

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 03/13)

Fiscal Year 2014-15	BCP No. 15	Org. Code 3940	Department State Water Resources Control Board	Priority No. 15
Program 10 - Water Quality			Element	Component

Proposal Title  
 AB 21 Implementation

Proposal Summary

California Water Action Plan: As part of the Drinking Water reorganization, this proposal requests 1.0 permanent position and \$93,000 funded from the General Fund. The position is required to promulgate rulemaking packages and develop other guidance documents related to Assembly Bill (AB) 21 (Alejo, Chapter 628, Statutes of 2013) and to implement the program established by the bill.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed TBL	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance.

FSR       SPR      Project No.      Date:

If proposal affects another department, does other department concur with proposal?     Yes     No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By <i>Jennifer Taylor</i>	Date 1/8/14	Reviewed By <i>[Signature]</i>	Date 1/8/14
Department Director <i>Tom Howard</i>	Date 1/9/14	Agency Secretary <i>[Signature]</i>	Date 1/10/14

**Department of Finance Use Only**

Additional Review:  Capital Outlay     ITCU     FSCU     OSAE     CALSTARS     Technology Agency

BCP Type:       Policy       Workload Budget per Government Code 13308.05

PPBA	Date submitted to the Legislature
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## Analysis of Problem

### A. Proposal Summary

The California Natural Resources Agency, the California Environmental Protection Agency and the California Department of Food and Agriculture released a detailed draft action plan to help guide state efforts and resources on one of California's most important resources, water. The California Water Action Plan focuses on the reliability of our water supply, the needed ecosystem restoration to bring our water system back into balance, and the resilience of our infrastructure. This Budget Change Proposal is in support of the proposed action to consolidate drinking water programs to achieve broader program efficiencies and synergies that will best position the state to respond to existing and future challenges.

This proposal requests 1.0 permanent position and \$93,000 from the General Fund. The position is required to promulgate rulemaking packages and develop other guidance documents related to Chapter 628, Statutes of 2013 (AB 21, Alejo) and to implement the program established by the bill.

### B. Background/History

Currently, the California Department of Public Health (CDPH) has statutory authority to administer a drinking water regulatory program to ensure California public drinking water supplies meet all applicable water quality standards and the water is safe to drink. CDPH's Drinking Water Program has been responsible for regulating and permitting California's public water systems since 1915. The Drinking Water Program provides for;

- Ongoing surveillance and inspection of public water systems,
- Issues operational permits to the systems,
- Ensures water quality monitoring is conducted, and
- Takes enforcement actions when violations occur.

The Drinking Water Program oversees the activities of approximately 8,000 water systems that serve more than 97 percent of California's population. Currently, CDPH is designated by the United States Environmental Protection Agency (U.S. EPA) as the primacy agency responsible for the administration of the Federal Safe Drinking Water Act (SDWA) in California. Under SDWA, CDPH receives annual Public Water System Supervision grants from U.S. EPA to assist in carrying out its inspection and compliance responsibilities.

The national Safe Drinking Water State Revolving Fund (SDWSRF) Program was created by the federal amendments to the SDWA in 1996. In order to conform to federal law and to take advantage of the SDWSRF allocations, CDPH sponsored SB 1307 (Chapter 734, Statutes of 1997) to revise California state law to conform to federal law. In addition, the legislation established separate funds to enable CDPH to implement the SDWSRF Program and provided authority to establish separate funds for Administration, Small Water System Technical Assistance, and Water System Reliability (Capacity Development). This legislation became law on October 7, 1997.

## Analysis of Problem

### Resource History\* (Dollars in thousands) –

Program Budget	2009-10	2010-11	2011-12	2012-13	2013-14
Actual Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Authorized Positions	0	0	0	0	0
Filled Positions	0	0	0	0	0
Vacancies	0	0	0	0	0

\*This proposal establishes a new program with no applicable prior resource.

### Workload History\*

Workload Measure	2009-10	2010-11	2011-12	2012-13	2013-14
	0	0	0	0	0

\*This proposal establishes a new program with no applicable prior workload history.

