



**State Water Resources Control Board
Water Quality Fee Stakeholder Meeting
February 25, 2011
10:00 – 12:00 p.m.
Cal/EPA Building
1001 I Street
Sacramento, CA
Training Room 1 East/West, First Floor
Conference call-in number is (916) 227-1132**

AGENDA

1. Welcome and Introductions

2. Review Waste Discharge Permit Fund Financial Condition
 - Attachment 1 – WDPF Revenue and Expenditures for FY 2010-11
 - Attachment 2 – WDPF Fund Condition

3. Projected Revenue and Budgeted Expenditures for FY 2011-12
 - Attachment 3 – WDPF Projected Revenue and Expenditures for FY 2011-12

4. Discuss Outstanding Issues

5. Next Meeting

**State Water Resources Control Board
Water Quality Fee Regulations
Stakeholder Meeting
February 25, 2011**

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 October 19, 2010.

Waste Discharge Permit Fund Financial Condition

As Attachment 1 shows, total estimated WDPF revenue for FY 2010-11 is expected to be \$75.0 million, including \$74.3 million in fee revenue and \$618,000 in other revenue. Total expenditures are expected to be \$74.4 million. Revenue is expected to exceed expenditures by \$610,000.

Attachment 2 shows an eight-year analysis of the fund condition for WDPF. The FY 2010-11 beginning balance of \$6.6 million includes \$2.4 million in fines and penalty revenue not available for expenditure for core regulatory activities, which leaves an adjusted beginning balance of \$4.2 million. Total estimated revenue is approximately \$75.0 million, including \$74.3 million in fee revenue and \$618,000 in other revenue. Total expenditures, including projected salary savings are \$74.4 million, resulting in a \$610,000 gain with an ending balance of \$4.8 million and a fund reserve of 6.5 percent.

For FY 2011-12, the projected beginning balance is approximately \$4.8 million. Under the current fee schedule, total revenue is anticipated to be \$74.5 million and total expenditures are anticipated to be \$89.8 million, resulting in a loss of \$15.3 million and a deficit of \$10.5 million. In order to eliminate the projected deficit, meet budgetary expenditures, and keep the Fund solvent, total revenue would need to be \$89.4 million, resulting in a \$402,000 loss with an ending balance of \$4.4 million and a fund reserve of 5.0 percent

Attachment 3 shows the projected FY 2011-12 revenue based on the existing fee schedule, the proposed budget for FY 2011-12 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, basin planning fund shifts distributed to all programs, and specific fund shifts for the Agricultural Waiver and NPDES programs only. The State Water Board proposes to raise fees by approximately \$15.2 million for FY 2011-12 to eliminate the projected deficit, meet budgetary expenditures, and keep the Fund solvent.

NPDES

The NPDES program budget for FY 2011-12 (including its portion of SWAMP) is \$25.2 million and projected revenue is \$19.8 million. The NPDES program needs to generate an additional \$5.4 million in revenue to meet the FY 2011-12 Proposed Budget. This translates to a 27.0 percent increase to all NPDES fee categories. Of this \$5.4 million, approximately \$2.7 million is attributable to increases in budgetary expenditures as shown in Attachment 3 while the remaining \$2.7 million is attributable to fee increases needed to offset a projected revenue shortfall, mainly attributable to a return to full program budget authority.

WDR

The WDR program budget for FY 2011-12 (including its portion of GAMA) is \$19.7 million and projected revenue is \$18.1 million. The WDR program needs to generate an additional \$1.5 million in revenue to meet the FY 2011-12 Proposed Budget. This translates to a 8.6 percent increase to all WDR fee categories. Of this \$1.5 million, approximately \$1.1 million is attributable to increases in budgetary expenditures as shown in Attachment 3 while the remaining \$482,000 is attributable to fee increases needed to offset a projected revenue shortfall, mainly attributable to a return to full program budget authority.

Land Disposal – No Tipping Fee

The Land Disposal – No Tipping Fee program budget for FY 2011-12 (including its portion of GAMA) is \$8.1 million and projected revenue is \$6.8 million. The Land Disposal – No Tipping Fee program needs to generate an additional \$1.3 million in revenue to meet the FY 2011-12 Proposed Budget. This translates to an 18.7 percent increase to all Land Disposal – No Tipping Fee categories. Of this \$1.3 million, approximately \$444,000 is attributable to increases in budgetary expenditures as shown in Attachment 3 while the remaining \$829,000 is attributable to fee increases needed to offset a projected revenue shortfall, mainly attributable to a return to full program budget authority.

