STATE OF CALIFORNIA
REGIONAL WATER QUALITY CONTROL BOARD
SAN FRANCISCO BAY REGION

STAFF SUMMARY REPORT: Celina Hernandez
MEETING DATE: August 12, 2026

ITEM: 6

Department of Defense Cleanup Program – Funding Challenges and Program Impacts

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Department of Defense Cleanup Program – Funding Challenges and Program Impacts

DISCUSSION:

The focus of this update is on funding challenges in the Department of Defense (DoD) Cleanup Program, which is currently funded at about 50 percent. Funding constraints have reduced regulatory oversight capacity, delayed Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) cleanup milestones, and extended property transfer schedules at multiple DoD facilities. This update provides an overview of the DoD Cleanup Program, the funding process and constraints, and associated program impacts. The last update on the DoD Cleanup Program was in February 2024.

Program Overview

The San Francisco Bay Water Board has 9 DoD Cleanup Program staff across 2 sections in the Groundwater Protection and Waste Containment Division. We previously had 12 DoD Cleanup Program staff, but since February 2024, 2 positions were eliminated. We also have 2 section supervisors and the division manager working in the DoD Cleanup Program. DoD Cleanup Program staff also manage cases in the Site Cleanup Program and Underground Storage Tank Program.

The program is funded to work on 17 facilities during fiscal years (FY) 2026-27 and 2027-28 (July 1, 2026, through June 30, 2028). Funding is provided by Components (Navy, Air Force, Army, Defense Energy Support Center [DESC], and Formerly Used Defense Sites [FUDS]) and is allocated through the following funding programs:

- Base Realignment and Closure (BRAC): Funds environmental investigation and cleanup activities at closed facilities to support property transfer to local communities for reuse.

- Installation Restoration (IR): Funds environmental investigation, cleanup, and long-term management activities at active and non-BRAC closed military facilities.

- Military Munitions Response Program (MMRP): Funds the investigation and cleanup of sites contaminated by unexploded ordnance, discarded military munitions, and munitions constituents.

The facilities are progressing through the following phases of the CERCLA investigation and cleanup process: Preliminary Assessment, Site Inspection, Remedial Investigation, Feasibility Study, Proposed Plan, Record of Decision, Remedial Design, Remedial Action, Long-Term Management, and Site Closeout.

Table 1. Funded DoD Cleanup Program Facilities FY 2026-28

Facilities	City	Component	Closed/ Active	Funding Source		
				BRAC	IR	MMRP
1. Fort Baker	Sausalito	Army	Closed	X		
2. Oakland Army Base	Oakland	Army	Closed	X		
3. Fort McDowell (Angel Island)	Tiburon	FUDS	Closed	X		
4. Alameda Naval Air Station	Alameda	Navy	Closed	X		
5. Concord Naval Weapons Station	Concord	Navy	Closed	X		
6. Hunters Point Naval Shipyard	San Francisco	Navy	Closed	X		
7. Mare Island Naval Shipyard	Vallejo	Navy	Closed	X		
8. Moffett Field Naval Air Station	Mountain View	Navy	Closed	X		
9. Point Molate Naval Supply Center	Richmond	Navy	Closed	X		
10. Treasure Island Naval Station	San Francisco	Navy	Closed	X		
11. Military Ocean Terminal Concord	Concord	Army	Active		X	X
12. Parks Reserve Forces Training Area	Dublin	Army	Active		X	
13. Hayward Municipal Airport Air National Guard	Hayward	Air Force	Closed		X	
14. Moffett Air National Guard	Mountain View	Air Force	Active		X	
15. Travis Air Force Base	Fairfield	Air Force	Active		X	
		DESC			X	
16. Point Ozol Defense Fuel Support	Martinez	DESC	Closed		X	
17. Hamilton Army Airfield	Novato	FUDS	Closed		X	

DoD Cleanup Program Funding Process

The State's program is implemented pursuant to the Department of Defense and State Memorandum of Agreement (DSMOA), which establishes the framework for reimbursing State regulatory agencies for oversight activities associated with environmental cleanup at DoD facilities. Funding is provided through a two-year Cooperative Agreement between the State and DoD. To obtain reimbursement, the State must complete a six-step DSMOA funding process involving participating State agencies, DoD Components, and the U.S. Army Corps of Engineers (USACE).

