



COMMONWEALTH of VIRGINIA

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To: The Honorable Timothy M. Kaine
House Committee on Appropriations
House Committee on Finance
House Committee on Agriculture, Chesapeake and Natural Resources
Senate Committee on Appropriations
Senate Committee on Agriculture, Conservation and Natural Resources

From: David K. Paylor *DKP*

Date: January 1, 2008

Subject: Permit Fee Program Evaluation

I am pleased to provide you with a copy of the Department of Environmental Quality's (DEQ's) "Permit Fee Program Evaluation." This report has been prepared pursuant to Virginia Code §§ 10.1-1322, 10.1-1402.1 and 62.1-44.15:6 and evaluates the implementation of DEQ's permit fee programs.

This report is being made available at www.deq.virginia.gov/regulations/reports/html. If you have any questions concerning this report or if you would like a hard copy of this report, please contact Angela Jenkins, Assistant Director of Legislative and Legal Affairs at (804) 698-4268.

PERMIT FEE PROGRAM EVALUATION



***A Report to the Honorable Timothy M. Kaine, Governor
and the House Committees on Appropriations, Agriculture, Chesapeake and
Natural Resources, and Finance and the Senate Committees on Appropriations
and Agriculture, Conservation and Natural Resources***

Virginia Department of Environmental Quality

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EXECUTIVE SUMMARY

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 DEQ's Permit Fee Program for Fiscal Year (FY) 2007.

- Permit Fee Revenues: In FY 2007, a total of \$16,915,667 was collected by DEQ in water, air, and waste permit fees.
- General Fund Allocations: In FY 2007, a total of \$12,485,464 in General Funds was allocated for the water, air, and waste permit programs.
- Staffing: In FY 2007, DEQ employed a total of 179 Virginia Pollutant Discharge Elimination System (VPDES), Virginia Pollution Abatement (VPA), and groundwater water permit program staff, 41 Virginia Water Protection (VWP) permit program staff, 146 air permit program staff, 33 hazardous waste and 68 solid waste permit staff; this includes permitting, inspection and enforcement staff.
- Program Costs: In FY 2007, DEQ expended \$2,723,192 for direct VWP water permit program costs, \$10,912,309 for direct VPDES, VPA, and groundwater water permit programs \$11,532,822 for direct air permit program costs, \$1,634,652 for direct hazardous waste permit program costs and \$4,015,309 for direct solid waste permit program costs. Total direct costs expenditures for FY 2007 were \$30,818,284.
- VPDES, VPA and Groundwater Permit Program Funding: In FY 2007, permit fee revenues covered 29% of water permit program direct costs, which includes the direct costs to issue and enforce permits. Permit fee revenues covered 11% 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).
- VWP Permit Program Funding: In FY 2007, permit fee revenues covered 25% of water permit program direct costs, which includes the direct costs to issue and enforce permits. Permit fee revenues covered 9% 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).
- Hazardous Waste Permit Program Funding: In FY 2007, permit fee revenue covered 32% of hazardous waste permit program direct costs. Permit fees covered 22% of total program costs (this includes indirect and overhead costs).
- Solid Waste Permit Program Funding: In FY 2007, permit fee revenue covered 43% of solid waste permit program direct costs. Permit fees covered 23% of total program costs (this includes indirect and overhead costs).
- Air Permit Program Funding: In FY 2007, permit fees covered all of the permit program costs as defined by federal rules. Permit fee revenues covered 93% of air permit program direct costs and

52% 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 the concentrated animal feeding operations (CAFO) permitting program, the poultry permitting program, the stormwater management permitting program, the Title V permitting program 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 VPDES permit renewals, reduced inspections based on compliance histories of VPDES facilities, online permit applications for 7 different general permits and the implementation of a system to allow for the online submission of monitoring data. In addition to these changes, the DEQ has reviewed areas in which technology could be used to operate the agency more efficiently and continues to work toward a system to allow online payments. The DEQ will continue to explore the use of technologies that will reduce costs to the agency and the regulated community.

In 2004, through passage of SB365 and HB1350, the permit fees assessed from regulated facilities were revised. Included in these bills was a requirement for DEQ to evaluate and implement measures to improve the long term effectiveness and efficiency of its programs to ensure that maximum value is being achieved from the funding provided for environmental programs. Through working with stakeholders, a list of opportunities for improvement were identified and discussed. These opportunities covered many areas, from changes in how DEQ and facilities exchange information, to changes in how DEQ conducts inspections, to changes in how DEQ structures and processes permits. The full report which includes details on each opportunity for improvement identified is available from DEQ's website at <http://www.deq.virginia.gov/regulations/documents/FinalPeerReviewReport.pdf>.

