

DEQ Fiscal Year 2018 Fees Overview

February 21, 2017

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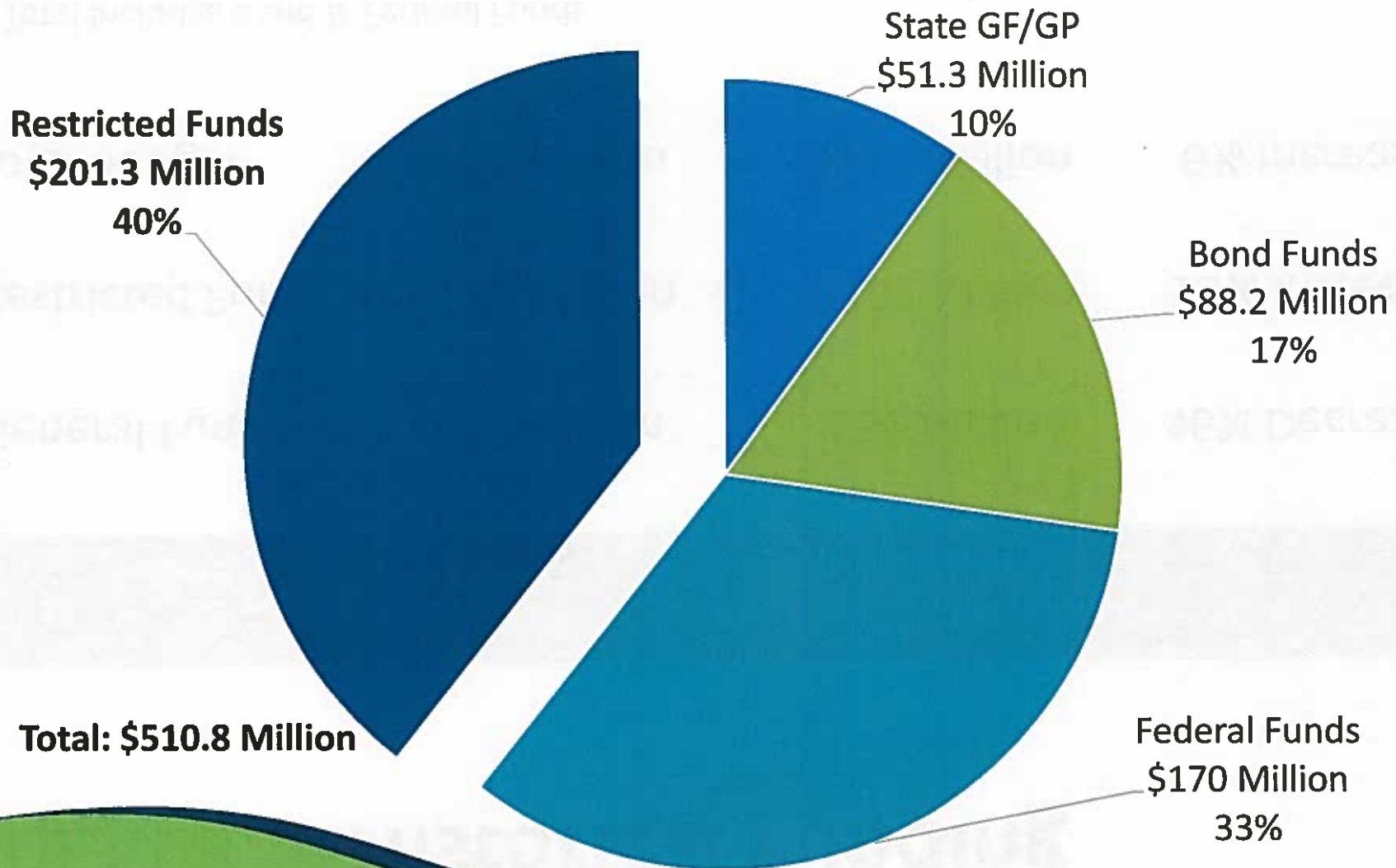


Summary

- Fee Overview
- Budget Initiatives
 - Oil & Gas Program
 - Air Quality Program
- Fee Sunsets
 - Hazardous Waste Fees
 - Certified Operator Fees



2018 DEQ Budget by Fund Source



Historical Funding

	2000	2018	% Change
General Fund	\$96 Million	\$51 Million	46% Decrease
Restricted Funds	\$173 Million	\$201 Million	16% Increase
Total Budget*	\$479 Million	\$510 Million	6% Increase

* Total Includes Bond & Federal Funds

Program Funding Factors

- What service is the program providing?
- Who benefits?
- Can a fee be assessed?
- What is the administrative cost?

