



April 6, 2026

The Honorable Damon Connolly, Chair  
Assembly Environmental Safety and Toxic Materials Committee  
1020 N Street, Room 171  
Sacramento, CA 95814

**RE: AB 2777 (Committee on Environmental Safety & Toxic Materials): State Water Pollution Control Revolving Fund program: loans: outdoor eating areas: water reuse-SUPPORT**

Dear Chairman Connolly and Members of the Committee:

The California Association of Sanitation Agencies (CASA) and WaterReuse California (WRCA) are proud to co-sponsor and along with the undersigned agencies, strongly support AB 2777 (ESTM Committee). This bill would provide additional flexibility for the State Water Resources Control Board to modernize the Clean Water State Revolving Fund (CWSRF) loan program.

The CWSRF is a flagship state infrastructure program that provides low interest loans and principal forgiveness grants (for disadvantaged communities) to public agencies for water quality and recycled water projects. In partnership with the Federal SRF program, the loan program has served as a low-cost alternative to commercial bonds since its inception in the 1980s, protecting California ratepayers by keeping critical infrastructure and water supply reliability project costs as low as possible.

The CWSRF currently relies on periodic infusions of funding from a variety of sources, including Federal infrastructure funds, voter approved Bond measures, and State General Fund appropriations to infuse new capital into circulation for lending. A major feature of the program is the continual cycle of interest and principal from the loans that cycle back into circulation for future project funding. However, the fund is at risk of losing annual capitalization from the federal government which would result in just interest circulating. This could result in annual loan totals going from \$600 million per year to perhaps \$200 million per year. With HUNDREDS OF BILLIONS of dollars of wastewater and recycled water projects planned in the state, more money needs to be infused into the program, not less.

AB 2777 would provide the Water Board with more flexibility to stabilize the loan capacity over time by adjusting interest rates for large borrowers to account for the long-term solvency of the fund while maintaining appealing, below market-rate loan options for water infrastructure projects.

CASA and WRCA believe it is in the best interest for the State of California, local public water and wastewater agencies, and California utility ratepayers to ensure the long-term solvency of the CWSRF program. We look forward to working with the Water Board and other stakeholders to implement the changes afforded in this legislation through the Clean Water SRF policy amendment process. We expect that stakeholder process will result in a modernized loan program that reflects a mutually beneficial outcome for both the lending program and the borrowers, and that our shared goal towards long term program solvency can be realized.

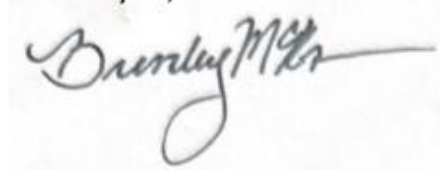
Additionally, AB 2777 would define in code, the term “incidental runoff” that was included in SB 31 (2025, McNerney). A definition was inadvertently omitted from SB 31. The language included in AB 2777 is the exact language that was vetted through a stakeholder process at the Department of Water Resources in 2024/25 and is included in [Title 23 of the California Code of Regulations](#). By including this definition in AB 2777, a costly proceeding does not need to be initiated at the State Water Resources Control Board. Because the definition was robustly discussed in an open and public form very recently, we are confident the language as received due consideration.

For these reasons, CASA and WRCA are proud to co-sponsor and join in the undersigned broad support this legislation and urge the committee to support the bill.

Sincerely,



Jessica Gauger  
Director of Legislative Advocacy and Public  
Affairs  
California Association of Sanitation Agencies



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cc: Asm. Stan Ellis, Vice Chair, Assembly Environmental Safety and Toxic Materials Comm.  
Members, Assembly Environmental Safety and Toxic Materials Comm.  
Josh Tooker, Chief Consultant, Assm Environmental Safety and Toxic Materials Comm.  
Gino Folchi, Republican Consultant, Assembly Environmental Safety and Toxic  
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