



State Water Resources Control Board
Water Quality Fee Stakeholder Meeting
June 20, 2014
9:30 am – 11:30 am
Cal/EPA Headquarters Building
1001 I Street
Sacramento, CA 95814
Training Room 1 East/West, First Floor
Conference Call-in Number: (916) 227-1132

AGENDA

1. Welcome and Introductions
2. Review Waste Discharge Permit Fund Financial Condition
 - Attachment 1 – WDPF Fund Condition
 - Attachment 2 – WDPF Budget Cost Drivers
 - Attachment 3 – WDPF Confined Animal Facilities – Dairies
FY 2014-15 Fee Options
3. Open Discussion on Fees

**State Water Resources Control Board
Water Quality Fee Regulations
Stakeholder Meeting
June 20, 2014**

Authority

Water Code Section 13260 requires each person who discharges waste or proposes to discharge waste that could affect the quality of the waters of the state to file a report of waste discharge with the appropriate Regional Water Board and to pay an annual fee set by the State Water Board, the funds from which are to be deposited in the Waste Discharge Permit Fund (WDPF).

Water Code Section 13260 also requires the State Water Board to adopt, by emergency regulations, an annual schedule of fees for persons discharging waste to the waters of the state. Water Code Section 13260 further requires the State Water Board to adjust the fees annually to conform to the revenue levels set forth in the Budget Act. The State Water Board's current annual fee schedules were adopted on September 24, 2013.

Waste Discharge Permit Fund Financial Condition

Attachment 1 shows a 10-year analysis of the fund condition for the WDPF. The FY 2013-14 beginning balance of \$3.8 million includes \$4.1 million in fine and penalty revenue not available for expenditure for core regulatory activities, which leaves an adjusted beginning deficit of \$304,000. Total estimated revenue is approximately \$113.3 million, including \$112.9 million in fee revenue and \$400,000 in other revenue. Total expenditures are expected to be approximately \$110.2 million, resulting in a \$3.1 million gain with a positive fund balance of \$2.8 million and a fund reserve of 2.5 percent.

For FY 2014-15, the projected beginning balance is approximately \$2.8 million. Under the current fee schedule, total revenue is anticipated to be \$109.8 million and total expenditures are anticipated to be \$120.7 million, resulting in a loss of \$10.9 million and a deficit of \$5.3 million. In order to meet budgetary expenditures, fund mandatory cost increases, eliminate a portion of the projected deficit and end FY 2014-15 with a 3.0 percent fund reserve, total revenue would need to be \$118.7 million, resulting in an ending balance of \$3.6 million.

Attachment 2 shows the projected FY 2014-15 revenue based on the existing fee schedule, the budget for FY 2014-15 along with the projected fee revenue needed to meet anticipated budgetary expenditures by program and the cost drivers. The cost drivers include staff cost adjustments, additional staff positions for the 401 Certification program and a Groundwater Ambient Monitoring Assessment program (GAMA) fund shift. The State Water Board proposes to raise fees by approximately \$8.9 million for FY 2014-15 to meet budgetary expenditures, fund mandatory cost increases, eliminate a projected deficit and end FY 2014-15 with a 3.0 percent fund reserve.

Surcharges and Redirects

In an effort to simplify the fee program and make it easier to understand the total fee for each program, staff proposes to convert both the Surface Water Ambient Monitoring Program (SWAMP) and GAMA surcharges to redirected charges, similar to Enforcement, Basin Planning, TMDL, Health Care, Pro Rata, Beach Monitoring, etc. SWAMP and GAMA will continue to be assessed to only the programs that currently receive the corresponding surcharge.

401 Certification Annual Fee

Staff is proposing to revise the 401 Certification program fee structure from assessing only an application fee to assessing an application fee and an annual fee for the length of the project. Under the proposed structure, it is anticipated that 90 percent of the program's revenue will still be collected up front through the application fee and the remaining 10 percent will be collected through the new annual fee. By assessing an annual fee, a project's cumulative fee will be proportional to the length of time the project is active, making fees more equitable among all projects.

Most 401 Certifications are issued for discharges resulting from construction work. This circumstance is similar to work performed under the Storm Water Construction permit. Therefore, staff is looking to emulate the Storm Water Construction permit fee and set the 401 Certification annual fee similar to the minimum Storm Water Construction fee which is forecasted to be around \$600 for FY 2014-15.

