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Matt Blunt, Governor • Doyle Childers, Director

DEPARTMENT OF NATURAL RESOURCES

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November 26, 2007

The Honorable Walt Bivens
Missouri State Representative
Chairman, Joint Committee on Restructuring Fees
of the Clean Water and Stormwater Programs
State Capitol Building, Room 200B
Jefferson City, Missouri 65102

Dear Representative Bivens:

Enclosed are the department's responses to questions and requests raised during the October 30, 2007 meeting of the Joint Committee. The department appreciates the effort of the committee to gain input from a wide variety of stakeholders who have an interest in this issue. Please let me know if you have any questions or require additional information. You may contact me at Department of Natural Resources, P.O. Box 176, Jefferson City, Missouri 65102 or telephone (573) 751-4732. You should also feel free to contact Mr. Edward Galbraith, Water Protection Program, P.O. Box 176, Jefferson City, Missouri 65102 or telephone (573) 751-6721.

Sincerely,

DEPARTMENT OF NATURAL RESOURCES

(Original signed by Doyle Childers)

Doyle Childers
Director

DC:egm

Enclosure

Department of Natural Resources
Response to the Joint Committee on Restructuring Fees of the Clean Water and Stormwater Programs

Recommendations in Response to Comments From Stakeholders

November 27, 2007

On October 30, 2007, the Joint Committee heard testimony from stakeholders in response to information presented by the department during the committee's first meeting on October 9, 2007. Although there were many comments and recommendations offered by stakeholders, there were two requests common throughout the testimony. One was a request for more detail on the department's request for additional funding, and the other was commitments from the department on areas of service improvement.

Details Regarding the Department's Request for Additional Funding

As detailed in the white paper *Funding Missouri's Clean Water Effort*, the department is requesting an additional \$29.75 million over five years for the state clean water program. To achieve this, the department recommended a combination of increased fees and general revenue for additional revenue of \$5.95 million annually. The department has designated three areas of need – permitting, compliance and assistance, and monitoring. The following narrative is a summary of the entire request. The attached spreadsheet, *Water Protection Program – Program Gaps*, itemizes the department's requested increase in detail.

1. Permitting Needs

The department is requesting an additional \$969,806 in revenue to include funding for five existing positions (personal service, expense and equipment and fringe) that are positions exist but are inadequately funded. The request further includes the dollar equivalent of four new positions to improve service in the area of clean water permitting. The five existing positions are:

- *1 position for Permits Standards and Quality Control Coordinator* Decentralized permitting enabled the department to overcome a severe permitting backlog in 2000, however challenges with coordination and consistency remain. A permit coordinator to review clean water permits across the department's offices and institute corrective actions will ensure that permits have consistent limits and conditions and improve the overall predictability and reliability in the permit process. Permit coordination would be a training and audit function, not an additional level of review and would not slow the issuance of permits.
- *1 position for MS4 Coordinator* Currently 153 Missouri communities have permits for their Municipal Separate Stormwater Sewer Systems. Because most communities are still within their first five-year permit cycle, many are struggling with implementing these complex permits. Each permit is community-specific and the department currently has one position dedicated to this work. An additional staff person would enable the department to better help these communities.

- *2 positions for complex facilities permitting* Large municipal and industrial permits require additional time to develop permit limits and conditions, time that could be used issuing many of the more routine permits. We can free staff to devote to smaller permits and improve timelines by adding positions to dedicate to the larger, more complex permits on which they spend a significant amount of time.
- *1 position for Permits and Engineering Section Chief* This is a key managerial position that provides effective implementation of the department's entire clean water permitting effort. Retaining this position will provide necessary leadership to continue improving the permitting effort. In addition to supervising permits staff in central office, this position is responsible for identifying problems and developing strategies to improve the permit process, designing permit writer training and in services and ensuring overall quality and timeliness of permits. Changes in water quality standards drive changes to permits, and this position is responsible for developing strategies to implement those changes effectively.

