

February 9, 2022

Honorable Nancy Skinner, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Phil Ting, Chair
Assembly Budget Committee

Honorable Anthony Portantino, Chair
Senate Appropriations Committee

Honorable Chris R. Holden, Chair
Assembly Appropriations Committee

Section 28.00—U.S. Environmental Protection Agency Public Water System Supervision Program Grant

Pursuant to the provisions of Section 28.00, 2020 Budget Act, the following report is respectfully submitted.

The Department of Finance has received the attached section 28.00 application from the State Water Resources Control Board for \$652,000 for the purpose of fully expending federal funds needed to protect the public health of both residents and visitors to the State of California, by overseeing that public water systems provide safe drinking water in compliance with Safe Drinking Water regulations.

The State Water Resources Control Board received official notification of the availability of additional, unanticipated funds on July 12, 2021, but did not notify Finance within 45 days of this date. Pursuant to subdivision (e) of Section 28.00, the agency's written explanation of the delayed notification is attached.

This request meets the following criteria, as required in subdivision (b) of Section 28.00:

- The funds will be expended to support the delivery of water supply that meets requirements of the national primary drinking water regulations as set forth in 40 Code of Federal Regulations, Part 141 to protect public health and to maintain primary enforcement authority, which is consistent with state law.
- The funds are made available to the state under conditions permitting their use only for the specified purpose, and the additional expenditure proposed would apply to this specified funding purpose.
- Acceptance of the additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.
- The need exists to expend the additional funding during the current fiscal year because the Public Water System Supervision Grant funds approximately 17 percent

of Drinking Water Program expenditures. Drinking Water Program revenues for current year are not sufficient to support the Program without these funds.

The Department of Finance respectfully request a waiver of the 30-day notice requirement. Without the increased spending authority, closing past year financials for fiscal year 2020-21 will potentially cause additional delays and prevent drawing down funds from the Federal Trust Fund to pay for expenditures as planned.

If you have any questions or need additional information regarding this matter, please call Krystal Acierto, Principal Program Budget Analyst, at (916) 324-0043.

KEELY MARTIN BOSLER

Director

By:



ERIKA LI

Chief Deputy Director

Attachment

CC: Honorable Richard Bloom, Chair, Assembly Budget Subcommittee No. 3
Honorable Bob Wieckowski, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Vince Fong, Vice Chair, Assembly Budget Committee
Gabriel Petek, Legislative Analyst (3)
Joe Stephenshaw, Staff Director, Senate Budget and Fiscal Review Committee
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Senate President pro Tempore's Office (2)
Christian Griffith, Chief Consultant, Assembly Budget Committee
Joseph Shinstock, Fiscal Director, Assembly Republican Caucus, Office of Policy and Budget
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office
Luigi Luciano, Legislative Director, Assembly Republican Leader's Office
Jason Sisney, Assembly Speaker's Office (2)
Mark McKenzie, Staff Director, Senate Appropriations Committee
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee
Jared Blumenfeld, Secretary, California Environmental Protection Agency
Eric Jarvis, Assistant Secretary, California Environmental Protection Agency
Eileen Sobek, Executive Director, State Water Resources Control Board
Ryan Wilson, Budget Officer, State Water Resources Control Board

State Water Resources Control Board

TO: Andrew Hull
Department of Finance

FROM: John Russell
Deputy Director
DIVISION OF ADMINISTRATIVE SERVICES

DATE: December 31, 2021

SUBJECT: Section Letter 28.00 Request Augmentation to the 2020-21 and 2021-22 Federal Trust Fund (Fund 0890)

The California State Water Resources Control Board's (State Water Boards) Division of Administrative Services is requesting an augmentation to the spending authority for the Federal Trust Fund (FTF), Drinking Water Quality Program for fiscal years 2020-21 and 2021-22, to align with awarded federal grant agreements with the United States Environmental Protection Agency (USEPA).

Annually the State Water Board applies for the USEPA Public Water System Supervision (PWSS) program grant, and the objective of this program is to ensure the full and effective administration of the PWSS program (pursuant to Safe Drinking Water Act (SDWA) section 1443(a)) under the primacy provisions of Title 40 Code of Federal Regulations (CFR), part 142, to help ensure the delivery of water supply that meets all requirements of the national primary drinking water regulations as set forth in 40 CFR, Part 141 to protect public health, and to maintain primary enforcement authority. The purpose of the activities funded by this grant is to protect the public health of both residents and visitors to the State of California, by ensuring that public water systems provide safe drinking water through compliance with Safe Drinking Water regulations.

