste Permitting Processing Times (FY 1993 – FY 2003)

	Part A	Part B	Permits-by-Rule
1993	166 man-hrs.	884 man-hrs.	60 man-hrs.
1995	120 man-hrs.	658 man-hrs.	40 man-hrs.
1997	NA	330 man-hrs.	27 man-hrs.
1999	96 man-hrs.	230 man-hrs.	13 man-hrs.
2001	73 days	115 days	8 days
2003	55 days	132 days	7 days

Note: In FY 2001 the accounting of permit processing time was changed to reflect the total days involved. Because these days include man-hours devoted to activities other than permit application processing, it is not possible to make a direct comparison of the results for FY 2001 to previous years' figures that were documented in man-hrs.

Table 2.3 – 2 Hazardous Waste Permitting Processing Times (FY 1993 – FY 2003)

	Storage and Treatment	Transporter	Emergency	Post-Closure
1993	950 man-hrs.	9 man-hrs.	38 man-hrs.	1,616 man-hrs.
1995	680 man-hrs.	6 man-hrs.	28 man-hrs.	745 man-hrs.
1997	350 man-hrs.	8 man-hrs.	40 man-hrs.	550 man-hrs.
1999	549 man-hrs.	4 man-hrs.	NA	295 man-hrs.
2001	NA	3 days	5 days	287 days
2003	NA	2 days	5 days	235 days

Note: In FY 2001 the accounting of permit processing time was changed to reflect the total days involved. Because these days include man-hours devoted to activities other than permit application processing, it is not possible to make a direct comparison of the results for FY 2001 to previous years' figures that were documented in man-hrs.

Table 2.3 – 3 Permit by Rule Facility Types and Number of Facilities Covered FY 2003

Permit by Rule Facility Type	No. of Facilities Covered
Transfer Station	43
Energy Recovery & Incineration	3
Materials Recovery	8
Yard Waste Composting	2
Vegetative Waste Composting	5
Composting (<700 tons per quarter)	1
Medical Waste	4

Table 2.3 – 4 Solid Waste Permits Processed FY 2003

Permits Processed	Permit Amendments	Part A Applications	Part B* Applications	Emergency Permits	Permit-by-Rule	PBR Amendments	Total
Applications Received	62	8	2	1	15	41	129
Applications Deemed Complete	22	12	1	1	NA	NA	35
Applications Pending on July 1, 2002	192	9	20	0	6	3	230
Permits Issued	43	10	1	1	10	19	84
Permits Denied	2	0	0	0	0	0	2
Permits Withdrawn	4	0	0	0	0	0	4
Applications Pending on June 30, 2003	205	7	21	0	2	4	241

* Includes “new” Part B applications and multi-module, comprehensive permit amendments

Table 2.3 – 5 Hazardous Waste Permits Processed FY 2003

Permits Processed	Permit Amendments	Part B Applications	Emergency	Transporter	Total
Applications Received	14	2	4	45	65
Applications Deemed Complete	17	1	4	45	67
Applications Pending on July 1, 2002	21	2	0	2	25
Permits Issued	22	2	4	44	72
Permits Denied	0	0	0	0	0
Permits Withdrawn	2	0	0	0	2
Applications Pending on June 30, 2003	11	2	0	3	16

3. WATER PERMIT PROGRAM-ADDITIONAL INFORMATION

3.1 Program Costs and Fees in Virginia and Other States

The DEQ recently contacted the environmental agencies in North Carolina, Delaware, Kentucky, New Jersey, North Carolina, South Carolina, Tennessee, West Virginia, Pennsylvania, and Maryland in an effort to provide information on permit costs and fees in other states. A summary of program costs and fees is included in Table 3.1-1.

