

Department of Planning and Budget 2004 Fiscal Impact Statement

1. Bill Number SB 365

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron Watkins

3. Committee Passed Both Houses

4. Title Environmental permit fees

5. Summary/Purpose: The bill would establish a combination of permit application fees and annual fees for the Department of Environmental Quality's water and waste management permit programs. It provides for reduced fees for those facilities that have strong environmental management programs. The current fee structure will sunset on July 1, 2004. The provisions impacting each of the agency's affected programs are detailed below:

Virginia Pollutant Discharge Elimination System (VPDES) and Virginia Pollution Abatement (VPA) permit programs: The bill would provide for application fees for new facilities and for modifications that occur between permit issuance and the expiration date. Existing facilities would pay an annual permit maintenance fee (equal to 20 percent or less of the current application fee) and would not pay an application fee for permit renewals. Facilities in the toxics management program and facilities with more than five wastewater discharge outfalls would pay additional fees. Annual fees would be reduced for participants in the environmental excellence program.

Virginia Water Protection (VWP) permit program: The fees for smaller projects covered by general permits would not change from current law. For projects over one acre and for projects covered by individual permits, the costs would be increased based on the size of the impact. Permit fees would be increased for minimum instream flow projects and for reservoirs.

Solid waste management program: The bill would provide for reduced permit application fees and annual fees for all permitted facilities. Annual fees would be set by statute and would be reduced for participants in the environmental excellence program. Annual fees for municipal solid waste landfills and incinerators would be based on volume and flat fees would be assessed for all other facilities.

Hazardous waste management program: The bill would provide for reduced permit application fees and annual fees for all permitted treatment, storage, or disposal facilities, large quantity generators, and transporters. Annual fees would be reduced for participants in the environmental excellence program.

Air pollution program: The bill would establish a permit application fee of \$30,000 for new large air pollution sources. If the facility were constructed, the permit application fee would be considered a pre-payment of Title V annual fees.

The bill also would require a management efficiency peer review of the agency's Virginia Pollutant Discharge Elimination System permit program and air permit program as well as a review of the agency's solid waste permitting and inspection programs.

In addition, the bill would require the agency to implement a streamlined permit renewal application; expeditiously implement electronic permitting, filing, and reporting procedures; explore ways to reduce compliance costs to the permittee and to reduce the agency's oversight costs for ensuring compliance; and to encourage efficient and effective environmental performance by deeming a facility's demonstration of a proven environmental management system along with a commitment to pollution prevention, annual progress reporting, and a record of sustained compliance as meeting the criteria for acceptance into the department's programs for environmental excellence.

Finally, under the provisions of the bill if general fund revenues in excess of \$500,000 per year over the Governor's submitted budget for natural resources for the FY 2004-06 biennium are appropriated by the 2004 Appropriation Act and are allocated for implementation of the water permit programs, then the water permit fees must be reduced on a pro rata basis.

6. Fiscal impact: Fiscal impact estimates are final:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	\$0	0.00	N/A
2004-05	\$4,717,902	77.00	Nongeneral funds
	\$504,000	8.00	General fund
2005-06	\$5,165,772	85.00	Nongeneral funds
	\$504,000	8.00	General fund
2006-07	\$4,957,762	81.00	Nongeneral funds
	\$504,000	8.00	General fund
2007-08	\$4,850,232	80.00	Nongeneral funds
	\$504,000	8.00	General fund
2008-09	\$4,200,612	69.00	Nongeneral funds
	\$504,000	8.00	General fund
2009-10	\$4,813,482	79.00	Nongeneral funds
	\$504,000	8.00	General fund

Note: These amounts represent maximum potential expenditures. The actual timing of such expenditures would likely vary from year to year based on the levels of program activity. The estimates of the number of positions assume an average cost of \$61,000 per position.

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	\$0	N/A	N/A
2004-05	\$4,717,902	N/A	Nongeneral funds
2005-06	\$5,165,772	N/A	Nongeneral funds
2006-07	\$4,957,762	N/A	Nongeneral funds
2007-08	\$4,850,232	N/A	Nongeneral funds
2008-09	\$4,200,612	N/A	Nongeneral funds
2009-10	\$4,813,482	N/A	Nongeneral funds

The following table details estimates of environmental permit program fee revenues under both current law effective July 1, 2004 (the current fee schedule will sunset on July 1, 2004 and fee amounts will be reduced) and under the provisions of the bill.

