



## Proposal summary

CDPHE submitted the funding request for the Water Quality Control Division Clean Water Program to the Joint Budget Committee on November 1, 2016. The decision item is included in the Department's budget request. Below is a summary of the recommendations.

The request contains an overview of the issue, proposed solution, anticipated outcomes and corresponding calculations. The request includes appendices that detail the proposed fee change in summary and detailed formats as well as considerable stakeholder process information including an overview and all feedback.

### Overview

Cash fees are set in statute and cannot be changed without legislation. The last clean water program cash fee adjustment for the Department was in FY 2007-08. The Department recommends General Fund and cash fee increases to adequately fund the clean water program sectors. For FY 2016-17, the Department's cash fund spending authority was reduced as part of House Bill 16-1405. In addition, House Bill 16-1413 provided a one-time General Fund allocation so the Department could maintain services while working with stakeholders on a proposal to restore funding for the clean water program sectors. Based on the stakeholder process, the Department is requesting an additional \$433,042 in General Fund and \$774,965 in cash funds for FY 2017-18 and ongoing. The Department's request to the Joint Budget Committee only focuses on the clean water sector portion of the long bill, however total Department costs are reflected in the recommended cash fee increases plus a factor for inflation over the next five years and developing a fund balance for each sector.

### Proposal elements

- A request for the Joint Budget Committee to sponsor the legislation.
- Fees should remain in statute.
- Fee structure should remain the same.
- Services should remain the same (for now).
- Fees based on a five-year forecast based on the Consumer Price Index.
- 10 percent fund balance to allow smooth transition between fiscal years.
- Fee changes should be based on sector specific ratios (General Fund/cash fund)
  - 50/50 - Commerce & Industry, MS4 and Public & Private Utilities.
  - 20/80 - Construction.
  - 94/6 - Pesticides.
  - 5/95 - Water Quality Certifications.
- Effective date is July 1, 2017.
- Cash fee increases are proposed for all sectors except construction.
  - Commerce & Industry (61 percent).
  - Construction (zero percent).
  - MS4 (30 percent).
  - Pesticides (two percent).
  - Public & Private Utilities (22 percent).
  - Water Quality Certifications (two percent).

If the request is not approved, the Department will be required to reduce FTE which will reduce the ability to provide timely service and may result in less protection of public health and the environment. Specifically, impacts include:

- Compliance assistance and assurance: reduced review of permit reports, reduced inspection follow-up and reduced settlement negotiations.
- Timeliness of service: reduced completion of permit actions, reduced engineering reviews and reduced business technology services.
- Regulation, policy and permit development services: severe reduction of sampling to support permit development, unable to support Water Quality Forum work group activities, and elimination of outreach and communication during permit development.

## Timeline

**August  
2016**

CDPHE draft request addressing clean water fees submitted to the Office of State Planning & Budget.

**September/  
October 2016**

Office of State Planning & Budget and governor's office review.

**November  
2016\***

Final, official request submitted to the Joint Budget Committee.

\*per the direction of HB16-1413

**January  
2017**

Colorado legislative session begins.

**May  
2017**

Colorado legislative session ends.



## Feedback Summary

The Program created a survey to get feedback on the Department's proposal regarding clean water program fees. The proposal was presented at meeting three on August 4, 2016.

Each component of the Department proposal was listed with a scale to rank preference (1 = least favorable, 3=neutral, 5 = most favorable). The Program provided a comment box at the end of the survey for respondents to give specific feedback on any or all of the proposal. A summary of all responses including all comments are available on the CDPHE clean water fee website.

The survey was shared with the email distribution list for this group, a total of 353 parties. The survey was open for two weeks. The Program received 31 survey responses.

### Who responded (by sector)\*?

- Public & Private Utilities – 45%
- MS4 – 35%
- Construction – 26%
- WQ Certifications – 16%
- Commerce & Industry – 13%
- Pesticides – 13%
- Other – 7%
- Trade organization – 3%

\* Percentages are more than 100 percent because respondents were able to select more than one sector when selecting who they represent.

### What did the Program ask?

- Fees should remain in statute.
- Fee structure should remain the same.
- Services should remain the same (for now).
- Fee change should be based on a five-year forecast.
- Fee changes should include developing a five-week 10 percent reserve.
- Fee changes should be based on 50/50 ratio (see sidebar).
- Proposed fee increases in percentage terms (see sidebar).
- Effective date = July 1, 2017.
- Fees will not be phased.

### What did the Program learn?

Responses ranged from neutral to positive for all responses.

- Respondents felt very strongly that fees should remain in statute with the structure and services to remain unchanged (for now).
- Respondents agreed with or were neutral (88%) with the concept of using the greater Denver metro area consumer price index as a five year forecast for future fee changes.
- 81 percent of respondents were neutral to positive for developing a five-week reserve or 10 percent fund balance.
- 90 percent of respondents were neutral to positive regarding no phasing for fee changes.
- 84 percent were neutral to positive for a July 1, 2017 effective date.

## Ratios - 50/50

### 50/50 General Fund/Cash Fund Ratio

The Department is proposing a 50/50 General Fund/cash fund ratio for three sectors –Commerce & Industry, MS4, and Public & Private Utilities.

- Construction – 20/80.
- Pesticides – 4/96.
- Water Quality Certifications – 5/95.

The Program asked how favorably a respondent viewed this particular ratio split.

### What did they say?

**91 percent view this as neutral or positive.**

- 36 percent were neutral.
- 39 percent were somewhat in favor.
- 16 percent viewed this is most favorable.

### Did it vary by sector?

No. The Program asked survey respondents to identify the sector they represented for their survey choices. The Program wanted to understand if one sector preferred one component more than another. Results between sectors had only small differences.

## Fee Changes

### Fee changes per sector

Based on the Department's proposal for General Fund/cash fund ratios, the corresponding fee changes would be:

- Commerce & Industry – 61 percent.
- Construction – 0 percent.
- MS4 – 30 percent.
- Pesticides – 2 percent.
- Public & Private Utilities – 22 percent.
- Water Quality Certifications (Tier 1 and 2) – 2 percent.

The Program asked how favorably a respondent viewed this particular ratio split. The response was neutral to positive.

### What did they say?

**75 percent view this as neutral or positive.**

- 26 percent were neutral.
- 39 percent were somewhat in favor.
- 10 percent viewed this is most favorable.

### Did it vary by sector?

No. The Program asked survey respondents to identify the sector they represented for their survey choices. The Program wanted to understand if one sector preferred one component more than another. Results between sectors had only small differences.