



**State Water Resources Control Board
Water Quality Fee Stakeholder Meeting
May 31, 2013
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) 574-1755**

AGENDA

1. Welcome and Introductions
2. Review Waste Discharge Permit Fund Financial Condition
 - Attachment 1 – WDPF Revenue and Expenditures for FY 2012-13
 - Attachment 2 – WDPF Fund Condition
 - Attachment 3 – WDPF Budget Cost Drivers
3. Open Discussion on Fees

**State Water Resources Control Board
Water Quality Fee Regulations
Stakeholder Meeting
May 31, 2013**

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 20, 2011.

Waste Discharge Permit Fund Financial Condition

As Attachment 1 shows, total projected WDPF revenue for FY 2012-13 is expected to be \$97.5 million, including \$97.1 million in fee revenue and \$400,000 in other revenue. Total expenditures are expected to be \$103.1 million. Expenditures are expected to exceed revenue by \$5.6 million.

Attachment 2 shows an 10-year analysis of the fund condition for WDPF. The FY 2012-13 beginning balance of \$6.4 million includes \$4.5 million in fine and penalty revenue not available for expenditure for core regulatory activities, which leaves an adjusted beginning balance of \$1.9 million. Total estimated revenue is approximately \$97.5 million, including \$97.1 million in fee revenue and \$400,000 in other revenue. Total expenditures are expected to be approximately \$103.1 million, resulting in a \$5.6 million loss with a deficit of \$3.7 million and a negative fund reserve of 3.6 percent.

For FY 2013-14, the projected beginning balance is approximately negative \$3.7 million. Under the current fee schedule, total revenue is anticipated to be \$95.4 million and total expenditures are anticipated to be \$107.4 million, resulting in a loss of \$12 million and a deficit of \$15.7 million. In order to meet budgetary expenditures, fund mandatory cost increases, eliminate a projected deficit and end FY 2013-14 with a 3.6 percent fund reserve, total revenue would need to be \$114.9 million, resulting in a \$7.5 million gain with an ending balance of \$3.8 million.

Attachment 3 shows the projected FY 2013-14 revenue based on the existing fee schedule, the budget for FY 2013-14 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 and a specific fund shift for the Timber Harvest program. The State Water Board proposes to raise fees by approximately \$19.5 million for FY 2013-14 to meet budgetary expenditures, fund mandatory cost increases, eliminate a projected deficit and end FY 2013-14 with a 3.6 percent fund reserve. The \$19.5 million is a combination of \$8.2

million program cost drivers from FY 2012-13 and FY 2013-14, \$4.7 million in revenue shortfall for FY 2011-12 through FY 2012-13, \$1.6 million in restricted revenue from fines and penalties, a \$3.8 million fund adjustment made by the State Controller's Office and the Department of Finance and \$1.2 million in state operation expenditure adjustments.

NPDES

The NPDES program budget for FY 2013-14 (including its portion of SWAMP) is \$28.1 million and projected revenue is \$28.8 million. The NPDES program needs to generate an additional \$1.5 million in revenue to meet the FY 2013-14 Budget and eliminate its portion of the Fund deficit which translates to a 5.4 percent increase to all NPDES fee categories.

WDR

The WDR program budget for FY 2013-14 (including its portion of GAMA) is \$24.7 million and projected revenue is \$21.3 million. The WDR program needs to generate an additional \$5.4 million in revenue to meet the FY 2013-14 Budget and eliminate its portion of the Fund deficit which translates to a 25.2 percent increase to all WDR fee categories.

Land Disposal – No Tipping Fee

The Land Disposal – No Tipping Fee program budget for FY 2013-14 (including its portion of GAMA) is \$10.0 million and project revenue is \$8.7 million. The Land Disposal – No Tipping Fee program needs to generate an additional \$2.2 million in revenue to meet the FY 2013-14 Budget and eliminate its portion of the Fund deficit which translates to a 25.0 percent increase to all Land Disposal – No Tipping Fee program fee categories.

