



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION III  
1650 Arch Street  
Philadelphia, Pennsylvania 19103-2029

MAY 21 2019

Mr. David F. Fees, Director  
Division of Air Quality  
Delaware Department of Natural Resources & Environmental Control  
State Street Commons  
100 W. Water Street, Suite 6A  
Dover, DE 19904

Dear Mr. Fees,

Enclosed is the final report for the Title V permit fee evaluation conducted by my staff the week of July 23, 2018, at your Dover and New Castle offices. I would like to thank you and your staff for the cooperation and support given to my staff in conducting the first Title V permit fee evaluation in Region 3. Additionally, during our review of DNREC processes, we identified many innovative, best practices that we have shared with other Region 3 states. Specifically, DNREC's Title V Annual Report was a useful tool and we considered it a strength of the DNREC program. I look forward to continued collaboration in the Title V permit program.

If you have any questions regarding the report, please do not hesitate to contact me at 215-814-2500, or Danielle Baltera of my staff at 215-814-2342.

Sincerely,

A handwritten signature in blue ink, appearing to read "Cristina Fernandez".

Cristina Fernandez, Director  
Air and Radiation Division

Enclosure



## Delaware Title V Operating Permit Program Fee Evaluation

### **I. Background**

Title V of the Clean Air Act (CAA or the Act), 42 United States Code (U.S.C.) §7661-7661f and 40 Code of Federal Regulations (C.F.R) Parts 70 (state/local program requirements) and 71 (EPA program requirements) sets forth the elements of a mandatory operating permit program which authorizes the operation of major emitting stationary sources of air pollution. The Title V *operating* permit program ("Title V") introduced with the CAA amendments of 1990 (P.L. 101-549) was in addition to the other Title I and Title IV *preconstruction* permitting programs found in the Act (PSD, nonattainment NSR, 112(j), acid rain).

The permits under Title V were intended to be developed, implemented, and enforced by permitting authorities (state and local governmental agencies) who have been delegated such authority by EPA through formal public notice and comment procedures, as outlined in Title V of the Act and implemented through 40 CFR Part 70. In Section 502(d) of the Act, Congress directed the EPA to be the permitting authority for Title V subject sources when program delegation was not possible or where an EPA identified program deficiency precluding full program approval was not corrected timely by the state or local government seeking program approval. For those delegated programs, the Act tasked EPA with ongoing program oversight responsibilities in accordance with the framework laid out in Title V and implemented thru rule in 40 CFR Part 70. The Delaware Department of Natural Resources and Environmental Control (DNREC) Title V Operating Permit program received full approval on October 3, 2001. (66 FR 50321)

Specific and detailed fee provisions were included by Congress in section 502(b)(3) of the Act in order to assure that the permitting authority has an adequate, dedicated, and permanent funding stream to develop, implement, and enforce the Title V program. Section 502(b)(3) of Title V established an annual fee (or mix of fees) to be collected from Title V subject sources of at least \$25/ton of 'regulated pollutants' emitted. While \$25/ton was presumed to be an adequate funding basis upon which to develop, implement, and operate all facets of an approvable program, a provision was also made in that same section of Title V to allow a lesser amount to be collected by a permitting authority, contingent upon a demonstration of adequacy by the permitting authority. The elements of a fee demonstration required to be made by each program for full delegation is found in 40 CFR §70.9, "Fee Determination and Certification." To assure adequacy of funding into the future, Congress required that the \$25/ton "presumptive minimum" be adjusted annually for inflation. The part 70 presumptive minimum fee rate (\$/ton) effective for the 12-month period of September 1, 2016 through August 31, 2017 is \$48.88. Assuring that a delegated permitting authority continues to properly implement the program after initial program approval is part of the ongoing oversight role of EPA, an oversight role that allows for delegation to be revoked should EPA find significant deficiencies in program implementation, including the mandatory fee elements of any approved program, as outlined in section 502(i) of the Act.

This report summarizes items discovered during EPA Region 3's review and evaluation of the current DNREC Title V fee program. This review resulted in the identification of strengths, weaknesses, and recommendations as part of the ongoing Region 3 EPA oversight of the DNREC Title V program.