The State regulatory agencies participating in DSMOA include the Department of Toxic Substances Control (DTSC), State Water Resources Control Board (State Water Board) and Regional Water Quality Control Boards (collectively, Water Boards), California Department of Public Health, and California Department of Fish and Wildlife. DTSC serves as the State's DSMOA coordinator and is responsible for coordinating statewide funding activities, including preparation and submittal of the State's funding application, coordination of invoicing, and compilation of performance reports for oversight activities conducted by participating State agencies.

The DSMOA six-step process generally takes one year to complete and involves coordination among the State agencies and DoD Components, including the Navy, Air Force, and Army. The steps are completed using the DoD DSMOA Portal, a secure, web-based system operated by USACE on behalf of DoD. The State Water Board coordinates completion of the DSMOA process for the Regional Water Boards. As part of this process, the State Water Board reviews the budget estimates submitted during Step 3 to ensure consistency with the State Water Board's budget requirements and compiles the Regional Water Boards' funding requests for inclusion in the State's Cooperative Agreement application submitted to DTSC. DTSC submits the Cooperative Agreement application to DoD and executes the final Cooperative Agreement with DoD on behalf of the participating State agencies.

The DSMOA six-step process is summarized below:

Step	Process	Duration	Objective
1	State Election	July	State elects to participate in the upcoming two-year DSMOA cycle.
2	Joint Execution Plans	August-December	Project managers develop project scopes and schedules with DoD Components.
3	State Budget Estimates	January-February	State agencies complete Resource Estimation Worksheets (REWs) to estimate resources needed to complete project scopes identified in the Joint Execution Plans.
4	DoD Component Review	February-March	DoD Components review and approve facility-specific budgets.

Step	Process	Duration	Objective
5	State Application Submission	March-April	DTSC prepares and submits the State’s Cooperative Agreement Application to DoD.
6	Cooperative Agreement Award	May-June	DoD finalizes and awards funding effective July 1.

The Cooperative Agreement requires the State to notify DoD when expenditures are approaching 80 percent of the obligated amount for any Component and funding source (e.g., Army BRAC). This notification serves as a standardized mechanism for requesting additional funding and helps ensure the State does not incur costs exceeding the obligated amount. The State submits these notifications through DTSC.

The Cooperative Agreement may be amended during the two-year period, as needed. Funding is not provided to the State as a single lump sum; rather, it is distributed throughout the Cooperative Agreement period as funds become available from the DoD. Additionally, funding types are not interchangeable and may only be used for the purposes authorized under the Cooperative Agreement. For example, Army IR funds could not be used for Army BRAC facilities or Navy BRAC facilities.

Each participating State agency is responsible for submitting invoices and providing program updates to DTSC. The State Water Board coordinates with DTSC regarding Regional Water Board program updates, budget tracking, and the distribution of State agency invoices for eligible oversight costs to the applicable DoD Components.

State and Regional Water Board Funding and Staffing

Before the DoD awards funding to the State through the Cooperative Agreement, the State Water Board must adopt a resolution establishing the reimbursement limit and authorizing the Executive Director to execute an Interagency Agreement with DTSC. After the Cooperative Agreement is executed between the DTSC and DoD, the State Water Board and DTSC enter into a two-year Interagency Agreement that establishes the mechanism for reimbursing eligible regulatory oversight activities conducted by the State and Regional Water Boards at DoD facilities.

