



## SB-1188 Drinking water: technical, managerial, and financial standards. (2023-2024)

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AMENDED IN SENATE MARCH 18, 2024

CALIFORNIA LEGISLATURE— 2023–2024 REGULAR SESSION

### SENATE BILL

NO. 1188

Introduced by Senator Laird

February 14, 2024

~~An act to amend Section 57050 of the Health and Safety Code, relating to public health and environmental protection.~~ *An act to add Article 7.2 (commencing with Section 116600) to Chapter 4 of Part 12 of Division 104 of the Health and Safety Code, relating to drinking water.*

### LEGISLATIVE COUNSEL'S DIGEST

SB 1188, as amended, Laird. ~~Repair and maintenance projects: avoiding threats to public health and safety and the environment.~~ *Drinking water: technical, managerial, and financial standards.*

*Existing law, the California Safe Drinking Water Act, imposes on the State Water Resources Control Board various responsibilities and duties relating to providing a dependable, safe supply of drinking water. Existing law requires the state board to directly enforce the provisions of the act for all public water systems, except as specified. The act prohibits a person from operating a public water system unless the person first submits an application to the state board and receives a permit to operate the system, as specified. Existing law authorizes the state board to impose permit conditions, requirements for system improvements, technical, financial, or managerial requirements, and time schedules as it deems necessary to ensure a reliable and adequate supply of water at all times that is pure, wholesome, potable, and does not endanger the health of consumers.*

*Existing law makes it a crime to knowingly make any false statement or representation in any application, record, report, or other document submitted, maintained, or used for purposes of compliance with the act.*

*This bill would require the state board to develop and adopt minimum standards related to the technical, managerial, and financial capacity of public water systems with fewer than 10,000 service connections. The bill would require public water systems with fewer than 10,000 service connections to have the capacity to demonstrate compliance with those standards, as provided.*

*This bill would prohibit the state board and the Department of Water Resources from granting or loaning state funding to a public water system that fails to comply with the bill unless the state board or department makes a*

finding regarding at least one of 3 specified conditions. The bill would authorize the state board to require a public water system subject to the minimum standards to show proof that it has the technical, managerial, and financial capacity to comply with the standards, including, but not limited to, annual reporting of information necessary and appropriate to monitor a public water system's current capacity status. Because knowingly making a false statement or representation in that report would be a crime under the California Safe Drinking Water Act, the bill would impose a state-mandated local program by expanding the scope of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

~~Existing law finds and declares, among other things, that the failure to properly repair and maintain commercial and industrial facilities or structures may pose a threat to public health or safety or to the environment that could be prevented through expeditious and coordinated agency action.~~

~~This bill would make nonsubstantive changes to those findings and declarations.~~

Vote: majority Appropriation: no Fiscal Committee: ~~no~~yes Local Program: ~~no~~yes

## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** Article 7.2 (commencing with Section 116600) is added to Chapter 4 of Part 12 of Division 104 of the Health and Safety Code, to read:

### **Article 7.2. Technical, Managerial, and Financial Standards**

**116600.** (a) The state board shall develop and adopt minimum standards in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) related to the technical, managerial, and financial capacity of public water systems with fewer than 10,000 service connections. The standards shall include, but not be limited to, all of the following:

(1) Source water adequacy, related to both supply and quality.

(2) Infrastructure adequacy, including source, treatment, distribution, and storage.

(3) Adequacy of organizational staffing levels and staff technical knowledge, including internal management of outside contractors.

(4) Ownership accountability.

(5) Adequate staffing and organization governance structures enabling transparent and informed decisions.

(6) Effectiveness of external contracts, contractors, or other agreements.

(7) Revenue sufficiency, including adequate financial reserves to plan, operate, maintain, and restore or replace the system's water infrastructure as it reaches the end of its useful life.

(8) Credit worthiness.

(9) Fiscal management and controls.

(b) In developing the standards, the state board shall review and consider documents, standards, and practices produced by other government and water industry organizations, including, but not limited to, all of the following:

(1) United States Environmental Protection Agency reports related to the agency's technical, managerial, and financial capacity standards, including the 2001 report titled "State Programs to Ensure Demonstration of Technical, Managerial, and Financial Capacity of New Water Systems."

(2) The American Water Works Association's G410-18 Business Practices for Operation and Management and M1 Principles of Water Rates, Fees, and Charges.

(3) The Rural Community Assistance Partnership's document titled "The Basics of Financial Management for Small-community Utilities."

*(4) Statutes, regulations, or reports from other state governments subject to the federal Safe Drinking Water Act (42 U.S.C. Sec. 300f et seq.).*

*(c) In developing the standards, the state board may consider proposed or adopted regulations required by Section 116375.*

*(d) Before adopting the standards, the state board shall convene at least two virtual statewide public workshops regarding the proposed standards.*

*(e) This article does not limit the Public Utilities Commission's authority in relation to the regulation of water corporations.*

**116601.** *(a) Public water systems with fewer than 10,000 service connections shall have the capacity to demonstrate compliance with the minimum technical, managerial, and financial standards adopted pursuant to Section 116600 within two years of the adoption of those standards.*

*(b) Neither the state board nor the Department of Water Resources shall grant or loan state funding to a public water system that fails to comply with this article unless the state board or the Department of Water Resources makes a finding regarding one or more of the following:*

*(1) An urgent need to provide interim measures to ensure the safe drinking water of the public water system's customers.*

*(2) The public water system initiates a voluntary consolidation proceeding with a public water agency that has adequate technical, managerial, and financial capacity within six months.*

*(3) The state board's Division of Drinking Water has approved a plan developed and submitted by the public water system that demonstrates commitment and capacity to achieve compliance, if consolidation is not a feasible option.*

*(c) The state board may require a public water system subject to the minimum standards adopted pursuant to Section 116600 to show proof that it has the technical, managerial, and financial capacity to comply with the standards, including, but not limited to, annual reporting of information necessary and appropriate to monitor a public water system's current capacity status.*

*(d) Nothing in this section shall be construed as limiting the state board's authority to order consolidation pursuant to Section 116682.*

**SEC. 2.** *No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.*

~~SECTION 1. Section 57050 of the Health and Safety Code is amended to read:~~

~~57050. The Legislature hereby finds and declares all of the following:~~

~~(a) The failure to properly repair and maintain commercial and industrial facilities or structures may pose a threat to public health or safety or to the environment that could be prevented through expeditious and coordinated agency action:~~

~~(b) There is an urgent need to implement repair or maintenance projects, as defined in subdivision (g) of Section 57051, as quickly and as effectively as possible to avoid potential threats to public health or safety or to the environment:~~

~~(c) It is the intent of this division to provide, at the request of a responsible party, a mechanism that may ensure that the permits required to carry out necessary repair or maintenance projects at commercial or industrial facilities or structures will be issued in an expeditious, timely, and coordinated manner and will be consistent with one another:~~