

Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
REVISED FISCAL IMPACT

(replaces fiscal note dated February 22, 2011)

Drafting Number: LLS 11-0187	Date: April 12, 2011
Prime Sponsor(s): Rep. Gerou Sen. Jahn	Bill Status: Senate Appropriations
	Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING THE DESIGNATION OF STORM WATER MANAGEMENT SYSTEM ADMINISTRATORS, AND MAKING AN APPROPRIATION THEREFOR.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Expenditures		
Cash Funds		
Water Quality Control Fund	\$ 49,436	\$ 56,029
Water Quality Improvement Fund	50,000	50,000
FTE Position Change	0.6 FTE	0.7 FTE
Effective Date: August 10, 2011, if the General Assembly adjourns on May 11, 2011, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

The fiscal note has been revised to reflect amendments adopted by the Senate Business, Labor, and Technology Committee.

Summary of Legislation

The bill, *as amended by the Senate Business, Labor, and Technology Committee*, authorizes the Department of Public Health and Environment, Water Quality Control Division (WQCD), to designate one or more nonprofit storm water management system administrators to assist in compliance activities for the state's Colorado Discharge Permit System (CDPS), as part of the federally mandated National Pollutant Discharge Elimination System (NPDES).

Storm water management system administrators are required to demonstrate to state water quality regulators that they are sufficiently qualified and capable of enforcing appropriate water quality standards, with a minimum one-year track record of implementing a program prior to application. Information produced by third-party auditors may be acquired by a storm water management system administrator without being considered a voluntary disclosure for enforcement purposes. The bill provides for revocation of storm water management system administrator status if the state finds repeated compliance failures in a nonprofit's program. For each nonprofit storm water management system administrator, an advisory board must be established, to include participating permit holders and other stakeholders, and must meet at least quarterly.

For entities holding a municipal separate storm sewer system (MS4) permit, including state and local agencies, the bill allows an MS4 to review audits in its jurisdiction and to use those audits as part of its own storm water permit compliance plan.

As amended, the bill authorizes the department to expend moneys from the Water Quality Improvement Fund to provide grants for storm water management best practices training.

Background

Water Quality Control Division Funding. The Water Quality Control Division (WQCD) is responsible for various regulatory programs related to water quality, including safe drinking water, pollutant discharge permitting, and watershed monitoring. WQCD activities are supported in part through the Water Quality Control Fund, which consists of revenue from fees set by law. For some activities, current funding supports a level of effort that may not meet state and federal requirements. For example, within the WQCD's Clean Water Program, there are currently about 3,500 activities subject to construction storm water permits. The WQCD targets inspection of 5 to 10 percent of permitted activities but is presently capable of inspecting less than 3 percent, with a growing backlog of permit maintenance and inspection needs.

Colorado Water Quality Regulation and the U.S. Environmental Protection Agency (EPA). State water quality regulations are enacted and administered in place of direct regulation of water quality by the EPA. Under its own Clean Water Act authority, the EPA monitors the state program and has entered into an annually-renewed work-sharing agreement with the state. Presently, the EPA conducts a small number of storm water inspections, with increasing numbers expected in response to both compliance concerns and the resource shortfall within the WQCD. Should the state fail to uphold sufficient water quality standards, the EPA may reassert its authority to administer stormwater permitting and other programs within the purview of the Clean Water Act.

State Expenditures

Not including grants awarded at the discretion of the department, expenditures for the WQCD are expected to increase by \$49,436 and 0.6 FTE in FY 2011-12, and by \$56,029 and 0.7 FTE in FY 2012-13.

This bill affects state expenditures in at least three ways. First, it requires specific tasks of the WQCD that cannot be completed with existing staff. Second, it reduces the long-term staffing needs of the WQCD to conduct inspections by expanding the options for self-auditing. Third, it highlights the fact that the WQCD is currently not funded adequately to meet state and federal requirements, negating or delaying any anticipated savings from the second impact.

The WQCD will incur one-time costs to develop criteria for approval of a non-profit storm water management system administrator and provide initial outreach to regulated industry. Continuing costs include review of administrator applicants, training activities for approved administrators, participation on non-profit administrator advisory boards, audits of records, and field

checks to verify compliance. As amended in the House, the bill authorizes the WQCD to expend up to \$50,000 per fiscal year in grants to support storm water management best practices training. Expenditures are outlined in Table 1.

Cost Components	FY 2011-12	FY 2012-13
Personal Services	\$ 46,137	\$ 55,364
FTE	0.6	0.7
Operating Expenses	555	665
Capital Outlay (one-time cost)	2,744	
Grants for Storm Water Management Training	50,000	50,000
TOTAL	\$ 99,436	\$ 106,029

This fiscal note assumes that FY 2011-12 personal services and operating expenses are paid out of the Water Quality Control Fund, which has a sufficient balance. Thereafter, General Fund appropriations or additional fee revenue may be necessary to support the program. Grants paid from the Water Quality Improvement Fund are sustainable at a funding level up to \$50,000 annually.

The fiscal note also assumes that the number of non-profit entities applying for storm water management system administrator status is small but sufficient to justify the dedication of FTE to the non-profit administrator program. In the event that the program fails to attract non-profit participants, or if the program attracts a number too great to be adequately reviewed and regulated by recommended appropriations, the fiscal note assumes this will be addressed through the annual budget process.

Finally, this fiscal note assumes that the division of workload and authority between the EPA and WQCD remains consistent throughout the implementation of the bill. Should the EPA assume greater responsibility for stormwater permitting in the state, or should the EPA specifically address the conditions under which non-profit audits will be administered, as examples, the amount of state expenditures within the WQCD may be reduced.

Expenditures Not Included

Pursuant to Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under HB 11-1026*		
Cost Components	FY 2011-12	FY 2012-13
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,142	\$4,970
Supplemental Employee Retirement Payments	2,088	2,952
TOTAL	\$6,230	\$7,922

**More information is available at: <http://colorado.gov/fiscalnotes>*

Local Government Impact

The bill provides an additional compliance option for local MS4 operators who wish to form a non-profit storm water administrator or use the products and services of a non-profit administrator. Local MS4s would incur additional costs to form or join such a non-profit. In addition, compliance standards under non-profit storm water administrators are expected to exceed current storm water permit standards and may incur additional on-going costs to local MS4s. The fiscal note assumes that local MS4s will assess costs and benefits of participation prior to utilizing provisions of the bill.

State Appropriations

For FY 2011-12, the required appropriation to the Department of Public Health and Environment is included in the amended bill, consisting of a cash funds appropriation of \$49,436 from the Water Quality Control Fund and 0.6 FTE, and a cash funds appropriation of \$50,000 from the Water Quality Improvement Fund.

Departments Contacted

Public Health and Environment

Transportation