

FY 2010 Budget Request to Joint Appropriations

for the

**South Dakota Department of
Environment & Natural
Resources (DENR)**

February 9, 2009

Review of DENR's FY 2008 End of Year Budget Status

1. Division of Financial and Technical Assistance
 - Utilized 98.6% of its 58 FTE allocation
 - Utilized 98.2% of its total budget authority
2. Division of Environmental Services
 - Utilized 97.8% of its 118.5 FTE allocation
 - Utilized 97.9% of its total budget authority

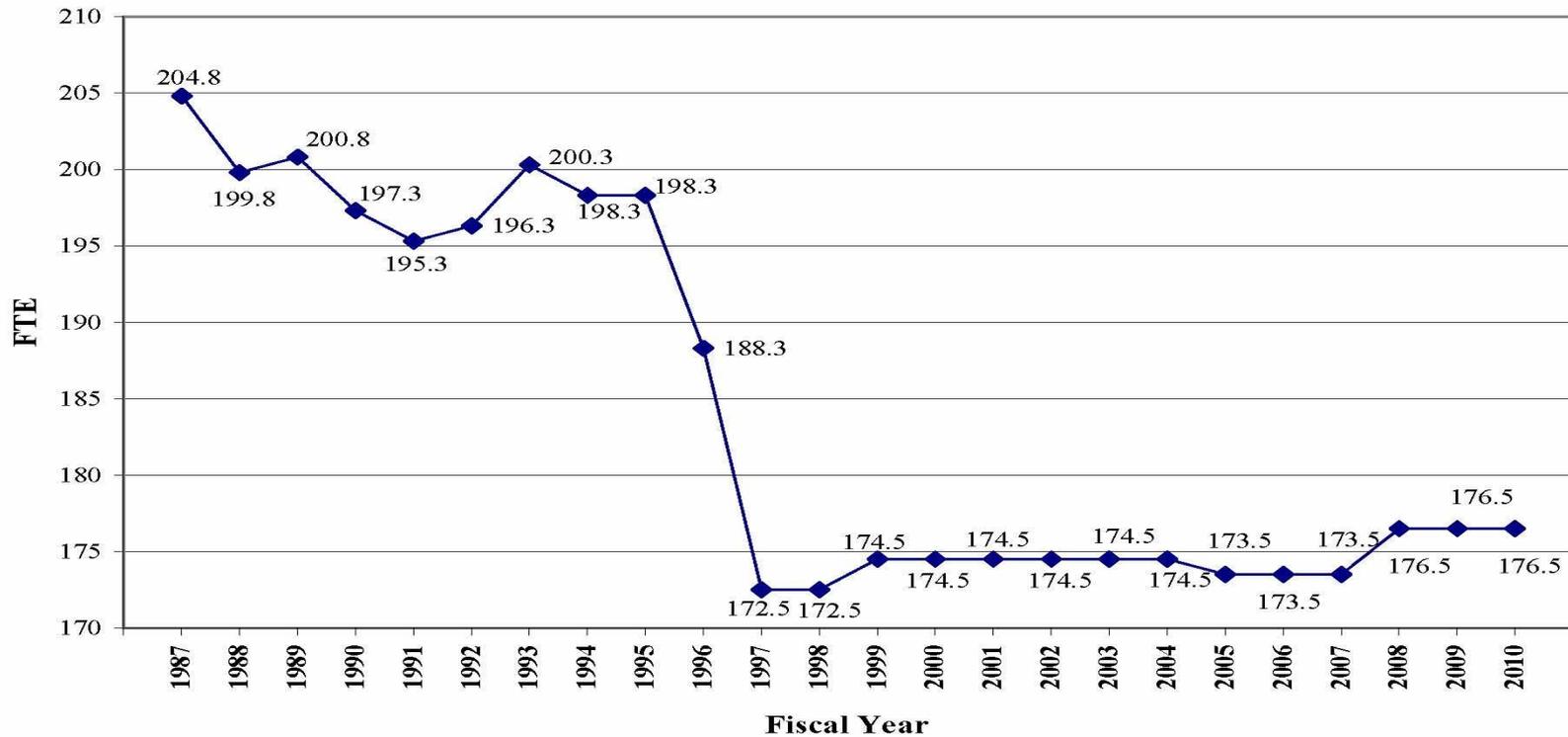
Review of DENR's FY 2008 End of Year Budget Status

- Regulated Substance Response Fund
 - Utilized \$83,529 to respond to 5 cleanups where there was no responsible party or the responsible party refused to clean up
 - The fund allows DENR to match EPA Superfund expenditures at Brohm and respond to other cleanups needed to protect public health and the environment
 - Capacity at end-of-year - \$2.575 million
- Environmental Livestock Cleanup Fund
 - Utilized \$121,800 for 1 cleanup
 - Capacity at end-of-year to respond to cleanups needed to protect human health and the environment - \$1.02 million

DENR's FY 2010 Budget Request

No Increase in FTE

DENR BUDGETED FTE HISTORY



DENR's FY 2010 Budget Request \$643,465 General Fund Reduction

1. Division of Financial and Technical Assistance

- (\$116,100) reduction in general
- \$ 16,100 increase in federal
- \$ 100,000 increase in other

2. Division of Environmental Services

- (\$527,365) reduction in general
- \$213,900 increase in federal
- \$313,465 increase in other

HB 1048 – DENR fee bill

Replace \$413,465 of General

- Water & Environment Fund administrative fee – increase from \$400,000 to \$500,000, or the interest, whichever is less
- Solid waste tipping fee – \$1 per ton to \$1.25
- Sand & gravel license fee - \$100 per year license fee to \$100 per pit
- New large scale gold, coal, or uranium mine permit fee - \$100 per year to \$50,000
- Water right fees – increase fees, most of which were set in the 1970s & 1980s

New federal money from EPA

Replace \$230,000 of General

- DENR receives federal program grant money for certain eligible activities from the U.S. EPA
- Based on current federal funding levels, DENR is projecting \$230,000 increase in federal program grant funds
- DENR will negotiate with EPA to use the increase to offset general funds

