

AMENDED IN SENATE JUNE 26, 2014

AMENDED IN SENATE JUNE 9, 2014

AMENDED IN ASSEMBLY APRIL 9, 2014

AMENDED IN ASSEMBLY MARCH 17, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1527**

---

---

**Introduced by Assembly Member Perea**

January 17, 2014

---

---

An act to amend Section ~~116326~~ *116760.70* of the Health and Safety Code, and to amend Section ~~75125~~ of, and to add Section ~~75129.5~~ to, the Public Resources Code, relating to public water systems.

LEGISLATIVE COUNSEL'S DIGEST

AB 1527, as amended, Perea. Public water systems: ~~drinking water.~~ *Safe Drinking Water State Revolving Fund.*

*Existing law, the Safe Drinking Water State Revolving Fund Law of 1997, establishes the Safe Drinking Water State Revolving Fund to provide grants or revolving fund loans for the design and construction of projects for public water systems that will enable those systems to meet safe drinking water standards. Existing law, operative July 1, 2014, requires the State Water Resources Control Board to implement this law pursuant to the adoption of a policy handbook. Existing law, operative on July 1, 2014, and repealed as of January 1 of the next calendar year occurring after the board provides notice to the Legislature and the Secretary of State and posts notice on its Internet Web site that the board has adopted a policy handbook, requires the*

*board to establish a priority list of proposed projects to be considered for funding.*

*This bill would require the board to give priority to funding the consolidation of public water systems based upon a service review developed by a local agency formation commission.*

~~Existing law, known as the California Safe Drinking Water Act, requires the State Department of Public Health to administer provisions relating to the regulation of drinking water to protect public health, including, but not limited to, administering programs to fund improvements and expansion of small community water systems using specified priorities. Existing law requires the department to encourage the consolidation of small community water systems that serve disadvantaged communities if consolidation will help the affected agencies and the state meet specified goals. Existing law allows funding of studies regarding the feasibility of consolidating 2 or more community water systems, at least one of which is a small community water system that serves a disadvantaged community, and requires the department to give funding priority to projects that involve the physical restructuring of 2 or more community water systems, as specified, when it is shown that the consolidation would further specified goals.~~

~~This bill would require the department, in administering programs to fund improvements and expansions of small community water systems and other water systems, as specified, to promote service delivery alternatives that improve efficiency and affordability of infrastructure and service delivery, as specified.~~

~~The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006, an initiative measure, provides funding for safe drinking water, water quality and supply, flood control, natural resource protection, and park improvements. Existing law establishes the Strategic Growth Council and appropriates \$500,000 from the funding provided by the initiative to support the council and its activities. Existing law requires the council to manage and award grants and loans to support the planning and development of sustainable communities, as specified.~~

~~This bill would require the council to manage and award financial assistance to a city, county, local agency formation commission, special district, nonprofit organization, or joint powers authority or joint powers agency for the preparation, planning, and implementation of a public water system consolidation, merger, or extension of services project for the purposes of promoting water conservation, and would require~~

that the financial assistance be provided from available moneys pursuant to a specified provision of the bond act described above.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 116760.70 of the Health and Safety Code  
2 is amended to read:

3 116760.70. (a) The board, after public notice and opportunity  
4 for comment, shall, from time to time, establish a priority list of  
5 proposed projects to be considered for funding under this chapter.  
6 In doing so, the board shall determine if improvement or  
7 rehabilitation of the public water system is necessary to provide  
8 pure, wholesome, and potable water in adequate quantity and at  
9 sufficient pressure for health, cleanliness, and other domestic  
10 purposes. The board shall establish criteria for placing public water  
11 systems on the priority list for funding that shall include criteria  
12 for priority list categories. Priority shall be given to projects that  
13 meet all of the following requirements:

- 14 (1) Address the most serious risk to human health.
- 15 (2) Are necessary to ensure compliance with requirements of  
16 Chapter 4 (commencing with Section 116270) including  
17 requirements for filtration.
- 18 (3) Assist systems most in need on a per household basis  
19 according to affordability criteria.

20 (b) The board may, in establishing a new priority list, merge  
21 those proposed projects from the existing priority list into the new  
22 priority list.

23 (c) In establishing the priority list, the board shall consider the  
24 system's implementation of an ongoing source water protection  
25 program or wellhead protection program.

26 (d) In establishing the priority list categories and the priority  
27 for funding projects, the board shall carry out the intent of the  
28 Legislature pursuant to subdivisions (f) to (i), inclusive, of Section  
29 116760.10 and do all of the following:

- 30 (1) Give priority to upgrade an existing system to meet drinking  
31 water standards.
- 32 (2) After giving priority pursuant to paragraph (1), consider  
33 whether the applicant has sought other funds when providing

1 funding for a project to upgrade an existing system and to  
2 accommodate a reasonable amount of growth.

3 (e) Consideration of an applicant’s eligibility for funding shall  
4 initially be based on the priority list in effect at the time the  
5 application is received and the project’s ability to proceed. If a  
6 new priority list is established during the time the application is  
7 under consideration, but before the applicant receives a letter of  
8 commitment, the board may consider the applicant’s eligibility for  
9 funding based on either the old or new priority list.