Land Disposal – Tipping Fee

The Land Disposal – Tipping Fee program budget for FY 2013-14 (including its portion of GAMA) is \$3.4 million and projected revenue is \$3.0 million. The Land Disposal – Tipping Fee program needs to generate an additional \$645,000 in revenue to meet the FY 2013-14 Budget and eliminate its portion of the Fund deficit which translates to a 21.6 percent increase to all Land Disposal – Tipping Fee program fee categories.

Storm Water

The Storm Water program budget for FY 2013-14 (including its portion of SWAMP) is \$28.0 million and projected revenue is \$23.1 million. The Storm Water program needs to generate an additional \$7.1 million in revenue to meet the FY 2013-14 Budget and eliminate its portion of the Fund deficit which translates to a 30.9 percent increase to all Storm Water fee categories.

401 Certification

The 401 Certification program budget for FY 2013-14 (including its portion of SWAMP) is \$5.1 million and projected revenue is \$4.5 million. The 401 Certification program needs to generate an additional \$960,000 million to meet the FY 2013-14 Budget and eliminate its portion of the Fund deficit which translates to a 21.3 percent increase to all 401 Certification fee categories.

Confined Animal Facilities (CAF)

The CAF program budget for FY 2013-14 (including its portion of GAMA) is \$4.1 million and

projected revenue is \$3.1 million. The CAF program needs to generate an additional \$1.3 million to meet the FY 2013-14 Budget and eliminate its portion of the Fund deficit which translates to a 43.6 percent increase to all CAF fee categories.

Irrigated Lands Regulatory Program (ILRP)

The ILRP budget for FY 2013-14 is \$3.0 million and projected revenue is \$2.9 million. The ILRP needs to generate an additional \$368,000 to meet the FY 2013-14 Budget and eliminate its portion of the Fund deficit which translates to a 12.6 percent increase to all ILRP fee categories.

WDPF Revenue and Expenditures
FY 2012-13
(\$000)

FY 2012-13			
Program	Projected Revenue	Projected Expenditures¹	Projected Over/(Under)
NPDES	\$29,172	\$30,184	(\$1,013)
WDR	\$21,190	\$23,789	(\$2,599)
Land Disposal	\$11,447	\$11,304	\$143
Stormwater	\$24,758	\$25,302	(\$544)
401 Cert	\$4,509	\$4,633	(\$123)
CAF	\$3,055	\$3,340	(\$285)
ILRP	\$2,938	\$3,247	(\$309)
Fee Revenue	\$97,069	\$101,799	(\$4,730)
Other ²	\$400	\$1,262	(\$862)
Total	\$97,469	\$103,061	(\$5,592)

Footnotes:

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

² 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.

WDPF Fund Condition (\$000)

	Actuals								Forecast		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	FY 12-13	FY 13-14 No Fee Increase	FY 13-14 Fee Increase
BEGINNING BALANCE	\$11,201	\$14,244	\$19,131	\$17,288	\$9,795	\$8,204	\$6,604	\$10,774	\$6,403	(\$3,660)	(\$3,660)
Prior year adjustments ¹	(\$343)	\$381	\$1,247	\$1,807	(\$56)	(\$3,010)	\$2,097	(\$1,913)			
Restricted Revenue ²									(\$4,471)		
Adjusted Beginning Balance	\$10,858	\$14,625	\$20,378	\$19,095	\$9,739	\$5,194	\$8,701	\$8,861	\$1,932	(\$3,660)	(\$3,660)
Revenue											
Regulatory Fees	\$59,978	\$60,561	\$62,435	\$60,958	\$77,340	\$74,902	\$74,864	\$97,064	\$97,069	\$95,332	\$114,843
Other ³	\$1,019	\$2,968	\$2,622	\$3,038	\$2,027	\$900	\$630	\$2,647	\$400	\$100	\$100
Total Revenue	\$60,997	\$63,529	\$65,057	\$63,996	\$79,367	\$75,802	\$75,494	\$99,711	\$97,469	\$95,432	\$114,943
Expenditures											
Water Bd. State Operations	\$57,607	\$58,726	\$67,651	\$72,977	\$80,597	\$74,079	\$72,693	\$101,546	\$101,799	\$106,521	\$106,521
Water Recycling ⁴									\$347		
Other State Operations ⁵	\$4	\$297	\$496	\$319	\$305	\$313	\$728	\$623	\$915	\$915	\$915
Total Expenditures	\$57,611	\$59,023	\$68,147	\$73,296	\$80,902	\$74,392	\$73,421	\$102,169	\$103,061	\$107,436	\$107,436
Gain/(Loss)	\$3,386	\$4,506	(\$3,090)	(\$9,300)	(\$1,535)	\$1,410	\$2,073	(\$2,458)	(\$5,592)	(\$12,004)	\$7,507
ENDING BALANCE	\$14,244	\$19,131	\$17,288	\$9,795	\$8,204	\$6,604	\$10,774	\$6,403	(\$3,660)	(\$15,664)	\$3,846
Fund Reserve	24.7%	32.4%	25.4%	13.4%	10.1%	8.9%	14.7%	6.3%	-3.6%	-14.6%	3.6%