## **II. History**

The EPA Office of Inspector General issued an audit report in October 2014 which recommended that EPA assess, update and re-issue its 1993 Title V fee guidance as appropriate; establish a fee oversight strategy to ensure consistent and timely actions to identify and address violations of 40 CFR Part 70; emphasize and require periodic reviews of Title V fee revenue and accounting practices in Title V program evaluations; address shortfalls in staff expertise as regions update their workforce plans; and pursue corrective actions, as necessary. The agency agreed with all recommendations and provided corrective action plans that meet the intent of the recommendations. The Office of Air Quality Planning Standards (OAQPS), updated and issued the Title V fee guidance in March 2018 and EPA Region 3 committed to complete one Title V fee evaluation annually using financial expertise until all Region 3 states and locals have been completed.

The current evaluation, documented in this report, started in 2017 and is the first review of the DNREC program in the almost 20-year history of the program that addresses, at least in part, the Title V fee program. The scope of the current review focuses narrowly on fee sufficiency and revenue and expense tracking adequacy and does not address implementation of the Title V program as a whole. This is addressed in a separate evaluation done by EPA Region 3, dated December 16, 2015.

## **III. DNREC Title V Operating Permit Program Fee Evaluation**

### **Origins, Purpose, and Method**

In July 2017, EPA Region 3 contacted DNREC to discuss a Title V program fee evaluation for state fiscal year 2017. After an initial meeting with DNREC and conversations with OAQPS in August 2017, EPA Region 3 decided to put the evaluation on hold until final guidance was issued by OAQPS. The purpose of the evaluation was to determine if sufficient fee revenue was being collected to cover the costs of the DNREC Title V permit program and whether the systems used by the DNREC are adequate to track and account for the collections, retention, management of revenues and expenses of the program.

To accomplish these goals, the EPA posed to the DNREC a total of 40 Title V fee program related questions by email dated June 1, 2018. These questions, some multi-part, were divided among seven general areas. These eight areas include (1) Accounting Framework; (2) Current Title V Resources; (3) Calculation of Fees; (4) Tracking of Collections; (5) Billing Process; (6) Revenue Allocated; (7) Current Program Costs (FTE and Overhead); and (8) Cost of “Effective” Program (Resources to address backlog/renewals). DNREC responded timely to these questions. Upon review of the responses, Region 3 had additional questions during the on-site review. The questions posed and answers provided can be seen in Appendix A. Additional exhibits mentioned in Appendix A are provided only electronically in association with this report due to their size.

### **2017 DNREC Fee Evaluation General Findings**

Title V permittees pay fees directly to the DNREC as the administering air quality agency, the program acts much like a commercial enterprise. EPA has recognized that State governments can choose from generic types of funds such as trust funds to manage their Title V programs. DNREC is currently funding the Title V program through Base Fees and User Fees which are deposited into a general account, specified for Title V Fees. Title V revenue is expended from that same fund to pay for Title V program costs using appropriate accounting tools. In general, we found that the DNREC has the ability

to collect fee revenue to fund the Title V program, that financial tracking systems in place are generally adequate to track and account for revenue and expenditures related to the Title V program.

### **DNREC Title V Fee Committee**

Delaware Statute established the Title V Operating Permit Program Advisory Committee (also known as the Title V Fee Committee herein) and specified that the membership of this committee include certain emitting business interests as well as members of the public and non-governmental organizations. The purpose or charter of the Title V Fee Committee is to assess whether the fees collected pursuant to 7 *Del. C.* Chapter 60, Subchapter VIII are adequate to ensure the effective implementation of the Program and to make recommendations to remedy or improve any deficiencies or elements of the Program.

7 *Del. C.* Chapter 60, Subchapter VIII § 6099 requires that the Committee "...include, but not be limited to, the Secretary of the Department of Natural Resources and Environmental Control, or the Secretary's duly appointed designee; the Director of the Division of Air Quality, or the Director's duly appointed designee; two members who will represent stationary sources; one to be a member of the Chemical Industry Council; a member of the Delaware State Chamber of Commerce; a member representing a public utility; two members of a nationally affiliated or state environmental advocacy group; and the chairpersons of the House and the Senate Natural Resource Committees. The Secretary of the Department of Natural Resources and Environmental Control shall serve as the Chair of this Committee."

The Title V Fee Committee, by working together, has expanded its scope to include renegotiating the Title V fee structure periodically prior to expiration to ensure that the financial needs of the Division of Air Quality (DAQ) and other Title V requirements are being met while the payment burden is distributed fairly across the Major Source and Synthetic Minor facilities. Over the past few fee cycles the Committee established revenue requirements based on DAQ's Full Time Employee (FTE) restrictions established by personnel hiring caps. These personnel restrictions then set the basis for the total Title V revenue that needs to be collected annually for the subsequent three-year fee cycle. Once the revenue target is set, the Title V Fee Committee works with the Major and Synthetic Minor Sources to determine how the fees will be distributed fairly.

