

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE  
SEPTEMBER 1, 2009**

**ITEM 3**

**SUBJECT**

CONSIDERATION OF A RESOLUTION TO EXTEND TIMEFRAMES FOR IMPLEMENTATION OF FEDERAL ECONOMIC RECOVERY LEGISLATION AND AUTHORIZE ONE PERCENT INTEREST/SERVICE RATE FOR DISADVANTAGED COMMUNITY (DAC) WASTEWATER PROJECTS FOR THE CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM

**DISCUSSION**

On March 17, 2009, the State Water Resources Control Board (State Water Board) adopted [Resolution 2009-0027](#) to provide direction to staff to implement the American Recovery and Reinvestment Act of 2009 (ARRA) for the CWSRF Program. Resolution 2009-0027 requires communities with median household income (MHI) less than 80 percent of statewide MHI wastewater (DAC Wastewater) projects to execute or have an executable financing agreement to be eligible for funding by September 1, 2009. It also establishes how any funds remaining after August 31, 2009, would be distributed. On June 16, 2009, the State Water Board adopted [Resolution 2009-0051](#) clarifying allocation of 15 percent of the ARRA subsidy funds and establishing the criteria and process for awarding ARRA funds to new expanded use (stormwater, estuary, and nonpoint source) projects until August 31, 2009.

The Division of Financial Assistance (Division) received an overwhelming number of applications for ARRA funds. Due to the increased workload associated with the applications and mandated staff furloughs, Division staff has not been able to process applications to meet the timeframes established by the State Water Board in Resolutions 2009-0027 and 2009-0051. The proposed resolution would extend the timeframe for DAC Wastewater and Expanded Use projects to execute or have an executable financing agreement until September 30, 2009. The resolution would adjust the dates for distributing remaining funds accordingly.

Resolution 2009-0027 also made one percent (1%) interest/service rate funding available for CWSRF projects until September 1, 2009. It was not completely clear in Resolutions 2009-0027 and 2009-0051 whether the 15 percent described above was in addition to the \$300 million allotted for one percent (1%) financing or whether it was to be subtracted from the \$300 million. Some of the DAC Wastewater projects receiving principal forgiveness financing also need one percent interest and service rate incentives in order to make the project viable. The proposed resolution authorizes up to \$42 million in additional CWSRF funding at one percent interest/service rate for DAC wastewater projects until September 30, 2009. Providing \$300 million for one percent (1%) financing will allow sufficient low interest funds for the remaining DAC ARRA projects.

## **POLICY ISSUE**

Should the State Water Board:

1. Extend to September 30, 2009, the date by which DAC Wastewater and expanded use projects must have an executed or executable financing agreement in order to receive ARRA subsidy funds?
2. Make ARRA subsidy funds that are not committed to DAC Wastewater, projects that lost previously committed state grant funding, or other expanded use projects available for distribution to all eligible applicants starting September 30, 2009?
3. Delegate to the Executive Director the responsibility in consultation with the State Water Board Chair and Vice-Chair to distribute uncommitted subsidy funds after September 30, 2009? Distribute uncommitted subsidy funds as determined by the Executive Director to eligible applicants that can submit an Approval of Award (AOA) request before January 1, 2010, and a copy of an executed construction contract before February 1, 2010?
4. Determine that any applicant with an executed debt obligation after October 1, 2008, that is otherwise eligible for ARRA funding is eligible for any remaining subsidy funds distributed in this manner?
5. Authorize up to \$42 million in additional CWSRF funding at one percent interest/service rate for DAC Wastewater projects until September 30, 2009?

## **FISCAL IMPACT**

The available CWSRF cash flow over the next four years, including ARRA funds is approximately \$1.064 billion according to current cash flow projections. Authorizing an additional \$42 million in one percent interest/service rate for DAC Wastewater projects will leave approximately \$1.022 billion for low interest financing over the next four years.

The economic recovery legislation provides up to four percent of the federal grant for state administrative costs. This will be sufficient to fund the necessary positions to implement the economic recovery legislation.

## **REGIONAL BOARD IMPACT**

Expenditure of the ARRA funds will support implementation of Regional Water Quality Control Boards' basin plans and enforcement efforts.