The adopted resolution establishes the maximum amount of DSMOA funds the Water Boards may receive. This functions as a budget cap because eligible oversight costs cannot be reimbursed above the amount authorized in the resolution. For many years, the budget cap did not keep pace with inflation, salary increases, and the actual workload identified through the DSMOA funding process. As a result, authorized funding has been insufficient to support the Water Boards’ statewide allocation of 38.1 personnel years (PY) for the DoD Cleanup Program.

In 2022, State Water Board adopted Resolution No. 2022-0011 (https://www.waterboards.ca.gov/board_decisions/adopted_orders/resolutions/2022/rs2022_0011.pdf) establishing a budget cap of $8.5 million per year for FY 2022-23 through FY 2025-26. However, the facility-level budget estimates developed during Step 3 of the DSMOA process consistently exceeded this amount. To remain within this authorized funding level, the State Water Board reduces the estimated budgets developed by the Regional Water Boards before submitting the estimates to DTSC to be included in the State's Cooperative Agreement application to DoD.

In 2026, recognizing increasing staffing costs and cost-of-living adjustments, the State Water Board adopted Resolution No. 2026-0004 (waterboards.ca.gov/board_decisions/adopted_orders/resolutions/2026/rs2026-0004.pdf), increasing the budget cap to $10.5 million per year for FYs 2026-27 and 2027-28. Although this represents a significant increase, it remains well below the amount needed to support the Water Boards' full allocation of 38.1 PY and currently funds only about 28 PY. The State Water Board intends to continue increasing the budget cap in future funding cycles with the long-term goal of fully funding the DoD Cleanup Program.

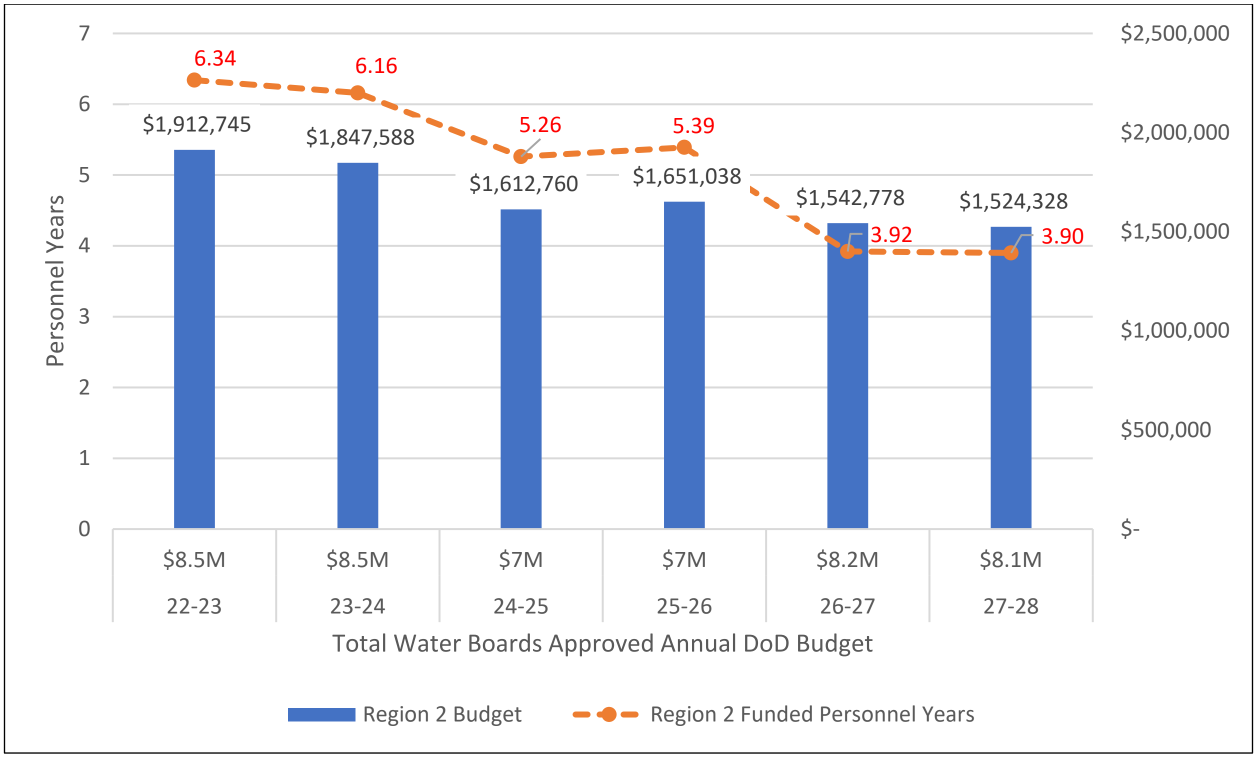
The Water Boards' authorized staffing allocation for the DoD Cleanup Program is 38.1 PY statewide. Table 2 summarizes the allocation among Regional Water Boards and support provided by the State Water Board. The San Francisco Bay Water Board has the largest allocation (7.8 PY), reflecting the number and complexity of DoD cleanup sites within the region.