DEQ has evaluated the opportunities identified and the steps needed to implement each of the opportunities, including any barriers that prevent the agency from implementing the changes and additional resources needed to implement the changes. For example, funding will be needed to implement an electronic document management system that will improve the efficiency of the exchange of information between the agency and the regulated community and the public, and will minimize the amount of space the agency uses to store information. Some of the opportunities identified in the report will be piloted on a small scale prior to being implemented throughout the agency to collect more information on the quantified benefits to the regulated community and the agency. The agency has incorporated tasks related to implementing these improvements into the agency's strategic planning document, Strategic Priorities 2010.

**TABLE 1.1 – 1 PERMIT PROGRAM REVENUE
FY 2007
PERMIT PROGRAM REVENUE**

Permit Program Revenue						
	WATER		AIR	WASTE		TOTALS
	VPDES	VWP		HW	SW	
Application fees collected	894,759	670,078	48,315	215,130	1,390,590	3,170,557
Annual Fees Collected¹	2,289,816	0	10,649,521	423,110	334,349	13,745,110
Federal Funds	2,779,282	346,717	3,077,461	1,600,802	0	7,804,262
Total	5,963,857	1,016,795	13,775,297	2,239,042	1,724,938	24,719,929

GENERAL FUND ALLOCATIONS

Direct Permit Programs						
	WATER		AIR	WASTE		TOTALS
	VPDES, VWP, Groundwater			HW	SW	
Budgeted	8,028,809		2,607,850	0	2,622,584	13,259,243
Expended	8,225,625		1,862,482	0	2,397,357	12,485,464

ALL DEQ GENERAL FUNDS

All DEQ General Funds	
	TOTALS
Budgeted	42,976,273
Expended	42,912,548

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 2007.

**Table 1.3 – 1 DEQ Permit Fee Analysis Summary – Permit Program Staffing
Based on Budgeted FY 2007 Costs and Revenues²**

Program Title	General Fund	Fee Fund	Federal Fund	Total Staffing
Water				
VPDES/VPA/Groundwater	110	45	24	179
VWP	20	18	3	41
Air	29	100	17	146
Waste				
Hazardous Waste	0	11	22	33
Solid Waste	43	24	0	66
PERMIT MEDIA SUBTOTALS	202	198	66	466
Water Protection Outreach	19	0	5	24
Water Protection Planning and Policy	28	0	18	46
Water Protection Monitoring and Assessment	63	1	3	67
Air Protection Outreach	2	5	0	7
Air Protection Planning and Policy	10	8	4	22
Air Protection Monitoring and Assessment	0	7	17	24
TOTAL STAFFING	324	220	113	656

² Beginning in FY 2007, the use of service areas in strategic plans by state agencies throughout the Commonwealth required revisions to the tracking of expenditures as they relate to performance measures and the budgeting process. As a result, DEQ's expenditure structure was revised to align with the service area structure of the agency's strategic plan, incorporating performance measurement and budgeting in the Commonwealth's appropriation process. The new service area structure resulted in the reallocation of some previous budgetary program resources. Consequently, the indirect program support components have new names and are more comprehensive than in previous reporting periods. Information on Tables 1.3-1 and 1.4-1 of this report are displayed utilizing the new service areas.

1.4 Permit Program Costs

The following table, *Actual Permit Program Costs and Revenues*, provides more detailed information on the DEQ's use of permit fees, general funds, and federal funds for FY 2007.³