Fees Overview

- 62 Fees
 - Water: 31
 - Waste: 16
 - Oil & Gas: 9
 - Lab: 4
 - Air: 2
- \$124 Million Collected Annually

Inflation & Legacy Costs

- Average Employee Costs Today
 - Salary: \$71,700
 - Retirement & Benefits: \$58,500
 - Total: \$130,200
- Average Employee Costs Ten Years Ago
 - Salary: \$64,200
 - Retirement & Benefits: \$32,600
 - Total: \$96,800

Stagnate Revenue for Fixed Costs

Oil & Gas Fees				
Fiscal Year		Cost Per Employee	Number of Employees	Payroll Cost
2008	\$	96,800	60	\$ 5,808,000
2018	\$	130,200	60	\$ 7,812,000
Difference	\$	33,400		\$ 2,004,000

Effects of Cost Increases

- Well Inspections Decrease by 35%
- Annual Inspections Extended by 3 to 5 Years for 21,000 Oil & Gas Wells
- Permit Processing Time Increased
- Shared Information to Prospective Oil & Gas Production Companies Delayed



Oil & Gas Program Funding

- 1% Gross Cash Market Value of Production
- \$4 Million of On-Going General Funds in 2018



Five Year Oil Prices History

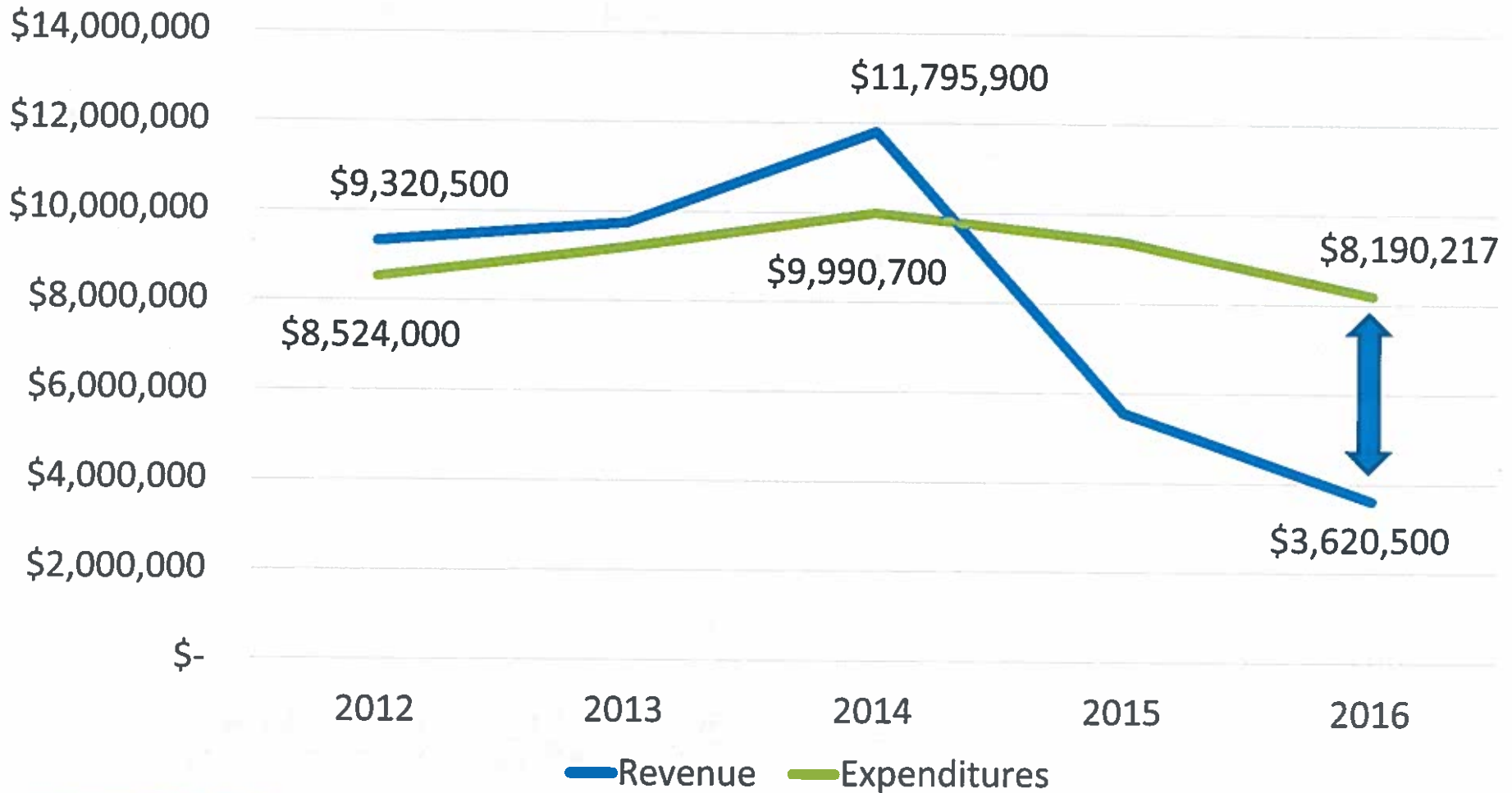
CLJ12 - Crude Oil WTI (NYMEX)