Table 3.1-1 Summary of Water Program Costs and Permit Fees

	Application Fee	Annual Fee	Notes	Direct Program Costs (% fee funded)	10 year fees for #1	10 year fees for #2	10 year fees for #3	10 year fees for #4	10 year fees for #5
VA	600-24,000 (200- 8,000)	No	Fees were tripled for FY03 and FY04	? (11%)	\$48,000	\$46,200	\$13,200	\$1,200	\$0
DE	No	150 - 7,000		35%	\$70,000	\$0	\$22,500	\$1,500	\$1,500
KY	1,000- 3,000 (industrials) 450 - 1,800 (municipals)	No		10.3%	\$6,400	\$1,800	\$4,200	\$0	\$2,400
MD	50 – 20,000 (industrials)	100 - 5,000	Formula derived	?	\$90,000	\$0	\$10,600	\$1,100	\$0
NJ	No	Yes	Formula derived	100%					
NC	No	715 - 2,865+	Additional \$400 fee for orders plus \$250-500 annual fee for facilities under an order	<20%	\$28,650	\$28,650	\$7,150	\$1,220	\$3,000
PA	\$1,000	No		20%	\$2,000	\$2,000	\$2,000	\$200	
SC	No	530 - 2,600+	Formula derived	?	\$22,350	\$22,350	\$6,350	\$200	\$3,340
TN	250-1,500	500 - 7,500		40%	\$64,000	\$71,000	\$10,500	\$3,000	\$0
WVA	Yes	Yes	Formula derived	93%	\$59,000	\$29,300	\$26,000	\$10,700	\$0

¹ Facility #1: A major industrial facility discharging 4MGD
 Facility #2: A major municipal facility discharging 4MGD
 Facility #3: A minor industrial facility discharging 40,000 gallons per day
 Facility #4: An industrial site covered by a stormwater general permit
 Facility #5: A confined animal feeding operation with 200 cows.

ATTACHMENT A -- COST ALLOCATION METHODOLOGY
VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY
PERMIT FEE ANALYSIS

The permit fee analysis identifies the costs associated with air, water, and waste permitting at the Department of Environmental Quality (DEQ). The composition of these costs is comprised of direct and indirect costs. The methodology used to identify permit costs was established in 1995 by the cost accounting firm, David M. Griffith & Associates, Ltd. and is outlined below.

Methodology

The first step in the process of identifying the cost of permitting at DEQ was to identify the direct cost of permitting. It was determined that water permitting direct costs were found in the Water Discharge, Groundwater, Discharge Pretreatment, and Discharge Compliance Inspection subprograms. Air permitting costs were found in the Air Quality Stationary Source Permitting and Compliance Inspections and waste permitting in Waste Permit and Inspection Management subprograms.

Next the cost of overhead operations which do not issue permits but closely support the permitting function were identified and have been classified as indirect programmatic support. For Water these costs include Water Quality Planning, Water Quality Assessment and Surface Water Investigations. Air support costs include Air Quality Planning, Air Quality Monitoring and Evaluation subprograms. There are no other subprograms identified that closely support the Waste permitting function.

The next level of overhead was regional office administrative support. This cost is found in the Operations Coordination subprogram and is allocated on the number of employees in the regional offices.

Departmental overhead includes Policy, Accounting, Computer Services, Executive Direction, Personnel, and General Services. These costs are classified as agency administrative indirect costs and are allocated to subprograms based on the most appropriate allocation basis. For example Personnel and Executive Direction were allocated to subprograms based on the number of employees in each subprogram. Accounting was allocated based on the number of accounting transactions.

Statewide costs are the final level of overhead. This is DEQ's share of state overhead from the Department of General Services, Accounts, Auditor, Budget and other central service departments. This cost was allocated to subprograms based on the number of employees.

Table A-1 FY 2001 Permit Fee Analysis -- Summary of Allocation Basis

Department	Basis of Allocation
Statewide	
Statewide Indirect	Number of Employees
Equipment Use	Cost of Equipment
Policy	
Legislative General Government	Direct Assigned
Policy	Number of Employees
Accounting	
Accounting	Number of Accounting Transactions
Computer Services	
Administrative Indirect	Percent of Total OIS Direct
CEDS 2000	Estimated Time
LAN/Admin	Number of Employees
Direct Programs	Direct Assigned
General Services	
Administrative Indirect	Percent of GS Direct
Purchasing	Number of Purchase Orders
Accounting	Number of Accounting Transactions
Other	Direct Assigned
Executive	
Executive Direction	Number of Employees
Personnel	
Personnel	Number of Employees
Operations	
Operations Coordination	Number of Employees
Program	
Programmatic Support	Direct Assigned