

Background Discussion Matrix for Funding Discussion

Governor’s Drinking Water Stakeholder Group (DWSG)

August 13, 2013

This discussion matrix tool is not a consensus document and is only meant to serve as a background discussion tool to help focus and clarify DWSG discussion and development of recommendations around new/ additional funding sources. Further discussion of funding sources is contained in the DWSG Report on New and Expanded Funding Sources dated August 13, 2013.

SCOPE: The focus of this discussion is disadvantaged communities in unincorporated areas that do not have safe drinking water. The DWSG particularly focused on those impacted by nitrate and those in the Salinas Valley and Tulare Lake Basin. Whenever possible commenters provided information tailored and focused on that scope, although they also provided broader information as well to help provide some context for the need and amounts. In all cases, commenters did their best to clarify the scope being described.

<u>Type of Funding need</u>	<u>Approximate amount needed (indicate if annual or total)</u>	<u>Existing Funding Amounts used (indicate approx. amount annually or total)</u>	<u>Existing Funding sources potentially available</u>	<u>Potential new funding sources being looked at</u>	<u>Comments/ Notes</u>
Project Planning					
Pre-planning and Planning funding to develop regional or shared solutions	Approx. \$15K for planning and another \$15K-20K for engineering per project; \$1M for the Central Valley alone. ¹		<u>CDPH:</u> New CDPH SRF pre-planning grants (approx. \$1.3M for this year once new work plan for funds in place and approved)	May expand amount available for pre-planning grants in next year IUP for DWSRF.	Funding might be most effective if rolled into existing planning funds.

¹ Based on estimates from Self-Help Enterprises (technical assistance provider).

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Planning funding to develop regional or shared solutions (continued)					
		<p><u>DWR:</u></p> <p>IRWM pilot projects –</p> <ul style="list-style-type: none"> • Provided \$2.75M to seven IRWM regions, including Upper Kings DAC pilot (\$500K), to foster DAC participation in IRWM planning efforts, and • \$2M Tulare Lake Basin DAC wastewater/water quality treatment plan. 	<p>No additional funding sources. All IRWM planning grant funds have been awarded.</p>	<p>AB403 and AB1 would have allocated a one-time amount from State Board penalty fund (\$2M) to comprehensive DAC pilot project in Salinas Valley. Clean-up and Abatement Fund may provide opportunity.</p> <p>New Water Bond</p>	<p>AB403 or AB1 failed to pass in 2013</p> <p>There are limitations on how Water Bond Funding may be used for planning.</p>
		<p><u>Strategic Growth Council (Prop 84) Department of Conservation:</u> Funded two consolidation planning projects for drinking water and wastewater this past year in Tulare County. (\$939,861)</p>	<p>Third round of Prop 84 Strategic Growth Council (SGC) planning grants available in November 2013. (\$13M)</p>	<p>Future grant rounds may be funded by cap-and-trade revenues.</p>	<p>Competitive Statewide</p> <p>Draft guidelines review process under way for funds available November 2013.</p> <p>Cap and trade investment plan finalized through budget.</p>

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Individual community project planning grants					

CDPH:

Prop 84 planning grants [fully allocated], SRF planning grants.

California Department of Housing and Community Development – CD Allocation Program.

Has been used to fund projects like connecting home laterals to new distribution systems.

CDPH DWSRF Planning funds for existing water systems.

Each year, generally in January, the CDBG program releases one combined Notice of Funding Availability (NOFA) for both the Community Development and Economic Development Allocations.

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O&M					
Base Operation and Maintenance Costs				(continued)	(continued)
				Water User Fee/Tax (continued)	vote of the Legislature to enact; 3) the tax would be a regressive tax; and 4) the State Water Board's February 2013 Nitrate Report recommendations noted that this type of charge may be viewed as a burden on low-income residents. Environmental justice representatives stated that a public goods charge is regularly brought up as a way to fund statewide priorities, and that the development of long-term sustainable solutions for communities without safe water should be given the same statewide priority.
				Point of Sale Fee/Tax on Ag Commodities	Would require 2/3 vote of the Legislature to enact. Such a fee or tax applied to food items would be regressive and precedential in nature given the tax-exempt status of food items currently. Agricultural representatives also feel such a fee is also too narrow and wrongly assumes that all drinking water contamination is agricultural based. The constitutionality of charging a fee or tax on the out-of-state agricultural commodities is also a concern.
				Carbon Tax ³	Environmental justice advocates are concerned that a fee or tax would further disproportionately impact low-income communities and especially those already dealing with contaminated drinking water.

³ Refer to DWSG Report on New and Expanded Funding Sources dated August 13, 2013 for further discussion of the potential funding sources.