Table 1.4 – 1 Actual Permit Program Costs and Revenues (FY 2007)⁴

	Water Permits		Air Permits	Waste Permits		Total
	VPDES, VPA, Groundwater	VWP		Solid Waste	Hazardous Waste	
DIRECT COSTS						
NET DIRECT COSTS	10,912,309	2,723,192	11,532,822	4,015,309	1,634,652	30,818,284
Indirect Costs						
Programmatic Overhead Costs						
Water Protection Outreach	1,622,487	404,896				2,027,383
Water Protection Planning and Policy	4,593,385	1,146,290				5,739,675
Water Protection Monitoring and Assessment	6,573,341	1,640,393				8,213,733
Air Protection Outreach			397,873			397,873
Air Protection Planning and Policy			1,800,409			1,800,409
Air Protection Monitoring and Assessment			2,079,816			2,079,816
Administrative Overhead						
Statewide Costs	0	0	0	0	0	0
Equipment Use Allowance	104,009	25,956	101,451	23,808	9,692	264,916
Information Technology Services	2,201,523	549,395	1,631,328	493,028	200,714	5,075,988
General Management and Direction	5,712,029	1,425,450	3,171,775	1,322,487	538,391	12,170,132
Sub-Total	20,806,774	5,192,379	9,182,652	1,839,322	748,797	37,769,925
TOTAL COSTS	31,719,083	7,915,572	20,715,473	5,854,632	2,383,450	68,588,209
PERMIT AND FEDERAL REVENUES						
Permit Fee	3,184,575	670,078	10,697,836	1,724,938	638,240	16,915,667
Federal	2,779,282	346,717	3,077,461	0	1,600,802	7,804,262
TOTAL Revenues	5,963,857	1,016,795	13,775,297	1,724,938	2,239,042	24,719,929
Cost in Excess of NGF Revenue	25,755,227	6,898,777	6,940,176	6,075,636	326,812	45,996,628

³ See Attachment A: Cost Allocation Methodology

⁴ Beginning in FY 2007, the use of service areas in strategic plans by state agencies throughout the Commonwealth required revisions to the tracking of expenditures as they relate to performance measures and the budgeting process. As a result, DEQ's expenditure structure was revised to align with the service area structure of the agency's strategic plan, incorporating performance measurement and budgeting in the Commonwealth's appropriation process. The new service area structure resulted in the reallocation of some previous budgetary program resources. Consequently, the indirect program support components have new names and are more comprehensive than in previous reporting periods. Information on Tables 1.3-1 and 1.4-1 of this report are displayed utilizing the new service areas.

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 2003, the average length of time needed to process a water permit has increased. The number of water permits issued since 2003 has also increased.
- In FY 2007, DEQ issued a total of 257 individual water permits and 1798 general permits. In FY 2005, DEQ issued a total of 259 individual water permits and 1740 general permits.
- One change that has been made to the VWP program as a result of the peer review study was to change the tracking of information related to projects which do not require VWP permits. Previously, projects not requiring a permit were tracked in a manner similar to those projects requiring and receiving permits. This change reduces the administrative effort on projects not required to receive a permit; thereby allowing more time to be spent evaluating technical requirements of projects. This change has been noted on Table 2.1-2.

Table 2.1 – 1 Water Permitting Processing Times (FY 1993 – FY 2007)⁵

	VPDES	VPA	VWP
1993	135	107	100
1995	164	85 ⁶	91
1997	114	75	56
1999	116	65	70
2001	141	185	65
2003	108	187 ⁷	67
2005	186	116	78 / 89 / 16 ⁸
2007	194	218	537/130/41 ⁹

⁵ Permit Processing Times presented in “Days.”

⁶ DEQ reviewed eight (8) VPA permit applications in 1995 that required an average processing time of 539 days.

⁷ During FY 2003, one VPA permit required 1,320 days to process. Without this anomaly, average processing time in FY 2003 was 140 days.

⁸ During FY 2005, 10 VWP Individual Permits, 91 VWP General Permits, and 149 VWP General Permits-Reporting Only were averaged to determine the processing times reported here, respectively.

⁹ During FY 2007, 52 VWP Individual Permits, 450 VWP General Permits, and 570 VWP General Permits-Reporting Only were averaged to determine the processing times reported here, respectively. One individual permit required 6 years to reach the complete application stage and another year to issue a permit. This permit involved the withdrawal of the original application; however, the original application-received date was used to calculate the processing time for this permit. If the reactivation date of the application is used instead of the application received date, the average processing time for individual permits changes to 506 days, an increase of 79 days over the FY05 average.