DENR – Protecting the Environment in South Dakota

**Land
Water
Air**

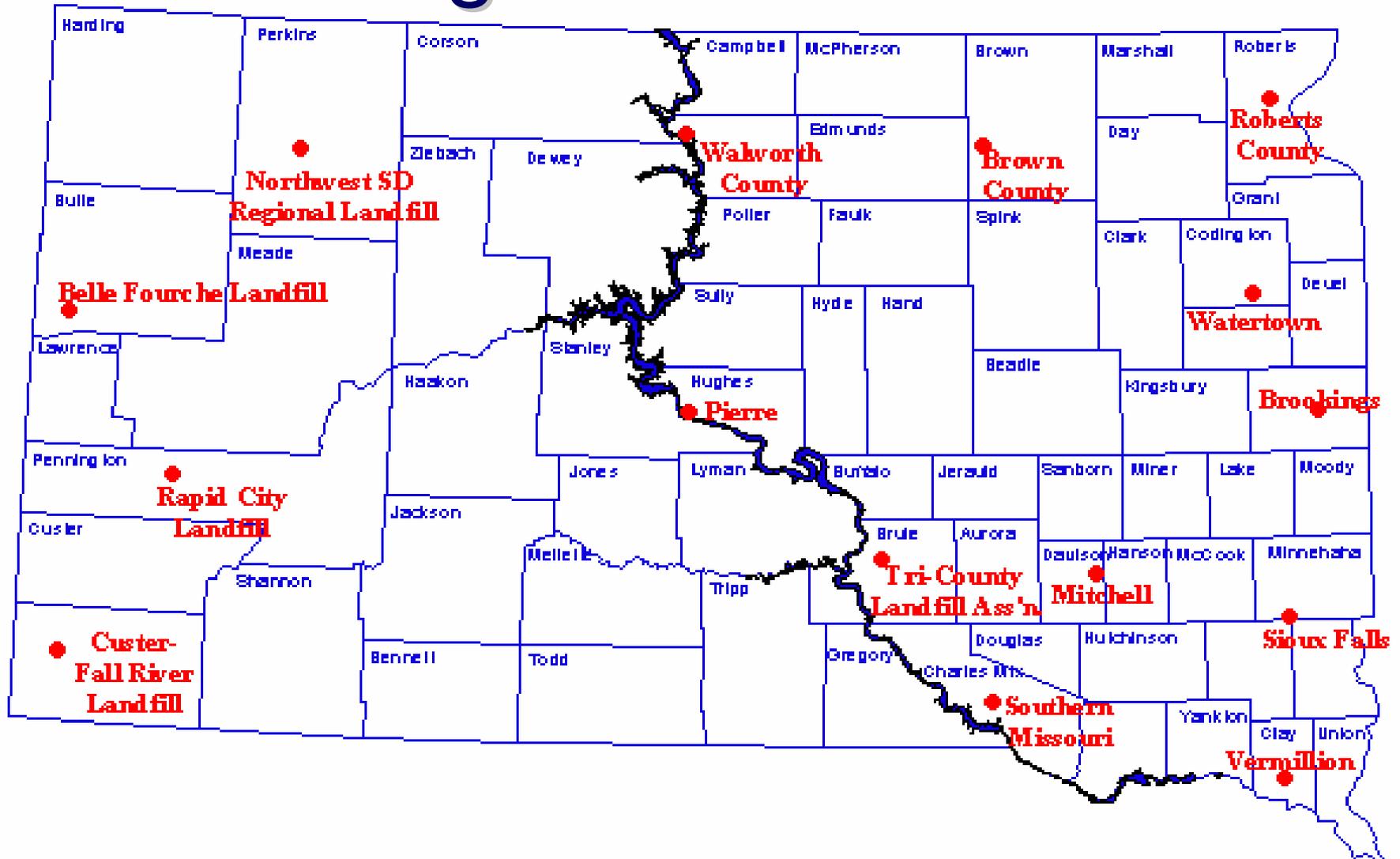
PROTECTING LANDS

- Solid waste disposal
- Mineral development
- Spill cleanups

SOLID WASTE

- SD is in full compliance with federal solid waste rules
- 248 permitted solid waste disposal sites
- 15 regional landfills today compared to 125 open dumps 18 years ago

Regional Landfills



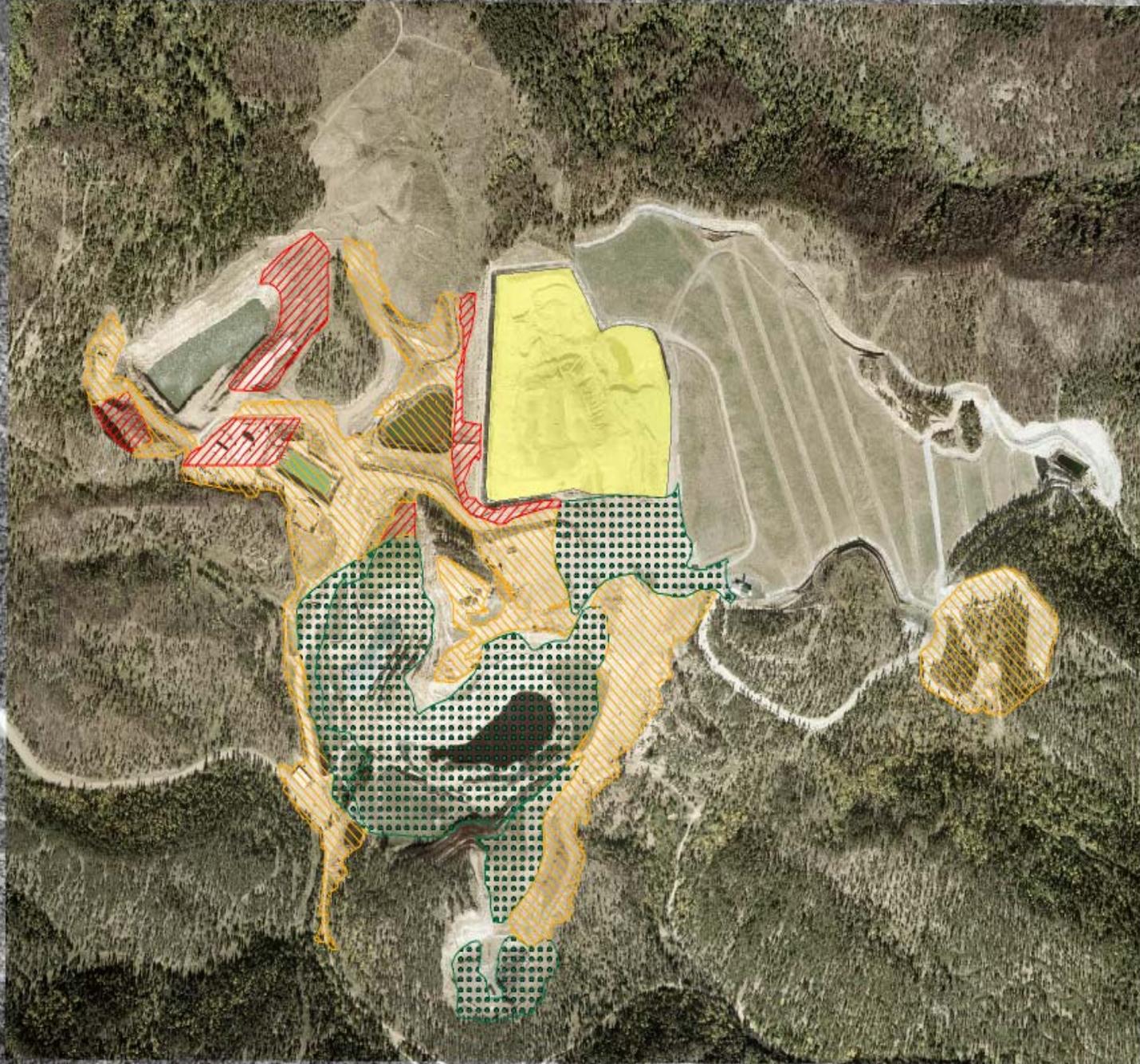
MINERAL DEVELOPMENT

- 1,886 licensed sand & gravel sites produced 21.4 million tons last year
- 71 permitted gas wells produced 406 million cubic feet
- 153 permitted oil wells produced 1.8 million barrels
- 43 mine permits for gold, granite, & other minerals

STATUS OF GOLD MINES

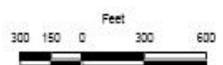
- Wharf still in operation - 57,628 ounces produced in 2007
- Homestake – being developed into deep underground lab
- Other gold mines in various stages of reclamation
- EPA has Brohm Superfund site about 40% capped to reduce acid