The U.S. EPA and Congress recognize the need for drinking water infrastructure improvements, the ongoing need for SDWSRF funding, and continue to support the SDWSRF. According to U.S. EPA, the national need for public water system infrastructure improvements is in excess of \$324 billion. California's total need for water system infrastructure improvements is in excess of \$44 billion, as reported in the U.S. EPA Drinking Water Infrastructure Needs Survey and Assessment, which was performed in 2011.

Since 1997, the U.S. EPA has provided CDPH an annual SDWSRF capitalization grant to use for low-interest loans and grants to assist public water systems to achieve and maintain compliance with safe drinking water standards. California has previously received 12 capitalization grants from U.S. EPA totaling \$1.03 billion (including 2009 ARRA funds). To date, CDPH has used the SDWSRF to provide loans and grants to 141 water system projects, committing nearly all of the funds and disbursing approximately \$600 million.

CDPH is able to take a portion of each SDWSRF capitalization grant to pay for costs associated with administering the Program and providing assistance to water systems. These "set-asides" are in different categories;

- Administrative costs (up to four percent of each grant),
- Technical assistance to small water systems (up to two percent),
- Drinking water source protection (15 percent),
- Water system reliability/capacity development (two percent), and
- State water system program management activities (up to 10 percent).

SDWSRF provides the 8,000 public water systems in California the opportunity to utilize subsidized funding to correct infrastructure problems, to assess and protect source water, and to improve technical, managerial, and financial capability (TMF). SDWSRF additionally benefits almost 8,000 small water systems (water systems serving a population of fewer than 10,000) by providing technical assistance in most aspects of public water system operations and management.

## Analysis of Problem

AB 21 establishes the Safe Drinking Water Small Community Emergency Grant Fund (Emergency Grant Fund) and authorizes CDPH to charge a fee in lieu of interest on loans issued through the Safe Drinking Water State Revolving Fund. Fees charged in lieu of interest would be deposited into the fund and used for grants that serve disadvantaged and severely disadvantaged communities in the event of an emergency.

Separate trailer bill language will be submitted addressing the Drinking Water Program reorganization which will request the transfer of all statutory authority related to administering this program from CDPH to the State Water Resources Control Board (State Water Board) and discussions with EPA are occurring to designate the State Water Board rather than CDPH as the primary agency for administration of the federal Safe Drinking Water Act (SDWA) in California.

### C. State Level Considerations

Currently, the Administration is exploring ways in which to streamline water oversight and ensure that safe, affordable drinking water is available for all Californians. To that end, the Administration has proposed relocating the Drinking Water Program from CDPH to the State Water Board. Once that relocation occurs, the State Water Board will be the entity responsible for the remaining implementation of AB 21

### D. Justification

The implementation of AB 21 will be a multi-step process, of which this BCP will only address the first parts. In order to fully implement AB 21, regulations must be promulgated to establish the fee to be charged in lieu of interest on SDWSRF loan repayments. Regulations are required to establish the fee because the statute does not specify the fee amount, the fee cannot be charged on a case-by-case basis, and no Administrative Procedure Act (APA) exemption is provided to CDPH in the authorizing legislation.

Additionally, policies and procedures must be developed for the grant application process. Although these policies and procedures will be in the form of guidance documents and will not have to go through the APA process, the development of these documents will take considerable time and effort.

This workload required for regulations development and grant process development cannot be absorbed within existing resources.

The State Water Board is requesting 1.0 full-time permanent position that will first develop the program regulations and guidance documents. It is anticipated that the initial workload will consist of the following:

- Extensive discussions and coordination with the U.S. EPA to ensure that the program is developed and implemented in accordance with federal law, specifically the SDWA.
- Cash-flow modeling and other financial analysis to determine the appropriate fee amount and the development of relevant policies.
- Development of regulation text and other required documents.
- Discussions with stakeholders in the development of policies and procedures.
- Development of grant applications, application guidelines, grant award criteria, and other relevant policies and procedures.