### **Fee Calculation**

DNREC has established a fee structure based on two criteria: the total number of hours required by DNREC to issue and enforce Title V permits ("Base Fee"), and each facility's emissions ("User Fee"). Using timesheets, the Base Fee was calculated on the total hours expended on each facility for the five-year period from 2009-2013. The User Fee was calculated on the facility's 2011 baseline year emission inventory report. During January-June 2014, the Title V Committee reviewed and updated the 2015-2017 fee structure. Based on that sum, each facility fell into one of eleven tiers or "Categories": Category "A" through Category "K". The largest and most complex sources (Category "A") which required the highest expenditure of resources (> 6000 hours) paid a Base Fee of \$277,020 in 2017. At the other end of the spectrum (Category "J"), were less complicated sources which required less resources (0-333 hours). Sources in this category paid a Base Fee of \$5,700. New sources which had applied for a permit after January 1, 2014 were billed \$6,840. Similarly, User Fees for FY 2017 were calculated using the facility's 2011 baseline year emission inventory report. Based on their emissions, each facility was placed into one of ten categories. The highest emitting sources (>2000 tons) fell into Category "1," and were charged \$350,000. Conversely, the smallest, lowest emitting sources (0-5 tons) paid \$3,950. The Title V Fee Schedule for Calendar Years 2015 through 2017 is provided below:

**Table 1. 2015 – 2017 Title V Fee Schedule**

Fee Type	Category	Category Description	2015 - 2017 Fees
Base Fee	A	> 6,000 Hours	\$277,020
Base Fee	B	5,001 – 6,000 Hours	\$108,300
Base Fee	C	4,001 – 5,000 Hours	\$93,480
Base Fee	D	3,001 – 4,000 Hours	\$80,940
Base Fee	E	2,001 – 3,000 Hours	\$57,000
Base Fee	F	1,501 – 2,000 Hours	\$42,180
Base Fee	G	1,001 – 1,500 Hours	\$28,500
Base Fee	H	667 – 1,000 Hours	\$18,240
Base Fee	I	334 – 666 Hours	\$9,120
Base Fee	J	0 – 333 Hours	\$5,700
Base Fee	K*	New Sources that have applied for a permit after January 1, 2014	\$6,840
User Fee	1	> 2,000 Tons	\$350,000
User Fee	2	1,001 – 2,000 Tons	\$100,000
User Fee	3	501 – 1,000 Tons	\$60,000
User Fee	4	201 – 500 Tons	\$28,000
User Fee	5	101 – 200 Tons	\$12,000
User Fee	6	51 – 100 Tons	\$9,000
User Fee	7	26 – 50 Tons	\$6,000
User Fee	8	6 – 25 Tons	\$4,100
User Fee	9	0 – 5 Tons	\$3,950
User Fee	10*	New Sources that have applied for a permit after January 1, 2014	\$6000

\*Note: During October 2016 - June 2017, the Title V Committee reviewed and updated the fee structure. The category “K” Base Fee and User Fee category “10” normally assigned to new facilities, were deleted. Effective December 31, 2017, all new facilities were evaluated and assessed a base fee based on estimated hours and a user fee based on the maximum allowable permitted emissions values. All other fee categories remained the same as the 2015 - 2017 fee tables.

**Fees Collected**

For CY2017, 77 Synthetic Minor and 50 Title V facilities were billed. Following the user fee credit program (approximately \$300,000, see Table 4.), a total of \$3,222,670, including previous year(s)’ back fees, was billed. Of the total amount billed, \$3,204,270 was collected and \$18,400 is overdue. The difference of \$18,400 was the result of one facility’s non-payment of 2016 and 2017 fees. The facility has been abandoned and the Department is pursuing collection through legal action. Any back fees that are collected in 2018 will be counted towards the 2018 revenue. The Calendar Year 2017 Title V revenue was \$3,225,352.

