



Fact Sheet

Drinking Water Grants – Drinking Water State Revolving Fund (DWSRF) Program

HELPFUL DEFINITIONS:

- **Disadvantaged Community (DAC):** median household income (MHI) < 80% statewide MHI
- **Small Community:** < 3,300 connections or < 10,000 people.
- **Expanded Small Community:** 3,300 – 6,600 connections or 10,000 – 20,000 people.
- **Medium DAC:** 20,000 - 100,000 people and with MHI < 80% statewide MHI.
- **Consolidation:** joining 2 or more public water systems, state small water systems, or affected residences not served by a public water system, into a single public water system.
- **Category A-C Projects:** high priority projects that address public health issues (waterborne disease, water exceeds primary standards or surface water is inadequately treated, insufficient source or water delivery capacity, etc.).
- **Category D Projects:** address inadequate reliability (community water systems with a single source and no backup supply, water meters, etc.).
- **Category E-F Projects:** other eligible projects (water exceeds secondary standards, violations of Waterworks Standards, etc.).
- **Incentive Project:** a drinking water construction project, often separate from a consolidation project, that solely benefits a Receiving Water System.
- **Receiving Water System:** takes in a new service area as part of a consolidation.

CONSTRUCTION GRANTS / PRINCIPAL FORGIVENESS (PF):

Type of Community	Residential Water Rates as a % of MHI	% of Total Eligible Project Cost	Max Amount Per Connection ¹
Category A – D and/or Consolidation Projects			
Small DAC; Eligible NTNC That Serves a Small DAC; Expanded Small DAC; or Small Non-DAC with MHI < 150% of Statewide MHI ²	N/A	up to 100%	\$60,000 ³
Category A – C and/or Consolidation Projects			
Medium DAC ²	N/A	up to 100%	\$60,000 ³
Category E - F Projects			
Small DAC or Eligible NTNC That Serves a Small DAC	N/A	up to 100%	\$45,000 ⁴
Expanded Small DAC	>=1.5%	Not Eligible for PF/Grant	
	<1.5%		
¹ The Deputy Director of the Division of Financial Assistance (DFA) may approve financing for construction projects with a total eligible project cost up to \$6 M regardless of the amount per connection. ² Except for case-by-case exceptions, maximum of \$20 million per project for Medium DAC or Small Non-DAC.			

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³ The Deputy Director of DFA may approve up to \$80,000 per connection for good cause. For good cause, the Deputy Director of DFA may approve up to \$100,000 per connection for projects addressing compliance with a mandatory consolidation order, or addressing a system with an appointed administrator.

⁴ The Deputy Director of DFA may approve up to \$60,000 per connection for good cause.

REPAYABLE CONSTRUCTION FINANCING TERMS

Type of Community	Residential Water Rates as a % of MHI	Interest Rate	Max Financing Term	Local Cost Share
Small Severely DAC or Eligible NTNC That Serves a Small DAC	N/A	0%	40 Years	Waived
Small DAC or Expanded Small DAC	>=1.5%	½ General Obligation Bond Rate		
	<1.5%			

PLANNING GRANTS / PF:

- Available for projects that serve small DACs. The Deputy Director of the DFA may approve grants/PF for small, non-DAC Category A-D and/or consolidation projects for good cause.
- No cap on planning grant. Rather, planning grants count towards the total cost a community is eligible for over a 5-year period including planning, technical assistance, and construction funding.
- For 100% nonrepayable planning projects, DFA will generally not require the applicant to submit a complete financial security package or undergo financial security review prior to receiving funding, but the planning project will address financial capacity.

CONSOLIDATION INCENTIVES:

During SFY 2023-24, the State Water Board plans to continue to offer incentives to encourage consolidation, especially of Public Water Systems (PWSs) experiencing serious drinking water public health issues. The Division of Financial Assistance may offer a Receiving Water System* the following for their Incentive Project in exchange for completing a consolidation(s):

- PWS fully consolidates 1 or more communities (at least 15 connections or 25 people)
 - Up to \$10 million in 0% financing per consolidated community/water system for an Incentive Project; and
 - Grant funding up to \$3k/connection when consolidating a system that does not qualify as a small DAC, \$5k/connection when consolidating a small DAC, or up to \$10k/connection when consolidating a small SDAC water system for an Incentive Project. Max of \$5 million grant per consolidated community/water system.

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- PWS either managerially consolidates or provides water via an interconnection (where separate water system permits still exist), or a master meter agreement to one or more small community water system (where separate water system permits still exist).
 - Up to \$2 million in 0% financing for an Incentive Project; and
 - Grant funding of up to \$2.5k/connection when managerially consolidating or providing water via an interconnection/master meter to a small DAC water system or up to \$5k/connection for a small SDAC water system for an Incentive Project. Max of \$1 million grant per water system.

- PWS acts as an administrator to one or more SCWSs.
 - Up to \$5 million in 0% financing for an Incentive Project; or
 - Grant funding of up to \$2.5k/connection when acting as an administrator for a small DAC water system or up to \$5k/connection for a small SDAC water system for an Incentive Project. Max of \$1 million grant per water system.