## Analysis of Problem

General Fund appropriation is required for two reasons: (1) there is no provision to address the upfront workload costs to be borne by the State Water Board, involving development of regulations and guidance documents, until the Fund begins collecting money; and (2) once money is collected into the Fund, there is no provision for the expenditure of funds for administrative costs. The SDWSRF allows for a certain percentage of funds to be set-aside for administrative costs; however, those funds are currently maximized and not available to support administration of the new Fund specified in the legislation.

Once the program is developed, additional staff will be required to administer and oversee the program, and another BCP will be submitted at that time.

It is important to note that, due to the way loan repayments are submitted, it will be several years before the Emergency Grant Fund contains enough redirected monies to support the issuance of grants. In addition, a delay in the establishment of the necessary position will increase the time until grants can be made from the Emergency Grant Fund.

### E. Outcomes and Accountability

The position will develop regulations and guidance documents for the program. The position will be responsible for tracking and monitoring individual projects, coordinating with field offices and with water systems on open projects, and to first promulgate regulations to establish the fee to be charged in lieu of interest on SDWSRF loan repayments. Additionally, the State Water Board will need to develop policies and procedures for the grant application process. Although these policies and procedures will be in the form of guidance documents and will not have to go through the APA process, the development of these documents will take considerable time and effort and cannot be absorbed within existing resources.

#### Projected Outcomes\*

Workload Measure	2013-14	2014-15	2015-16
Accomplishment		Research and promulgation of the regulations	Research and promulgation of the regulations (continuation)

\*See part G. Implementation plan for further outcomes. Development of regulation and guidance documents will continue after FY 2015-16.

### F. Analysis of All Feasible Alternatives

**Alternative 1:** Approve the proposal as requested for 1.0 permanent position and \$93,000 from the General Fund.

#### PROS:

- The resources will be available to address disadvantaged and severely disadvantaged community water systems with emergency needs to bring them into compliance and provide safe drinking water to Californians.
- Additional emergency funding resources will be available for disadvantaged and severely disadvantaged communities to comply with safe drinking water standards.
- Disadvantaged and severely disadvantaged communities served by small public water systems will be able to correct deficiencies and reduce the public health risk to customers of public water systems.

## Analysis of Problem

- Small public water systems will have fewer and less severe violations of drinking water standards in California.

### CONS:

- Increases the size of state government.

**Alternative 2:** Approve the position for a limited-term of five years which would provide sufficient time to promulgate regulations and develop guidance documents for the program.

### PROS:

- The State Water Board will have tools in place so that if staffing and funds are ever available they will be able to address disadvantaged and severely disadvantaged community water systems to bring them into compliance and provide safe drinking water to Californians.

### CONS:

- Temporarily increases the size of state government.

**Alternative 3:** Approve the position for a limited-term of three years which would provide sufficient time to promulgate regulations.

### PROS:

- The State Water Board will have regulations in place so that if staffing and funds are ever available and guidance documents are developed, the department will be able to address disadvantaged and severely disadvantaged community water systems to bring them into compliance and provide safe drinking water to Californians.

### CONS:

- Temporarily increases the size of state government.

**Alternative 4:** Status Quo.

### PROS:

- Will not increase the size of state government.

### CONS:

- The State Water Board will not be able to implement the new fee and the grant program as written in the legislation.
- It will take longer to address all the small disadvantaged community water systems to bring them into compliance and provide safe drinking water to the public.
- Small public water systems will continue to have a higher level of severe violations of drinking water standards in California.

## G. Implementation Plan

1. Advertise position (January 1, 2014, dependent on Budget Act)
2. Hire staff (July 2014)
3. Research and promulgation of the regulations (July 2014 – June 2017)
4. Development of guidance documents (January 2017 – January 2018)

## Analysis of Problem

5. Tracking and monitoring individual projects, coordinating with field offices and with water systems on open projects (January 2018 – ongoing)

### H. Supplemental Information

None     Facility/Capital Costs     Equipment     Contracts     Other \_\_\_\_\_

### I. Recommendation

Alternative 1: Approve 1.0 permanent position and \$93,000 from the General Fund, in order to meet an anticipated increase in workload due to implementation of the provisions specified in AB 21.