<b>Table 2. Title V Carryover Balance Calendar Year 2017</b>	
2016 Carryover Balance	\$3,612,029
2017 Title V Fee Revenue	\$3,225,352
2017 Encumbered Cash	\$454,605
Sub-Total	\$7,291,986
2017 Total Expenses	-\$3,232,830
OMB Budget Subsidy, Fund Transfer	-\$500,000
2017 Actual Carryover Balance	\$3,559,156

Title V fees are billed on a calendar year basis (January 1 through December 31) and the 2017 Title V revenue is determined by the actual monies deposited into the Title V account during calendar year 2017 only. The final revenue is impacted by interest gained on the Title V account, quarterly payments, and some early payments that may be received and deposited in December 2017 for 2018 fees. This makes comparing revenue and fees collected challenging.

### Overall Program Costs

See the below table for breakdown of Calendar Year 2017 Title V Costs.

<b>Table 3. Title V Program Costs (CY 2017)</b>	
Salary	\$2,342,707.38
Travel	\$15,278.83
Contractual <sup>1</sup>	\$476,337.97
Supplies	\$100,699.63
Capital Outlay	\$0.00
Additional Support Services <sup>2</sup>	\$209,109.35
Small Business Ombudsman Program <sup>3</sup>	\$88,697.04
<b>Total</b>	<b>\$3,232,830.20</b>

### Billing Process

Title V fees are billed on a calendar year basis (January 1 through December 31). The bills are mailed to facilities in January of the calendar year and facilities are provided two payment options. Facilities can opt to pay their bill in full as a single payment option or in quarterly increments. Payments for facilities choosing the single payment option are due by February 15th of the calendar year. Facilities paying in quarterly increments are required to pay by February 15th, May 15th, August 15th, and November 15th of the calendar year. Reminders are sent to facilities who missed payments. A maximum of three reminders are sent to delinquent facilities with the third reminder sent by certified mail. If payment is still not received after the third and final reminder, enforcement actions may be taken. In addition, a 2% compounding monthly interest rate for each month overdue may be assessed. Lastly, if the annual fee has not been paid, DNREC has the authority to revoke any Title V permit per their State Legislation.

The review and assessment of DNREC's general and administrative management for their Title V billing process was quite impressive. Most recently, the division embarked on a Title V billing improvement

<sup>1</sup> Items covered under the "Contractual" category include: Legal Assistance, Fleet charges (vehicle rental), building rent, utilities, vendor payments, temp services, and the upkeep of some air monitoring equipment

<sup>2</sup> Items covered under "Additional Support Services" include: Information Technology (\$28,105.28), the Environmental Crimes Unit (\$153,595.91 based on actual workload), and OTS support (\$27,408.16).

<sup>3</sup> Items covered under the "Small Business Ombudsman Program" include the salary and expenses of 1.0 FTE

process to streamline the Title V and Synthetic Minor invoice and tracking payment process. A LEAN Thinking Six-Sigma approach was used including process mapping for fee determination, invoicing and tracking, and fee validation. Results can be seen in improved invoicing accuracy and decreasing delinquency rates. DNRECs documentation is organized, detailed, and their monitoring and management of billing activities was very thorough.

### User Fee Credit Program

As part of the 2015-2017 legislation, a user fee credit program was established for calendar years 2015, 2016, 2017, 2018, 2019, and 2020. The Division of Air Quality (DAQ) and the TV Committee implemented a credit program rather than a fee reduction for several reasons. 1) DAQ is operating below recommended staffing levels, so the revenue requirement has not actually changed; 2) eliminate the possibility of the need to raise fees in the future; 3) facilities have budget requirements; 4) create an incentive for facilities to pay timely. The Department granted annual user fee credits to sources with an active Title V or Synthetic Minor permit on or before December 31, 2014, and without delinquent accounts. The credit was determined by the categorical status of a qualifying facility in calendar year 2014. User fee credits for 2015, 2016, and 2017 were calculated as a percentage of the total Program annual fee reduction amount of \$300,000. As described in the table below, eligible facilities were granted the below fee credit percentages by User Fee category in 2017:

User Fee Category	Fee Credit Percent	Fee Credit
1	Will receive a credit of 26.25% of \$300,000	\$78,750
2	Will receive a credit of 7.50% of \$300,000	\$22,500
3	Will receive a credit of 4.50% of \$300,000	\$13,500
4	Will receive a credit of 2.10% of \$300,000	\$6,300
5	Will receive a credit of 0.90% of \$300,000	\$2,700
6	Will receive a credit of 0.68% of \$300,000	\$2,040
7	Will receive a credit of 0.45% of \$300,000	\$1,350
8	Will receive a credit of 0.30% of \$300,000	\$900
9	Will receive a credit of 0.30% of \$300,000	\$900

The fee credit program will terminate on December 31, 2020

### Current Staffing Levels

The DAQ end of calendar year 2017 staffing level was 82% and 11 positions were vacant. The DAQ authorized staffing level decreased from 65 to 61 in 2017. In 2008, the DAQ was authorized 76 full-time positions. As of December 31, 2017, state-wide personnel reductions have decreased the Division's authorized positions to 61 FTEs with a hiring cap of 57 employees. See the below table for a breakdown of the staffing levels for the Branches and Groups within the Division.