Legend

-  Approximate Extent of Fill Zone Reclamation
-  Approximate Extent of Geosynthetic Multi-Layer Cover
-  Approximate Extent of Parent Ground Reclamation
-  Approximate Extent of Proposed Sludge Storage Areas



1 inch equals 600 feet



FIGURE 7-6

Conceptual Surface Configuration
Alternative 5

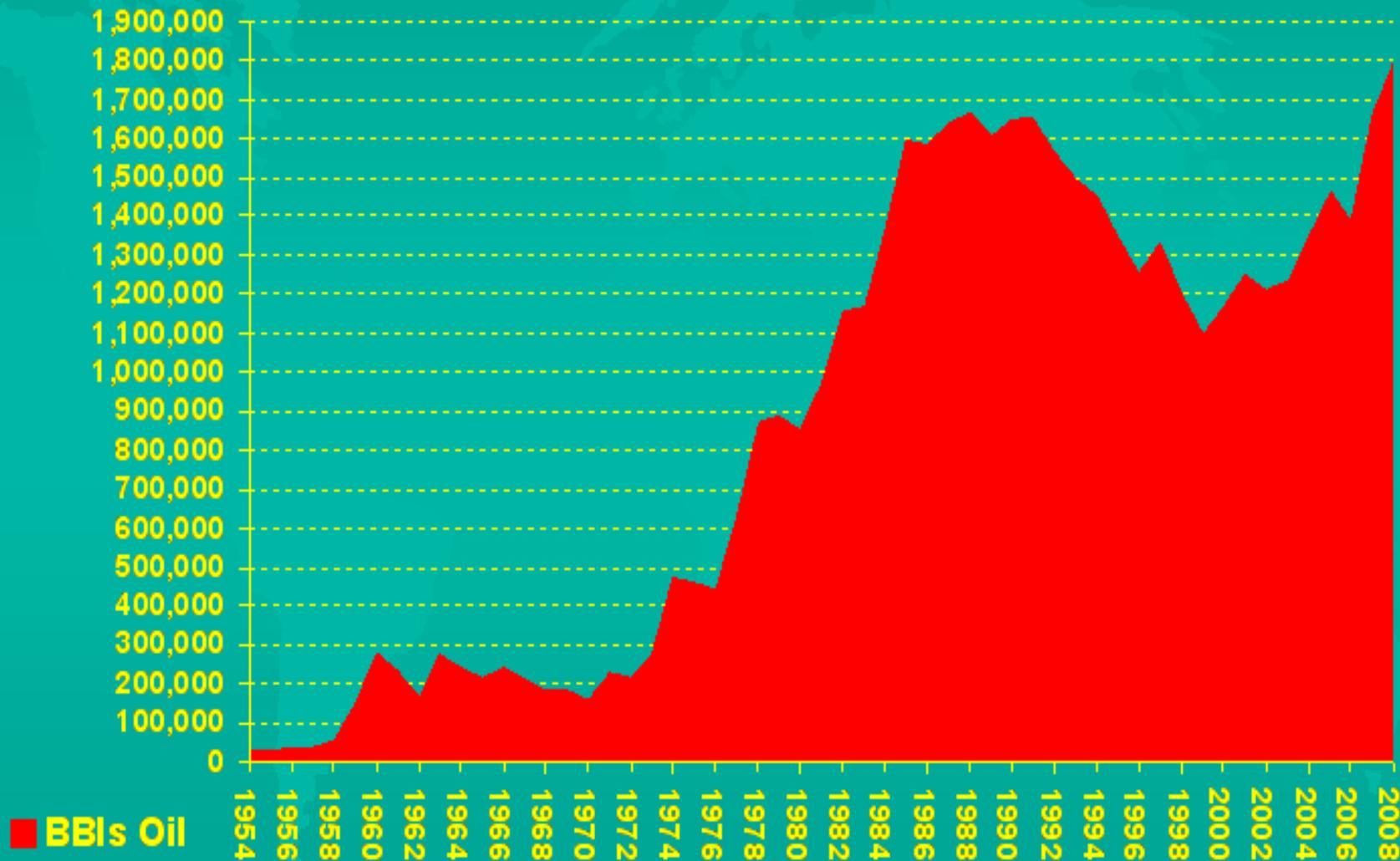
GILT EDGE MINE SITE
LAWRENCE COUNTY, SOUTH DAKOTA

UPWARD TRENDS IN MINERAL DEVELOPMENT

New focus is on energy minerals:

- oil
- gas
- uranium

South Dakota Crude Oil Production (bbls) 1954-2008



Exploration Drilling in Fall River County for Uranium

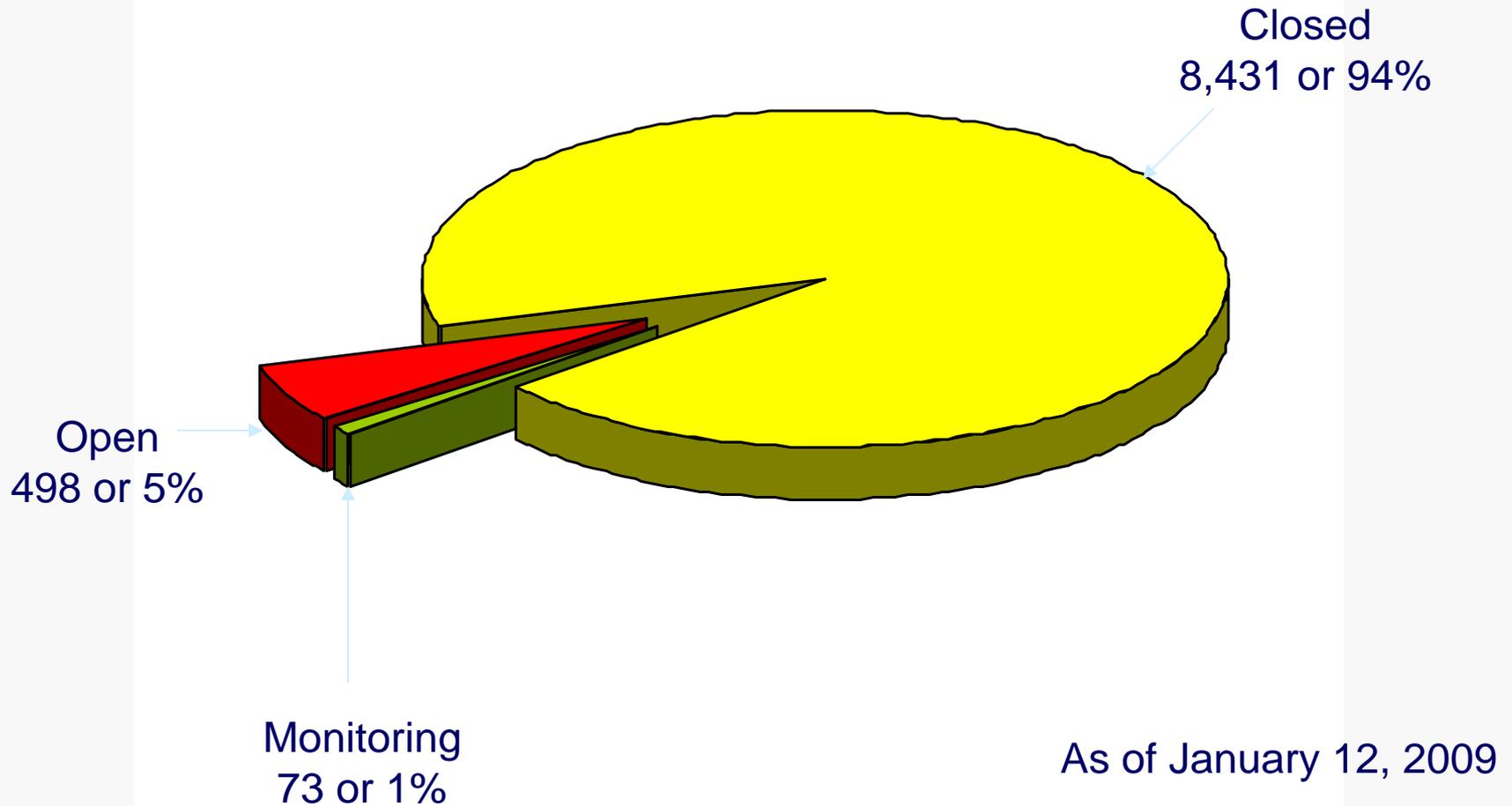


Spill Cleanups

- DENR enforces and approves spill cleanups—about 250 per year
- Vast majority of spills are cleaned up by responsible party
- Regulated Substance Response and Environmental Livestock Cleanup Funds provide safety net when needed



Status of 9,002 Reported Spills/Releases Since 1972



DENR Operates Programs to Protect Both Ground and Surface Waters

- Water
quality

- Water
quantity

SUMMMARY OF WATER DATA

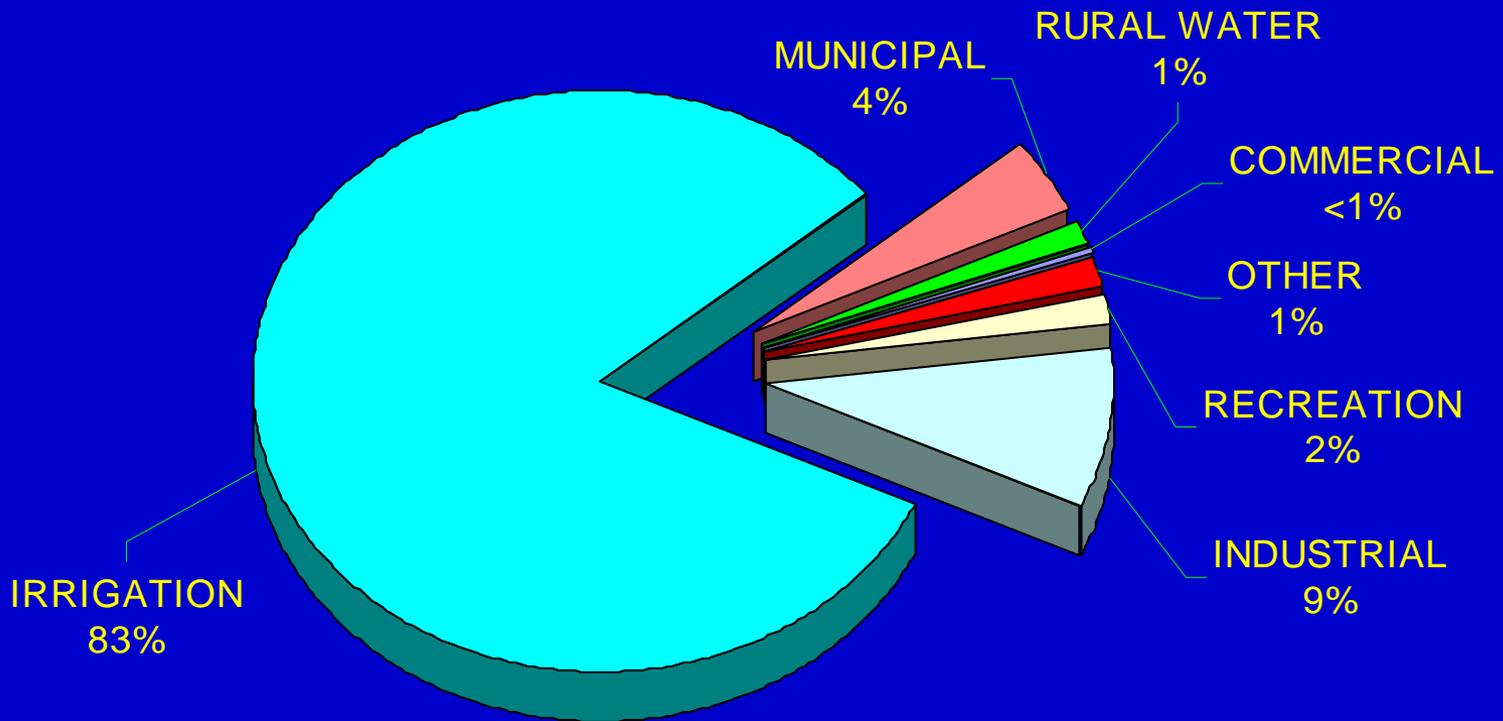
- Surface water quantity - 9,937 miles of streams in SD, but 80% can be intermittent
- Surface water quality – generally meets standards for fisheries and wildlife
- Ground water quantity - 3 aquifers in Beadle/Spink counties fully appropriated
- Ground water quality – no increasing trend in nitrogen levels; few detectable levels of pesticides

DENR Protects Water Resources

- Regulating discharges through 4,006 discharge permits
- Completing Total Maximum Daily Loads on waters not meeting standards as per the federal Clean Water Act
- Regulating water use through 7,746 active surface and ground water right permits

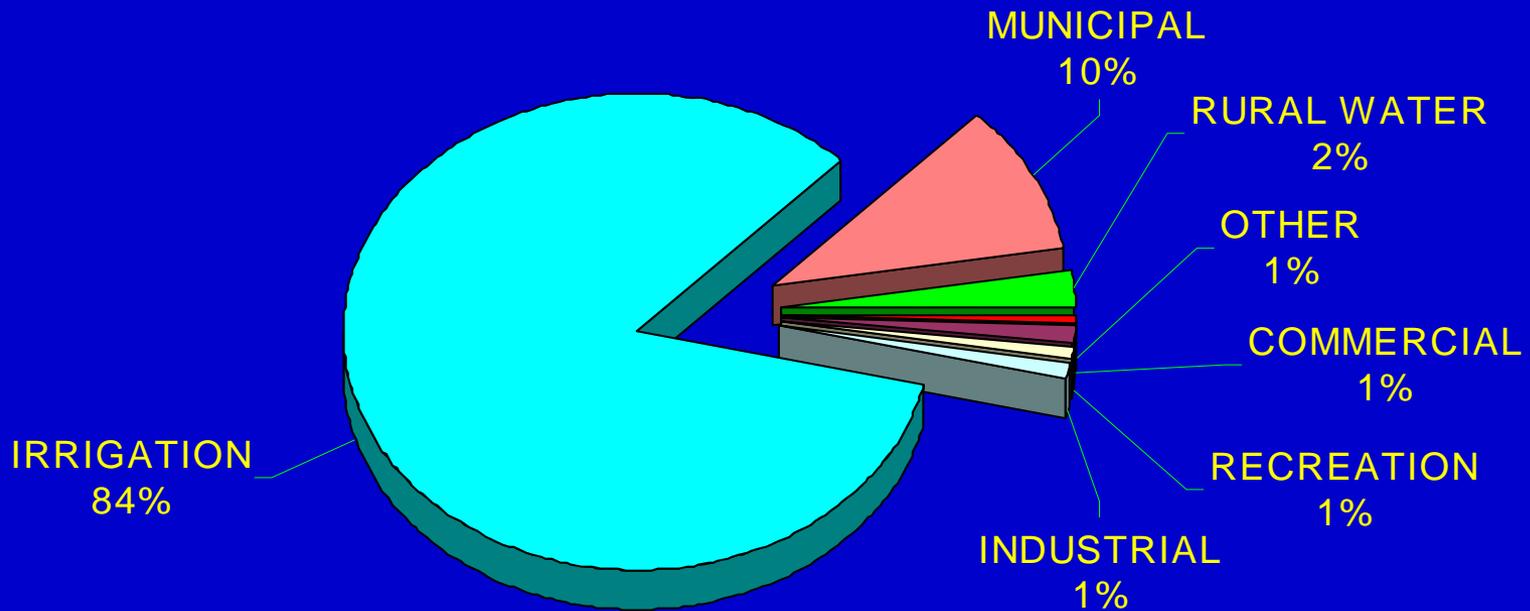
Surface Water Appropriations by Type of Use in South Dakota

