

Synopsis of Permit Fee meeting, April 30, 2014

The new Water Quality Program Manager, Heather Bartlett, welcomed the group and introduced herself to the fee group.

We followed with a preview of the 2007-2011 “biennial” permit fee report and recommendations to the legislature on fee setting and structure. The recommendations from Ecology contained in the report include to, as a package,

- Retain the existing fee structure and categories
- Raise the municipal fee cap as needed
- Selectively increase fees for underpaying categories until the revenue from the category matches the cost to administer that category

The fee report will be posted on the permit fee task force website when it is published. The presentation from April 30 is already posted on the website.

Ecology staff then presented projections of fee revenue and expenditures for FY 2013 through 2017. Prior to this biennium, revenue and expenditures were essentially balanced. The level of expenditures prior to this biennium was not ideal however, as some of our permit program performance measures were slipping due to staff shortages. Operating costs at the current staffing level are now projected to rise about 11% during the 2 biennia, FY 2013 through FY 2017. Fee revenues would not keep pace, rising between 1.3% and 3.5% annually, depending on the fee increase scenario. A fee increase less than 3.5% would reduce the fund surplus to the point where the working capital reserve would be used to fund the program in FY 2017.

- Expenditures for the two biennia would be approximately \$84.0M while revenues would be between \$78.6M (1.3% net increases in FY16-17) and \$79.9M (3.5% net increases in FY16-17).
- The difference between expenditures and revenue will reduce the surplus cash balance during the 2015-17 biennia.
- Fee revenue should equal fund expenditures by FY 2017 to maintain the permit program.

Discussion then turned to the recent lack of success in fully achieving revenue goals to support the permit program. In particular, the municipal cap is stuck at 18¢ per Residential Equivalent per month despite attempts to introduce changes in the legislature. Failure to increase the municipal fee cap causes Ecology to ask for a higher fee increase to meet revenue goals. The proposed increase is an across-the-board fee increase based on the fiscal growth factor, now estimated at 4.2% for FY16 and 4.2% for FY17. Task force members who represent permittees whose fees have been frozen in recent years expressed disagreement in supporting the proposed nonselective 4.2% fee increase. Those members felt that the municipal cap should be raised and the selective fee approach continued.