**Table 5: Division of Air Quality Staffing Levels (12/31/2017)**

Branch/Group	Authorized	Occupied	Staffing Level
Director	1.0	1.0	100%
Analytical Support Group	3.0	2.0	67%
Operations Support Group	2.5	2.5	100%
Administrative Group	4.0	2.0	50%
Engineering & Compliance Branch	23.5	18.5	91%

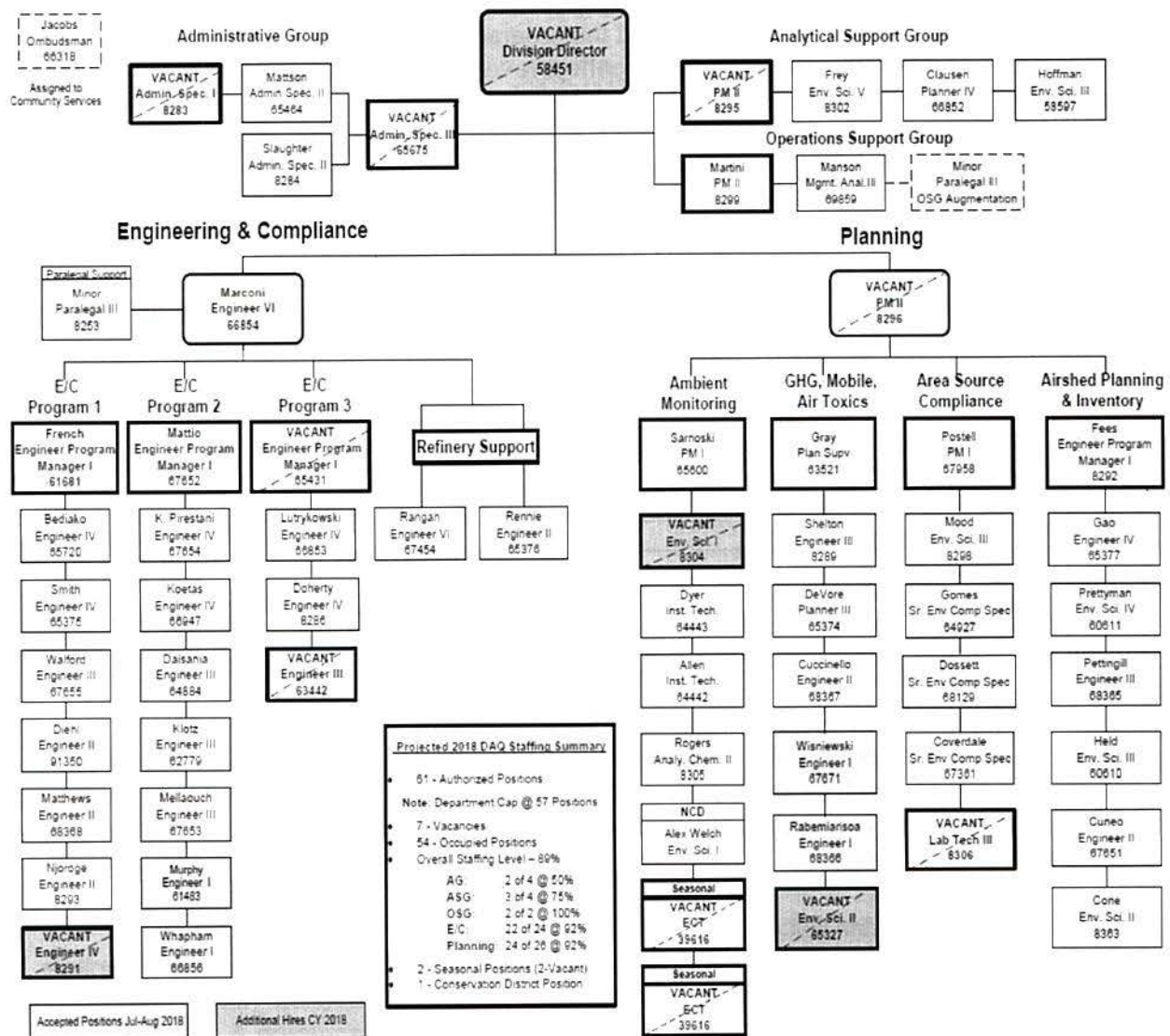


Planning Branch	27.0	24.0	89%
<b>Total</b>	<b>61.0</b>	<b>50.0</b>	<b>82%</b>
Conservation District Employees	1.0	1.0	100%
Temporary Positions	2.0	1.0	50%
Seasonal Positions	2.0	0.0	0%

As of July 2018, three of the five vacancies in the Engineering and Compliance group have been filled with one position becoming vacant, leaving the total to three vacant positions. At least two more retirements are expected in the next two years.

It is noteworthy that the manager for the Engineering and Compliance group has responsibility for compliance and enforcement as well as permitting. There are 3 managers and 20 staff in the group. The DAQ organizational chart project EOY 2018 is depicted below.

### Division of Air Quality (Project EOY 2018)



#### IV. Overall Program Strengths, Findings and Recommendations

Our review identified strengths, findings, we have made two recommendations, as follows:

##### Strengths

- 1) DNREC is very organized and has a good accounting system in place to track revenue and expenses for the Title V program.
- 2) Title V Fee revenue is sufficient to support the expenses of the Title V program for the period reviewed.
- 3) A Title V Committee comprised of DNREC representatives, Chamber of Commerce and industry help establish fees and move the bill through the legislature. This process is very innovative and ensures consistency and fairness for the source universe, as well as fully funding the Title V program. It gives a voice to the source universe and allows them to collaborate and agree on the fee distribution. Basically, DNREC tells the committee how much the Title V expenses are projected to be and allows the committee and industry to decide how much each source will be paying to cover those projected expenses.
