

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
AUGUST 18, 2021**

ITEM 7

SUBJECT

CONSIDERATION OF A RESOLUTION TO DELEGATE AUTHORITIES FOR THE ADMINISTRATION OF \$200 MILLION ALLOCATED FROM THE BUDGET ACT OF 2021 FOR DRINKING WATER AND WASTEWATER PROJECTS, AND \$50 MILLION ALLOCATED FOR THE NORTH CITY PROJECT – PURE WATER SAN DIEGO PROGRAM.

DISCUSSION

The Budget Act of 2021 (Senate Bill 129) appropriated \$1.385 billion to the State Water Resources Control Board (State Water Board) in Item 3940-106-0001 (the Infrastructure Appropriation), which must be encumbered by June 30, 2024 and is subject to budget control provisions. Of this amount, \$650 million is designated for drinking water projects, \$650 million for wastewater projects, \$50 million for a specified project implemented by the City of San Diego, and \$35 million for unspecified groundwater cleanup and water recycling projects. Per the Infrastructure Appropriation, drinking water project priority will be given to disadvantaged communities (DACs) and wastewater project priority will be given to septic-to-sewer conversions with local investment. In addition, up to ten (10) percent of the drinking water and wastewater funds may be used for technical assistance and capacity building in DACs.

The Infrastructure Appropriation funding for drinking water and wastewater projects may be administered consistent with eligibilities under the Drinking Water State Revolving Fund (DWSRF) or the Clean Water State Revolving Fund (CWSRF) programs implemented by the Division of Financial Assistance (DFA). Similarly, the remaining Infrastructure Appropriation funding is potentially consistent with the following existing funding programs implemented by DFA: the Groundwater Quality Funding Program, the Water Recycling Funding Program (WRFP), and the umbrella Safe and Affordable Funding for Equity and Resilience (SAFER) Program, which includes the DWSRF, funds available via the Safe and Affordable Drinking Water (SADW) Fund, the Cleanup and Abatement Account, and assorted other available drinking water funding sources. For administrative efficiency, or to ensure a project has sufficient funding, DFA will identify opportunities to combine funding from the Budget Act of 2021 appropriations with funding available from the aforementioned programs.

Funding from the Infrastructure Appropriation will primarily be awarded through grants. The proposed resolution would delegate necessary authorities for the administration of \$250 million of the allocations:

- \$100 million of the \$650 million available for drinking water planning, construction, and technical assistance projects for small DACs, expanded small DACs, and small non-DACs;
- \$100 million of the \$650 million available for wastewater planning, construction and technical assistance projects with priority given to septic-to-sewer conversions; and
- \$50 million to the City of San Diego for the project referenced in Section 10609.21 of the Water Code (North City Project – Pure Water San Diego Program).

The drinking water and wastewater funds from the Infrastructure Appropriation will be administered consistent with the eligibilities, conditions, and processes set forth in the 2021/22 DWSRF and CWSRF Intended Use Plans (IUPs), except that any programmatic or project-specific funding cap set forth in the IUPs shall be waived for the purposes of awarding the Infrastructure Appropriation funds, as are SRF cross-cutting compliance obligations or conditions that are inconsistent with the administration of the Infrastructure Appropriation.

DFA is working with the Division of Drinking Water (DDW), the Regional Water Quality Control Boards (Regional Water Boards), drinking water and wastewater system representatives, environmental justice (EJ) groups, and other stakeholders to develop an implementation plan for the State Water Board’s consideration in November/ December for the remaining drinking water and wastewater funds appropriated under the Infrastructure Appropriation.

POLICY ISSUE

Should the State Water Board:

1. Authorize the Deputy Director of DFA, or designee, to approve up to \$100 million of the Infrastructure Appropriation for planning, construction, or technical assistance grants for drinking water projects for small DACs, expanded small DACs, and small non-DACs, and execute agreements and amendments therefor, consistent with the eligibilities, conditions, and processes set forth in the state fiscal year 2021/22 Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP), except that any programmatic or project-specific funding cap set forth in the DWSRF IUP are waived for the purposes of awarding the Infrastructure Appropriation funds, as are DWSRF cross-cutting compliance obligations or conditions that are inconsistent with the administration of the Infrastructure Appropriation;
2. Authorize the Deputy Director of DFA, or designee, to approve up to \$100 million of the Infrastructure Appropriation for planning, construction, or technical assistance grants for wastewater projects, with priority given to septic-to-sewer conversions, and execute agreements and amendments therefor, consistent with

the eligibilities, conditions, and processes set forth in the state fiscal year 2021/22 Clean Water State Revolving Fund (CWSRF) Intended Use Plan (IUP), except that any programmatic or project-specific funding cap set forth in the CWSRF IUP shall be waived for the purposes of awarding the Infrastructure Appropriation Funds, as are CWSRF cross-cutting compliance obligations or conditions that are inconsistent with the administration of the Infrastructure Appropriation; and

3. Direct the Deputy Director of the DFA, or designee, to transfer \$50 million to the City of San Diego, for the project referenced in Section 10609.21 of the Water Code, consistent with the Infrastructure Appropriation.

FISCAL IMPACT

The Budget Act of 2021 allows for the State water Board to use up to five (5) percent of the amount appropriated for administrative costs. DFA may have to redirect staff from other funding programs to administer the funds.

REGIONAL WATER BOARD / DISTRICT OFFICE IMPACT

The DDW District Offices and the Regional Water Boards will assist in coordinating with impacted communities that are potentially eligible for funding. Drinking water funding will help public water systems finance the planning, design and construction of drinking water projects that will enable them to comply with State and federal safe drinking water standards enforced by the DDW and its Local Primacy Agencies. Wastewater funding will help municipalities and other eligible applicants finance projects to comply with Regional Water Boards' discharge requirements, address Regional Water Boards' enforcement orders, or contribute to Basin Plan goals.

RELATION TO OTHER POLICIES

State Water Board action on this item will assist the State Water Board in achieving the policy set forth in section 106.3 of the Water Code. Specifically, subdivision (a) of that section declares it is the established policy of the State that "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." State Water Board action on this item will also be in support of the State Water Board's public water system capacity development strategy and the goal of providing DWSRF funding to support Public Water Systems' technical, managerial and financial capacity.

Additionally, State Water Board action on this item will assist the State Water Board in reaching Goals 4 and 5 of the Strategic Plan to 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; and 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 creating of organizations or cooperative agreements that advance this goal, such as establishment of a statewide water data institute.

State Water Board action on this item will support State Water Board [Resolution No. 2017-0012](#), adopted on March 7, 2017, to establish a comprehensive and robust response to climate change that will support California's ongoing climate leadership. The State Water Board found that "given the magnitude of climate change impacts on California's hydrology and water systems, our response to climate change must be comprehensive and integrated into all Water Boards' actions."

Finally, State Water Board action on this item will support the [Governor's Executive Order B-40-17](#) of April 7, 2017, which includes provisions to maintain conservation as a way of life.

STAFF RECOMMENDATION

Staff recommends that the State Water Board adopt the proposed Resolution.