Source: NASDAQ.COM (5 Year West Texas Intermediate Crude Oil Prices)



Oil & Gas Surveillance Fee



Hazardous Waste Fees Overview

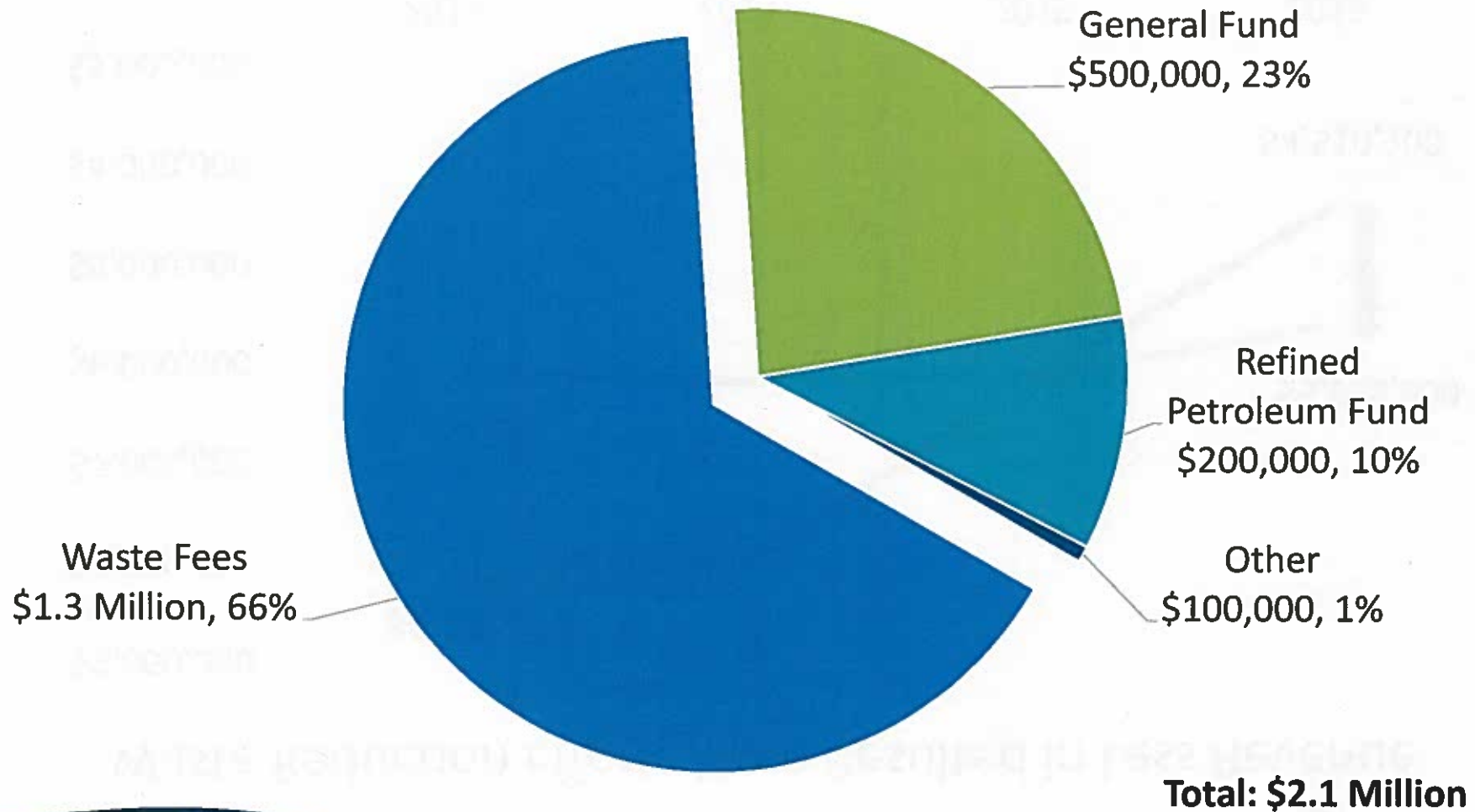
- Regulates Hazardous Waste Industry
- Addresses Risk Factors at Facilities
- Supports Inspections & Licensing
- Annual Revenue \$6 Million
 - Hazardous Waste Program
 - Pollution Prevention Efforts
 - Permit to Install Permits



