



# DEPARTMENT OF ENVIRONMENTAL QUALITY

## FEES REVIEW

NATURAL RESOURCES, AGRICULTURE, AND ENVIRONMENTAL QUALITY APPROPRIATIONS SUBCOMMITTEE  
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ISSUE BRIEF

### BACKGROUND

UCA [63J-1-504](#) requires that each fee assessed by an agency be “reasonable, fair, and reflect the cost of services provided”; that each fee be “established according to a cost formula determined by [specified officials] and the agency”; and that the fee agency “present each proposed [new or changed] fee at a public hearing”. Furthermore, the statute requires an agency to “submit its fee schedule ... to the Legislature for its approval on an annual basis”. The Legislature approved a total of 326 fees for the Department of Environmental Quality (DEQ) for FY 2017 in [H.B. 8](#), “State Agency Fees and Internal Service Fund Rate Authorization and Appropriations,” 2016 General Session (G.S.).

This issue brief addresses the following topics regarding fees charged by DEQ: (1) fee amounts that changed from FY 2015 to FY 2016; (2) who pays fees – businesses, governmental entities, or members of the public; (3) the amount of revenue generated from fees; (4) the number of years since a fee amount changed; and (5) whether revenues are sufficient to cover the costs of providing service.

### SUMMARY OF ANALYSES

(1) Fee amounts that changed from FY 2015 to FY 2016. Of the 106 fees assessed by the Division of Water Quality, 66 (62 percent) increased from FY 2015 to FY 2016. Only seven of the other 220 fees charged by the other divisions and the Executive Director’s Office changed between the two years.

(2) Who pays fees? The fiscal analyst created a “payor type” for each fee based on DEQ’s response to the question, “Who pays the fee?” The vast majority of fees are paid exclusively by businesses (84 percent). This category includes individuals who pay a fee for professional licensure or certification. The remaining 16 percent of fees are paid by some combination of businesses, governmental entities, and members of the public.

(3) The amount of revenue generated from fees. Of the 311 fees for which revenue was reported 166 (53 percent) generated less than \$1,000 of revenue in the most recently completed fiscal year; 80 (26 percent) generated between \$1,000 and \$10,000 of revenue; 46 (15 percent) saw revenue between \$10,000 and \$100,000; and 16 (5 percent) experienced revenue between \$100,000 and \$1 million. Three fees generated more than \$1 million in revenue: the air emissions fee that charges per ton of emissions generated almost \$3.77 million in revenue; and the hazardous waste flat fee and radioactive waste disposal fee generated about \$2.44 million and \$2.10 million, respectively.

(4) The number of years since a fee amount changed. Of the 310 fees for which DEQ reported the number of years since the fee amount last changed, 142 (46 percent) have remained the same for more than ten years, and another 44 (14 percent) last changed between six and ten years ago. In the past five years, 124 fee amounts (40 percent) have changed – the Division of Water Quality has changed 80 fee amounts, the Division of Air Quality has changed 24 fee amounts, and DEQ’s other three divisions have changed a total 20 amounts.

(5) Are revenues sufficient to cover the costs of providing service? The department reports that revenues cover the costs of providing service for about 60 percent of the fees.

### DETAILED INFORMATION

Detailed information regarding DEQ fees is contained in “2016-06 DEQ Fee Review.xlsx”. Column A of the file gives an index number that corresponds to the order in which the fees appear in H.B. 8, 2016 G.S.; Columns B and C give the appropriation unit and DEQ division that charges each fee; Column D gives the fee name; Columns E through G list the authorized fee amounts for the most recent three fiscal years; Columns H through N contain DEQ’s responses to the following questions:

- How is the fee amount determined?
- How is the revenue used?
- How much revenue is generated per year?
- What fees are charged by similar organizations?
- When did the fee amount last changed?
- Who pays the fee?
- Do revenues from the fee cover the cost of providing service?

Finally, Columns O through U of the spreadsheet categorize certain of DEQ’s responses to the questions above and aid in analyzing and summarizing the information.