(based on cubic feet of water per second)



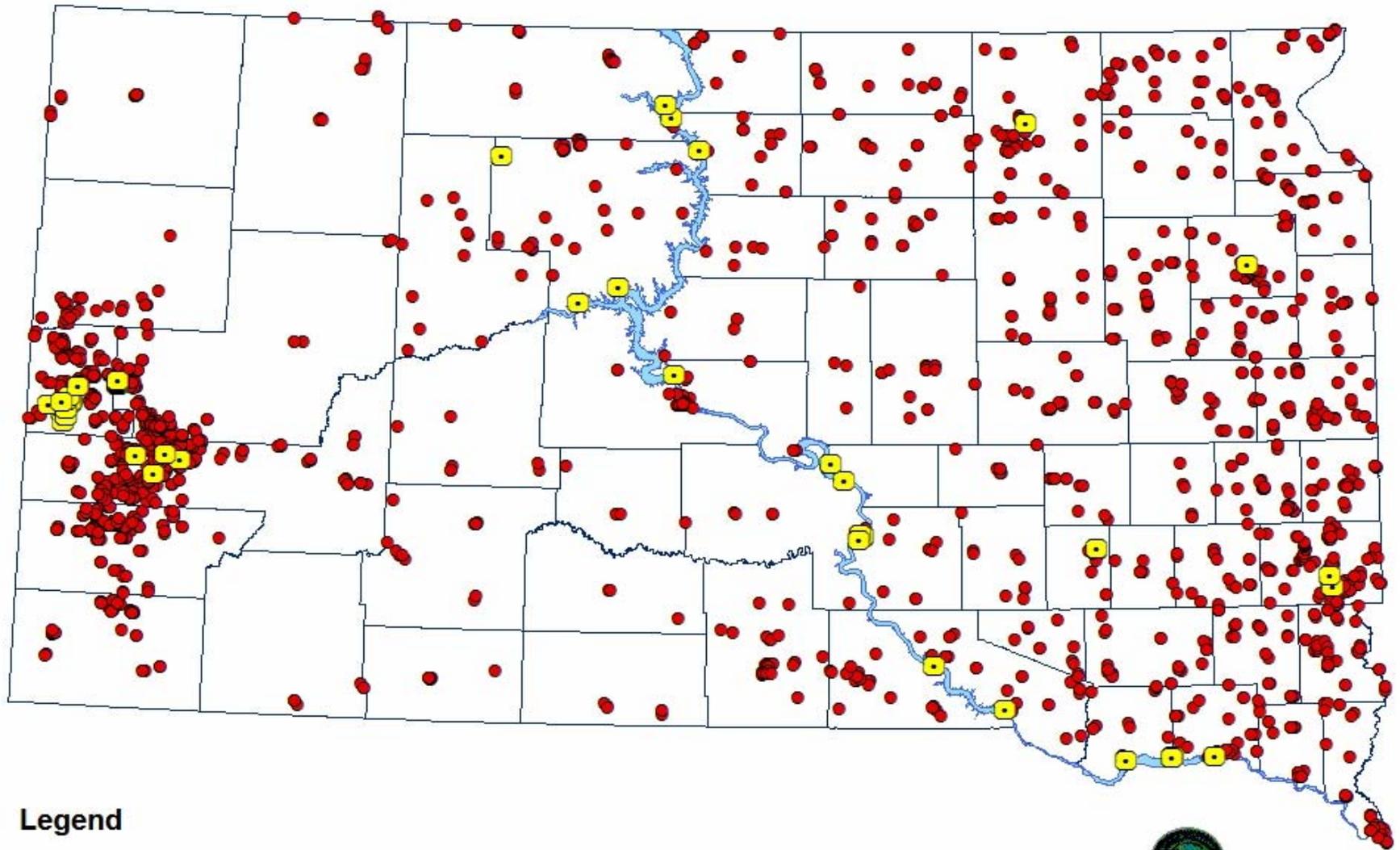
Ground Water Appropriations by Type of Use in South Dakota

(based on cubic feet of water per second)





Location of All Wells and Surface Water Intakes Used by Public Water Supply Systems in South Dakota