Land Disposal – Tipping Fee

The Land Disposal – Tipping Fee program budget for FY 2011-12 (including its portion of GAMA) is \$2.7 million and projected revenue is \$2.4 million. The Land Disposal – Tipping Fee program needs to generate an additional \$295,000 in revenue to meet the FY 2011-12 Proposed Budget. This translates to a 12.3 percent increase to all Land Disposal – Tipping Fee categories. Of this \$295,000, approximately \$148,000 is attributable to increases in budgetary expenditures as shown in Attachment 3 while the remaining \$147,000 is attributable to fee increases needed to offset a projected revenue shortfall, mainly attributable to a return to full program budget authority.

Storm Water

The Storm Water program budget for FY 2011-12 (including its portion of SWAMP) is \$24.0 million and projected revenue is \$20.4 million. The Storm Water program needs to generate an additional \$3.6 million in revenue to meet the FY 2011-12 Proposed Budget. This translates to a 17.4 percent increase to all Storm Water fee categories. Of this \$3.6 million, approximately \$1.2 million is attributable to increases in budgetary expenditures as shown in Attachment 3 while the remaining \$2.4 million is attributable to fee increases needed to offset a projected revenue shortfall, mainly attributable to a return to full program budget authority.

401 Certification

The 401 Certification program budget for FY 2011-12 (including its portion of GAMA) is \$3.7 million and projected revenue is \$2.9 million. The 401 Certification program needs to generate an additional \$850,000 in revenue to meet the FY 2011-12 Proposed Budget. This translates to a 29.3 percent increase to all 401 Certification fee categories. Of this \$850,000, approximately \$222,000 is attributable to increases in budgetary expenditures as shown in Attachment 3 while the remaining \$628,000 is attributable to fee increases needed to offset a projected revenue shortfall, mainly attributable to a return to full program budget authority.

Confined Animal Facilities (CAF)

The CAF program budget for FY 2011-12 (including its portion of GAMA) is \$3.2 million and projected revenue is \$2.8 million. The CAF program needs to generate an additional \$367,000 in revenue to meet the FY 2011-12 Proposed Budget. This translates to a 13.0 percent increase to all CAF fee categories. Of this \$367,000, approximately \$175,000 is attributable to increases in budgetary expenditures as shown in Attachment 3 while the remaining \$192,000 is attributable to fee increases needed to offset projected revenue shortfall, mainly

attributable to a return to full program budget authority.

Agricultural Waivers

The Agricultural Waiver program budget for FY 2011-12 is \$2.6 million and projected revenue is \$614,000. The Agricultural Waiver program needs to generate an additional \$2.0 million in revenue to meet the FY 2011-12 Proposed Budget. This translates to a 321.6 percent increase to all Agricultural Waiver categories. The entire \$2.0 million is attributable to increases in budgetary expenditures as shown in Attachment 3.

**State Water Resources Control Board
WDPF Revenue and Expenditures
FY 2010-11 (\$000)**

FY 2010-11 (Current Year Forecast)			
Program	Projected Revenue	Projected Expenditures²	Over/(Under)
NPDES	\$19,932	\$20,411	(\$479)
WDR	\$18,516	\$16,754	\$1,762
Land Disposal - No Tipping	\$6,642	\$6,806	(\$165)
Land Disposal - Tipping	\$2,221	\$2,274	(\$53)
Stormwater	\$20,358	\$20,694	(\$336)
401 Cert	\$3,032	\$3,104	(\$72)
CAF	\$2,990	\$2,985	\$5
Ag Waivers	\$662	\$603	\$59
Fee Revenue	\$74,352	\$73,631	\$721
Other ¹	\$618	\$729	(\$111)
Total	\$74,970	\$74,360	\$610

Footnotes:

¹ Other Projected Revenue includes income from surplus money investments and escheat of unclaimed checks and Other Projected Expenditures includes various state operations charges for other agencies.

² Includes redirected expenditures for swamp/gama, enforcement, fee unit and pro rata.

