

CALIFORNIA WATER & WASTEWATER ARREARAGE PAYMENT PROGRAM



FAQ for Applicants: Appendix A (Wastewater Arrearage Guidelines)

Contents

FAQ for Applicants: Appendix A (Wastewater Arrearage Guidelines).....	1
General Program FAQs	1
Program Eligibility	3
Program Application & Payment Process	5
Program Implementation and Requirements	8

General Program FAQs

- 1. What is the California Water and Wastewater Arrearage Payment Program?**
 - a. The California Water and Wastewater Arrearages Payment Program offers up to \$985 million to cover debt accrued during the pandemic by customers of drinking water and wastewater agencies. The program provides funding to community water systems, wastewater treatment providers, and wastewater billing entities for customer arrearages from the COVID-19 relief bill period; fund recipients then credit customer accounts. The drinking water application period was October 5 to December 6, 2021. Applications for wastewater debt will be accepted beginning February 1, 2022. Approximately \$600 million remain for the wastewater arrearages funding program.

- 2. What is an arrearage?**
 - a. Like a debt, an arrearage is an amount of money that is owed and should have been paid earlier. For the purposes of this program, if an amount in a bill is not paid in full within 60 days of the due date, it is considered an arrearage.

- 3. Where is the funding for this program coming from?**
 - a. The funding comes from the federal [American Rescue Plan Act of 2021](#) and was authorized by Governor Newsom and the California State Legislature.

- 4. What debt is covered by the program?**
 - a. The program covers wastewater bill arrearages accrued by residential and commercial customers during the COVID-19 pandemic bill relief period (March 4,

2020 through June 15, 2021) and any billing period that overlaps with these dates.

i. Examples:

1. Wastewater is billed yearly: Both wastewater bills for 2020 and 2021 could be eligible for the program, since the COVID-19 relief period started March 4, 2020 and ended June 15, 2021.
 2. Wastewater is billed twice a year: Both semi-annual 2020 bills could be eligible since both include dates in the COVID-19 relief period. For 2021, the January through June bills could be eligible.
 3. Monthly billing: All monthly bills for March 2020 through June 2021 could be eligible.
- b. This includes debt transferred to a third-party collection entity, debt collected through property tax rolls, or debt offset by customer assistance programs.

5. What are the taxpayer ID forms and why are they needed?

- a. To issue payments, the State Water Board is required to collect taxpayer identification forms to enter wastewater treatment providers and wastewater billing entities into the state accounting systems. You must complete the Government Taxpayer ID Form, available online at bit.ly/GovTaxID. The entity's name and Taxpayer Identification Number provided on the form must match the information on file with the Internal Revenue Service to be accepted.
- b. The form must be signed by an authorized signatory for your organization, meaning an official with a delegation of signature authority by ordinance, resolution, or other delegation to provide the assurances, certifications and commitments associated with receipt of and use of funding from the State Water Board.
- c. You will be asked to upload the form as part of the online application process.

6. If a joint utility applied to the drinking water arrearage program, does it need to fill out the taxpayer ID form again? Does it need to go through the full application process again?

- a. The taxpayer ID form must be re-submitted to support the wastewater standalone application and to ensure payments can be issued quickly. Submitting the form again also provides entities with the opportunity to provide an updated address to which wastewater payments should be mailed. This address may be different than the address for drinking water.
- b. Applicants will need to file a new application specific to wastewater arrearages. However, the process will have fewer steps than the drinking water program -- applicants do not need to submit a survey prior to submitting the application itself.

7. Is the funding competitive? Will certain providers or communities be prioritized?

- a. No, the funding is not competitive. There is enough funding available that we anticipate the program can cover 100% of eligible debt that wastewater agencies request in their applications.
- b. All eligible wastewater treatment providers or wastewater billing entities are treated equally when determining the allocation of funding. The State Water Board may prioritize the *timing* of payments to wastewater treatment providers that serve disadvantaged communities to get them funding as quickly as possible.