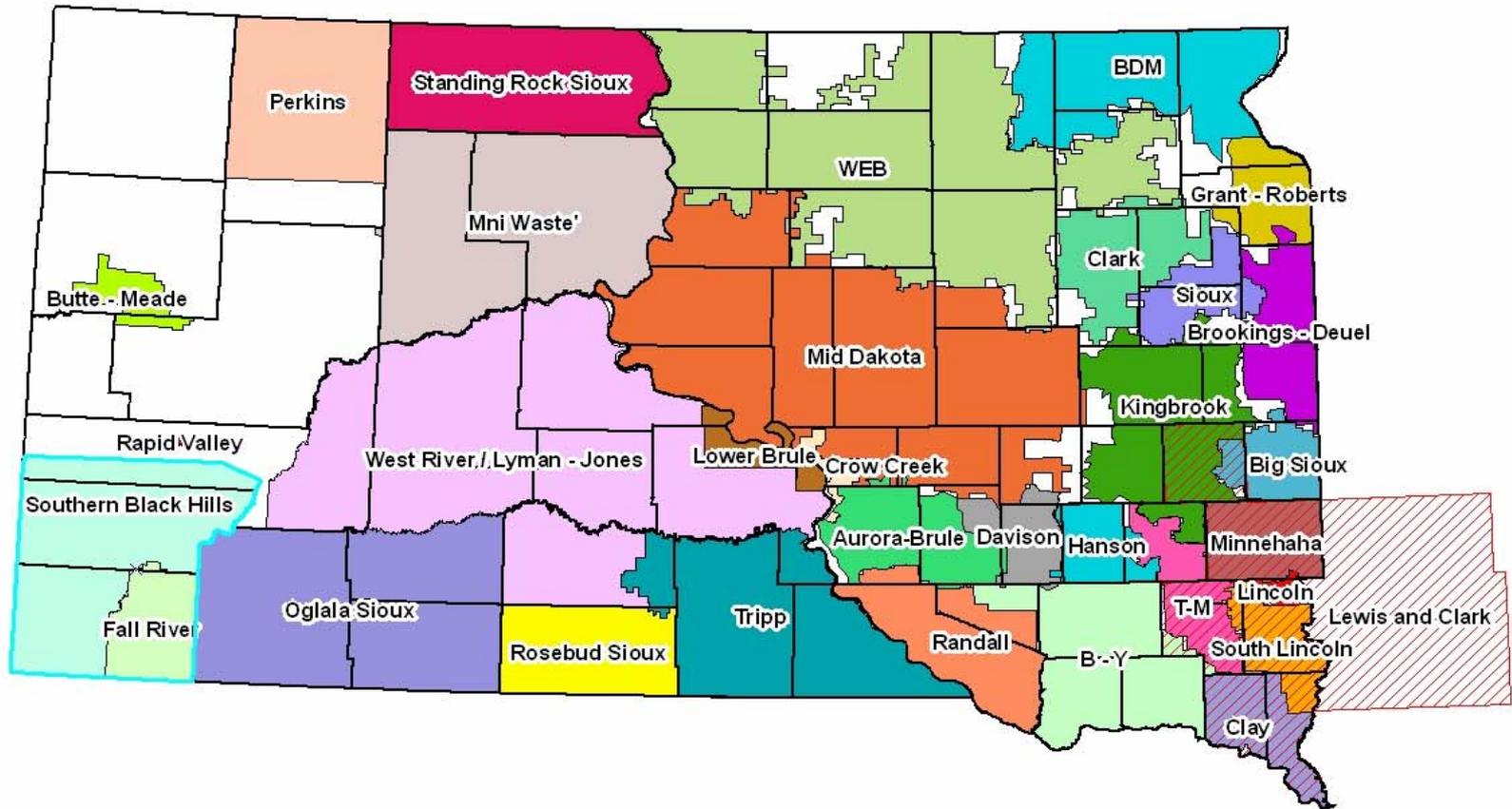


Legend

-  Surface Water Intake
-  Well



South Dakota Rural Water Systems



PROTECTING AIR QUALITY

**Entire state meets national air
quality standards**

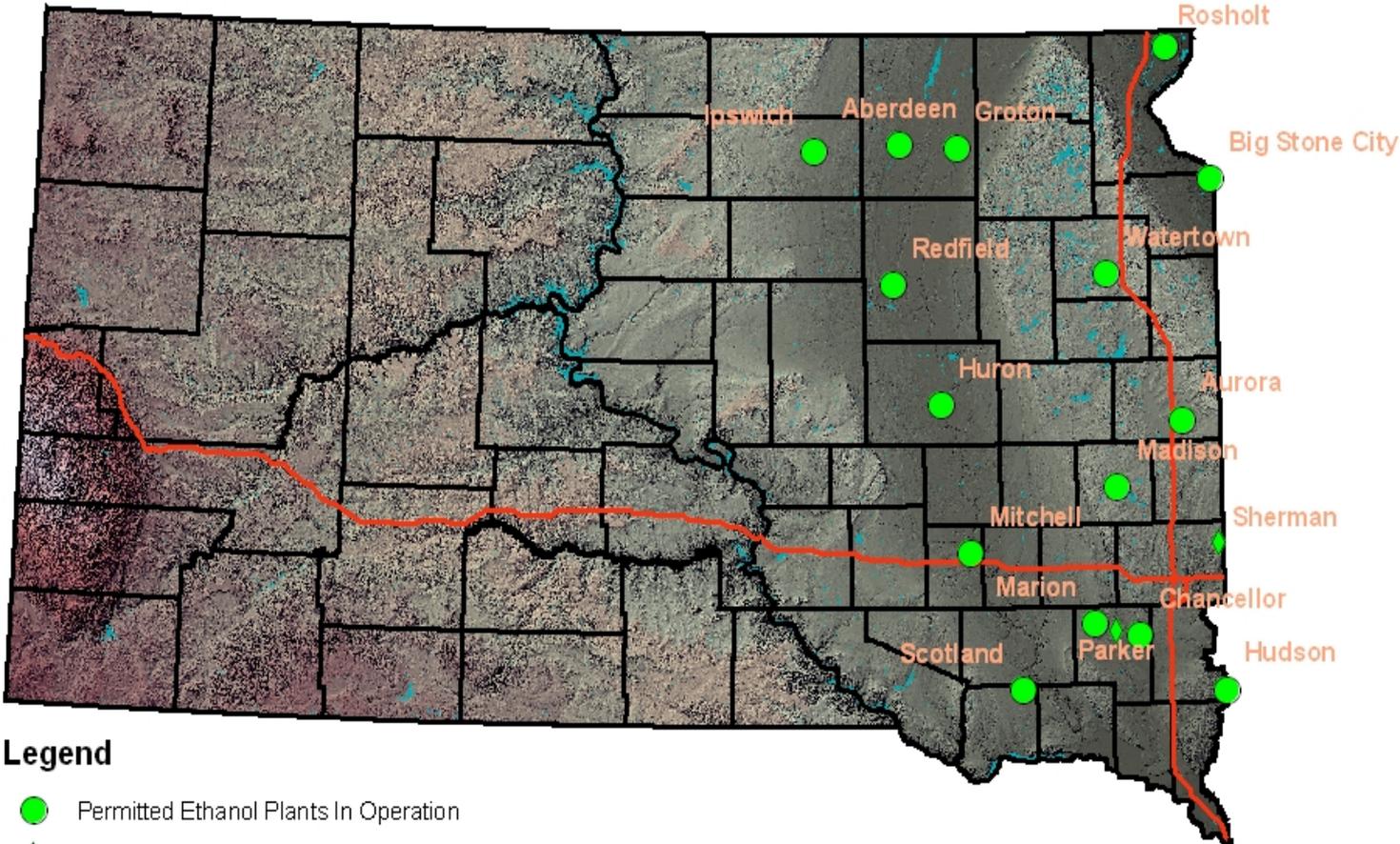
AIR QUALITY

- DENR issues permits to control and regulate air pollutants
- 618 sources of air pollution permitted
- Recent focus on energy projects

Ethanol Plants



Permitted Ethanol Production Facilities



Legend

- Permitted Ethanol Plants In Operation
- ◆ Permitted Ethanol Plants Not In Operation

Basin's NexGen 700 MGW Plant



Big Stone II 600 MGW Plant



Big Stone II 2008 Timeline

- January 2008 - DENR public noticed draft air permits
- April 2008 – DENR responded to all public comments and made final agency permit decisions
- May 2008 – Sierra Club/Clean Water Action contest permits
- July 16-17, 2008 – Board of Minerals and Environment tour Big Stone I; holds public input meeting in Milbank
- August 18-21, 2008 – contested case hearing begins
- August 26, 2008 – continuation of hearing
- September 24-26, 2008 – continuation of hearing
- November 20, 2008 – closing arguments; board unanimously approves permits
- December 18, 2008 - Sierra Club/Clean Water Action file Notice of Appeal to PSD permit in Sixth Circuit
- January 22, 2009 – EPA objects to Title V permit ³⁷