The four new positions include:

- *1 position for Antidegradation Coordinator* This position will implement the new antidegradation implementation procedure that will become effective August of 2008. The department is implementing this procedure because EPA has notified the state of their intent to develop a procedure if the state does not. Without an additional position, antidegradation reviews will take up existing resources, resulting in slower permits overall. The department intends to centralize antidegradation reviews to offer a single point of contact for permit holders, which will expedite reviews and reduce variability in the review process.
- *3 positions for regional office permitting staff* By providing additional permitting resources in the regional offices the department will be able to address the increased number of permits as well as the increased complexity caused by new federal requirements.

Permitting Commitments

- With these resources, the department will improve permit timeliness. During the second full fiscal year after the appropriation of this requested increase, the department will achieve an on time permit issuance rate of 90 percent or better for all 60 and 180 day permits and permit renewals. The department will maintain the current rate of on time issuance of construction permits of 95 percent or better.
- At the end of the second full fiscal year after the appropriation of this requested increase, the department will submit a report to the Governor and the General Assembly on permit timeliness, specifically detailing which permits were not issued on time and why. The department will update the report annually thereafter for the next three years.

- By the end of the first full fiscal year after the appropriation of this requested increase, the department will provide online permitting for all land disturbance general permits.

2. *Compliance and Assistance Needs*

The department requests an additional \$663,952 annually, which includes funding for five new professional positions that will enable the department to improve service in the area of compliance and assistance. These include:

- *3 positions for regional office inspection staff* As detailed in the department's initial presentation, annual inspection rates for many permitted facilities are low; 23 percent for municipal Publicly Owned Treatment Works; 17 percent for industrial treatment plants; 15 percent for animal feeding operations general permits; 6 percent for land disturbance; 3 percent for other general permits; and 1 percent for other domestic treatment plants. Some stakeholders believe that these low inspection rates lead to increased scrutiny from EPA and possible inequities among systems.
- *2 positions for compliance/enforcement staff* While the vast majority of permittees maintain compliance and protect water quality, compliance and enforcement activities are necessary to maintain a level playing field and to protect our waters from those few who choose not to comply. Currently, the department's clean water compliance staff handles 43 cases each. Two additional positions would bring the number to about 33 cases each, improving timeliness and management of enforcement cases.

Compliance and Assistance Commitments

- Increased staff will improve overall compliance and provide a more even playing field for all, and further our ability to handle compliance issues at the state level.
- Having additional staff will provide more opportunities to assist communities with increased challenges on sanitary sewer overflow issues.

3. *Monitoring Needs*

The department is requesting an additional \$2.72 million in average annual funding to conduct monitoring activities, including:

- *\$1,822,400 annually to close gaps in the fixed-station ambient monitoring network* The department's fixed station monitoring program is under funded by \$604,451 per year. Furthermore, the department proposes to increase the number of fixed monitoring stations from 245 to 690, which will enable us to complete a comprehensive statewide assessment of waters every two years as required by the Clean Water Act. This will require an additional \$1,217,949 annually. The request includes a dollar equivalent of 2.75 additional positions for this work.
- *\$870,400 annually to increase our capacity for specialized studies (\$707,200) and scanning studies (\$163,200)* This request includes funding for water chemistry studies for small streams in conjunction with permit or TMDL activities; low flow visual surveys to screen waters for possible impairments; and, special studies such as dissolved oxygen

monitoring, use attainability analyses and other studies to help support changes to Missouri's water quality standards. The request includes a dollar equivalent for 6.25 additional positions for this work.

Monitoring Commitments

- Monitoring benefits Missouri. Monitoring gives the state factual data on the quality of its waters. In the absence of data, permit limits can be 10 percent more stringent. Monitoring provides more certainty in permit decisions and reduces reliance on conservative assumptions. For example, past work has demonstrated that one water quality survey costing an average of \$1,500 can provide information that would save a permit holder an average of \$300,000. By funding this increase, the state will improve the efficiency and accuracy of its decisions on permits, compliance actions and on other water quality management efforts.
- The department will develop a complete monitoring network that will fulfill the strategy determined to be necessary by EPA for monitoring under the Clean Water Act.

Other Key Issues

In addition to these aspects of the clean water program, stakeholders and committee members raised several other ideas that the department would like to address here.