State Water Resources Control Board WDPF Fund Condition (\$000)

	Actuals						Forecast		
	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12 (w/o Fee Increase)	FY 11-12 (with Fee Increase)
BEGINNING BALANCE	\$11,201	\$14,244	\$19,131	\$17,288	\$9,795	\$8,204	\$6,604	\$4,850	\$4,850
Prior year adjustments ¹	(\$343)	\$381	\$1,247	\$1,807	(\$56)	(\$3,010)			
Restricted Revenue ²							(\$2,364)		
Adjusted Beginning Balance	\$10,858	\$14,625	\$20,378	\$19,095	\$9,739	\$5,194	\$4,240	\$4,850	\$4,850
Revenue									
Regulatory Fees	\$59,978	\$60,561	\$62,435	\$60,958	\$77,340	\$74,902	\$74,352	\$73,932	\$88,836
Other ³	\$1,019	\$2,968	\$2,622	\$3,038	\$2,027	\$900	\$618	\$602	\$602
Total Revenue	\$60,997	\$63,529	\$65,057	\$63,996	\$79,367	\$75,802	\$74,970	\$74,534	\$89,438
Expenditures									
Water Bd. State Operations ⁴	\$57,607	\$58,726	\$67,651	\$72,977	\$80,597	\$74,079	\$73,631	\$89,161	\$89,161
Other State Operations ⁵	\$4	\$297	\$496	\$319	\$305	\$313	\$729	\$679	\$679
Total Expenditures	\$57,611	\$59,023	\$68,147	\$73,296	\$80,902	\$74,392	\$74,360	\$89,840	\$89,840
Gain/(Loss)	\$3,386	\$4,506	(\$3,090)	(\$9,300)	(\$1,535)	\$1,410	\$610	(\$15,306)	(\$402)
ENDING BALANCE	\$14,244	\$19,131	\$17,288	\$9,795	\$8,204	\$6,604	\$4,850	(\$10,456)	\$4,448
Fund Reserve	24.7%	32.4%	25.4%	13.4%	10.1%	8.9%	6.5%		5.0%

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. For FY 10-11, it is projected that \$2.4 million will be transferred to the Cleanup and Abatement Account (CAA).

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 Penalties.

⁴ FY 10-11 negotiated salary savings are included in the Water Board State Operations expenditures. No salary savings have been projected for FY 11-12.

⁵ Other state operations includes appropriations for Cal/EPA, the State Controller's Office, and prorata.

**WDPF Budget Cost Drivers
FY 2011-12 (\$000)**

WDPF Program	Base Revenue Forecast FY 11-12	Base Revenue Shortfall	Base FY 11-12 Budget ¹	Staff Cost Adjustments ²	Program Fund Shifts	Basin Planning Fund Shift	FY 11-12 Budget ³	Forecasted Revenue Increase FY 11-12	Percent Increase
NPDES	\$19,824	\$2,690	\$22,515	(\$550)	\$1,373	\$1,843	\$25,180	\$5,356	27.0%
WDR	\$18,130	\$482	\$18,613	(\$518)		\$1,589	\$19,684	\$1,554	8.6%
Land Disposal-No Tipping Fee	\$6,805	\$829	\$7,633	(\$210)		\$653	\$8,076	\$1,272	18.7%
Land Disposal-Tipping Fee	\$2,403	\$147	\$2,551	(\$70)		\$218	\$2,699	\$295	12.3%
Stormwater	\$20,439	\$2,387	\$22,826	(\$558)		\$1,731	\$23,999	\$3,560	17.4%
401 Cert	\$2,895	\$628	\$3,524	(\$105)		\$326	\$3,745	\$850	29.3%
CAF	\$2,821	\$192	\$3,013	(\$83)		\$258	\$3,188	\$367	13.0%
Ag Waivers	\$614	(\$5)	\$610	(\$13)	\$1,762	\$231	\$2,589	\$1,975	321.6%
TOTAL	\$73,932	\$7,352	\$81,284	(\$2,107)	\$3,135	\$6,849	\$89,161	\$15,229	20.6%

Footnotes:

¹ Includes redirected expenditures for swamp/gama, enforcement, fee unit and pro rata.

² Includes reduction for employee compensation, retirement, and pro rata along with increase for health care costs.

³ Includes redirected expenditures, staff cost adjustments, program fund shifts and basin planning fund shift.