

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
JUNE 7, 2016**

ITEM 6

SUBJECT

OPPORTUNITY FOR PUBLIC COMMENT ON THE FISCAL YEAR 2017-2018 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 contamination from leaking USTs, and 3) the new Site Cleanup Subaccount (SCA) for investigation and remediation of harm or threat of harm caused by existing or threatened surface or groundwater contamination. Following public comment, no action will be taken by the State Water Board. Informational items for public comment at State Water Board meetings have been held December 2014 and July 2015 regarding the SCA appropriations for the fiscal years (FY) 2015-16 and 2016-17, respectively.

SB 445 became effective on September 25, 2014. It provides that \$0.003 per gallon from the \$0.020 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 contamination from leaking USTs; and
- (3) Funding the new SCA for the investigation and remediation of harm or threat of harm caused by existing or threatened surface or groundwater contamination.

The revenues collected and the State of California Budget (State Budget) determine the amount appropriated to the PUSTFA, the SCA, and the SDA. The baseline appropriation has been a 50/50 split between the RUST program and the SCA, and none for the SDA due to a current lack of need. The appropriations have been based on estimates that the 3 mills will generate \$39.5 million annually. Actual and projected revenues suggest revenues to be somewhat higher. The State Budget process for FY 2017-18 begins with publication of the Governor's Budget in January 2017 and a May 2017 Budget Revision, and the adoption of the State Budget some time thereafter.

POLICY ISSUE

How should the specified funds collected pursuant to subdivision (g)(2) 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

As eligible small businesses remove single-walled USTs to meet the 2025 deadline, the demand for RUST loans and grants may eventually increase significantly. State Water Board staff outreach efforts continue.

The SCA budget appropriations for FY 2015-16 and FY 2016-17 are expected to be fully committed, with a growing demand over the years.

At this time the SDA has sufficient funds to meet the current demand. In the event the SDA had a zero balance, claims for school districts could still be funded by the UST Cleanup Fund.

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).