

## Missouri Work Plan Draft—Clean Water Fee Study

### Background/Key questions to answer:

Establishing fair and effective rates requires understanding and reliably projecting permitting workloads and costs and allocating those costs across permit applicants. The following questions (and answers) can help inform the rate setting process:

- What is the cost of processing different types of permits? What costs are fixed and what costs are variable?
- What are the costs associated with water quality monitoring, water quality standards changes, inspections and enforcement and other activities required to maintain a delegated clean water program and how are these allocated to fee payers?
- What are the costs for other services, not specifically required by law, but desired by stakeholders and the department because they have proven to be an efficient and effective means of operating the clean water program (e.g. Water Protection Forum, ad hoc workgroups).
- What factors influence the cost of these activities?
- What are the costs associated with permit appeals, extraordinary enforcement actions or protracted permit/TMDL negotiations, integrated planning, adaptive management, etc. and should these be segregated from other costs?
- How are costs apportioned to different types of revenue sources? What comes from fees? From state general or other funds? From federal funds?
- What is the relative stability of the funding sources?
- To what degree do the current fees cover the actual costs of program activities?
- What are the fee structures used by other states for clean water? What is the basis of those fee structures?
- How do other state agencies in Missouri structure fees paid by similar entities that also apply for clean water permits?
- Are there other potential state or federal funding sources for the clean water program not currently utilized?
- What is potential impact of fee structure changes to different groups within the regulated community?
- What is a reasonable charge for collecting and transmitting fees for those connected to public systems (clean water facilities retain 5%, drinking water facilities retain 2%)?

### Potential Activities

- Review past studies, models and assumptions of the Clean Water Fees in Missouri.
- Benchmark fees against similar fee structures in Missouri and in peer states. This will allow us to compare the current fee structure to similar structures nationally and to suggest possible alternative fee structures moving forward.
- Review program historic revenues and expenditures to look for areas where program revenues may not have not matched program expenditures
- Interview key stakeholders (department staff, regulated community) on the clean water program and fee elements.

- Review current and future work-load projections to understand trends and to identify possible outside factors that influence costs..
- Develop basic revenue requirement model in Excel that takes into consideration all of the reasonable costs associated with operating a clean water program and the factors that influence costs.
- Develop alternative cost allocation methods.
- Develop a simplified spreadsheet scenario model. This model will allow the state to view discrepancies between existing fee structure and modeled revenue requirement needs and to compare alternative cost allocation methods. It will also demonstrate the impact on different groups within the regulated community of modified fee structures.
- Develop rate communication plan outline

The timeline for activities will be developed in consultation with the state. The timeline will include opportunities for the state to provide feedback at various stages of the analysis.

Deliverables:

- Written report on the revenue requirements for the Clean Water program
- Basic revenue requirement model in Excel
- Write-up on how other Missouri agencies and peer states structure fees
- Write-up of alternative cost allocation methods
- Simplified spreadsheet scenario model in Excel
- Written outline of rate communication plan