Analysis of Problem

**Workload Analysis  
Environmental Scientist (1.0)**

<b>Activity</b>	<b>Number of Items</b>	<b>Average Hours per Item</b>	<b>Total Hours</b>
Promulgation of regulations	30	30	900
Coordination with the U.S. EPA to ensure that the program is developed and implemented in accordance with federal law, specifically the SDWA	20	8	160
Cash-flow modeling and other financial analysis to determine the appropriate fee amount and the development of relevant policies	20	4	80
Discussions with stakeholders in the development of policies and procedures	30	10	300
Development of grant applications, application guidelines, grant award criteria, and other relevant policies and procedures	30	12	360
<b>Total hours for workload projected for this classification</b>			<b>1,800</b>
<b>1,800 hours = 1 position</b>			
<b>Actual number of positions requested</b>			<b>1.0</b>



**Fiscal Summary**  
(Dollars in thousands)

BCP No. 15	Proposal Title AB 21 Implementation	Program 10 - Water Quality				
<b>Personal Services</b>	<b>Positions</b>			<b>Dollars</b>		
	CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries and Wages <sup>1</sup>		1.0	1.0		\$54	\$54
Total Staff Benefits <sup>2</sup>					23	23
<b>Total Personal Services</b>	0.0	1.0	1.0	\$0	\$77	\$77

**Operating Expenses and Equipment**

General Expense		1	1
Printing		1	1
Communications		2	2
Postage		1	1
Travel-In State		4	4
Travel-Out of State			
Training		1	1
Facilities Operations		6	6
Utilities			
Consulting & Professional Services: Interdepartmental <sup>3</sup>			
Consulting & Professional Services: External <sup>3</sup>			
Data Center Services			
Information Technology			
Equipment <sup>3</sup>			
Other/Special Items of Expense: <sup>4</sup>			
<b>Total Operating Expenses and Equipment</b>	\$0	\$16	\$16
<b>Total State Operations Expenditures</b>	\$0	\$93	\$93

Fund Source	Item Number					
	Org	Ref	Fund			
General Fund	3940	001	0001		\$93	\$93
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Total Local Assistance Expenditures</b>				\$0	\$0	\$0

Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Grand Total, State Operations and Local Assistance</b>				\$0	\$93	\$93

<sup>1</sup> Itemize positions by classification on the Personal Services Detail worksheet.

<sup>2</sup> Provide benefit detail on the Personal Services Detail worksheet.

<sup>3</sup> Provide list on the Supplemental Information worksheet.

<sup>4</sup> Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

<sup>5</sup> Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.



## Supplemental Information

(Dollars in thousands)

BCP No. 15	Proposal Title AB 21 Implementation
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Equipment	CY	BY	BY +1
Standard Complement			
<b>Total</b>	\$0	\$0	\$0

Consulting & Professional Services	CY	BY	BY +1
<b>Total</b>	\$0	\$0	\$0

Facility/Capital Costs	CY	BY	BY +1
<b>Total</b>	\$0	\$0	\$0

**One-Time/Limited-Term Costs**      Yes       No

Description	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
	0.0	\$0	0.0	\$0	0.0	\$0

**Full-Year Cost Adjustment**      Yes       No

*Provide the incremental change in dollars and positions by fiscal year.*

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
<b>Total</b>	0.0	\$0	0.0	\$0	0.0	\$0

**Future Savings**      Yes       No

*Specify fiscal year and estimated savings, including any decrease in positions.*

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
<b>Total</b>	0.0	\$0	0.0	\$0	0.0	\$0



Analysis of Problem

**Workload Analysis  
Environmental Scientist (1.0)**

<b>Activity</b>	<b>Number of Items</b>	<b>Average Hours per Item</b>	<b>Total Hours</b>
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