To better track 401 Certification projects and in response to the California State Auditor's Report 2012-120, all project data was entered into the California Integrated Water Quality System (CIWQS). This will also allow program staff to accurately track payments, ensure maximum collection efforts and verify permit status.

Confined Animal Facilities (CAF) Program Fee Changes

The CAF program was projected to receive a 49.4 percent fee increase in the previous year, but this was reduced to a 27.4 percent increase by reducing the target reserve level of the WDPF. For FY 2014-15 the CAF program is projected to require a fee increase of 34.3 percent.

Staff prepared several different CAF fee options that address the effects of the large fee increase needed for FY 2014-15. The different options shift the impacts of the needed increase to different CAF fee payer groups. Currently, CAF facilities certified under a Quality Assurance Program (QAP) receive a 50 percent fee reduction. The first option is to keep the QAP fee reduction at the current rate of 50 percent. The second set of options is to reduce the QAP to 25 percent (A1), 30 percent (A2) or 40 percent (A3). The third set of options is to keep the QAP rate at 50 percent but cap the fee reduction at \$2,500 (B1), \$3,500 (B2), or \$4,500 (B3).

Attachment 3 shows the effect of all the options on CAF dairy facility fee payers, however, the option adopted by the Board would affect all CAF fee payers.

Waste Discharge Permit Fund Programs

NPDES

The NPDES program budget for FY 2014-15 is \$28.9 million and projected revenue is \$30.1 million. The NPDES program does not need to generate any additional revenue and no fee increase will be assessed for FY 2014-15.

WDR

The WDR program budget for FY 2014-15 is \$27.0 million and projected revenue is \$25.2 million. The WDR program needs to generate an additional \$2.3 million in revenue to meet the FY 2014-15 Budget and eliminate its portion of the Fund deficit which translates to a 9.2 percent increase to all WDR fee categories.

Land Disposal – No Tipping Fee

The Land Disposal – No Tipping Fee program budget for FY 2014-15 is \$11.1 million and projected revenue is \$10.3 million. The Land Disposal – No Tipping Fee program needs to generate an additional \$1.0 million in revenue to meet the FY 2014-15 Budget and eliminate its portion of the Fund deficit which translates to a 10.1 percent increase to all Land Disposal – No Tipping Fee categories.

Land Disposal – Tipping Fee

The Land Disposal – Tipping Fee program budget for FY 2014-15 is \$3.7 million and projected revenue is \$3.4 million. The Land Disposal – Tipping Fee program needs to generate an additional \$436,000 in revenue to meet the FY 2014-15 Budget and eliminate its portion of the Fund deficit which translates to a 13 percent increase to all Land Disposal – Tipping Fee program fee categories.

Storm Water

The Storm Water program budget for FY 2014-15 is \$28.9 million and projected revenue is \$26.7 million. The Storm Water program needs to generate an additional \$2.8 million in revenue to meet the FY 2014-15 Budget and eliminate its portion of the Fund deficit which translates to a 10.5 percent increase to all Storm Water program fee categories.

401 Certification

The 401 Certification program budget for FY 2014-15 is \$6.9 million and projected revenue is \$6.0 million. The 401 Certification program needs to generate an additional \$1.1 million in revenue to meet the FY 2014-15 Budget and eliminate its portion of the Fund deficit which translates to an 18.2 percent increase to all 401 Certification program fee categories.

Confined Animal Facilities (CAF)

The CAF program budget for FY 2014-15 is \$4.5 million and projected revenue is \$3.4 million. The CAF program needs to generate an additional \$1.2 million to meet the FY 2014-15 Budget and eliminate its portion of the Fund deficit which translates to a 34.3 percent fee increase to all CAF fee categories.

Irrigated Lands Regulatory Program (ILRP)

The ILRP budget for FY 2014-15 is \$4.2 million and projected revenue is \$4.4 million. The ILRP does not need to generate any additional revenue and no fee increase will be assessed for FY 2014-15.

Disclaimer

This report is based on current budget and revenue data and is provided to stakeholders for planning purposes only. Staff will propose to the Board a fee schedule based on final budget and revenue data. This presentation is tentatively scheduled for the September 23, 2014 Board meeting agenda.

