

CALIFORNIA CATTLEMEN'S ASSOCIATION

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The Honorable Felicia Marcus
Chair, State Water Resources Control Board
PO Box 100
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RE: Agenda Item 8: September 24, 2013 - Emergency regulations revising the core regulatory fee schedules contained in Title 23, Division 3, Chapter 9, Article 1, Sections 2200, 2200.5, and 2200.6 of the California Code of Regulations

Submitted via: commentletters@waterboards.ca.gov

Dear Chair Marcus,

The California Cattlemen's Association (CCA) appreciates the opportunity to comment on Agenda Item 8 scheduled to be heard by the State Water Resources Control Board (Board) on September 24, 2013 titled "Emergency regulations revising the core regulatory fee schedules contained in Title 23, Division 3, Chapter 9, Article 1, Sections 2200, 2200.5, and 2200.6 of the California Code of Regulations."

Regretfully, CCA must oppose the staff recommendation to approve a fee schedule for the Waste Discharge Permit Fund that proposes to significantly raise fees on CCA members, principally feedlots, assessed fees under the Confined Animal Facility (CAF) category. As noted in the proposed fee schedule, livestock operations will receive a 46.4 percent increase in fees from last year's fee schedule. This figure has actually increased from the originally proposed fee schedule released on May 31, 2013 projecting a 43.6 percent increase in fees.

Of all the categories assessed fees under the Waste Discharge Permit Fund, the CAF category will by far receive the highest percent increase of all other categories listed. In total since fees were first assessed, the CAF category has seen a nearly 150 percent increase in fees from the original base fee. Under the newly proposed fee schedule, most regulated feedlots will now be assessed \$3,916; an increase of \$1,241 from last year's payment of \$2,675.

Not only are the proposed fee increases unreasonable but they also come at a time when the livestock industry is facing immense economic challenges. As feed and input costs continue to rise, livestock producers have absolutely no way to pass on increased costs, including regulatory fees and compliance costs, to consumers given prices for live cattle and beef are set by the global marketplace. The ongoing fear that the current drought will continue in the nation's Corn Belt and uncertainty in the recovering economy have resulted in the loss of many family ranchers, cattle feeders and other industry components. Margins remain extremely tight and in most cases producers continue to lose money on harvested livestock with the hope that at some point in the future debts being incurred today may be paid off in a more favorable economy.

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During our conversations with staff, CCA has learned that that the proposed fee increases will not pay for additional services but will 1) increase the program budget to offset the state employee furlough policy that is no longer in effect, 2) provide pay raises and an increase in benefits for staff based on a new contract signed between the state and your collective bargaining unit and 3) capture revenue lost last fiscal year due to a less than expected number of livestock operations paying into the program because they went out of business. Although we understand the Board did not have discretion to influence the outcome of all these issues, our livestock producers are extremely frustrated that in a time when they are having to lay-off employees and cut costs they are being asked to pay more for nothing in return.

While CCA fundamentally disagrees with the premise behind the fee increase, the time at which this substantial increase is being proposed given the state of the industry is even more damaging. CCA respectfully requests the Board freeze fee increases on the CAF and Irrigated Lands Regulatory Program (ILRP) categories at last year's level. Not only is this necessary to keep livestock producers in business, but the legislature under Section §13260 of the California Water Code specifically requires the Board to:

§13260(d)(1)(D)

In establishing the amount of a fee that may be imposed on a confined animal feeding and holding operation pursuant to this section, including, but not limited to, a dairy farm, the state board shall consider all of the following factors:

(v) The pricing mechanism of the commodity produced.

With the understanding that farmers and ranchers cannot pass on regulatory fees or compliance costs to consumers or rate payers, much like a power agency, CCA believes the board should reject the fee increase proposed for the CAF and ILRP under your obligation to consider §13260 of the California Water Code when making a final determination on annual fee schedules for the Waste Discharge Permit Fund. Under the newly released fee schedule, our proposal to freeze the fee increase for the CAF and ILRP categories will still retain a surplus of approximately \$2,142,000 without raising fees on other categories within the Waste Discharge Permit Fund.

CCA respectfully requests you consider our comments in your final deliberation and adopt a final fee schedule for the 2013-2014 Fiscal Year that freezes any fee increase on the CAF and ILRP categories.

Sincerely,



Justin Oldfield
Vice President, Government Relations