



**State Water Resources Control Board
Water Quality Fee Stakeholder Meeting
August 15, 2011
1:30 – 3:30 p.m.
Cal/EPA Building
1001 I Street
Sacramento, CA
Training Room 1 East/West, First Floor
Conference call-in number is (916) 255-4044**

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
 - Attachment 3 – WDPF Budget Expenditures and Inflation-Adjusted Expenditures by Fiscal Year Compared to FY 2002-03 Budget

3. Projected Revenue and Budgeted Expenditures for FY 2011-12
 - Attachment 4 – WDPF Budget Cost Drivers and Projected Revenue
 - Attachment 5 – WDPF Projected Revenue Adjusted for Stormwater

4. Discuss Outstanding Issues

**State Water Resources Control Board
Water Quality Fee Regulations
Stakeholder Meeting
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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 \$75.1 million, including \$74.5 million in fee revenue and \$618,000 in other revenue. Total expenditures are expected to be \$73.3 million. Revenue is expected to exceed expenditures by \$1.8 million.

Attachment 2 shows an eight-year analysis of the fund condition for WDPF. The FY 2010-11 beginning balance of \$6.6 million. Total estimated revenue is approximately \$75.1 million, including \$74.5 million in fee revenue and \$618,000 in other revenue. Total expenditures, including projected salary savings are \$73.3 million, resulting in a \$1.8 million gain with an ending balance of \$8.4 million and a fund reserve of 11.4 percent.

For FY 2011-12, the projected beginning balance is approximately \$8.4 million, including \$2.4 million in fines and penalty revenue not available for expenditure for core regulatory activities, which leaves an adjusted beginning balance of \$6.0 million. Under the current fee schedule, total revenue is anticipated to be \$73.1 million and total expenditures are anticipated to be \$100.7 million, resulting in a loss of \$27.7 million and a deficit of \$21.7 million. In order to eliminate the projected deficit, meet budgetary expenditures, and keep the Fund solvent, total revenue would need to be \$100.7 million, resulting in a \$77,000 loss with an ending balance of \$5.9 million and a fund reserve of 5.8 percent

Attachment 3 shows expenditures and inflation-adjusted expenditures by fiscal year compared to FY 2002-03 expenditures.

Attachment 4 shows the projected FY 2011-12 revenue based on the existing fee schedule, the 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 \$27.6 million for FY 2011-12 to eliminate the projected deficit, meet budgetary expenditures, and keep the Fund solvent. State Water Board staff proposes to generate this revenue by utilizing one of the two options below.

Option 1

Based on the FY 2011-12 budget, this option will increase each program's fees to generate revenue to meet program budgetary expenditures consistent with Attachment 4.

NPDES

The NPDES program budget for FY 2011-12 (including its portion of SWAMP) is \$28.5 million and projected revenue is \$19.7 million. The NPDES program needs to generate an additional \$8.8 million in revenue to meet the FY 2011-12 Budget. This translates to a 44.7 percent increase to all NPDES fee categories. Of this \$8.8 million, approximately \$5.8 million is attributable to increases in budgetary expenditures as shown in Attachment 4 while the remaining \$3.0 million is attributable to fee increases needed to offset a projected revenue shortfall, mainly attributable to a return to full program budget authority. State Water Board staff is currently meeting with the NPDES Stakeholder Workgroup to discuss methodologies for assessing fees to NPDES permit holders.

WDR

The WDR program budget for FY 2011-12 (including its portion of GAMA) is \$22.5 million and projected revenue is \$18.2 million. The WDR program needs to generate an additional \$4.3 million in revenue to meet the FY 2011-12 Budget. This translates to a 23.8 percent increase to all WDR fee categories. Of this \$4.3 million, approximately \$3.8 million is attributable to increases in budgetary expenditures as shown in Attachment 4 while the remaining \$545,000 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 \$9.1 million and projected revenue is \$6.7 million. The Land Disposal – No Tipping Fee program needs to generate an additional \$2.4 million in revenue to meet the FY 2011-12 Budget. This translates to a 35.7