Air Quality Program

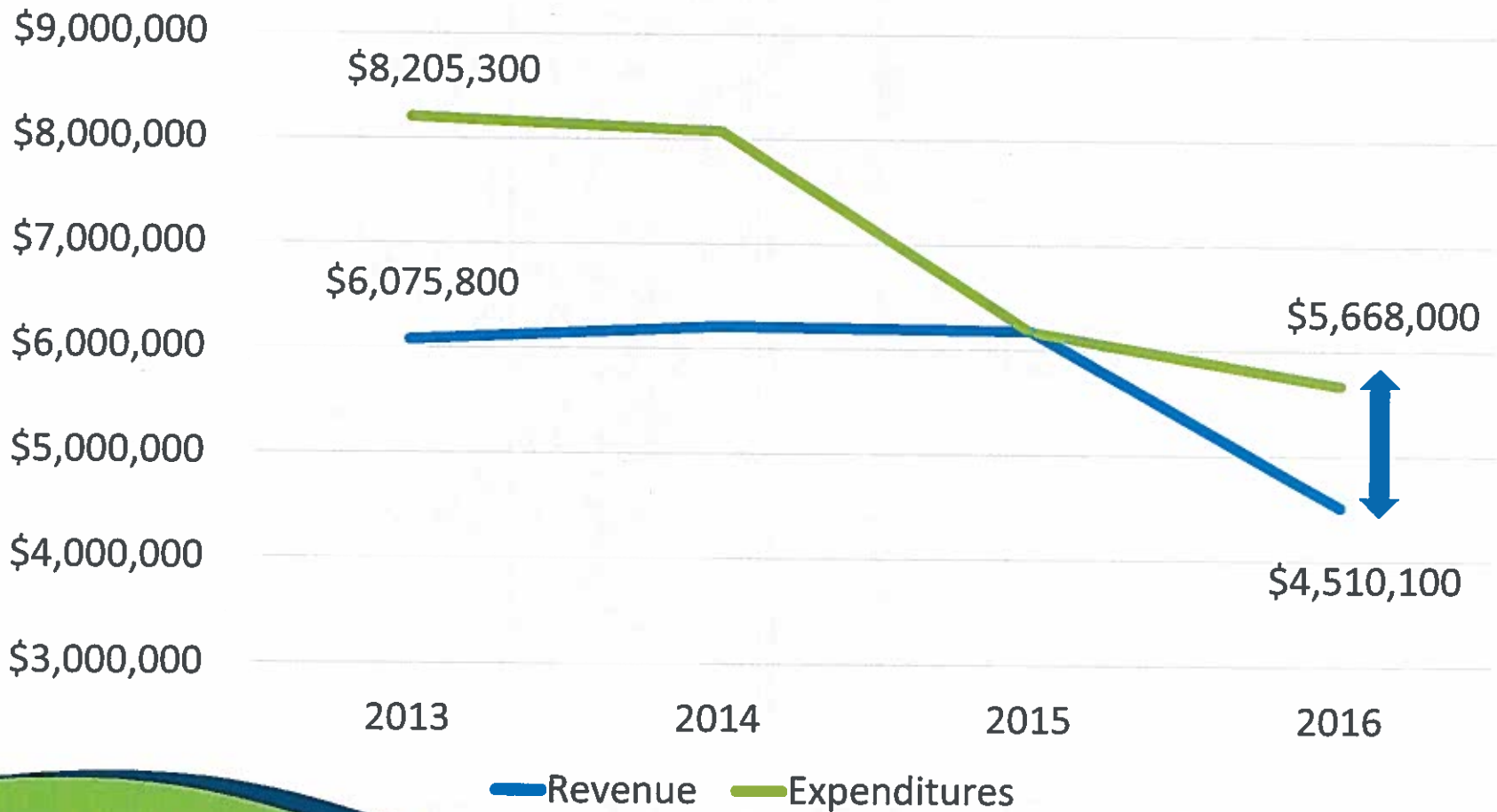
- Renewable Operating Permits
 - Identifies Requirements at Facilities
 - Program Funded by Per Ton Emission Fee
- Permit to Install
 - Regulates Equipment That Emits Air Contaminants
 - 400 Annual Permits
 - \$1.3 Million Hazardous Waste Fee in 2017
 - \$1.3 Million General Fund in 2018

Permit to Install Budget



Hazardous Waste Fee History

Waste Reduction Efforts Have Resulted in Less Revenue



Operator Certification Fees

- Certified Facility Operator Fees
 - Drinking Water – 4,500 Operators
 - Waste Water – 3,500 Operators
 - Storm Water – 11,300 Operators
- \$30 to \$95 Per License
- \$460,000 Annual Revenue



Moving Forward

- Focused on Finding Sustainable Funding Solutions
- Committed to Partnering with the Legislature & Stakeholders
- Looking Forward to Continual Discussions
- Ensuring Fees Appropriately Support Programs

Questions



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