

July 15, 2024

Courtney Tyler, Clerk of the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Subject: DRAFT Comment Letter: FY 2024-25 Clean Water State Revolving Fund Intended Use Plan

Dear Ms. Tyler,

WaterReuse California (WRCA) and the California Association of Sanitation Agencies (CASA) appreciate the opportunity to comment on the Draft Clean Water State Revolving Fund (CWSRF) Intended Use Plan (IUP) and the staff proposal for the Water Recycling Funding Program (WRFPP) made July 2, 2024. We would like to thank the State Board and Staff for the collaboration leading up to the release of the IUP.

SRF: Loan Scenarios

WRCA and CASA support the staff recommendation of Scenario D, with a cutoff score of 12 and a \$50 million per project cap. This scenario would fund 14 new projects and ensure that there is an estimated funding capacity for \$650 million in projects for the 2025-26 IUP.

While we are pleased Scenario D eliminates the need for “pause year” that was discussed in the CWSRF working group, our associations remain concerned about how long it takes for a project to reach a final executed funding agreement. **We encourage the State Board to continue to work with the SRF Advisory Group and interested stakeholders to implement the recommendations of the SRF Program Review and to seek ways to execute funding agreements in a timely way.** Moving projects off the Fundable List in an expeditious manner will allow for more projects to be added to the list next year.

SRF: Equivalency Projects

WRCA and CASA appreciate the new effort to assign specific projects portions of the federal capitalization grant. We agree that if a project is already required to comply with Build America Buy America provisions, they should also count towards CWSRF equivalency. **We respectfully request a greater effort be made to reach out to project proponents to determine which projects are already subject to BABA and not just assign the increment to the big projects.** It may be the case that several smaller projects are getting federal funding with no waivers, and could be identified for equivalency, rather than one large project that may not be subject to BABA.

WRFP: Funding Scenarios

When the Board took action amending the 2023-24 IUP to give the Deputy Director authority to reduce WRFP grants in light of the Governor's proposed January budget, the adopting Resolution included the following language:

“6. Construction projects listed on the SFY 2023-24 IUP findable List and impacted by a reduced maximum WRFP grant may be considered for additional WRFP grant or principal forgiveness in the SFY 2024-25 CWSRF IUP depending on funding availability.”

The final 2024-25 State Budget did include \$74.5 million to the WRFP. Additionally, we appreciate the very quick response by Staff to present scenarios before the July 2 workshop. In keeping with the March agreement, WRCA and CASA strongly believe that grant funding allocated in the FY24-25 State Budget must be restored to the projects that had their funding cut in the March 2024 Board action. Thus, we are adamantly opposed to Scenario B, as presented on July 2.

We also recognize the Board's desire to fund new and disadvantaged community projects, **therefore we propose an alternate Scenario D, whereby the two DAC projects get fully funded, and the remainder of the new and previous projects split the rest of the grant funds.** This would result in the new projects being awarded approximately \$3 million and previous projects being awarded an additional \$3 million (for a total of \$8 million for most projects.) For the previous projects, this is still just about half of their original award, which ultimately could impact their viability. Nevertheless, we believe this approach strikes an appropriate balance of honoring commitments made to previous projects, supporting disadvantaged communities, and funding new projects.

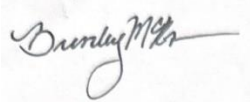
This compromise was not easy to reach among our membership, and we believe there is a very strong argument for Scenario C, which would fully restore funding to the projects that had their funding cut. **As such, we also propose that should any of the new projects that would receive funding under our Proposed Scenario D drop off the fundable list, the left over WRFP funding should be split equally between the previously funded projects, to try to get them closer to “whole.”** These projects had made plans based on the funding promised in the 2023-24 IUP and every effort should be made to make them whole, should other projects on the 2024-25 IUP WRFP fundable list drop out.

WRFP/SRF:

We would like to also recommend further discussion about establishing criteria for recycled water projects in disadvantaged communities to be eligible to receive principal forgiveness funding under Clean and Drinking Water SRFs. As communities look to enhance local supplies to protect from new or ongoing changes in imported deliveries or other strains on local water supply resources, it is important that DACs be eligible, or even prioritized, for principal forgiveness under the SRF. Fully funding those projects out of the WRFP should not be the only option, especially since WRFP funding is extremely limited. While we support small DACs pursuing recycled water projects, there is such a significant amount of funding needed for water recycling projects statewide, that it is hard to see so much of the WRFP funding dedicated to a small number of expensive but small projects that may not significantly help the state meet the goal of 1.8 MAF by 2040 (California Water Supply Strategy, 2022).

We look forward to the continued discussions with the Board and Staff about how to best maximize the current and ongoing lending capacity of the CWSRF while supporting commitments made to IUP 2023/24 projects, funding new projects in IUP 2024/25 and supporting disadvantaged communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Brenley McKenna", written over a light gray rectangular background.

Brenley McKenna
Managing Director
WaterReuse California

A handwritten signature in black ink, appearing to read "Jared Voskuhl", written in a cursive style.

Jared Voskuhl
Director of Regulatory Affairs
California Association of
Sanitation Agencies