Hiring and Retention The department recognizes the need to improve retention of staff especially in key engineering and science positions within the department. The department will continue to explore options for improving retention of experienced staff and welcomes thoughts on how to structure any changes. Options could include an updated market survey of employee compensation and the possibility of creating new classifications for key positions. Another alternative could include creating positions that are outside of the ordinary merit system, possibly as a pilot program. The department would have to work with the Office of Administration in developing any of these options.

Graduated Fees Several stakeholders expressed a desire to see a graduated increase in any fee structure. The department is preparing funding scenarios for increases as outlined below and will forward those to the joint committee.

- 30 percent increase the first year with an additional five percent per year for each of the four succeeding years.
- 40 percent increase the first year with an additional 2.5 percent per year for each of the four succeeding years.

The analysis may indicate that graduating the fees could delay implementing some of the commitments.

Reduced Fees for Minor Modifications Several stakeholders expressed a desire to see a reduced permit fee for minor modifications such as a name change to a permit or minor construction activities. The department will propose language in its final request regarding reduced fees for these activities. The overall goal is to ensure that program's fee base adequately supports services.

**MISSOURI DEPARTMENT OF NATURAL RESOURCES
WATER PROTECTION PROGRAM
PROGRAM GAPS**

Description	Position Equivalents	First Year PS Costs	First Year E&E Costs	Fringe Benefits	Indirect	Contract Costs	Total First Year Costs	5-yr Average Annual Costs
Permitting								
*1 FTE - Permits Standards & Limits QC Coordinator	0.00	\$50,232	\$5,565	\$24,594	\$12,582		\$92,973	\$97,739
*1 FTE - MS4 Coordinator	0.00	\$43,596	\$5,565	\$21,345	\$11,086		\$81,591	\$85,774
*2 FTE - Complex Facilities Permitting	0.00	\$100,464	\$11,130	\$49,187	\$25,164		\$185,946	\$195,478
*1 FTE - Permits & Engineering Section Chief	0.00	\$63,500	\$5,565	\$31,090	\$15,574		\$115,729	\$121,662
Anti-Degradation Coordinator	1.00	50,232	\$13,497	\$24,594	\$12,582		\$100,905	\$99,326
Regional Office Permitting Staff	3.00	\$130,788	\$40,491	\$64,034	\$57,135		\$292,448	\$287,184
Data & Admin Support	0.50	\$21,804	\$6,749	\$10,675	\$5,991		\$45,219	\$45,849
Database development/maintenance						\$35,000	\$35,000	\$36,794
* Existing FTE for which department is seeking funding								
Total Permitting	4.50	\$460,616	\$88,562	\$225,518	\$140,115	\$35,000	\$949,810	\$969,806
Compliance & Assistance								
Regional Office Inspection Staff	3.00	\$130,788	\$40,491	\$64,034	\$81,942		\$317,254	\$313,262
Compliance Staff	2.00	\$87,192	\$26,994	\$42,689	\$31,798		\$188,673	\$184,841
Support Staff	1.00	\$25,992	\$13,497	\$12,726	\$9,986		\$62,200	\$58,637
Data & Admin Support	0.25	\$10,902	\$3,374	\$5,338	\$3,976		\$23,590	\$23,111
Database development/maintenance						\$80,000	\$80,000	\$84,101
Total Compliance Staff	6.25	\$254,874	\$84,356	\$124,786	\$127,701	\$80,000	\$671,718	\$663,952
Water Quality Monitoring								
Fixed Station	2.75	\$114,772	\$254,534	\$56,192	\$38,850	\$1,286,895	\$1,751,243	\$1,822,400
Special Studies	4.50	\$186,094	\$60,737	\$91,112	\$68,157	\$295,500	\$701,599	\$707,200
Scanning	1.75	\$71,322	\$23,620	\$34,919	\$26,153	\$10,500	\$166,514	\$163,200
Data & Admin Support	0.25	\$10,902	\$3,374	\$5,338	\$3,529	\$4,500	\$27,642	\$27,372
Total - Water Quality Monitoring	9.25	\$383,090	\$342,265	\$187,561	\$136,689	\$1,597,395	\$2,646,999	\$2,720,171
Total First Year Expenses	20.00	\$1,098,580	\$515,182	\$537,865	\$404,505	\$1,712,395	\$4,268,527	\$4,353,929