Environmental Permit Program Fee Revenues

Program	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
VPDES/VPA/VWP						
Revenues under current law	\$1,102,440	\$698,000	\$834,000	\$1,008,350	\$1,700,000	\$1,100,000
Proposed additional revenues (SB 365)	\$3,001,130	\$3,405,570	\$3,269,570	\$3,095,220	\$2,403,570	\$3,003,570
Total proposed revenues	\$4,103,570	\$4,103,570	\$4,103,570	\$4,103,570	\$4,103,570	\$4,103,570
Solid waste management						
Revenues under current law	\$100,600	\$99,200	\$84,400	\$81,800	\$81,800	\$81,800
Proposed additional revenues (SB 365)	\$1,299,813	\$1,301,213	\$1,316,413	\$1,318,613	\$1,318,613	\$1,318,613
Total proposed revenues	\$1,400,413	\$1,400,413	\$1,400,413	\$1,400,413	\$1,400,413	\$1,400,413
Hazardous waste management						
Revenues under current law	\$105,410	\$63,380	\$150,590	\$85,970	\$43,940	\$31,070
Proposed additional revenues (SB 365)	\$416,959	\$458,989	\$371,779	\$436,399	\$478,429	\$491,299
Total proposed revenues	\$522,369	\$522,369	\$522,369	\$522,369	\$522,369	\$522,369
<i>Total revenues under current law</i>	<i>\$1,308,450</i>	<i>\$860,580</i>	<i>\$1,068,590</i>	<i>\$1,176,120</i>	<i>\$1,825,740</i>	<i>\$1,212,870</i>
<i>Total proposed additional revenues</i>	<i>\$4,717,902</i>	<i>\$5,165,772</i>	<i>\$4,957,762</i>	<i>\$4,850,232</i>	<i>\$4,200,612</i>	<i>\$4,813,482</i>
<i>Grand total proposed revenues</i>	<i>\$6,026,352</i>	<i>\$6,026,352</i>	<i>\$6,026,352</i>	<i>\$6,026,352</i>	<i>\$6,026,352</i>	<i>\$6,026,352</i>

The following table details the annual direct costs associated with the Department of Environmental Quality's environmental permit programs, the funding sources for those programs, and the percentages of the costs that would be covered by permit fees under the provisions of the bill.

Environmental Permit Program Funding

Program	Direct Program Costs	General Fund Appropriations	Additional General Fund Appropriations Needed	Federal Funds	Total Proposed Permit Fee Revenues	%
VPDES/VPA/VWP	\$11,778,000	\$5,688,463	\$504,000	\$1,481,892	\$4,103,570	35%
Solid Waste	\$3,551,086	\$2,150,673		\$0	\$1,400,413	39%
Hazardous Waste	\$2,468,179	\$120,926		\$1,824,884	\$522,369	21%
Total	\$17,797,265	\$7,960,062	\$504,000	\$3,306,776	\$6,026,352	34%

The direct program costs include only the costs of salaries and benefits for staff in these programs. It does not include costs for items such as vehicles, computers, training, or office space for program staff.

Any additional revenues associated with the Department of Environmental Quality's air pollution program are highly speculative and cannot be estimated. In addition, if a facility were constructed, then the permit application fee would be considered a pre-payment of Title V annual fees and would therefore not result in additional revenues. According to the Department of Environmental Quality, there would be additional costs associated with the other requirements of the bill but such costs could be handled within the resources provided under the provisions of the bill.

- 7. Budget amendment necessary:** Yes (Item 385, Environmental Resources Management).
While the introduced budget bill included sufficient nongeneral fund appropriations for these permit fee adjustments, the Department of Environmental Quality would still need an additional \$504,000 in annual general fund appropriations in order to implement the programs as currently structured. The Senate-passed budget amendments included \$400,000 (general fund) in each year of the next biennium for these programs.
- 8. Fiscal implications:** See Item 6.
- 9. Specific agency or political subdivisions affected:** Department of Environmental Quality; local governments.
- 10. Technical amendment necessary:** No.
- 11. Other comments:** This bill is identical to HB 1350 as enrolled.

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cc: Secretary of Natural Resources