- 4) A new billing system created in 2018 helps to ensure Title V bill accuracy. The LEAN approach used to revise the billing process involved the program and accounting office. The new billing process allows DNREC to bill, track and collect revenue timely and to address outstanding receivable in a timely manner.
- 5) DNREC has a large surplus of TV permit fees (approx. \$3,500,000) which they are trying to reduce by giving a fee credit to each source annually until the balance is down to \$2,000,000.

##### Findings:

- 1) In reviewing DNREC transactions, it was identified that there was a \$500,000 expense titled OMB Budget Subsidy, Fund Transfer. After speaking to DNREC management, it was explained that the Delaware Legislature authorized the fund transfer. The funds were not used for permit programs costs.

<b>2016 Carryover Balance</b>	\$3,612,029
<b>2017 Title V Fee Revenue</b>	\$3,225,352
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<b>Sub-Total</b>	\$7,291,986
<b>2017 Total Expenses</b>	-\$3,232,830
<b>OMB Budget Subsidy, Fund Transfer</b>	-\$500,000
<b>2017 Actual Carryover Balance</b>	<b>\$3,559,156</b>

In accordance with 40CFR, Part 70:

§70.9(a): *Fee requirement.* The State program shall require that the owners or operators of part 70 sources pay annual fees, or the equivalent over some other period, that are sufficient to cover the permit program costs and shall ensure that any fee required by this section will be used solely for permit program costs.

And from the Clean Air Act:

CAA §502(b)(3)(C)(iii): "...Any fee required to be collected by a State, local, or interstate agency by this subsection shall be utilized solely to cover all reasonable (direct and indirect) costs required to support the permit program as set forth in subparagraph A."

- 2) DNREC charges 100% of an FTE (\$88,500) for the Small Business Ombudsman (SBO) to the Title V Permit fee fund. According to the Clean Air Act, only non-Title V related work and activities can be charged. The SBO worked on unallowable projects such as participating in Waste & Hazardous Substance regulation meetings and participated on the Adult Use Cannabis Task Force, among other events and activities.

