

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 29, 2009
POSITION: Neutral

BILL NUMBER: SB 413
AUTHOR: D. Ducheny

BILL SUMMARY: Waste Discharge Requirements: Fees

The Porter-Cologne Water Quality Act (Porter-Cologne) requires any person, agency, or entity discharging waste that could affect the quality of the waters of the state to pay an annual fee established by the State Water Resources Control Board (State Water Board). The fee collected is equal to the costs related to administration of waste discharge requirements. This bill would specify that costs associated with the preparation of water quality control plans can be recovered by this fee.

FISCAL SUMMARY

The State Water Board estimates that the bill would allow \$16.7 million in expenditures that are currently supported by General Fund to be funded by Waste Discharge Requirement fees. A shift in funding, upon approval by the legislature, would result in an increase of \$16.7 million Waste Discharge Permit Fund (WDPF) and a corresponding decrease in the General Fund. This shift would result in a 21 percent increase in the average fee paid by dischargers into the WDPF.

COMMENTS

The Department of Finance is neutral on this bill. The bill would result in a 21 percent increase of permit fees across all of the programs funded by the WDPF. On average, the fees for these permits were increased by 31 percent one year ago, consequently, it appears that the increases are large enough to have an impact on California's economic activity. This is not necessarily so. The increases to fees paid by wastewater treatment facilities probably pose no significant concern because they will be spread among millions of ratepayers and likely average less than one dollar per household per year. Increases in stormwater fees would increase construction costs, but these fees currently make up only about 0.04 percent of total construction costs, so a 21 percent increase would bring these fees to about 0.05 percent of total costs. Fee increases on industrial facilities would increase costs of production and reduce net profit, but waste discharge fees appear to make up even less of industrial production costs than they do of construction costs (about 0.02 percent for large businesses, and more for smaller ones).

Porter-Cologne established the State Water Board and the Regional Water Quality Control Boards (Regional Water Boards) to be the principal state agencies with responsibility for coordination and control of water quality. Pursuant to the Federal Clean Water Act (CWA), Porter-Cologne requires the nine Regional Water Boards to adopt water quality control plans (basin plans) within each region. Basin plans establish permit conditions that regulate water quality and provide the basis for the State and Regional Water Boards regulatory activities.

Dischargers currently pay an annual fee for a Waste Discharge Requirement (WDR) permit. The WDR fees are deposited into the WDPF and support the majority of the costs for the state and regional Water Board's regulatory programs including the issuance, administration, review, monitoring, and enforcement of WDR permit requirements. This bill would add the costs incurred in preparation of basin plans to the types of costs recoverable through WDR fees.

(Continued)

Analyst/Principal Date Program Budget Manager Date
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Governor's Office: By: Date: Position Approved
Position Disapproved

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**COMMENTS** (Continued)

Basin plans are necessary to establish permit conditions required to regulate water quality. As such, the Water Board believes that costs to develop basin plans should be borne by the regulated community. Finance agrees with this principle, but is concerned that the WDPF does not capture all discharges that contribute to water degradation, such as those from underground septic tanks. Because of the broad scope of basin plans every contributor should be identified to pay for them.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
3940/SWRCB	SO	No	C	-\$16,700	C	-\$16,700	C	-\$16,700	0001
3940/SWRCB	SO	No	C	\$16,700	C	\$16,700	C	\$16,700	0193
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0193	Waste Discharge Permit Fund								