10 (f) The board may change the ranking of a specific project on  
11 the priority lists at any time following the publication of the list if  
12 information, that was not available at the time of the publication  
13 of the list, is provided that justifies the change in the ranking of  
14 the project.

15 (g) The board shall provide one or more public hearings on the  
16 Intended Use Plan, the priority list, and the criteria for placing  
17 public water systems on the priority list. The board shall adopt an  
18 Intended Use Plan and provide notice of the Intended Use Plan,  
19 criteria, and priority list not less than 30 days before the adoption  
20 of the Intended Use Plan. The Intended Use Plan, criteria, and  
21 priority list shall not be subject to the requirements of Chapter 3.5  
22 (commencing with Section 11340) of Part 1 of Division 3 of Title  
23 2 of the Government Code.

24 (h) *The board shall give priority funding to the consolidation*  
25 *of public water systems based upon a service review developed by*  
26 *a local agency formation commission pursuant to Section 56430*  
27 *of the Government Code.*

28 (h)

29 (i) The requirements of this section do not constitute an  
30 adjudicatory proceeding as defined in Section 11405.20 of the  
31 Government Code and Section 11410.10 of the Government Code  
32 is not applicable.

33 (i)

34 (j) This section shall become operative on July 1, 2014, and is  
35 repealed as of January 1 of the next calendar year occurring after  
36 the board provides notice to the Legislature and the Secretary of  
37 State and posts notice on its Internet Web site that the board has  
38 adopted a policy handbook pursuant to Section 116760.43.

39 ~~SECTION 1. It is the intent of the Legislature to encourage~~  
40 ~~local agency formation commissions to focus on the consolidation,~~

1 merger, or extension of public water systems as appropriate,  
2 especially those located in disadvantaged communities, by seeking  
3 financial assistance in order to perform the necessary service  
4 reviews and other appropriate studies.

5 SEC. 2. Section 116326 of the Health and Safety Code is  
6 amended to read:

7 116326. (a) In administering programs to fund improvements  
8 and expansions of small community water systems and, pursuant  
9 to subdivision (b), other water systems, the department shall do  
10 all of the following:

11 (1) Give priority to funding projects in disadvantaged  
12 communities.

13 (2) Promote service delivery alternatives that improve efficiency  
14 and affordability of infrastructure and service delivery, including,  
15 but not limited to, the consolidation of governmental agencies,  
16 consolidation of water systems, and the extension of services, in  
17 and to disadvantaged communities, where service delivery options  
18 will help affected agencies, communities, and the state to meet  
19 two or more of the following goals:

20 (A) Improvement in the quality of water delivered.

21 (B) Improvement in the reliability of water delivery.

22 (C) Reduction in the cost of drinking water for ratepayers.

23 (3) Pursuant to paragraph (2) of subdivision (a), for a project  
24 to be considered for funding, require that feasibility studies  
25 performed prior to a construction project include studies of service  
26 delivery alternatives that improve efficiency and affordability of  
27 capital improvements and service delivery, if at least one of the  
28 potentially affected agencies serves, or would serve by way of an  
29 extraterritorial service extension, a disadvantaged community,  
30 unless the department makes a written determination that the  
31 service delivery alternatives are not feasible under the  
32 circumstances. In making this determination, the department shall  
33 do all of the following:

34 (A) Review and consider the determinations and  
35 recommendations made by the affected local agency formation  
36 commission within the previous five calendar years in any of the  
37 following:

38 (i) A special study conducted pursuant to Section 56378 of the  
39 Government Code.

1 ~~(ii) A sphere of influence study conducted pursuant to Section~~  
2 ~~56425 of the Government Code.~~

3 ~~(iii) A service review conducted pursuant to Section 56430 of~~  
4 ~~the Government Code.~~

5 ~~(B) Consult with the executive officer of the affected local~~  
6 ~~agency formation commission to determine whether any~~  
7 ~~circumstances have changed since the studies and review conducted~~  
8 ~~pursuant to subparagraph (A) were completed or if there is any~~  
9 ~~additional information that would assist the department in its~~  
10 ~~determination.~~

11 ~~(C) Review and consider the conclusions and recommendations~~  
12 ~~of other local and regional studies designed to develop and identify~~  
13 ~~regional solutions for drinking water delivery.~~

14 ~~(4) If it is shown that an alternative service delivery option will~~  
15 ~~further the goals of paragraph (2) of subdivision (a), fund~~  
16 ~~construction projects that include the alternative service delivery~~  
17 ~~option, unless the department makes a written determination that~~  
18 ~~the alternative service delivery option is not feasible under the~~  
19 ~~circumstances.~~

20 ~~(b) If an applicant submits an application that includes a service~~  
21 ~~delivery alternative that furthers the goals specified in paragraph~~  
22 ~~(2) of subdivision (a), the applicant need not be a small community~~  
23 ~~water system and the department may increase priority of the~~  
24 ~~application.~~