The 2020-21 Budget Act originally contained sufficient authority in the amount of \$7,230,000 in Federal Trust Fund appropriation to cover the projected PWSS grant award amount of \$7,126,000. However, two 2020-21 Budget Letters, (BL) 20-33 Employee Compensation Reduction and BL 20-34 Employee Compensation Adjustment – Item 9800, reduced \$652,000 in the Federal Trust Fund authority and resulted in complication with closing the 2020-21 financial statements due having insufficient authority to align with the PWSS grant award. This was not noticed and corrected earlier as a result of delays in closing financials for the 2020-21 fiscal year. These delays can

E. JOAQUIN ESQUIVEL, CHAIR | EILEEN SOBECK, EXECUTIVE DIRECTOR

be attributed to a combination of the Waterboard transitioning to a new financial system while concurrently experiencing an unusually high vacancy rate in the Accounting Branch. As a result of intensified recruiting efforts in Accounting, coupled with improvements that have been made to internal controls and processes, we do not anticipate a recurrence of the issue. The State Water Boards requests an augmentation to restore the spending authority to the previously authorized 2020-21 Budget Act appropriation amount, prior to the above-mentioned employee compensation adjustments.

Additionally, the fiscal year 2021-22 Budget Act appropriates to the State Water Boards, Federal Trust Fund authority in the amount of \$7,506,000, which is sufficient to cover the 21-22 PWSS grant The State Water Board applied for in the amount of \$7,126,000, leaving \$380,000 in available spending authority. However, the State Water Board requests a one-time increase to the Federal Trust Fund, Drinking Water Program in fiscal year 2021-22 for an additional \$3,770,000 (see Table 1) to provide sufficient spending authority to accept and spend additional grant funding awarded to The State of California to provide Water Infrastructure Improvements for the Nation Act Assistance for Small and Disadvantaged Communities Drinking Water Grant (WIIN Grant). The purpose of the WIIN Grant agreement is for implementing drinking water program assistance to underserved, small and disadvantaged communities. Funds are provided in order to carry out projects and activities needed for public water systems to comply with the Safe Drinking Water Act, programs to provide household water quality testing, and activities for a state to respond to drinking water contaminants. Without the increased spending authority in fiscal year 2021-22 Federal Trust Fund, to allow for the encumbrance of the WIIN grant funds, the State Water Board will be unable to provide various types of assistance for Public Water Systems (PWS), including projects that: (1) address or prevent future public health risk problems, (2) are needed to comply with the Safe Drinking Water Act (SDWA), and (3) assist those most in need based on a household affordability basis. The federal Drinking Water State Revolving Fund (DWSRF) provides Capitalization Grants to states that may be used to provide loans and other assistance to PWSs, and the WIIN grant funding will be awarded in compliance with the DWSRF Policy and the DWSRF Intended Use Plan (IUP).

Table 1
(Fund 0890)

	2020-21	2021-22
Budget Act Appropriation	\$7,230,000	\$7,506,000
Budget Letter Adjustment	-\$652,000	
Adjusted Final Appropriation	\$6,578,000	\$7,506,000
PWSS Grant	-\$7,126,000	-\$7,126,000
WIIN Grant		-\$3,770,000
Federal Trust Fund Balance	-\$548,000	-\$3,390,000

The requested Federal Trust Fund spending authority increase for fiscal years 2020-21 (\$652,000) and 2021-22 (\$3,770,000), will allow the State Water Board to continue to provide critical funding for drinking water projects throughout the state, thereby reducing health and safety risks to both the residents and visitors of The State of California. The request to restore the Federal Trust Fund 2020-21 authority is also needed for the State Water Boards Accounting Office to expeditiously complete 2020-21 year-end closing activities. Without the increased spending authority, closing past year financials for fiscal year 2020-21 will potentially cause additional delays and prevent Accounting from drawing down funds from the Federal Trust Fund to pay for expenditures as planned. Similarly, without the increase spending authority for 2021-22 the State Water Boards will not be able to encumber \$3,770,000 in funding available from the WIIN grant and California will miss an opportunity to fund Drinking Water projects throughout the state with federal dollars.

Please report dollars in thousands.