**Table 2.1 – 2 Water Permits Processed FY 2007
Comparison of FY 2007 and FY 2005 Data**

	VPDES (IP/GP)		VPA (IP/GP)		VWP	
	2007	2005	2007	2005	2007 (IP ¹⁰ / GP ¹¹ / GP-RO ¹¹ /NPR ¹²)	2005 ¹³ (IP ¹⁰ / GP ¹¹ / GP-RO ¹¹ /NPR ¹²)
Applications Received	246/1798	152/1369	4/25	3/131	18/181/260/585	54/177/287/518
Applications Deemed Complete	223/1798	197/1369	4/25	8/131	40/219/266/317	53/184/301/514
Permits Issued	258/3	243/2	6/0	6/1	52/220/296/ 0	58/185/302/0
Permits Appealed	2/1	2/0	0/0	0/0	0/0/0/0	0/0/0/0
# Expired Permits	33/0	34/0	2/0	3/0	18/40/44/ 0	24/0/10/0

Abbreviations utilized in table above:

- IP- individual permit
- GP- general permit
- GP-RO- general permit - reporting only
- NPR- no permit required

¹⁰ Data does not include Modifications, Waivers, Withdrawals, or “No Permit Required” actions.

¹¹ Does not include Notices of Planned Change, Waivers, Withdrawals, or “No Permit Required” actions.

¹² “No Permit Required” case decisions are based on information held in CEDS for FY05, and on information held in CEDS and at the VWP regional offices for FY07. The reported total includes both general and individual permits. The VWP program phased out tracking “No Permit Required” decisions in 2006. Therefore, the number of complete applications may not reflect a true number.

¹³ Data reported on the previous report was for calendar year 2005; however, the this table has been corrected to reflect fiscal year 2005 data.

2.2 Air Permitting

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

- In FY 2007, DEQ met its goals for processing major and minor source permits requiring hearings 71% of the time. The goal for permits with Administrative Amendments was met 93% of the time. DEQ met its goal for processing minor source permits not requiring hearings 99% of the time. DEQ met its goals for processing state operating permits 80% of the time.
- In FY 2007, DEQ issued a total of 993 air permits. The total number of permits issued in FY 2005 was 1032.

Table 2.2 – 1 Air Permitting Processing Times (FY 1993 – FY 2007)

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 ¹⁴
2001	80	32	33	45	986
2003	110	40	24	199	1173
2005	71	34	18	212	1215
2007	85	37	47	NA	2165

¹⁴ The First Title V Permit was issued in July 1998.

Table 2.2 - 2 Air Permits Processed FY 2007

AIR PERMITS PROCESSED FY 2007												
	PSD & Non attainment	Major	Minor w/Hearing	Minor – No Hearing	Admin. Amendment	Exemptions	Title V	Title V Renewals	State Operating	Acid Rain	General	Total
Apps. Received¹⁵	4	5	0	342	35	336	6	48	31	5	33	845
Apps. Withdrawn	0	1	0	40	1	5	2	3	0	0	0	52
Apps. Denied	0	0	0	1	0	0	0	0	0	0	0	1
Permits in Process (07/01/2006)	1	4	0	51	15	16	2	29	15	0	2	135
Permits Issued	0	0	2	276	46	320	6	39	30	1	27	747
Permits in Process (06/30/2007)	1	1	4	63	4	20	1	11	9	0	4	118

¹⁵ 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 DEQ for FY 2007 is presented in this section. A comparison with permitting programs for previous fiscal years also is 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 applications 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 2007, DEQ issued a total of 86 solid waste permits and 57 hazardous waste permits, compared to a total of 105 solid waste permits and 76 hazardous waste permits in FY 2005.

Table 2.3 – 1 Solid Waste Permitting Processing Times (FY 1993 – FY 2007)

	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 ¹⁶	73 days	115 days	8 days
2003	55 days	132 days	7 days
2005	75 days	135 days	8 days
2007	44 days	137 days	11 days

Table 2.3 – 2 Hazardous Waste Permitting Processing Times (FY 1993 – FY 2007)

	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 ¹⁶	NA	3 days	5 days	287 days
2003	NA	2 days	5 days	235 days
2005	N/A	2 days	5 days	235 days
2007	360 days	2 days	5 days	243 days

¹⁶ 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 Total Number of Active Facilities Covered as of June 30, 2007

Permit by Rule Facility Type	No. of Facilities Covered in FY 2007
Transfer Station	49
Energy Recovery & Incineration	7
Materials Recovery	35
Yard Waste Composting	9
Vegetative Waste Composting	0
Composting (<700 tons per quarter)	4
Medical Waste	20