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 Penalties.

⁴ Legislative Augmentation for Water Recycling

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

**WDPF Budget Cost Drivers
FY 2013-14 (\$000)**

WDPF Program	Base FY 12-13 Budget ¹	Staff Cost Adjustments ²	General Fund Shifts ³	FY 13-14 Budget ⁴	Revenue Forecast FY 13-14	Budget Revenue Shortfall	Percent Increase (Budget Shortfall)	Reserve Increase	Total Forecasted Revenue Increase ⁵	Total Revenue FY 13-14	Percent Increase (Reserve Balance)
NPDES	\$26,539	\$1,579		\$28,118	\$28,775	(\$657)	-2.3%	\$2,197	\$1,540	\$30,314	5.4%
WDR	\$23,664	\$1,585	(\$511)	\$24,738	\$21,310	\$3,428	16.1%	\$1,933	\$5,361	\$26,670	25.2%
LD - No Tipping Fee	\$9,403	\$642		\$10,045	\$8,665	\$1,380	15.9%	\$785	\$2,165	\$10,830	25.0%
LD - Tipping Fee	\$3,152	\$215		\$3,367	\$2,985	\$382	12.8%	\$263	\$645	\$3,630	21.6%
Stormwater	\$26,479	\$1,575		\$28,054	\$23,109	\$4,945	21.4%	\$2,192	\$7,137	\$30,246	30.9%
401 Cert	\$4,789	\$285		\$5,073	\$4,509	\$564	12.5%	\$396	\$960	\$5,470	21.3%
CAF	\$3,818	\$261		\$4,079	\$3,062	\$1,017	33.2%	\$319	\$1,336	\$4,398	43.6%
ILRP	\$2,855	\$192		\$3,047	\$2,917	\$130	4.5%	\$238	\$368	\$3,285	12.6%
TOTAL	\$100,698	\$6,334	(\$511)	\$106,521	\$95,332	\$11,189	11.7%	\$8,322	\$19,511	\$114,843	20.5%

Footnotes:

- ¹ Includes redirected expenditures for SWAMP/GAMA, enforcement, fee unit and pro rata.
² Includes employee compensation, retirement, health care costs and pro rata.
³ Timber Harvest
⁴ Base budget plus staff cost adjustments, program adjustments and general fund shifts.
⁵ Revenue shortfall plus reserve increase.

3.6%	Target Fund Reserve Percent
\$3,846	Target Fund Reserve Dollars

FY 13-14 Primary Expense Changes:

Change Amount:

Reversion to full budget (no PLP)	\$3,499,000
Pro Rata increase	\$1,487,000
3% increase to top salaried EEs	\$920,000
Health Care	\$261,000
GAMA	\$167,000
Timber Harvest	(\$511,000)
	<u>\$5,823,000</u>

Amount Forecasted Revenue Increase Components

\$5,823	FY 13-14 Primary Cost Drivers
\$2,351	FY 12-13 Primary Cost Drivers
\$4,686	Revenue Shortfall - FY 11-12 and FY 12-13
\$1,598	Restricted Revenue Reconciliation
\$3,818	Prior Year Adjustment Reconciliation (SCO & DOF)
\$1,235	Other Revenue & Expenditure Changes
<u>\$19,511</u>	