WDPF Fund Condition (\$000)

									Forecast		
	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15 No Fee Increase	FY 14-15 w/ Fee Increase
BEGINNING BALANCE	\$14,244	\$19,131	\$17,288	\$9,795	\$8,204	\$6,604	\$10,774	\$6,403	\$3,800	\$2,804	\$2,804
Prior year adjustments ¹	\$381	\$1,247	\$1,807	(\$56)	(\$3,010)	\$2,097	(\$1,913)	(450)			
Restricted Revenue ²									(\$4,104)	\$2,800	\$2,800
Adjusted Beginning Balance	\$14,625	\$20,378	\$19,095	\$9,739	\$5,194	\$8,701	\$8,861	\$5,953	(\$304)	\$5,604	\$5,604
Revenue											
Regulatory Fees	\$60,561	\$62,435	\$60,958	\$77,340	\$74,902	\$74,864	\$97,064	\$99,037	\$112,868	\$109,441	\$118,307
Other ³	\$2,968	\$2,622	\$3,038	\$2,027	\$900	\$630	\$2,647	\$393	\$400	\$400	\$400
Total Revenue	\$63,529	\$65,057	\$63,996	\$79,367	\$75,802	\$75,494	\$99,711	\$99,430	\$113,268	\$109,841	\$118,707
Expenditures											
Water Bd. State Operations	\$58,726	\$67,651	\$72,977	\$80,597	\$74,079	\$72,693	\$101,546	\$100,480	\$108,559	\$117,045	\$117,045
Water Recycling ⁴								\$262	\$700		
Marijuana BCP ⁵										\$2,300	\$2,300
Regional Water Planning ⁶										\$500	\$500
Other State Operations ⁷	\$297	\$496	\$319	\$305	\$313	\$728	\$623	\$841	\$900	\$900	\$900
Total Expenditures	\$59,023	\$68,147	\$73,296	\$80,902	\$74,392	\$73,421	\$102,169	\$101,583	\$110,159	\$120,745	\$120,745
Gain/(Loss)	\$4,506	(\$3,090)	(\$9,300)	(\$1,535)	\$1,410	\$2,073	(\$2,458)	(\$2,153)	\$3,108	(\$10,904)	(\$2,038)
ENDING BALANCE	\$19,131	\$17,288	\$9,795	\$8,204	\$6,604	\$10,774	\$6,403	\$3,800	\$2,804	(\$5,300)	\$3,566
Fund Reserve	32.4%	25.4%	13.4%	10.1%	8.9%	14.7%	6.3%	3.7%	2.5%	-4.4%	3.0%

Footnotes:

¹ Most adjustments represent unspent contract dollars that revert to the Fund.

² Restricted Revenue is revenue received from fines and penalties that must be expended on cleanup and abatement activities.

³ Other Revenue includes fines and penalties, interest from the state's pooled money investment fund, and escheat from unclaimed checks. Forecast years do not include escheat or revenue from fines and penalties.

⁴ SB 918 - Augmentation for Water Recycling.

⁵ BCP for enforcement of water quality violations by marijuana cultivation. Funded by revenue received from fines and penalties.

⁶ Budget Act augmentation for Regional Water Planning - Salinas Valley.

⁷ Other state operations includes appropriations for Cal/EPA, FISCAL, and the State Controller's Office.

**WDPF Budget Cost Drivers
FY 2014-15 (\$000)**

WDPF Program	Base FY 13-14 Budget ¹	Staff Cost Adjustments ²	BCP & Program Adjustments	GAMA Fund Shift	FY 14-15 Budget ³	Revenue Forecast FY 14-15	Budget Revenue Shortfall	Percent Increase (Budget Shortfall)	Reserve Increase	Forecasted FY 14-15 Revenue Increase ⁴	Total Revenue FY 14-15	Percent Increase (Reserve Balance)
NPDES	\$28,097	\$813	\$38	\$0	\$28,948	\$30,079	\$0	0.0%		\$0	\$30,079	0.0%
WDR	\$24,358	\$823	\$35	\$1,748	\$26,964	\$25,232	\$1,732	6.9%	\$583	\$2,315	\$27,547	9.2%
LD - No Tipping Fee	\$10,018	\$338	\$14	\$719	\$11,090	\$10,294	\$796	7.7%	\$240	\$1,036	\$11,329	10.1%
LD - Tipping Fee	\$3,358	\$113	\$5	\$241	\$3,717	\$3,361	\$356	10.6%	\$80	\$436	\$3,798	13.0%
Stormwater	\$28,033	\$811	\$38	\$0	\$28,882	\$26,695	\$2,188	8.2%	\$624	\$2,812	\$29,506	10.5%
401 Cert	\$5,070	\$880	\$990	\$0	\$6,939	\$5,997	\$943	15.7%	\$150	\$1,093	\$7,089	18.2%
CAF	\$4,068	\$137	\$6	\$292	\$4,503	\$3,426	\$1,078	31.5%	\$97	\$1,175	\$4,601	34.3%
ILRP	\$4,049	\$146	\$6	\$0	\$4,201	\$4,358	\$0	0.0%		\$0	\$4,358	0.0%
TOTAL	\$107,051	\$4,061	\$1,133	\$3,000	\$115,245	\$109,441	\$7,092	6.5%	\$1,774	\$8,866	\$118,307	8.1%