percent increase to all Land Disposal – No Tipping Fee categories. Of this \$2.4 million, approximately \$1.5 million is attributable to increases in budgetary expenditures as shown in Attachment 4 while the remaining \$871,000 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 \$3.1 million and projected revenue is \$2.4 million. The Land Disposal – Tipping Fee program needs to generate an additional \$691,000 in revenue to meet the FY 2011-12 Budget. This translates to a 29.3 percent increase to all Land Disposal – Tipping Fee categories. Of this \$691,000, approximately \$512,000 is attributable to increases in budgetary expenditures as shown in Attachment 4 while the remaining \$179,000 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 \$26.6 million and projected revenue is \$19.7 million. The Storm Water program needs to generate an additional \$6.9 million in revenue to meet the FY 2011-12 Budget. This translates to a 34.9 percent increase to all Storm Water fee categories. Of this \$6.9 million, approximately \$4.1 million is attributable to increases in budgetary expenditures as shown in Attachment 4 while the remaining \$2.8 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 \$4.3 million and projected revenue is \$2.9 million. The 401 Certification program needs to generate an additional \$1.4 million in revenue to meet the FY 2011-12 Budget. This translates to a 47.5 percent increase to all 401 Certification fee categories. Of this \$1.4 million, approximately \$766,000 is attributable to increases in budgetary expenditures as shown in Attachment 4 while the remaining \$609,000 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 \$3.6 million and projected revenue is \$2.8 million. The CAF program needs to generate an additional \$775,000 in revenue to meet the FY 2011-12 Budget. This translates to a 27.4 percent increase to all CAF fee categories. Of this \$775,000, approximately \$605,000 is attributable to increases in budgetary expenditures as shown in Attachment 4 while the remaining \$170,000 is

attributable to fee increases needed to offset projected revenue shortfall, mainly attributable to a return to full program budget authority.

Irrigated Lands Regulatory Program

The Irrigated Lands Regulatory program budget for FY 2011-12 is \$3.0 million and projected revenue is \$661,000. The Irrigated Lands Regulatory program needs to generate an additional \$2.3 million in revenue to meet the FY 2011-12 Budget. This translates to a 354.7 percent increase. The entire \$2.3 million is attributable to increases in budgetary expenditures as shown in Attachment 4.

Option 2

Between FY 2004-05 and FY 2009-10, the Stormwater program collected approximately \$22 million over their actual expenditures. This amount was used to offset the shortfall in revenue by other WDPF programs that collected less than their actual expenditures. As a result, State Water Board staff will present an option to the Board that would reduce the FY 2011-12 proposed fee increase to the Stormwater program by approximately 15 percent. Stormwater fees under this option would increase approximately 20 percent over FY 2010-11 fees and the remaining revenue needed will be spread among all other WDPF programs as shown in Attachment 5.

FY 2011-12 Fee Schedule Changes

In addition to the proposed fee increases, State Water Board staff will be making the following changes to the fee schedule:

- Minor language changes to clarify Irrigated Lands Regulator Program section.
- Minor language changes to clarify WDR Threat to Water Quality/Complexity definitions.
- Set a new statewide stormwater fee based on a new stormwater order adopted for CalTrans.

**WDPF Revenue and Expenditures
FY 2010-11 (\$000)**

FY 2010-11 (Current Year Forecast)			
Program	Projected Revenue	Projected Expenditures²	Over/(Under)
NPDES	\$20,266	\$22,192	(\$1,926)
WDR	\$18,096	\$16,592	\$1,504
LD - No Tipping	\$6,764	\$6,248	\$516
LD - Tipping	\$2,262	\$2,090	\$172
Stormwater	\$20,626	\$18,987	\$1,639
401 Cert	\$2,993	\$3,631	(\$638)
CAF	\$2,819	\$2,536	\$283
Irrigated Lands	\$678	\$330	\$348
Fee Revenue	\$74,504	\$72,606	\$1,899
Other ¹	\$618	\$729	(\$111)
Total	\$75,122	\$73,335	\$1,788

Footnotes:

¹ Other Projected Revenue includes income from surplus money investments and escheat of unclaimed

Other Projected Expenditures includes various state operations charges for other agencies.

² Includes redirected expenditures and staff cost adjustments.