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Increased treatment costs due to contamination of source water – <i>Anthropogenic sources</i>	\$13M/ year for nitrate in Salinas and Tulare only. ⁵	Currently entirely funded by rate payers, although if there are clear polluters, after years of litigation, public water systems have been successful in recovering treatment costs from polluters or manufacturers of polluting chemicals.	<u>Water Board:</u> Cleanup and Abatement Account (although current uncommitted fund balance is not less than \$8M the available amount varies significantly and unpredictably over time, since it is dependent on penalties collected)	New Water Bond Fertilizer Fee/Tax Water User Fee/Tax Point of Sale Fee/Tax on Ag Commodities	See comment on page 4 See comment on page 4 See comment on page 5

⁴ Refer to DWWSG Report on New and Expanded Funding Sources dated August 13, 2013 for further discussion of the potential funding sources.

⁵ See Endnotes for more detail on this estimate and underlying assumptions.

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Increased treatment costs due to contamination of source water – <i>Natural Sources</i>					
Increased treatment costs due to new/revised primary or secondary MCLs (Maximum Contaminant Levels) for natural sources		Currently entirely funded by rate payers. Often a reason systems seek new sources of water (e.g., consolidation, new well, treatment, etc.)		Fertilizer Fee/tax Water User fee/tax Point of Sale fee/tax on Ag Commodities	See comment on page 4 See comment on page 4 See comment on page 5

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<i>Capital / infrastructure projects</i>					
Public water system improvements or new sources	<p>DWSRF shows a total of \$9.5B on the PPL, \$650M is just to address inability to meet primary drinking water contaminants (category A-G).</p> <p>\$23M/year for just nitrate for Salinas and Tulare only.⁶</p>	<p><u>CDPH:</u></p> <ul style="list-style-type: none"> • DWSRF • Prop 84 is over allocated already but should solve some of this need. • Prop 84 Emergency Funding for capital improvements (approx. \$2-4M of original \$10M has been used) 	<p><u>CDPH:</u></p> <ul style="list-style-type: none"> • DWSRF • Prop 84 Emergency Funding for capital improvements (approx. \$4-6M of original \$10M still available) <p><u>Water Board:</u> Supplemental Environmental Projects (SEPs). Amount available is variable, but has averaged approx. \$3M/year for all SEP projects. SEPs may potentially be available for other funding needs included in this matrix (e.g. project planning, studies, monitoring programs, etc.), but there must be a nexus between the violation addressed and the SEP.</p>	<p>New Water Bond</p> <p>AB21 (Alejo) will create a renewable source for capital costs for emergency projects from Fee in Lieu of interest on SRF.</p>	<p>Note that Prop 84 Emergency Funding listed here does not include funding for interim solutions, only capital projects, such as new pumps, interconnections, collapsed well replacement, etc.</p> <p>SEPs are funded by dischargers in lieu of paying a portion of a Water Board-assessed penalty. Would need to develop SEP projects to solicit this type of funding.</p>

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Public water system improvements or new sources (continued)		<p><u>DWR:</u></p> <p>IRWM: Round 1 provided \$21.3M to critical water supply/water quality projects (35% water quality / 65% water supply) and an additional \$43.5M in “non-critical” DAC funding.</p>	<p><u>DWR:</u></p> <p>IRWM implementation grants: Available balances for the Tulare and Salinas funding areas – (after Round 2 planning awards) Central Coast = \$27.3M and Tulare/Kern = \$33M.</p> <p>Prop 50 Desalination = \$4.5M total available, includes brackish groundwater; pilots, feasibility, demo, and construction.</p> <p>Prop 50: \$5M per grant; total funding \$34M for the following programs:</p> <p>1) Pilots & Demonstrations for Contaminant Removal Technologies: Pilot and demonstration projects for the following contaminants: Petroleum products, Nitrosodimethylamine, Perchlorate, Radionuclides, Pesticides, Herbicides, Pharmaceuticals, Heavy Metals, Endocrine disrupters</p> <p>2) UV/Ozone disinfection byproducts: Systems that have MCL compliance violation, surface water treatment microbial requirements, or disinfection requirements by CDPH or local primacy agency.</p> <p>Prop 81: Grants or loans to investigate alternatives for system improvements. \$25K/investigation project; \$400K/construction project. Total available 5.1M.</p>		<p>2009 Water Bond bill proposed \$50M for Interregional funds and lists meeting the needs of DACs or economically distressed areas, including technical assistance and grant writing assistance, as one of six expressly named actions.</p>

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Short-term financing during construction					

Rural Community Assistance Corporation provides bridge loans.

CDPH will reimburse interest costs on bridge loans for SRF projects.

California Endowment may have some funds.