8. What are the tax implications of accepting program funds?

- a. Wastewater treatment providers and/or billing entities should consult with tax professionals regarding potential tax liabilities and reporting requirements. The State Water Board is not authorized to provide federal or state tax advice.
- b. The Internal Revenue Service has posted fact sheets for frequently asked questions for states and local government on taxability of payments from COVID-19 recovery funds. Their FAQ indicates that a payment issued to cover utility bills under the Coronavirus State and Local Fiscal Recovery Funds is not included in gross income and is considered a disaster relief payment; it also indicates that because the payment is not income, Form 1099-MISC does not need to be filed with the IRS or furnished to the recipient. Please consult with a tax professional. For detailed information, see the IRS frequently asked questions document: <https://www.irs.gov/newsroom/frequently-asked-questions-for-states-and-local-governments-on-taxability-and-reporting-of-payments-from-coronavirus-state-and-local-fiscal-recovery-funds>

9. Is this program funding a grant or loan to wastewater treatment providers or wastewater billing entities? Will the funding have to be paid back?

- a. This program will issue one-time payments to wastewater treatment providers or wastewater billing entities. Eligible entities that receive funding do not need to repay funds, but they must return any funds that are not credited to customers within six months. (The program also permits spending up to 3%, not to exceed \$1 million, for costs related to applying for the program or complying with program requirements.)

Program Eligibility

10. Who is eligible to apply for the program?

- a. Wastewater treatment providers that accrued residential and/or commercial customer arrearages during the COVID-19 pandemic relief period (March 4, 2020 through June 15, 2021). Industrial customers are not included by law.
- b. Wastewater billing entities that accrued residential and commercial customer arrearages during the COVID-19 pandemic bill relief period. For example, government entities (city, county, or special district) often serve as designated billing entities for wastewater treatment providers and can apply for the program. The wastewater billing entity must be able to identify wastewater arrearages and directly credit customers' accounts. Industrial customers are not included by law.

11. What are considered commercial customers vs. industrial customers?

- a. Commercial customers include customers who receive water services to commercial/institutional customers, such as hotels, motels, restaurants, office buildings, government and military facilities, gas stations, hospitals, educational institutions, retail establishments, dormitories, nursing homes, churches, jails, prisons, mental health facilities, addiction recovery centers, farmworker housing, and campgrounds.
- b. Industrial customers might include: manufacturing (chemical, refineries, cooling towers, animal & food processing, etc.); agriculture irrigation (crops, aquaculture, etc.); or landscape irrigation (parks, golf courses, etc.).
- c. Wastewater billing entities may use their existing billing designations for residential, commercial, and industrial customers when determining eligibility for residential and commercial customers.

12. Can a provider or billing entity that already transferred customer debt to a third party (such as a county under a Teeter Plan or a debt collection entity) participate in the program?

- a. Yes, wastewater treatment providers or wastewater billing entities that transferred debt to a third party are encouraged apply to provide relief to their customers.
- b. The wastewater provider or billing entity can credit customer accounts through one of these three methods:
 - i. Directly paying the third party to reduce or eliminate the debt
 - ii. Refunding the credited amount to the customer
 - iii. Creating a positive balance for customers to apply toward future wastewater bills
- c. The wastewater treatment provider or billing entity must notify customers of this credit and indicate that the credit should be used to pay down the debt that was transferred to the third party.
- d. If the wastewater treatment provider or billing entity receives funding for arrearages that have been assigned to a third party other than a tax agency, the entity must recall the debt.

13. What if customers are charged for wastewater through property tax rolls?

- a. Providers that collect eligible customer revenue through property tax rolls are also eligible for the program if they can identify wastewater arrearages and directly credit customers' accounts.
- b. If counties, cities, or special districts collect wastewater fees through property taxes, then the county, city or special district should apply to cover the customer arrearages.

14. What if a wastewater treatment provider or wastewater billing entity used a customer assistance program to aid customers with qualifying arrearages?

- a. A wastewater treatment provider or wastewater billing entity that used an existing customer assistance program to aid customers with qualifying arrearages may still be able to participate in the program and receive payment for arrearages previously covered by the customer assistance program.
- b. The provider or billing entity should consult with State Water Board staff to determine that all program requirements can be met and confirm eligibility. Staff can be reached at wwarraerages@waterboards.ca.gov

15. Are arrearages on accounts that are now closed eligible for funding?

- a. Yes, residential and commercial wastewater arrearages from the eligibility period (March 4, 2020 through June 15, 2021) can be included, even if the account is no longer active.

16. I am a customer who is behind on wastewater bill payments due to the pandemic. Can I apply for the Program?

- a. No, customers cannot apply directly to the program, but will benefit from eligible wastewater bill debt being cleared if their providers participate. Wastewater treatment providers and billing entities that participate must credit customer accounts within 60 days of receiving funds and must notify customers in writing of the amount that has been cleared. They must also waive late fees associated with the cleared debt.