Table 2. Water Boards DoD Cleanup Program Personnel Year Allocation

Department	**PY Allocation**
Division of Water Quality	2.3
Office of Chief Counsel	0.2
Region 1 (North Coast)	0.1
Region 2 (San Francisco Bay)	7.8
Region 3 (Central Coast)	4.4
Region 4 (Los Angeles)	3.2
Region 5 (Central Valley)	5.2
Region 6 (Lahontan)	6.6
Region 7 (Colorado River Basin)	1.0
Region 8 (Santa Ana)	1.7
Region 9 (San Diego)	5.6
Total	**38.1**

Figure 1 illustrates the Water Boards' annual statewide approved DoD funding, the San Francisco Bay Water Board's funding, and the San Francisco Bay Water Board's funded staffing levels over the last three two-year DSMOA funding cycles. Although our region is allocated 7.8 PY, actual funding has steadily declined. The figure shows that funded positions declined from about 6.3 PY in FY 2022-23 to about 3.9 PY in FY 2027-28. The figure also illustrates that despite the State Water Board's action in 2026 to raise the budget cap from $8.5 million to $10.5 million, the DoD Cleanup Program continues to be underfunded by the DoD Components. Approved statewide funding in FY 2022-24 was $8.5 million per year; in FY 2024-26 was $7 million per year; and in FY 2026-28 was $8.2 million in year 1 and $8.1 million in year 2.

Figure 1. Water Boards Statewide DoD Funding and San Francisco Bay Water Board Funding and Funded Personnel Years (FYs 2022-23 through 2027-28)



Funding reductions occur at two levels. First, the State Water Board reduces Regional Water Board budget estimates developed during Step 3 of the DSMOA process to remain within the authorized budget cap. For example, for FYs 2024-26, the Water Boards estimated a funding need of approximately $25.4 million over the two-year period but were only able to request $17 million ($8.5 million per year), a 33 percent reduction. Similarly, for FYs 2026-28, the Water Boards estimated a funding need of approximately $22.4 million over the two-year period but were only able to request $21 million ($10.5 million per year), a 6 percent reduction.

Second, DoD may not award the entire amount requested by the State. This occurred in both of the last two funding cycles. For FYs 2024-26, the Water Boards requested approximately $8.5 million per year statewide, but DoD awarded only $7 million per year, an 18 percent reduction. For FYs 2026-28, the State requested approximately $10.5 million per year, but DoD awarded only $8.2 million in year 1 and $8.1 million in year 2, a 22 percent reduction. For FYs 2026-28, facility-specific reductions from requested funding range from 34 to 53 percent. All Army facility funding was reduced by approximately 52 percent, and Hunters Point Naval Shipyard funding was reduced by 53 percent.