## **STAFF RECOMMENDATION**

The State Water Board should:

1. Extend to September 30, 2009, the date by which DAC Wastewater and expanded use projects must have an executed or executable financing agreement in order to receive ARRA subsidy funds;
2. Make ARRA subsidy funds that are not committed to DAC Wastewater, projects that lost previously committed state grant funding, or other expanded use projects available for distribution to all eligible applicants starting September 30, 2009;

3. Delegate to the Executive Director the responsibility in consultation with the State Water Board Chair and Vice-Chair to distribute uncommitted subsidy funds after September 30, 2009. Distribute uncommitted subsidy funds as determined by the Executive Director to eligible applicants that can submit an Approval of Award (AOA) request before January 1, 2010, and a copy of an executed construction contract before February 1, 2010;
4. Determine that any applicant with an executed debt obligation after October 1, 2008, that is otherwise eligible for ARRA funding is eligible for any remaining subsidy funds distributed in this manner; and
5. Authorize up to \$42 million in additional CWSRF funding at one percent interest/service rate for DAC Wastewater projects until September 30, 2009.

State Water Board action on this item will assist the Water Boards in reaching Goal 2, 4, 5 of the Strategic Plan Update: 2008-2012 to improve and protect groundwater quality in high-use basins by 2030; comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change, throughout California's water planning processes; improve transparency and accountability by ensuring that Water Board goals and actions are clear and accessible, by demonstrating and explaining results achieved with respect to the goals and resources available, by enhancing and improving accessibility of data and information, and by encouraging the creation of organizations or cooperative agreements that advance this goal, such as establishment of a statewide water data institute.

# DRAFT

## STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2009-

TO EXTEND TIMEFRAMES FOR IMPLEMENTATION OF FEDERAL ECONOMIC RECOVERY LEGISLATION AND AUTHORIZE ONE PERCENT INTEREST/SERVICE RATE FOR DISADVANTAGED COMMUNITY (DAC) WASTEWATER PROJECTS FOR THE CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM

### WHEREAS:

1. On March 17, 2009, the State Water Resources Control Board (State Water Board) adopted [Resolution 2009-0027](#) to provide direction to staff to implement the American Recovery and Reinvestment Act of 2009 (ARRA) for the CWSRF Program;
2. On June 16, 2009, the State Water Board adopted [Resolution 2009-0051](#) clarifying allocation of 15 percent of the ARRA subsidy funds and establishing the criteria and process for awarding ARRA funds to new expanded use (stormwater, estuary and nonpoint source) projects until August 31, 2009;
3. The Division of Financial Assistance (Division) received an overwhelming number of applications requesting ARRA funds;
4. The Division has not been able to process applications to meet the timeframes established in Resolutions 2009-0027 and 2009-0051 due to the ARRA workload and mandated furloughs; and
5. In order to use the subsidy funds, certain DAC wastewater applicants need one (1%) percent interest and service rate incentives to make the Project viable.

### THEREFORE BE IT RESOLVED THAT:

#### The State Water Board:

1. Extends to September 30, 2009 the date by which DAC Wastewater and expanded use projects must have an executed or executable financing agreement in order to receive ARRA subsidy funds;
2. Makes ARRA subsidy funds that are not committed to DAC Wastewater, projects that lost previously committed state grant funding, or other expanded use projects available for distribution to all eligible applicants starting September 30, 2009;
3. Delegates to the Executive Director the responsibility in consultation with the State Water Board Chair and Vice-Chair to distribute uncommitted subsidy funds after September 30, 2009. Distributes uncommitted subsidy funds as determined by the Executive Director to eligible applicants that can submit an Approval of Award (AOA) request before January 1, 2010, and a copy of an executed construction contract before February 1, 2010;

## **D R A F T**

4. Determines that any applicant with an executed debt obligation after October 1, 2008, that is otherwise eligible for ARRA funding is eligible for any remaining subsidy funds distributed in this manner; and
5. Authorizes up to \$42 million in additional CWSRF funding at one percent interest/service rate for DAC Wastewater projects until September 30, 2009.

### **CERTIFICATION**

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Board held on September 1, 2009.

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Jeanine Townsend  
Clerk to the Board