Table 2.3 – 4 Solid Waste Permits Processed FY 2007

Permits Processed	Permit Amendments	Part A Applications	Part B ¹⁷ Applications	Emergency Permits	Permit-by-Rule	Total
Applications Received	54	4	13	0	10	81
Applications Deemed Complete	58	4	7	NA	NA	69
Applications Pending on July 1, 2006	32	6	38	0	4	80
Permits Issued	58	2	15	0	11	86
Permits Denied	0	0	0	0	12 ¹⁸	12
Permits Withdrawn	3	1	2	0	NA	6
Applications Pending on June 30, 2007	25	7	42	0	3	77

Table 2.3 – 5 Hazardous Waste Permits Processed FY 2007

Permits Processed	Permit Amendments	Part B Applications	Emergency	Transporter	Total
Applications Received	21	10	11	33	75
Applications Deemed Complete	14	7	9	31	61
Applications Pending on July 1, 2006	1	1	1	2	5
Permits Issued	14	3	9	31	57
Permits Denied	0	0	0	0	0
Permits Withdrawn	0	0	0	0	0
Applications Pending on June 30, 2007	8	8	3	4	23

¹⁷ Includes “new” Part B applications and multi-module, comprehensive permit amendments.

¹⁸ Indicates the number of Notice of Deficiencies sent to applicants seeking permit by- rule.

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 Delaware, Kentucky, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee and West Virginia 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	\$75 - 6800	Application fees are assessed for new applications only, there is no renewal fee assessed for existing facilities, only annual fees are assessed	29%	\$48,000	\$43,500	\$20,400	\$1,000	\$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	\$60-3,440	\$60-3,440	Additional \$400 fee for orders plus \$250-500 annual fee for facilities under an order	<20%	\$34,400	\$34,400	\$8,600	\$1,000	\$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	\$50-15,000	\$50-15,000	Formula derived	93%	\$59,000	\$29,300	\$26,000	\$10,700	\$0

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 originally established in 1995 by the cost accounting firm, David M. Griffith & Associates, Ltd. The current methodology is outlined below.

Methodology

The first step in the process of identifying the cost of the permit programs at DEQ was to identify the direct costs. The Service Area structure now incorporated in the strategic planning and budgeting process of the Commonwealth of Virginia has been used to identify the direct and indirect costs for the permitting programs. Direct costs have been determined to be those associated with permitting, enforcement, and compliance. The Land Protection Permitting (50925) and Land Protection Compliance and Enforcement (50926) service areas contain the direct costs for the Solid and Hazardous Waste permit programs. The Water Protection Permitting (51225) and Water Protection Compliance and Enforcement (51226) service areas contain the direct costs for all water permit programs. The Air Protection Permitting (51325) and Air Protection Compliance and Enforcement (51326) service areas contain the direct costs for all air permit programs.

The next step was identifying the cost of overhead operations. These operational costs are not part of the permit maintenance function, but do provide indirect programmatic support. The Land Protection Outreach (50927) and Land Protection Planning & Policy (50928) service areas contain the indirect programmatic support costs for the Solid and Hazardous Waste permit programs. The Water Protection Outreach (51227), Water Protection Planning & Policy (51228), and Water Protection Monitoring and Assessment (51229) service areas contain the indirect programmatic support costs for the water permit programs. The Air Protection Outreach (51327), Air Protection Planning & Policy (51328), and Air Protection Monitoring and Assessment (51329) service areas contain the indirect programmatic support costs for the air permit programs.

Departmental overhead includes General Management and Direction and Information Technology Services. These costs are classified as agency administrative indirect costs and are allocated to service areas based on the most appropriate allocation basis. General Management and Direction costs are based on number of employees in each service area excluding the compliance and enforcement staff who work in non-permit program related activities (i.e. remediation). Information Technology costs are distributed based on number of employees unless they are directly assigned to land, water, or air protection programs.

Departmental overhead also includes a usage charge for equipment based on the inventory of equipment, including all equipment purchased and currently in use.

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 when applicable is allocated based on the number of employees in each service area.

Table A-1 FY 2007 Permit Fee Analysis -- Summary of Allocation Basis

Commonwealth of Virginia
Department of Environmental Quality
FY 2007 Permit Fee Analysis
Summary of Allocation Basis

<u>Department</u>	<u>Basis of Allocation</u>
Statewide Indirect	Number of Employees
Equipment Use Allowance	Cost of Equipment and Usage Factor
General Management and Direction	Number of Employees
Information Technology Services	
Administrative Indirect	Number of Employees
Administrative Direct	Direct assigned
Programmatic Support	Direct assigned