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	\$8,392	\$8,392
Prior year adjustments ¹	(\$343)	\$381	\$1,247	\$1,807	(\$56)	(\$3,010)			
Restricted Revenue ²								(\$2,400)	(\$2,400)
Adjusted Beginning Balance	\$10,858	\$14,625	\$20,378	\$19,095	\$9,739	\$5,194	\$6,604	\$5,992	\$5,992
Revenue									
Regulatory Fees	\$59,978	\$60,561	\$62,435	\$60,958	\$77,340	\$74,902	\$74,504	\$73,070	\$100,672
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	\$75,122	\$73,672	\$101,274
Expenditures									
Water Bd. State Operations ⁴	\$57,607	\$58,726	\$67,651	\$72,977	\$80,597	\$74,079	\$72,606	\$100,672	\$100,672
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	\$73,335	\$101,351	\$101,351
Gain/(Loss)	\$3,386	\$4,506	(\$3,090)	(\$9,300)	(\$1,535)	\$1,410	\$1,788	(\$27,679)	(\$77)
ENDING BALANCE	\$14,244	\$19,131	\$17,288	\$9,795	\$8,204	\$6,604	\$8,392	(\$21,688)	\$5,915
Fund Reserve	24.7%	32.4%	25.4%	13.4%	10.1%	8.9%	11.4%		5.8%

Footnotes:

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

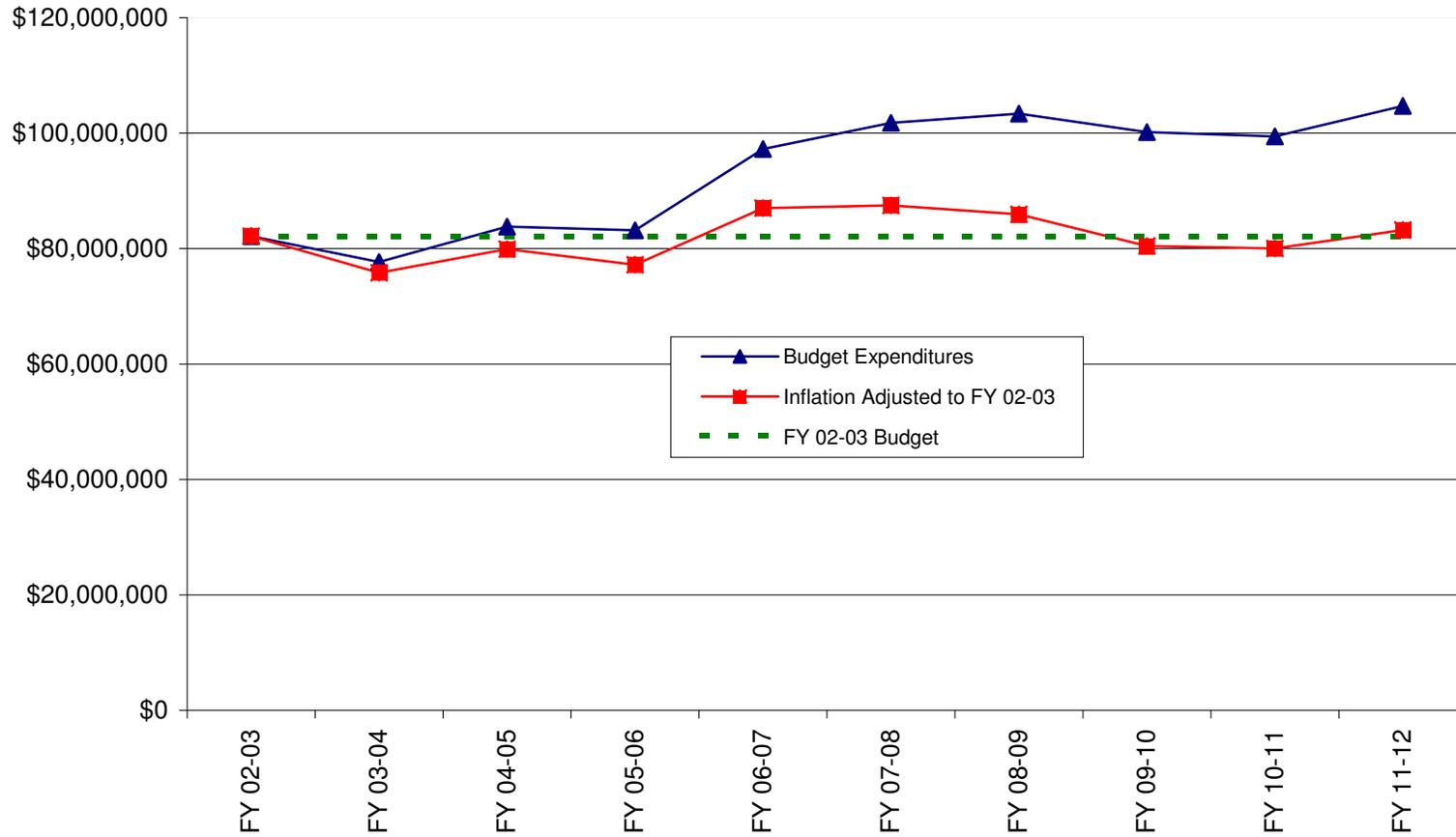
² Restricted revenue is revenue received from fines and penalties that must be expended on cleanup and abatement activities. For FY 10-11, it is projected that \$2.4 million will be transferred to the Cleanup and Abatement Account (CAA).