Footnotes:

- ¹ Includes redirected expenditures for SWAMP/GAMA, Basin Planning, TMDL, enforcement, fee unit and pro rata.
- ² Includes employee compensation, retirement, health care costs and pro rata.
- ³ Base budget plus staff cost adjustments, program adjustments and GAMA fund shift.
- ⁴ Budget revenue shortfall plus reserve increase.

3.0%	Target Fund Reserve Percent
\$3,566	Target Fund Reserve Amount

<u>FY 13-14 Primary Expense Changes:</u>	<u>Change Amount:</u>
GAMA Fund Shift	\$3,000,000
Health Care	\$1,813,000
2% Salary Increase	\$1,005,239
401 Certification Positions	\$983,000
Pro Rata Increase	\$800,000
Retirement (Section 3.60)	\$443,000
Delta Stewardship	\$150,000
	<u>\$8,194,239</u>

State Water Resources Control Board
 Confined Animal Facilities - Dairies
 FY 2014-15 Fee Options

# of Animals	Facility Count			FY 2013-14 Fee Schedule		Proposed Scenarios for FY 2014-15											
						Status Quo				Option A1				Option B1			
	No QAP	With QAP	Total	No QAP	With QAP	Current Methodology 50% QAP				Reduced QAP Discount 25% QAP				QAP Discount Cap 50% QAP with \$2,500 QAP Cap			
						No QAP	Avg % Inc	With QAP	Avg % Inc	No QAP	Avg % Inc	With QAP	Avg % Inc	No QAP	Avg % Inc	With QAP	Avg % Inc
0-299	197	19	216	\$747	\$373	\$1,001	34%	\$500	34%	\$843	13%	\$632	69%	\$902	21%	\$451	21%
300-699	212	151	363	\$1,494	\$747	\$2,001	34%	\$1,001	34%	\$1,685	13%	\$1,264	69%	\$1,804	21%	\$902	21%
700-1499	229	225	454	\$2,988	\$1,494	\$4,004	34%	\$2,002	34%	\$3,372	13%	\$2,529	69%	\$3,609	21%	\$1,805	21%
1500-2999	90	148	238	\$6,225	\$3,112	\$8,342	34%	\$4,170	34%	\$7,025	13%	\$5,269	69%	\$7,518	21%	\$5,018	61%
3000+	47	78	125	\$9,960	\$4,980	\$13,347	34%	\$6,673	34%	\$11,240	13%	\$8,429	69%	\$12,029	21%	\$9,529	91%
	775	621	1396														

Option A2				Option B2			
Reduced QAP Discount 30% QAP				QAP Discount Cap 50% QAP with \$3,500 QAP Cap			
No QAP	Avg % Inc	With QAP	Avg % Inc	No QAP	Avg % Inc	With QAP	Avg % Inc
\$870	17%	\$609	63%	\$941	26%	\$470	26%
\$1,741	17%	\$1,218	63%	\$1,882	26%	\$941	26%
\$3,482	17%	\$2,437	63%	\$3,765	26%	\$1,882	26%
\$7,254	17%	\$5,078	63%	\$7,843	26%	\$4,343	40%
\$11,606	17%	\$8,124	63%	\$12,549	26%	\$9,049	82%

Option A3				Option B3			
Reduced QAP Discount 40% QAP				QAP Discount Cap 50% QAP with \$4,500 QAP Cap			
No QAP	Avg % Inc	With QAP	Avg % Inc	No QAP	Avg % Inc	With QAP	Avg % Inc
\$931	25%	\$558	50%	\$968	30%	\$484	30%
\$1,862	25%	\$1,117	50%	\$1,936	30%	\$968	30%
\$3,725	25%	\$2,235	50%	\$3,873	30%	\$1,937	30%
\$7,760	25%	\$4,656	50%	\$8,069	30%	\$4,034	30%
\$12,416	25%	\$7,449	50%	\$12,910	30%	\$8,410	69%