25 ~~SEC. 3. Section 75125 of the Public Resources Code is~~  
26 ~~amended to read:~~

27 ~~75125. The council shall do all of the following:~~

28 ~~(a) Identify and review activities and funding programs of~~  
29 ~~member state agencies that may be coordinated to improve air and~~  
30 ~~water quality, improve natural resource protection, increase the~~  
31 ~~availability of affordable housing, improve transportation, meet~~  
32 ~~the goals of the California Global Warming Solutions Act of 2006~~  
33 ~~(Division 25.5 (commencing with Section 38500) of the Health~~  
34 ~~and Safety Code), encourage sustainable land use planning, and~~  
35 ~~revitalize urban and community centers in a sustainable manner.~~  
36 ~~At a minimum, the council shall review and comment on the~~  
37 ~~five-year infrastructure plan developed pursuant to Article 2~~  
38 ~~(commencing with Section 13100) of Chapter 2 of Part 3 of~~  
39 ~~Division 3 of the Government Code and the State Environmental~~

1 Goals and Policy Report developed pursuant to Section 65041 of  
2 the Government Code.

3 ~~(b) Recommend policies and investment strategies and priorities~~  
4 ~~to the Governor, the Legislature, and to appropriate state agencies~~  
5 ~~to encourage the development of sustainable communities, such~~  
6 ~~as those communities that promote equity, strengthen the economy,~~  
7 ~~protect the environment, and promote public health and safety,~~  
8 ~~consistent with subdivisions (a) and (c) of Section 75065.~~

9 ~~(c) Provide, fund, and distribute data and information to local~~  
10 ~~governments and regional agencies that will assist in developing~~  
11 ~~and planning sustainable communities.~~

12 ~~(d) Manage and award grants and loans to support the planning~~  
13 ~~and development of sustainable communities, pursuant to Sections~~  
14 ~~75127, 75128, 75129, and 75129.5. To implement this subdivision,~~  
15 ~~the council may do all of the following:~~

16 ~~(1) Develop guidelines for awarding financial assistance,~~  
17 ~~including criteria for eligibility and additional consideration.~~

18 ~~(2) Develop criteria for determining the amount of financial~~  
19 ~~assistance to be awarded. The council shall award a revolving loan~~  
20 ~~to an applicant for a planning project, unless the council determines~~  
21 ~~that the applicant lacks the fiscal capacity to carry out the project~~  
22 ~~without a grant. The council may establish criteria that would allow~~  
23 ~~the applicant to illustrate an ongoing commitment of financial~~  
24 ~~resources to ensure the completion of the proposed plan or project.~~

25 ~~(3) Provide for payments of interest on loans made pursuant to~~  
26 ~~this article. The rate of interest shall not exceed the rate earned by~~  
27 ~~the Pooled Money Investment Board.~~

28 ~~(4) Provide for the time period for repaying a loan made~~  
29 ~~pursuant to this article.~~

30 ~~(5) Provide for the recovery of funds from an applicant that fails~~  
31 ~~to complete the project for which financial assistance was awarded.~~  
32 ~~The council shall direct the Controller to recover funds by any~~  
33 ~~available means.~~

34 ~~(6) Provide technical assistance for application preparation.~~

35 ~~(7) Designate a state agency or department to administer~~  
36 ~~technical and financial assistance programs for the disbursing of~~  
37 ~~grants and loans to support the planning and development of~~  
38 ~~sustainable communities, pursuant to Sections 75127, 75128,~~  
39 ~~75129, and 75129.5.~~

1 (e) (1) No later than July 1, of each year, provide a report to  
2 the Legislature that shall include, but is not limited to, all of the  
3 following:

- 4 (A) A list of applicants for financial assistance.
- 5 (B) Identification of which applications were approved.
- 6 (C) The amounts awarded for each approved application.
- 7 (D) The remaining balance of available funds.
- 8 (E) A report on the proposed or ongoing management of each
- 9 funded project.
- 10 (F) Any additional minimum requirements and priorities for a
- 11 project or plan proposed in a grant or loan application developed
- 12 and adopted by the council pursuant to subdivision (e) of Section
- 13 75126.

14 (2) A report submitted pursuant to paragraph (1) shall be  
15 submitted in accordance with Section 9795 of the Government  
16 Code.

17 SEC. 4. Section 75129.5 is added to the Public Resources Code,  
18 to read:

19 75129.5. To support the planning and development of  
20 sustainable communities, the council shall manage and award  
21 financial assistance to a city, county, local agency formation  
22 commission, special district, nonprofit organization, or joint powers  
23 authority or joint powers agency, if at least one of the parties to  
24 the joint powers agreement qualifies as an eligible applicant, for  
25 the preparation, planning, and implementation of a public water  
26 system consolidation, merger, or extension of services project for  
27 the purposes of promoting water conservation. The financial  
28 assistance provided pursuant to this section shall be funded from  
29 moneys made available pursuant to subdivision (c) of Section  
30 75065. The council shall give priority to funding projects proposed  
31 by a disadvantaged community.