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 Expenditures and
Inflation-Adjusted Expenditures by Fiscal Year
Compared to FY 2002-03 Budget**



**WDPF Budget Cost Drivers and Projected Revenue
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 ³	Planning Fund Shift ⁴	FY 11-12 Budget ⁵	Forecasted Revenue Increase FY 11-12	Percent Increase
NPDES	\$19,715	\$3,037	\$22,752	(\$550)	\$1,373	\$4,953	\$28,528	\$8,813	44.7%
WDR	\$18,152	\$545	\$18,697	(\$518)		\$4,290	\$22,469	\$4,317	23.8%
LD - No Tipping Fee	\$6,724	\$871	\$7,596	(\$210)		\$1,743	\$9,128	\$2,404	35.7%
LD - Tipping Fee	\$2,359	\$179	\$2,538	(\$70)		\$582	\$3,050	\$691	29.3%
Stormwater	\$19,735	\$2,821	\$22,555	(\$558)		\$4,621	\$26,619	\$6,884	34.9%
401 Cert	\$2,895	\$609	\$3,505	(\$105)		\$871	\$4,271	\$1,375	47.5%
CAF	\$2,828	\$170	\$2,998	(\$83)		\$688	\$3,603	\$775	27.4%
Irrigated Lands	\$661	(\$18)	\$643	(\$13)	\$1,762	\$613	\$3,005	\$2,344	354.7%
TOTAL	\$73,070	\$8,214	\$81,284	(\$2,107)	\$3,135	\$18,360	\$100,672	\$27,602	37.8%

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 General Fund shifts to Fee Authority for individual WDPF programs.

⁴ Includes \$6.849 million Basin Planning and \$11.511 million TMDL General Fund shifts to Fee Authority redirected to all WDPF programs.

⁵ Includes redirected expenditures, staff cost adjustments, individual program fund shifts and general planning fund shifts.

**WDPF Projected Revenue Adjusted for Stormwater
FY 2011-12 (\$000)**

WDPF Program	Base Revenue Forecast FY 11-12	Forecasted Revenue Increase FY 11-12	Percent Increase	Stormwater Adjustment ²	Adjusted Revenue Increase	Adjusted Percent Increase
NPDES	\$19,715	\$8,813	44.7%	\$1,023	\$9,836	49.9%
WDR	\$18,152	\$4,317	23.8%	\$913	\$5,230	28.8%
LD - No Tipping Fee	\$6,724	\$2,404	35.7%	\$163	\$2,566	38.2%
LD - Tipping Fee ¹	\$2,359	\$691	29.3%		\$691	29.3%
Stormwater	\$19,735	\$6,884	34.9%	(\$2,940)	\$3,944	20.0%
401 Cert	\$2,895	\$1,375	47.5%	\$129	\$1,504	51.9%
CAF	\$2,828	\$775	27.4%	\$359	\$1,133	40.1%
Irrigated Lands	\$661	\$2,344	354.7%	\$354	\$2,699	408.3%
TOTAL	\$73,070	\$27,602	37.8%	\$0	\$27,602	37.8%

Footnotes:

¹ The Land Disposal-Tipping Fee program is not paying a portion of the Stormwater Adjustment because it was not in existence between FY 2004-05 and FY 2009-10.

² Based on actual revenue and actual expenditures from FY 04-05 through FY 09-10.