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State Smalls and Private Wells					
Planning funding to develop solutions for state smalls and private wells			<p><u>CDPH:</u></p> <p>New: CDPH SRF pre-planning grants, for areas with at least 15 residences (\$1.3M available this year once work plan developed and approved)</p>	<p>Future years of DWSRF IUP may have more money in the new pre-planning grant fund.</p>	
		<p><u>USDA :</u></p> <p>Loan/ Grant Program for Private Wells (\$189K)</p>		<p>2013 Farm Bill</p>	<p>DWSG members are pursuing a Rural Utility Service pilot project - \$10M to address nitrate contamination in drinking water. Still in negotiation.</p>
Education and outreach funding to identify and involve affected systems and do leadership development in the state small DACs					
	Low to mid six figures.	None Apparent	Not clear if applicable state funds.	Private Foundations	Ag participation important, as many of the State Smalls are on farms.

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Domestic Well rehabilitation, repairs or new water source infrastructure for state smalls		VERY small amount through USDA revolving fund administered through third party providers through competitive national grant program.		New Water Bond	
Technical Assistance					
		<p><u>CDPH:</u> Third party technical assistance contracts funded through Capacity Building Program of DWSRF.</p> <p>CalEPA E J Grant: 20K</p>	<p><u>DWR:</u> DWR does not have a technical assistance program, similar to DPH or SWRCB. There may be limited remaining capacity on existing facilitation and technical services contracts.</p>	<p>Creation of volunteer “retiree” / annuitants’ technical assistance program.</p>	<p>CDPH potentially interested in funding some costs of volunteer program.</p> <p>Awarded to Community Water Center to provide ongoing technical assistance and support in at least five southern S J Valley communities.</p>
Training for Board Members, Staff, and Operators		<p><u>CDPH:</u> Funds Free Drinking Water Workshops series, which are classroom and online courses provided throughout year.</p>			<p>Courses targeted to board members are ONLY provided online and English-language; not accessible for many DACs</p>

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Median Household Income (MHI) Surveys					

<p><u>CDPH:</u></p> <p>Has contract with RCAC (Rural Community Assistant Corporation) for 15 MHI surveys.</p>		<p>Using CDPH guidelines other entities, such as non-profits and university student groups (include AWWA University chapters), can perform surveys as volunteers, or if funding secured or if it meets service learning project requirements.</p>	<p>Needed to show eligibility for most grant funding programs.</p>
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<i>Waste Water Systems Upgrade Funding to Prevent Pollution to Drinking Water Sources</i>	\$887M (Based on SWB small communities' project waiting list. Only 165 of 321 communities have cost estimates. Amount could be well over \$1.5B)	<u>Water Board:</u> \$13M (one time) Small System Waste Water Program (Funds approved by SWB on February 2013)	<u>Water Board:</u> CWSRF funding can be used to address wastewater degradation of groundwater supplies (e.g., septic to sewer projects). Small Communities Waste Water Program funded through Fee in Lieu of interest in CWSRF.	New Water Bond	AB30 would eliminate sunset and cap for Small Communities Waste Water Program.
		<u>USDA Waste Water Revolving Fund</u> \$487K	<u>USDA Waste Water Revolving Fund:</u> Need more info - Tens of millions potentially available.	Farm Bill -2013	USDA Waste Water Revolving Fund

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Data gathering and management					
Monitoring state smalls					
			<u>Water Board:</u> Cleanup and Abatement Account (current uncommitted fund balance is not less than \$8M)		
Monitoring private wells					
			<u>Water Board:</u> Cleanup and Abatement Account (current uncommitted fund balance is not less than \$8M)		
Collecting, Reporting and Managing Drinking Water Data for public water systems and state smalls and private wells.					
		CDPH has a comprehensive system for collecting data for public water systems (>= 15 connections)			

Estimated Least Cost Long-term Funding Needed to Address Nitrate in Drinking Water in Tulare Basin and Salinas Valley

*Estimates based on UC Davis Report for the SWRCB SBX2 1 Report to the Legislature, estimates represent least cost long-term solutions. See below for details on estimates and underlying assumptions. **Further analysis required to determine statewide needs.**⁷

Option	Annual Capital Costs	Annual O&M Costs	Total Annual Costs
	Community Public and State Small Systems ^{1,2}		
Pipeline to a Nearby System (10,000+ system)	\$5,592,000	--	\$5,592,000
Groundwater Treatment Facility	\$1,903,000	\$4,441,000	\$ 6,344,000
Surface Water Treatment Facility	\$14,426,000	\$7,106,000	\$21,532,000
Subtotal (Community Public and State Small Systems)	\$21,921,000	\$11,547,000	\$ 33,468,000
Self-supplied households and local small water systems ³			
Installation of Point of Use RO Systems	\$1,000,000	\$1,500,000	\$2,500,000
TOTALS	\$22,921,000	\$13,047,000	<u>\$35,968,000</u>

¹ O&M ¹ Costs from UC Davis Technical Report 7, Table 45, page 100; 44, page 99

² Total costs from UC Davis Technical Report 7, Table 44, page 99

³ All cost information from UC Davis Technical Report 7, page 101

⁷ Refer to DWSG Report on New and Expanded Funding Sources, dated August 13, 2013