The Small Business Assistance Program (SBAP) under Title V is authorized to provide counseling to help small business stationary sources to determine and meet their obligations under the Clean Air Act. The SBAP is authorized to provide assistance to small business stationary sources, as defined by CAA §507 (c)(1), under the preconstruction and operating permit programs; however, air agencies need only to include costs related to assistance with part 70 in part 70 costs. Allowable costs for part 70 include the costs to establish a small business ombudsman program to provide information on the applicability of part 70 to sources, available assistance for part 70 sources, the rights and obligations of part 70 sources and options for sources subject to part 70. Allowable costs also include the costs associated with part 70 applicability determinations.

The CAA §507 states:

- (3) A designated State office within the relevant State agency to serve as ombudsman for small business stationary sources in connection with the *implementation of this Act*. (emphasis added)
- (4) A compliance assistance program for small business stationary sources which assists small business stationary sources in determining applicable requirements and in receiving permits under this Act in a timely and efficient manner.

## **V. Recommendations**

1. Title V permit fees collected should solely be used for permit program costs. The state legislature should not be using these funds for unrelated expenses.
2. DNREC should review the activities of the Small Business Ombudsman to ensure they are air-related activities. Other activities should be funded by the appropriate media programs that they support.

## APPENDIX A

### DNREC Title V Permit Fee Evaluation for Calendar Year 2017

#### OBJECTIVES

1. Determine if DNREC Title V fees are sufficient to support the Title V program.
2. Determine if Title V monies collected by DNREC are spent on allowable costs.
3. Determine if DNREC uses non-Title V revenue to support the Title V program

#### Topic Area 1 – Accounting Framework for Title V Fees

1. What type of accounting framework does DNREC use to account for Title V program fees (e.g., general fund, special revenue fund, expendable trust fund, etc)?
  - Title V Fees are considered an ASF appropriation, Appropriated Special Fund, in Delaware's Budget and Accounting System. There is a separate appr for Hold (cash), Spend (expenses) and Revenue.
2. How are Title V revenue kept separate from all other state generated revenues? Is DNREC currently utilizing non-Title V revenues or general appropriations to support the Title V operating permit program or has it done so in the past? If so, please provide details of why - non-Title V funds or general appropriations were utilized.
  - There is a designated Hold-Spend-Revenue appr for all Title V related expenses and revenue.
3. How does DNREC account for excess monies, if any, collected for the Title V program?
  - Excess monies are held in the account and carried over to the next year. See Annual Report.
4. What mechanisms is DNREC using to differentiate Title V activities from non-Title V activities? Please provide a listing of any codes and their explanation for each specific expenditure and revenue type.
  - The Time Keeping System provides for Program, Activity, Facility Codes used to charge time for specific activities to the appropriate facility and funding source. See attached TKS Program and Activity Code Guide.
5. Has DNREC integrated features into the accounting/financial management system which will identify Title V expenditures separate from other non-Title V permitting program expenses? Please describe.
  - Accounting?
6. Does DNREC keep separate records that identify Title V monies collected from other non-Title V permitting program fees? Please provide a comprehensive listing of all such codes and their description and indicate each of the organizational units within DNREC that uses them. Include each revenue code whose funds may be used to support Title V related activities.
  - No. DNREC does not collect Title V monies from other non-Title V permitting program fees?
7. How does the accounting system produce reports, periodically and as requested, with which DNREC is able to certify the disposition of Title V funds? Please describe.
  - The disposition of Title V funds is done so after approved invoices are submitted from the Division. Reports are available On-Demand.

## **Topic Area 2 – Current Title V Resources**

1. What section of your regulation defines the DNREC fee collection authority and rates?
  - TV Legislation. See 2015-2017 Legislation
2. What is the projected Title V source universe subject to review? Please discuss.
  - 2017 Summary and list. See Annual Report.
3. Provide a list of Title V permittees and fee revenues generated from each of the permittees for FY2017.
  - See 2017 Facility Listing or 2017 Aging Report
4. Provide examples of the calculations of actual emissions for fee purposes.
  - See Annual Report
5. Provide an example of emission inventory request letter.
  - Normal 3-Year Inventory Process. See Attached Letter.
6. Provide source bills for the last 3 months.
  - Billing is conducted annually. See Example Invoice

## **Topic Area 3 – Calculation of Fees**

1. How are fees calculated? Show formula for calculation of emission based fees, application fees, and hourly processing.
  - See Annual Report or TV Legislation.
2. Are appropriate (actual or allowable) emission records used for dollars-per-ton based fees?
  - See Annual Report or TV Legislation.
3. How does DNREC determine the actual emissions for fee purposes?
  - Normal 3-Year Inventory Process. See Attached Letter.

