



March 9, 2023

The Honorable Nancy Skinner
Chair, Senate Budget Committee
1020 N Street, Suite 502
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Assembly Budget Committee
1021 O Street, Suite 8239
Sacramento, CA 95814

The Honorable Josh Becker
Chair, Senate Budget Sub Committee 2
1020 N Street, Suite 502
Sacramento, CA 95814

The Honorable Steve Bennett
Chair, Assembly Budget Sub Committee 3
1021 O Street, Suite 8239
Sacramento, CA 95814

RE: BCP 3940-030-BCP-2023-GB- Program 3560 Water Quality & 3565 Drinking Water Quality

Dear Chairs Skinner, Ting, Becker and Bennett:

WaterReuse California (WRCA) appreciates the opportunity to provide comments and suggestions on the State Water Resources Control Board (SWRCB) Budget Change Proposal (BCP) on Water Supply Strategy Implementation. The BCP and accompanying Trailer Bill establish 28 new positions at the State and Regional Water Boards funded by a new fee for recycled water permits.

While it is always preferable to avoid any increase costs, WRCA generally understands the Water Board's rationale for a new recycled water permit fee. In order to drought-proof local communities throughout California, developing local supplies though recycled water will be critical, as outlined in the goals of the Governor's Water Supply Strategy. Additionally, with Direct Potable Reuse regulations to be adopted by the SWRCB by the end of 2023, WRCA understands the need for additional staff to address additional permit requests for projects pursuing this new reuse option. However, WRCA has some concerns and suggestions.

Fee increase proposals need to be more transparent and capped:

The BCP and Trailer Bill propose to add the new recycled water permit fee into the same statutory provisions and use the same emergency rulemaking process as the Water Discharge Permit Fund fees (WDPF; also known as water quality fees). Traditionally, water quality budget levels are proposed by the SWRCB to the Department of Finance, then released in the Governor's January Budget Proposal -- without any stakeholder input. In our experience, the Legislature has usually approved the requested increases, which are then implemented at the SWRCB through the emergency rulemaking process after the start of the fiscal year. Because the WDPF funding level is approved in the State Budget, the SWRCB cannot make any changes and is required to adopt fees designed to raise enough revenue to achieve the budgeted funding level.

WRCA proposes starting the recycled water fee setting cycle in FY 24-25 -- a year after the BCP proposal - to allow for greater stakeholder input and transparency. The SWRCB staff would first present their proposal for recycled water fees to stakeholders and conduct a meaningful stakeholder process that can

result in revisions to the proposal, if necessary. This should be completed no later than November 30 each year. This proposal would be reflected in the Governor's Proposed Budget.

Additionally, **WRCA proposes to cap the annual increase for recycled water permit fees to no more than 5 percent per fiscal year or tie annual increases to Consumer Price Index.** The Governor's Water Supply Strategy presents ambitious goals for increasing the development of recycled water supplies which WRCA supports. However, allowing reasonable and predictable annual fee increases would create better budgeting certainty for projects under development. We have seen fees for other types of Water Board permits dramatically increase in the past few years and WRCA does not want permit fees to be a deterrent for the development of recycled water projects.

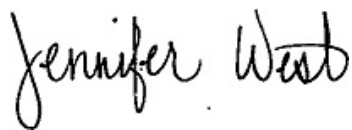
WRCA also urges the Budget Committees to assess whether this BCP overlaps with the approach already in place for potable reuse projects that require review and approval by the State Water Board's Division of Drinking Water (DDW). For these projects, DDW requires project proponents to pay fees based on hourly rates of DDW staff to review engineering reports, which lead to development of project permits. WRCA is concerned that the proposed BCP not create additional fees for the same work. At the least, we believe the Legislature should be aware that fees are already being paid – sometimes tens of thousands of dollars per project per year – during the permit acquisition or renewal phase for water recycling projects.

Finally, the **fee should not be one-size-fits-all.** The fee should be scaled according to the complexity of the project. It is logical that a more complicated project will require more staff resources, therefore should pay a proportionate share of those costs.

WRCA looks forward to working with the Budget Committees and the SWRCB on these matters. We appreciate the opportunities this revenue would provide the Water Boards to allow them to employ the necessary staff to make sure recycled water projects are permitted in a timely manner.

If you have any further questions, please contact WaterReuse California Managing Director Jennifer West, jwest@watereuse.org or 916-496-1470.

Sincerely,



Jennifer West
Managing Director

cc: Sen. Roger Niello, Vice Chair, Senate Budget Committee
Asm. Vince Fong, Vice Chair, Assembly Budget Committee
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