

**STATE WATER RESOURCES CONTROL BOARD
BOARD WORKSHOP SESSION – DIVISION OF ADMINISTRATIVE SERVICES
NOVEMBER 17, 2015**

ITEM 9

SUBJECT

PUBLIC WORKSHOP ON OPTIONS FOR ASSESSING FEES FOR PUBLIC WATER SYSTEMS

DISCUSSION

Health and Safety Code (HSC) section 116565 requires each large public water system and any public water system that treats water on behalf of one or more public water systems for the purpose of rendering it safe for human consumption to annually reimburse the department for costs incurred by the department for conducting activities related to the issuance of domestic water supply permits, inspections, monitoring, surveillance, and water quality evaluation, and, for small water systems, establishes the amount of the annual fee.

Legislation that became law June 24, 2015 amends HSC section 116565 and other miscellaneous fee provisions. Effective July 1, 2016, the fee schedule in section 116565 will become inoperative and will be replaced by a fee schedule established by the State Water Board through regulations. State Water Board staff has been evaluating and analyzing Large Water System (LWS) and Small Water System (SWS) fee structures and processes in an effort to develop a reliable, fair, and sustainable fee program. Under current law, LWS are defined as public water systems (PWS) serving 1,000 or more service connection or treating water on behalf on one or more other PWS, and SWS are classified as public water systems with less than 1,000 service connections.

Currently the Drinking Water Program receives funding from three main sources: 1) Fees paid by public water systems, 2) federal Public Water System Supervision (PWSS) Grant and 3) Federal Funds from the State Revolving Fund (SRF) PWSS Set-Aside. Table 1 and Table 2 below outline program costs for fiscal year 2014-15 and the estimated costs for fiscal year 2015-16 respectively.

Table 1

Division of Drinking Water Total Program Cost FY 2014-15				
<u>FUND</u>	<u>DESCRIPTION</u>	<u>LWS</u>	<u>SWS</u>	<u>Total</u>
0306	SAFE DRINKING WATER ACCOUNT (FEES)	\$11,125,540	\$3,272,416	\$14,397,956
0890	PWSS GRANT	\$1,128,509	\$5,807,055	\$6,935,564
7500	SRF PWSS SETASIDE	\$2,612,149	\$8,580,490	\$11,192,640
		\$14,866,198	\$17,659,961	\$32,526,160 ¹
¹ Includes approximately \$3 million in unliquidated obligations from prior year grants. This money is projected to be exhausted by Fiscal Year 2015-16				

Table 2

Division of Drinking Water				
Total Program Cost				
FY 2015-16 (ESTIMATE)				
<u>FUND</u>	<u>DESCRIPTION</u>	<u>LWS</u>	<u>SWS</u>	<u>Total</u>
0306	SAFE DRINKING WATER ACCOUNT (FEES)	\$12,637,000	\$3,272,416	\$15,909,416
0890	PWSS GRANT	\$1,128,509	\$5,807,055	\$6,935,564
7500	SRF PWSS SETASIDE	\$1,612,149	\$8,580,490	\$10,192,639
		\$15,377,658	\$17,659,961	\$33,037,619 ²
² Includes approximately \$2 million in unliquidated obligations from prior year grants. This money is projected to be exhausted by Fiscal Year 2015-16				

Current Fee Structure (will become inoperative July 1, 2016)

Until July 1, 2016, LWS will be required to pay fees based on the fee-for-service model that the State Water Board inherited from the California Department of Public Health (CDPH). The fees cover both:

- **Direct hours** - SWRCB expenditures related to permits, inspections, compliance, monitoring, enforcement and administrative charges
- **Indirect hours** - SWRCB expenditures related to compliance, monitoring, and administration) are allocated using a fee point¹ system

Total hours (including both direct and indirect hours) are then multiplied by an hourly rate to determine invoice totals.

Until July 1, 2016, SWS will pay flat fees, which are based on system type, number of service connections, and population served.

Fee Options Presentation

The purpose of this workshop is for staff and stakeholders to present, discuss, and receive input on various options for assessing fees for public water systems. The goal is to create a fee structure that is equitable and predictable for all PWS, while ensuring, as the law requires, that the State Water Board generates sufficient revenue to pay for the level of expenditures authorized in the Budget Act for the Safe Drinking Water Program.

POLICY ISSUE

N/A – Workshop item only.

FISCAL IMPACT

Provide a fee schedule that will generate sufficient revenue for the Safe Drinking Water Program. The proposed fee schedule may result in some PWS experiencing an increase in their annual invoices, while other systems may see a decrease, depending on the methodology chosen.

REGIONAL BOARD IMPACT

N/A

STAFF RECOMMENDATION

N/A – Workshop item only.

¹Fee points are assigned by the number of service connections, number of ground water treatment plants to comply with a primary or secondary drinking water standard, and size of surface water treatment facility.