Hyperion Energy Center



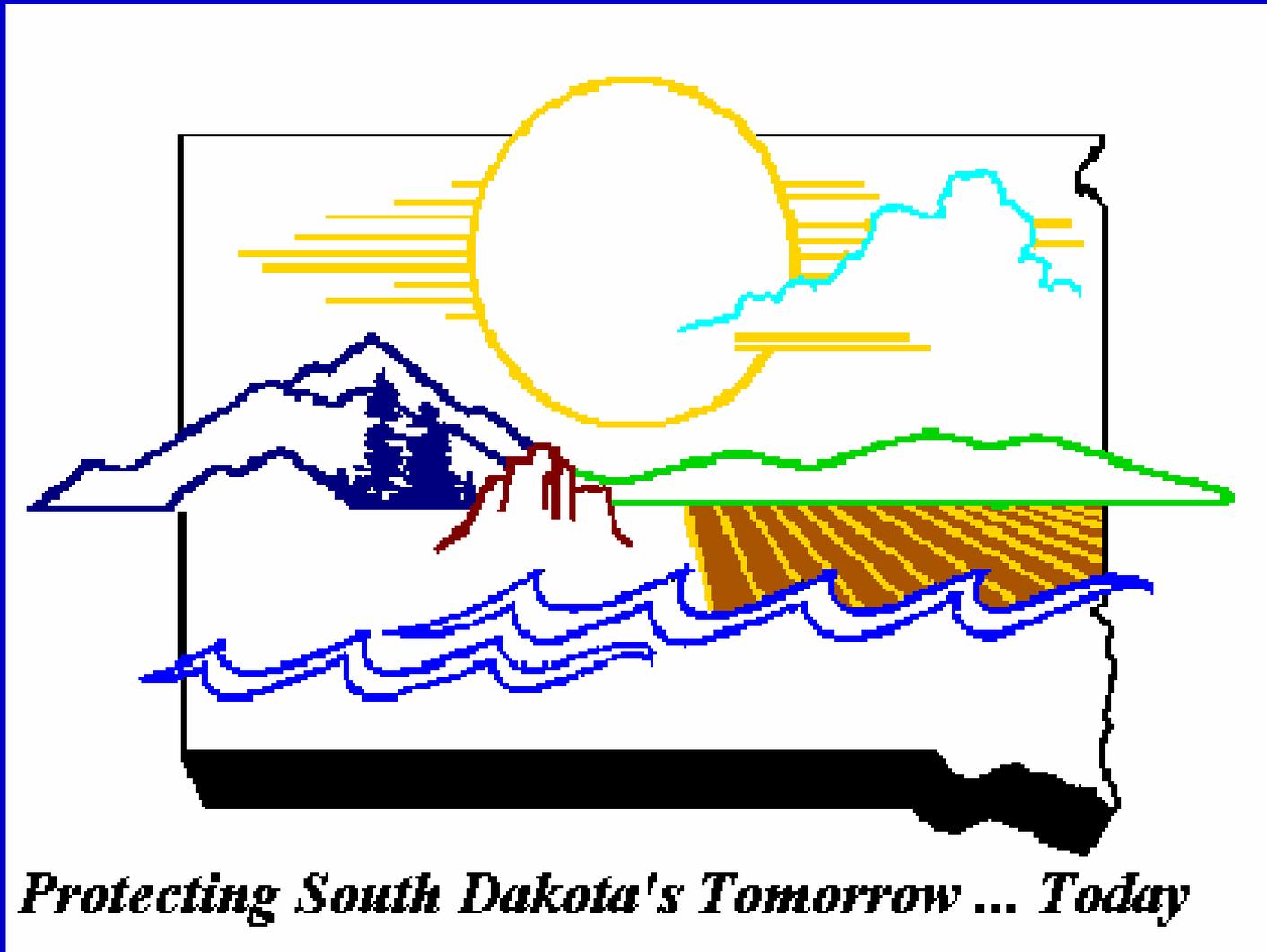
Hyperion Energy Center 2008 Timeline

- December 20, 2007 – Hyperion submitted 613 page application for air permit
- February 20, 2008 – application complete
- September 10, 2008 – DENR public notices draft permit
- October 2, 2008 – DENR extended public comment period another 31 days
- December 17, 2008 – DENR responds to comments received from 3,000 people; makes final agency decisions on permit
- January 12, 2009 – Sierra Club, Save Union County, and Citizens Opposed to Oil Pollution petition to oppose permit
- April 2009 – Board of Minerals and Environment will tour site and hold public input meeting in Elk Point

SUMMARY

- South Dakota enjoys a high quality environment
- DENR works hard to maintain our high quality environment together with a successful business climate

Future Challenges for DENR



Protecting South Dakota's Tomorrow ... Today

1. Lack of Water

- South Dakota is an arid state
- Prairie stream flows are seasonal
- Ground water supplies – limited; often naturally poor water quality

Solutions:

Use water monitoring data to make water management decisions that protect water supplies and uses

- Ground Water
- Quantity
- Surface Water
- Quality

2. Provide Water, Wastewater, & Solid Waste Facilities

Benefits:

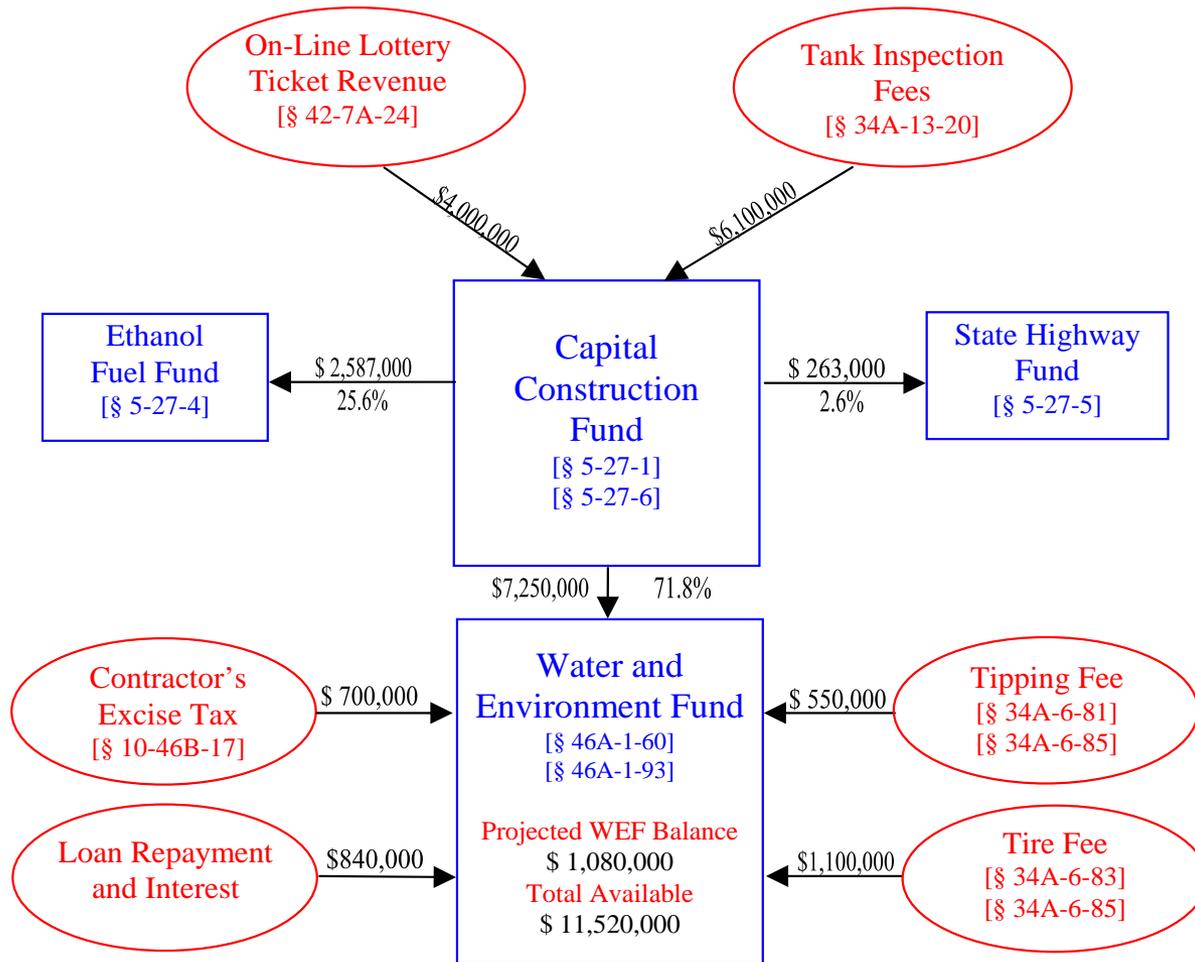
- Protect public health, such as 657 public drinking water systems
- Protect the environment
- Lay foundation for future growth