## **Topic Area 4 – Tracking of Collections**

1. Discuss how incoming payments are recorded to the appropriate accounts.
  - See Daily A/R Duties procedures, attached
2. Are sources paying the total fees charged each year?
  - See sample Trial Balance Aging Report, attached
3. Are sources paying on time?
  - See sample Payment Report, attached
4. What procedures are maintained for the collection of outstanding Title V revenues?
  - Billings are mailed quarterly for any outstanding invoices
  - Program Managers contact clients to resolve issues
5. Are late fees being assessed?
  - Yes
6. How are late fees being credited to the Title V accounts?
  - Late fees are credited to the Title V Revenue account via the Cash Receipt being processed.
7. How do you ensure that a facility has paid all applicable Title V permit fees prior to issuance of the permits?
  - Reports are sent to Program so they are aware of who has paid and who is delinquent. See Aging Report, attached.
8. Have all Title V fees been collected for FY2017?
  - See Trial Balance Aging Report, attached

9. If there are uncollected Title V fees, how does DNREC pursue the collection of such fees?
  - Program makes contact with client
10. Does DNREC assess late fees on sources that have not paid the appropriate Title V fees? If so, when is the late fee assessed and what is the timeframe for remittance of all the applicable fees?
  - Program advises who and how much to assess late fees
11. Please provide DNREC data detailing actual collections vs. billing or fee tracking for the Title V permitting program. Illustrate what procedures are maintained for collection of outstanding Title V revenues.
  - Periodic mailing of invoices
  - Contact with Program Managers
12. Provide copies or documentation of examples detailing late fee assessment and recording collection of fee to Title V accounts.
  - See attached sample invoices with Late Fees assessed
  - Due dates are set 30 days from Invoice date

<b>Topic Area 5 – Billing Process</b>
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1. Can you show that sources are billed in accordance with your fee requirements?
  - See Attached 2018 Billing Summary spreadsheet.
2. What is the state billing process including notification time frame and receiving and tracking? Please describe.
  - See Billing Procedures, attached

<b>Topic Area 6 – Revenue Allocated</b>
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1. Provide account balances by object/facility codes.
  - Need clarification from EPA?
2. Provide specific formulas showing how DNREC calculates administrative personnel costs, overhead, and non-labor costs (e.g., travel, training, purchases, etc)
  - Other Employment Costs (OECs) such as Pension, FICA, Worker’s Comp and Unemployment Insurance costs are calculated yearly by the Division of Accounting and applied statewide; Departments have no input to those calculations. There is no overhead rate calculated for Title V fees. There is no formula for calculating non-labor costs; they are paid on an actual basis.
3. How are Title V fees budgeted/allocated by DNREC?
  - Title V fees are considered Appropriated Special Funds and as such, the spending authority for expenditures is allocated every year in the State’s Budget Bill passed by the Delaware legislature and signed by the Governor.
4. Provide examples of timesheets for project managers, administrative support staff and management personnel.
  - See Attached Examples.
5. Provide examples of procurement documents, travel vouchers, training, etc. Please include travel vouchers which illustrate dual purpose travel, e.g., where more than one type of facility was visited.

- N/A for Delaware. DNREC does not require official travel for facility visits.
6. Provide account balances by object code for FY2017.
- Need Clarification from EPA?

**Topic Area 7 – Current Program Costs (FTE and Overhead)**

1. Please provide a spreadsheet for FY2017 documenting DNREC’s annual account receivables and DNREC’s annual expenses for the Title V permitting program. Are DNREC’s current Title V fees sufficient to support the Title V program?
  - See Trial Balance A/R Report, attached

**Topic Area 8 – Cost of “Effective Program” (resources to address backlog/renewals)**

1. Provide end-of-year accounting reports that illustrate actual and estimate costs of the program. Provide the FTE and itemized cost estimate DNREC uses to budget your Title V program. Also, include the total amount of Title V fees expended and the total amount billed to facilities for Title V for FY2016 and FY2017.
  - See Annual Report.
2. Provide a report that estimates costs of running the program (e.g., direct and indirect program costs that are broken down into specific cost categories. How are these expenditures calculated/tracked?
  - See 2016 and 2017 Annual Report.
3. Provide a summary of Title V obligations and encumbrances for FY2016 and FY2017.
  - See attached Schedule of Encumbrance Report

Other: Limited transaction testing may be done during the on-site review.