DEPARTMENT State Water Resources Control Board	ITEM NO./ FISCAL YEAR 2020-21	NOTIFICATION LETTER TO LEGISLATURE: <input type="checkbox"/> 30-DAY NOTICE <input checked="" type="checkbox"/> REQUEST WAIVER OF 30-DAY NOTICE
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PROGRAM TITLE PER GOVERNOR'S BUDGET:

3565 - Drink Water Quality

FUNDING (SPECIFY FUND)	CURRENTLY BUDGETED	REQUESTED CHANGE (+) OR (-)	TOTAL
0890-Federal Trust Fund	\$6,578,000	\$652,000	\$7,230,000

(Check appropriate boxes)

- The funds will be expended for a purpose that is consistent with state law (explain use of funds in Part A below).
- The funds are made available to the state under conditions permitting their use only for a specified purpose, and the additional expenditure proposed under this section would apply to that specified funding purpose (as supported by explanation for the purpose of the funds).
- Acceptance of additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.
- The need exists to expend the additional funding during the current fiscal year (explain in Part B below).
- This application is provided to Finance within 45-days of official notice of receipt of funds.
- Explanation of delayed notification to Finance is attached (required if 45-day notification period is exceeded).
- A copy of the official notice of fund availability is attached to this application.
- One-time expenditure.
- Ongoing commitment from this source (if checked, explain under Program Proposal).
- Matching funds required (if checked, explain under Program Proposal).
- Expenditure either supplements or supplants an existing state-funded program (if checked, explain under Program Proposal).

PART A: For what purpose will the funds be expended?

Annually the State Water Boards applies for the USEPA Public Water System Supervision (PWSS) program grant and the objective of this program are to ensure the full and effective administration of the PWSS program (pursuant to Safe Drinking Water Act (SDWA) section 1443(a)) under the primacy provisions of Title 40 Code of Federal Regulations (CFR), part 142, to help ensure the delivery of water supply that meets all requirements of the national primary drinking water regulations as set forth in 40 CFR, Part 141 to protect public health, and to maintain primary enforcement authority. The purpose is to protect the public health of residents and visitors to the State of California by ensuring that public water systems provide safe drinking water through compliance with regulations.

PART B: Explain the need to expend the funds in the current fiscal year, including the consequence of waiting until budget year to expend the funds:

The PWSS Grant funds approximately 17% of Drinking Water Program expenditures. Drinking Water Program revenues for current year are not sufficient to support the Program without these funds. Large public water systems pay the majority of fees that support the Safe Drinking Water Program. However, Health and Safety Code section 116590 states that the fees from large public water systems cannot be increased by more than five percent of the amount collected for the previous fiscal year. The Drinking Water Program currently relies heavily on additional funding from the PWSS federal grant. Therefore, it is critical that the Program be able to expend the additional funds available in the current fiscal year to meet budgetary expenditures.

PROGRAM PROPOSAL (Attach additional information as necessary)

TITLE: DRINKING WATER FEDERAL AUTHORITY	STATUTORY AUTHORITY: (state, federal, as appropriate) Section 1443(a) of the (federal) Safe Drinking Water Act
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DESCRIPTION:

A portion of the Safe Drinking Water Program's costs cannot be recovered by fees, and are instead covered by federal funds in the form of the PWSS Grant. Due to an unanticipated increase in federal funding available, the Water Board is submitting an amended grant application resulting in an increase in the amount of the PWSS Grant award for FY 2020-21. The U.S. Environmental Protection Agency has agreed to provide the funding, however the requested approval is required to enable the state to accept and spend the funding.

JUSTIFICATION:

Approval is necessary in order for the Water Board to cover costs of work related to public water system supervision.

The PWSS Grant makes it possible for the Water Board to perform legislatively mandated work that would otherwise have to be paid by fee payers or the General Fund. Due to fee increase limits imposed by Health and Safety Code section 116590, the Water Board cannot raise fees to cover the costs of the Safe Drinking Water Program. It is also unlikely that the Drinking Water Program would be able to obtain a General Fund augmentation to cover program costs, and it would be inappropriate to use General Fund for costs the federal government is willing to pay.

SUBMITTED BY:		APPROVED BY DEPARTMENT OF FINANCE:	
BUDGET OFFICER: 	DATE: 12/31/21	DATE SUBMITTED TO LEGISLATURE: 2/9/2022	
DIRECTOR: 	DATE: 1/12/2022	PPBA: Andrew Hull AEH	DATE: 1/21/2022