In addition to reduced funding, the State Water Board implemented significant changes during the current funding cycle (FYs 2026-28) to improve the methodology used to convert budgeted dollars into funded PY. Historically, indirect costs were substantially underestimated. As a result, Regional Water Boards routinely exhausted their funded hours more quickly than anticipated because actual costs exceeded the estimates used to calculate funded hours. For this reason, the figure shows a dramatic 27 percent decrease in our region's PY from FYs 2024-26 to FYs 2026-28, while the actual budget amount is only reduced by about 6 percent, from about $1.6 million to $1.5 million per year.

Collectively, these funding limitations have significantly reduced the Water Boards' oversight capacity, requiring reductions in project scope, delayed regulatory review, and reprioritization of work across DoD facilities.

National DoD Funding and Staffing Constraints

The federal government is also facing funding and staffing constraints that affect DoD Cleanup Program implementation. DoD has informed the State that national budget reductions—approximately $800 million—are resulting in a focus on only the highest priority environmental restoration activities. Based on discussions with DoD, current priorities include:

- Addressing PFAS impacts in drinking water
- Monitoring and implementation of existing remedies

In addition to funding reductions, DoD has experienced significant staffing reductions and organizational changes. These changes have affected DoD teams responsible for environmental cleanup, reducing capacity for project coordination, regulatory engagement, and cleanup progress.

Program Impacts

The two primary funding constraints, the State Water Board budget cap and reductions in DoD funding, have reduced the Water Boards' capacity to provide regulatory oversight of the investigation and cleanup activities at DoD facilities:

- Facility-level scopes must be modified or reduced to fit within available funding.
- Some oversight activities must be delayed, deferred, or reprioritized.
- Oversight activities at certain facilities may pause late in the fiscal year when expenditures approach the 80 percent threshold.
- Staff must increasingly shift time to non-DoD programs to remain fully utilized.

These funding constraints have slowed progress across multiple CERCLA phases, including site inspection, remedial investigation, feasibility study, remedial design, and remedial action. As a result, cleanup schedules, regulatory milestones, and property transfer timelines may be delayed, extending the duration of environmental cleanup and redevelopment activities. These impacts are most pronounced at Navy BRAC facilities, which comprise 55 percent of the San Francisco Bay Water Board's facilities and have experienced some of the largest funding reductions. The following sections describe specific examples related to stop-work directives, workload redistribution, and prioritization of regulatory activities.

Stop Work

As available funding has become more constrained, the program has increasingly encountered situations where planned oversight activities cannot continue through the full fiscal year. One of the most significant consequences has been the need to implement formal stop-work directives when expenditures approach the 80 percent threshold established in the Cooperative Agreement. To remain within available funding limits, the State Water Board has issued three statewide stop-work directives:

- On March 26, 2025, the State Water Board directed DoD Cleanup Program staff statewide to stop work on Navy BRAC facilities effective April 1 through June 30, 2025. This directive affected oversight activities at seven facilities, including the Treasure Island Naval Station and Hunters Point Naval Shipyard.

- On April 9, 2026, the State Water Board directed DoD Cleanup Program staff statewide to stop work on Army IR facilities effective April 1 through June 30, 2026. This directive affected oversight activities at two facilities in the San Francisco Bay Region: Military Ocean Terminal Concord and Parks Reserve Forces Training Area in Dublin.

- On June 30, 2026, the State Water Board directed DoD Cleanup Program staff statewide to continue temporarily pausing work on Army IR and MMRP facilities because Army funding had not yet been provided to the State.

These stop-work periods are a direct consequence of insufficient funding. Despite the program meeting all planning requirements through the DSMOA process, available funding was insufficient to sustain continuous oversight throughout the year.

In response, State Water Board management elevated these budget concerns to the Division of Water Quality's executive leadership. Management is evaluating longer-term strategies, including potential use of the DSMOA dispute resolution process, to address persistent underfunding and ensure regulatory oversight commitments can be met.