Solutions:

Use both state and federal funding assistance to help local projects:

- Federal partners – U.S. Environmental Protection Agency, Bureau of Reclamation, Army Corps of Engineers
- State water plan
- Governor's Annual Omnibus Water Funding bill

2009 Omnibus



3. Timely Environmental Permitting

- Governor Rounds' 2010 Initiative
 - promotes economic development
 - provide opportunities for children to stay, live, work and raise their families in SD
- Timely permitting is crucial to successful business climate

Solutions:

- One stop environmental permitting
 - discharge permits
 - air quality permits
 - solid waste permits
 - mine permits
 - oil/gas permits
 - water rights
- Provide highest customer service – exceed expectations of our customers
- People, experience, and technology – the tools for innovation & improvement

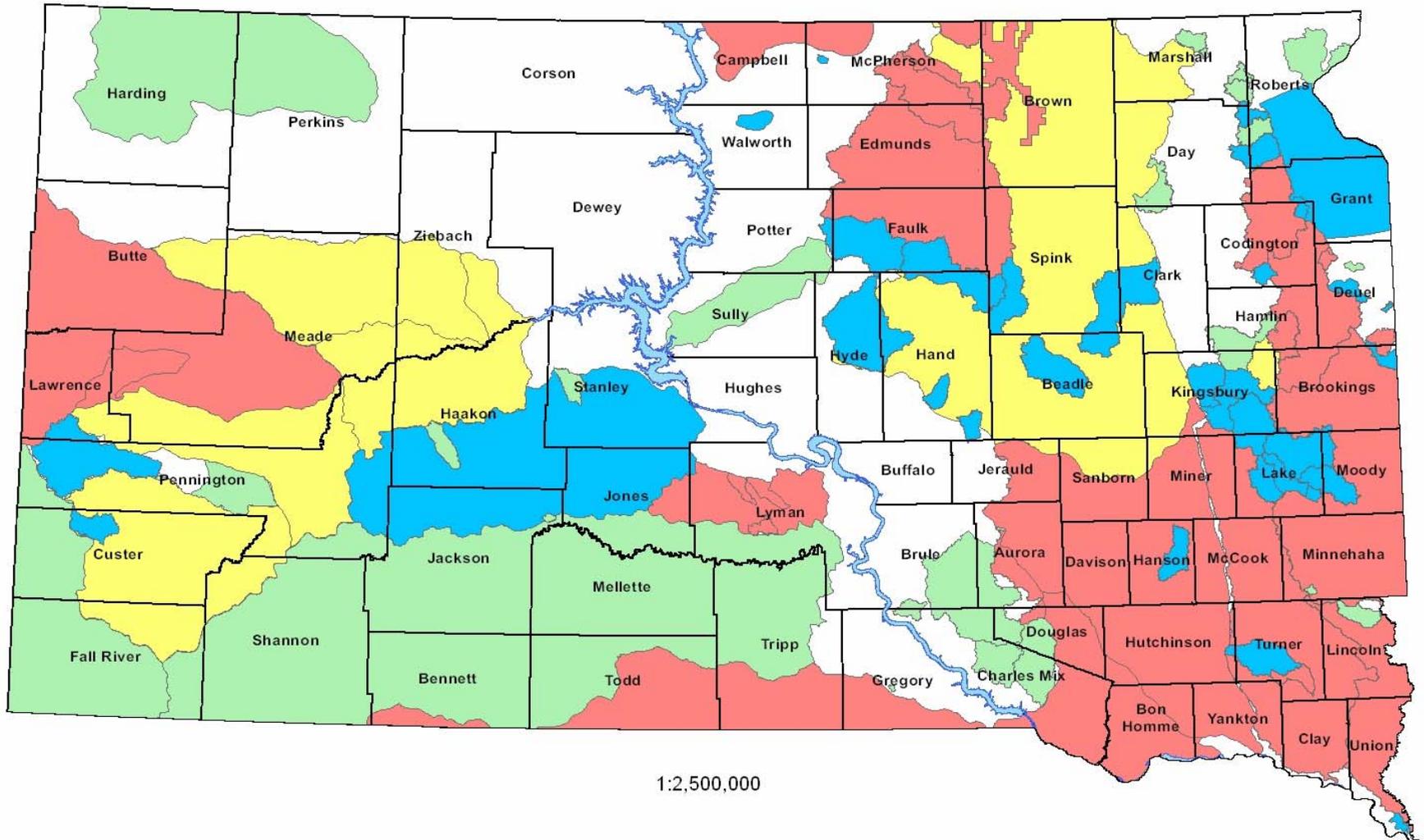
4. Total Maximum Daily Loads

- A Total Maximum Daily Load (TMDL) requires monitoring, data analysis, modeling, and calculations to establish pollutant loadings that a waterbody can carry, and not violate water standards
- 2008 SD list has 168 waterbodies

Solutions:

- Site specific standards
- Funding
- Locally led watershed projects

South Dakota Non-point Pollution Project Status



Project Status



5. Federal EPA Challenges/Projects

- Brohm Superfund Site
 - 60 percent of site still not reclaimed
- Regulatory rule changes
- Greenhouse gas emissions

Solutions:

- Identify innovative and cost effective methods for compliance
- Provide reality checks to EPA during federal program development
- Use any available flexibility to better fit federal programs to South Dakota

2009 LEGISLATIVE SESSION

- SB 22 – allow counties to borrow for solid waste facilities & receive loans vs. grants
- SB 40 – increase cap on mining spill bond from \$500,000 to \$1,000,000
- HB 1048 – DENR's fee bill
- HB 1238 - Governor's 2009 Omnibus Water Funding Bill
- DENR's 2010 recommended budget will allow us to get the job done