

CALIFORNIA WATER COMMISSION

**Final Statement of Reasons for Rulemaking,
Including Summary of Comments and Agency Response**

PUBLIC HEARING TO CONSIDER THE ADOPTION OF REGULATION
TO REMOVE THE DOLLAR AMOUNT CAP ON EARLY FUNDING

Public Hearing Date: **August 20, 2025**

I. GENERAL

- A.** The Initial Statement of Reasons, titled “Initial Statement of Reasons,” released on June 30, 2025, is incorporated by reference herein. The Initial Statement of Reasons, which is incorporated by reference herein, contained a description of the rationale for the proposed regulations.

On August 20, 2025, the California Water Commission held a hearing to consider the adoption of the Regulation. The Commission heard a presentation from staff and was provided with the public comment letters received during the noticed public comment period. The Commission also heard oral public comments at the meeting. The Commission voted to adopt the regulations at its meeting and signed a resolution to that effect. No changes were directed from the initially published proposed regulations.

B. MANDATES AND FISCAL IMPACTS TO LOCAL GOVERNMENTS AND SCHOOL DISTRICTS

The Executive Officer has determined that this regulatory action will not result in a mandate to any local agency or school district the costs of which are reimbursable by the state pursuant to Part 7 (commencing with section 17500), Division 4, Title 2 of the Government Code because there are no costs associated with the regulations. The regulations remove the dollar maximum for early funding in the Water Storage Investment Program, which does not impact school districts.

C. CONSIDERATION OF ALTERNATIVES

For the reasons set forth in the ISOR, in staff’s comments at the hearing, and in this FSOR, the Executive Officer determined that no alternative considered by the agency would be **more effective in carrying out the purpose** for which the regulatory action was proposed, or would be **as effective as and less burdensome to affected private persons**, or would be **more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law** than the action taken by the Commission.

The Commission adopted the proposed regulation, rather than the No Change Alternative, to address the issue identified in the problem statement of the Initial Statement of Reasons. If the Commission decided on the No Change Alternative, Water Storage Investment Program (WSIP) projects may not be able to receive up to 5% of their maximum conditional eligibility determination (MCED) as early funding.

D. UPDATES TO THE INITIAL STATEMENT OF REASONS

- i. The only projects eligible for funding by the Water Storage Investment Program are infrastructure projects being built by public agencies, and are eligible pursuant to Cal. Water Code § 79751. This regulatory action will, therefore, not have a significant adverse economic impact on business.
- ii. The proposed regulation will not affect the health and welfare of Californians because the proposed change is merely the removal of the dollar amount cap for early funding. Each WSIP project will still have to meet the requirements set forth in the WSIP regulations.

The proposed regulation will not affect worker safety because it does not address or involve specific safety concerns for workers.

The proposed regulation will not affect the state's environment because the change is merely the removal of the dollar amount cap for early funding. Each WSIP project will still have to meet the requirements set forth in the WSIP regulations, including finalizing environmental documents.

II. MODIFICATIONS MADE TO THE ORIGINAL PROPOSAL

The Commission and staff did not make any modifications to the original proposal.

III. DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated by reference in the regulations.

IV. SUMMARY OF COMMENTS AND AGENCY RESPONSE

Written comments were received during the 45-day comment period in response to the **August 20, 2025** public hearing notice, and oral comments were presented at the Commission Hearing. Listed below are the organizations and individuals that provided comments during the 45-day comment period or during the public hearing:

	Commenter	Affiliation
1.	James Gallagher	California Assemblymember
2.	Tim Johnson	California Rice Commission
3.	Richard Lambros	Secure Water Alliance
4.	Lance Eckhart	San Geronio Pass Water Agency
5.	Chelsea Haines	Association of California Water Agencies
6.	Daivd J. Guy	Northern California Water Association
7.	Daivd J. Guy	Northern California Water Association
8.	Megan Murphy	California Municipal Utilities Association
9.	Victoria Lort	Desert Water Agency
10.	Rebecca Eisenberg	Self

Comments 1-6 are from letters received during the public comment period. Comments 7-10 are oral comments that were made at the public hearing.

Comments 1, 5, and 8: Comments 1, 5, and 8 express support of the proposed regulation change and offer no objections or differing recommendations to the Commission.

Response to Comments 1, 5, and 8: The Commission appreciates the comments of support and finds no further response to be necessary.

Comments 2, 4, 6, 7 and 9: Comments 2, 4, 6, 7, and 9 express support for the removal of dollar cap regulation on early funding from the current Water Storage Investment Program (WSIP) and reallocating funding to the Sites Reservoir Project.

Response to Comments 2, 4, 6, 7 and 9: The Commission thanks the commentors for their support of the proposed regulation. The reallocation of funds was a separate item on the Commission's Agenda.

Comment 3.1: On behalf of the Secure Water Alliance, we write to express our strong support for the proposed action that would remove the dollar amount cap for early allocation of Water Storage Investment Program (WSIP) funds.

Response to Comment 3.1: The Commission thanks the Secure Water Alliance for their strong support.

Comment 3.2: Should the Commission approve the proposed regulatory change to remove the five percent cap on Maximum Conditional Eligibility Determination (MCED) funding, the

resulting public benefit will send a signal to the people of California that the water infrastructure they voted for with Proposition 1 in 2014 is actually moving forward.

Response to Comment 3.2: The proposed regulation change is to remove the dollar amount cap on Early Funding. The proposed regulation makes no change to the five percent of MCED cap on Early Funding. Removal of the five percent of MCED cap on Early Funding is not what was noticed in the proposed regulation change. The removal of the dollar amount cap is an administrative change and the removal of the five percent cap on Early Funding would be a policy change. The purpose of the proposed regulation is to address the potential conflict between the dollar amount and five percent of MCED early funding caps, not to remove the five percent cap.

Comment 3.3: A positive vote on the regulation will recognize that the costs of environmental documentation and permitting are rising, making the current five percent cap unreasonably low.

Response to Comment 3.3: See response to comment 3.2.

Comment 10: Ms. Eisenberg stated she supports the proposed regulation with two caveats. Ms. Eisenberg said there needs to be a strict form of financial accounting and transparency needs to be implemented, so that projects are specific about where project money is going, and for what purpose. She also said there should be strict guidelines to avoid experiencing a sunken cost phenomenon, in which a project's continued funding is justified on the basis that the project was previously funded.

Response to Comment 10: The Commission thanks Ms. Eisenberg for her support. The proposed regulation does not involve accounting or transparency procedures; however, all funding recipients are subject to State contracting requirements and subject to audit. The proposed regulation does not involve how a project is evaluated to obtain early funding or a final funding award. Ms. Eisenberg's caveats are not relevant as they are not specifically directed at the proposed action.