17. Does the program cover late fees?

- a. No, late fees cannot be included in the calculation for total arrearages or deducted from the amount to credit customers.
- b. Wastewater treatment providers and billing entities that participate must waive late fees that occurred during the billing cycles that were used to calculate the arrearages (see examples of possible billing cycles in question #4 above).

18. Does the program cover administrative costs for wastewater treatment providers or wastewater billing entities that apply?

- a. Yes, approved wastewater treatment providers may spend up to 3% (or up to \$1 million, whichever is less) for costs related to applying for the assistance or complying with program requirements. This limit is set by the legislation.
- b. Applicants must document these costs and report them to the State Water Board. The State Water Board will provide a template.

19. Are recycled water or stormwater arrearages eligible?

- a. It depends. The statute is limited to arrearages for wastewater collection, treatment, and disposal services. Staff will consider requests for inclusion of these charges if applicants demonstrate that charges for recycled water and stormwater are included within billing for wastewater collection, treatment, or disposal services.

20. Can I receive wastewater arrearage program funds if I am applying for other COVID-19 relief funding?

- a. There are multiple programs assisting different entities with COVID-19 costs. If your entity receives moneys from the California Water and Wastewater Arrearage Payment Program for water arrearages and/or wastewater arrearages, you cannot also receive moneys from any other source for those same arrearages. The California Water and Wastewater Arrearage Payment Program does not restrict an entity from receiving other COVID-19 moneys from other sources, so long as they are not for those same arrearages for which the entity is receiving moneys from the Arrearages Program. Entities must be aware, however, that acceptance of moneys from the California Water and Wastewater Arrearage Payment Program may cause an entity to not be eligible for some other programs assisting entities with COVID-19 costs. Entities should discuss program eligibility requirements directly with the respective awarding agency.

Program Application & Payment Process**21. How do wastewater treatment providers and billing entities apply for the program?**

- a. The online application portal will open on February 1, 2022. A link will be posted at bit.ly/WastewaterDebtRelief
- b. In addition to the online application, applicants must submit the following original signed forms by mail:
 - i. Application/disbursement form that identifies the maximum amount of funding for which the wastewater treatment provider or wastewater billing entity may apply. This form must be signed by the wastewater treatment provider's or wastewater billing entity's authorized representative or designee.

- ii. Conditions of payment form, which details program requirements with which the authorized representative, on behalf of the wastewater treatment provider or wastewater billing entity, agrees to comply.
- c. The application period closes April 1, 2022. Applicants are encouraged to apply as soon as possible; applications will be reviewed on an ongoing basis.

22. What information will I need to provide on the application?

- a. All applicants will need the following information:
 - i. Taxpayer ID Number and EIN number of the organization
 - ii. Total amount in dollars of arrearages separated by residential and customer accounts,
 - iii. Total number of residential and customer accounts in arrears
 - iv. Contact information for authorized representative of the organization or its designee
- b. In addition, if the applicant is a wastewater billing entity, the entity will need to provide the names of the publicly-owned treatment works that provide sewer services.
- c. Review the application questions and help tips posted at bit.ly/WastewaterDebtRelief for more information.

23. How can an agency apply if its billing period does not line up with the COVID-19 bill relief period dates (March 4, 2020 through June 15, 2021)? What about an entity that does annual billing?

- a. Wastewater arrearages from any billing period that intersects the eligibility period (March 4, 2020 through June 15, 2021) can be included in the application. Prorating is not required.
 - i. Examples:
 1. Wastewater is billed yearly: Both wastewater bills for 2020 and 2021 could be eligible for the program, since the COVID-19 relief period started March 4, 2020 and ended June 15, 2021.
 2. Wastewater is billed twice a year: Both semi-annual 2020 bills could be eligible since both include dates in the COVID-19 relief period. For 2021, the January through June bills could be eligible.
 3. Monthly billing: All monthly bills for March 2020 through June 2021 could be eligible.

24. If a wastewater treatment provider does not bill customers directly, who should apply?

- a. Whichever entity has the ability to directly credit customer accounts should apply for the funding. In many cases, this will be the entity that does the billing. Please coordinate with the entity that does your billing and encourage them to apply. If you bill through multiple entities, they should each file an application.

25. Can a wastewater billing entity that bills customers on behalf of multiple treatment plants submit all its arrearages in one application?