Workload Redistribution

The funding limitations have required significant adjustments to how staff allocate their time. When DoD oversight work must pause—either because of stop-work directives or because funding for specific facilities has been exhausted—staff shift their efforts to other Water Board programs to remain fully utilized. Historically, DoD Cleanup Program staff spent about 30 percent of their time supporting the Site Cleanup Program. Under current budget constraints, staff are now managing substantially more Site Cleanup Program cases, as well as work in the Underground Storage Tank Program and National Pollutant Discharge Elimination System Program. While shifting staff to other Water Board programs maintains staff productivity and supports other program priorities, it reduces the DoD Cleanup Program's capacity to provide consistent oversight at DoD facilities and ensure our commitments are met.

Prioritization of Regulatory Activities

Reduced funding and staffing also require reconsideration of how work is prioritized across facilities. While Joint Execution Plans identify the full scope of regulatory oversight needed, current funding levels allow only a subset of that work to proceed within a given fiscal year. As a result, critical oversight activities have been delayed or postponed, affecting site investigations, remediation, and property transfers, as illustrated by the examples below.

- **Travis Air Force Base (Air Force):** An insufficient site cleanup budget has resulted in delays for both on-base and off-base PFAS investigations, postponing remediation and extending the timeline for addressing PFAS impacts. The Air Force currently expects to complete base-wide PFAS remediation by December 2070. Our staff are proactively collaborating with the Air Force to find ways to accelerate the cleanup schedule and push for short-term actions that minimize PFAS discharges to surface waters and offsite groundwater users' exposure to unsafe drinking water.

- **Hunters Point Naval Shipyard (Navy BRAC):** Review of two remedial action completion reports and four petroleum site closure reports has been postponed, and data collection for the PFAS remedial investigation has been protracted because the Navy is taking a phased sampling approach. These delays will extend the PFAS remedial investigation schedule and impact the schedules for subsequent CERCLA phases and property transfers. In addition, unexpected issues have become a frequent occurrence requiring additional staff time not accounted for in the budget, such as the discovery of hazardous and radiological materials at Building 400, plutonium detected during air perimeter monitoring, laboratory quality control discrepancies, the partial collapse of the Parcel C shoreline into the Bay, and as recently as last month, a fire at the landfill.

- **Treasure Island Naval Station (Navy BRAC):** Delays in preparing and reviewing PFAS investigation reports and feasibility studies, as well as petroleum site closure documents, will slow cleanup progress and postpone property transfers. Addressing the ongoing Site 6 PFAS discharge to surface water has been deprioritized as the Navy shifts limited resources nationwide to address PFAS impacts to drinking water supplies. Overall, cleanup activities have slowed significantly due to significant reductions in Navy staffing. To improve efficiency, Water Board, DTSC, and Navy staff have streamlined the document review process by holding informal discussions before formal submittals. This has expedited document review cycles and final document approval where possible.

- **Alameda Naval Air Station (Navy BRAC):** Oversight of petroleum sites has been postponed for at least two years. Consequently, no petroleum oversight work is expected to occur during the current two-year funding period, further delaying property transfer.

These delays are not caused by a lack of technical readiness or identified cleanup needs. Rather, they are a direct consequence of constrained funding. As a result, progress through the CERCLA phases—including investigation, remediation, and property transfer—has been slowed, delaying environmental cleanup and development for community beneficial reuse.

Future Considerations

Funding for DoD cleanup oversight is expected to remain constrained in the foreseeable future. Continued collaboration among the Water Boards, DTSC, and DoD will be crucial to address funding gaps and meet statewide oversight needs. Despite these challenges, we remain committed to fulfilling the Water Board's mission. We will monitor workloads, track deferred tasks, and maintain communication with state agencies and the DoD. By prioritizing efforts and collaborating, we aim to sustain effective oversight and adapt as needed. Staff will update the Board as discussions progress and new information emerges.