

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
JULY 21, 2015**

ITEM 6

SUBJECT

OPPORTUNITY FOR PUBLIC COMMENT ON ALLOCATION OF FUNDS GENERATED FROM THE PETROLEUM STORAGE FEE PURSUANT TO SB 445 (HEALTH AND SAFETY CODE SECTION 25299.43(g))

DISCUSSION

This is an informational item for public comment as required by SB 445. (Health & Saf. Code, §25299.43, subd. (g)(3).) Annually, the State Water Resources Control Board (State Water Board) must provide information and the opportunity for comment regarding funds collected from 3 mills of the Petroleum Storage Fee and how the funds will be allocated among: 1) the Replacing, Removing, or Upgrading Underground Storage Tanks (RUST) program for loans and grants for removing or upgrading underground storage tanks (USTs), 2) the School District Account (SDA) to reimburse school districts for cleanup of their USTs, and 3) the new Site Cleanup Subaccount (SCS) for investigation and remediation of harm or threat of harm caused by existing or threatened surface or groundwater contamination.

SB 445 became effective on September 25, 2014. It provides that \$0.003 per gallon petroleum storage fee shall be available for expenditure by the State Water Board for three purposes:

- (1) Providing additional funding to the Petroleum Underground Storage Tank Financing Account (PUSTFA) for loans and grants through the RUST program to assist small business UST owners and operators in complying with UST regulatory requirements (including complying with the phase out of single-walled tanks);
- (2) Providing additional funding, as needed, to the SDA to reimburse school districts for their costs associated with cleaning up leaking USTs; and
- (3) Funding the new SCS for the investigation and remediation of harm or threat of harm caused by existing or threatened surface or groundwater contamination.

The law also requires the State Water Board to annually provide an informational presentation at a board meeting, with the opportunity for public comment, before determining how the funds collected from the 3 mill fee will be allocated among these purposes specified in subdivision (o) of Section 25299.51 of the Health and Safety Code.

A State Water Board meeting was held December 2014 for public comment. It is anticipated that the appropriation in the fiscal year (FY) 2015-16 state budget will be \$19.5 million each for the RUST program and the SCS, and none for the SDA due to a lack of current need.

Following public comment, no action will be taken by the State Water Board. The State Budget for FY 2016-17 would appropriate the funds collected from the 3 mill fee into the PUSTFA for RUST loan, grants, and administration, the SDA for claim reimbursement for school districts,

and the SCS for specified grants, grant administration, and Regional Water Quality Control Board (Regional Water Board) activities. The State Budget process begins with publication of the Governor's Budget in January 2016, a May Revise, and adoption of the State Budget some time thereafter.

POLICY ISSUE

How should the specified funds collected pursuant to subdivision (g)(3) of Section 25299.43 of the Health and Safety Code be allocated among the purposes provided in subdivision (o) of Section 25299.51?

FISCAL IMPACT

The revenues collected and the State Budget will determine the fiscal impact to the State Water Board.

If the amount allocated for RUST loans and grants and their administration is insufficient, small businesses may suffer delays or be financially unable to meet the December 31, 2025 deadline for removal of single-wall USTs. The PUSTFA funds have been sufficient to date; however, the deadline for the removal of single-walled tanks is expected to generate a significant demand over the next several years.

If the amount allocated to the remaining balance of SDA for reimbursement of school district UST claims is insufficient, school districts could wait for funding of their claims under the priority system for other claim types. At this time the SDA has sufficient funds to meet the current demand.

If the amount newly allocated for investigation and cleanup of the harm or threat of harm caused by existing or threatened surface or groundwater contamination is insufficient, groundwater and surface water contamination will continue to cause harm to human health and the environment.

REGIONAL BOARD IMPACT

Yes. All Regional Water Boards.

STAFF RECOMMENDATION

Accept public comment on allocation of the 3 mills.

State Water Board consideration of public input on this item will assist the Water Boards in reaching Goal 2 of the Strategic Plan Update: 2008-2012 to narrative of goal(s), which is to improve and protect groundwater quality in high-use basins by 2030. In particular, addressing this item will help ensure that communities relying on contaminated surface or groundwater have a reliable drinking water supply (http://www.swrcb.ca.gov/board_reference/docs/summary_strategic_plan_2008-2012.pdf).