- a. Yes. A wastewater billing entity can submit one aggregate application for arrearages for all the providers for which it bills.

26. Can I get support to complete the application?

- a. Yes. State Water Board Staff are available to support and answer questions and can be contacted at wwarraerages@waterboards.ca.gov or 916-327-9002.

- b. In addition, you can request technical assistance with completing the application by emailing wwarraerages@waterboards.ca.gov.

27. How can an agency that combines wastewater billing with other utilities apply for the program?

- a. A wastewater treatment provider or wastewater billing entity that combines wastewater with other utilities such as water, stormwater, refuse, and energy, can only apply for funding for the wastewater portion of customer arrearages.
- b. If the wastewater portion of the arrearage cannot be determined for each customer account, the entity can use an average customer ratio to estimate wastewater arrearages for individual customers. To do so, first calculate the average annual bill. Then, calculate the average annual wastewater portion of the average annual bill. Then use the following formula to calculate the average annual wastewater percentage.

$$\text{Average Annual Percentage of Wastewater Charge} = (\text{Average Annual Wastewater Charges} / \text{Total Average Annual Bill}) \times 100$$

- c. This Average Annual Percentage of Wastewater Charge can be applied to customer arrearages to determine the customer's wastewater arrearages. For example, if the Average Annual Percentage of Wastewater Charge is 27% and a customer's total arrearages for the COVID-19 relief bill period are \$1,000, the wastewater arrearages would be 27% of \$1,000, or \$270.
- d. If this method does not work for your agency's circumstances, please contact State Water Board staff at wwarrearrages@waterboards.ca.gov to discuss an alternative approach.

28. Can an entity apply if it missed the designated application period?

- a. The initial application period is February 1, 2022 through April 1, 2022; all wastewater treatment providers or wastewater billing entities should aim to apply during this period to ensure successful applications and timely payments. However, the State Water Board will hold funds for late applicants until April 22, 2022. Late applicants are not guaranteed funding.

29. When will payments be disbursed?

- a. Staff will process disbursements as soon as complete applications are received and reviewed. Staff plans to begin disbursing funds through the State Controller's Office on March 1, 2022.
- b. Staff may prioritize the timing of disbursements to wastewater treatment providers and wastewater billing entities that serve disadvantaged communities.

30. Where will payments be sent?

- a. Payments will be issued by check and may be sent to either the wastewater treatment provider's or wastewater billing entity's physical address or to the address of the authorized representative.
- b. Applicants should indicate the address where they would like payments to be mailed by including it on the taxpayer ID form and in the wastewater arrearage application.

Program Implementation and Requirements

31. What requirements are there for successful applicants to allocate funds and notify customers?

- a. Successful applicants must allocate the funds as bill credits to customers within 60 days of receiving funds.
- b. They must notify customers in writing of the amount credited and state that the credit is being provided through the California Water and Wastewater Arrearage Payment Program through funding from the State Water Resources Control Board using federal American Rescue Plan Act funds.

32. What are the reporting requirements?

- a. Wastewater treatment providers and wastewater billing entities that receive funds must certify that program funds were applied as credits to customer bills. They must report the total amount credited, the number of accounts credited, and the amount used for administration of the program.
- b. The State Water Board will provide a template and/or online portal to facilitate reporting as well as a template for reporting administrative costs.
- c. The State Water Board may request supporting documentation. Wastewater treatment providers and wastewater billing entities may be audited and should retain documentation supporting the reported amounts for seven years.

33. What other requirements should wastewater treatment providers and wastewater billing entities be aware of?

- a. Late Fees: Wastewater treatment providers and wastewater billing entities that receive funds must waive late fees and interest for any arrearages accrued during the Covid-19 pandemic bill relief period in their entirety. This applies to late fees that fall within the billing periods used to calculate the arrearages.
- b. Consumer Debt Reporting: Funding recipients *must not* furnish information about debts cleared through the program to any consumer reporting agency. If they have previously furnished information about debt cleared through the program to a consumer reporting agency then they must, within 30 days of receiving program funding, instruct the consumer reporting agency to delete all information about the debt.
- c. Third-Party Collection: Fund recipients *must not* assign debt covered by the program to a third party for collection. If the wastewater treatment provider or billing entity receives funding for arrearages that have been assigned to a third-party debt collector, they must recall the debt.

For support with additional questions, please contact:
wwarrearages@waterboards.ca.gov