*** Receiving Water System must be a voluntary participant (not mandatory consolidation) to receive incentive funding.**

FUNDING FOR CONSOLIDATIONS:

DFA will continue to require that all funding applicants evaluate the feasibility of consolidation to be eligible for DWSRF construction funding. If the applicant determines consolidation is infeasible, the applicant will be required to discuss the reasons supporting that determination. If consolidation is determined to be feasible and the most sustainable solution by DFA based on the consolidation assessment or other supplemental factors, DFA may provide grant/PF for the applicable consolidation project only, and not any alternative to consolidation. There may be unique cases where DFA approves grant/PF funding for a non-consolidation improvement project on a case-by-case basis, if that project is necessary to address a high priority issue while consolidation is evaluated and implemented, and either of the following applies: (1) the improvements included in the project would be necessary and continue to operate as part of the identified future consolidation opportunities; or (2) the project or a key portion of the project is identified as consistent with, and approved for funding consistent with, the Urgent Drinking Water Needs approach outlined in the FEP, and funding source requirements are met. Examples of high priority issues that such projects might address include: a chronic water quality issue that cannot generally be mitigated with short-term, interim solutions (e.g., brown water that cannot be used to wash clothes; an imminent threat of tank failure, that requires immediate action to avoid a risk to public health and safety).

Consolidation projects will be prioritized for DWSRF and associated drinking water funding. Consolidation projects are eligible for one hundred percent (100%) grant/PF funding, regardless of project category, but will be prioritized based on their public health ranking. Funding limits are described in Appendices D and E. As part of a consolidation project, reasonable and necessary connection fees or source capacity fees may be eligible for grant/PF. If a Receiving Water System does not have sufficient capacity to serve the additional customers of the Subsumed Water System, grant/PF funding may be available to increase a Receiving Water System's water supply capacity. The Deputy Director of DFA may approve grant funding for necessary improvements to recently consolidated systems for good cause.

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A PWS is generally not required to demonstrate financial capacity to operate and maintain its system if it will be consolidated into another PWS, but the Receiving Water System must satisfy financial capacity requirements. DFA may apply alternative financial capacity review for a Receiving Water system for construction project that consists solely of the consolidation of two or more PWSs into a single PWS under certain circumstances¹:

- Receiving Water Systems must submit the appropriate TMF assessment form, including a five-year budget projection for the system, including the project, in lieu of a complete financial security package.
- DFA will require certain items that have been included in the financial security package, such as the authorizing resolution, to be submitted.

FUNDING FOR PRIVATELY-OWNED SYSTEMS:

Privately-owned water systems that serve small, expanded small or medium DACs may be eligible for grant/PF based on the following criteria:

- **Consolidation projects:** eligible for 100% grant/PF funding, regardless of project category.
 - The system owner's ability to pay will not be considered in determining funding for reasonable connection fees and constructed facilities that will be owned and operated by the Receiving Water System, except to the extent required by the funding source.
 - Eligible planning projects may receive 100% grant/PF or be funded through TA, depending on the requirements of the funding source.
 - For other work occurring on private property associated with the Subsumed Water System, the Deputy Director may waive the ability to pay analysis, to the extent allowed by the funding source, when available information indicates the system owner has no other commercial assets other than the property associated with the system.
 - In most cases, funding will be provided to the Receiving Water System. To the extent that the Receiving Water System requires infrastructure improvements (e.g., pipelines,

¹ DFA will generally require a complete financial security package and financial security review of the Receiving Water System if any of the following criteria are met : i) the number of connections will increase by more than 5% with the project or the allowable permitted number of connections will be exceeded with the project; ii) any financial risks were identified in the most recent DDW Drinking Water Needs Assessment; iii) other information readily available, including information submitted by the Receiving Water System to DFA for other projects, or information from DDW's most recent sanitary survey of the Receiving Water System, indicates further review is warranted (or generally if a sanitary survey of the Receiving Water System has not been done within the past three years); and iv) the size of the Receiving Water System indicates further review is warranted (generally, for small systems a full financial review will be conducted). DFA will require certain items that have been included in the financial security package, such as the authorizing resolution, to be submitted.

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storage tank, new well, treatment) for the consolidation, those improvements may be eligible for 100% grant/PF. The Deputy Director of DFA may reduce or limit reimbursement of connection fees if infrastructure improvements are being funded with grant/PF.

- **Non-consolidation Category A-D projects:** work on private property may be eligible for up to 100% grant/PF. The system owner's ability to pay is considered when determining the grant/PF amount to be provided for construction projects. Planning projects may receive 100% grant/PF or be funded through Technical Assistance.
- **Non-consolidation Category E-F projects:** the system owner's ability to pay will be considered in determining whether to provide any financial assistance.

FUNDING FOR WORK ON PRIVATE PROPERTY RELATED TO DOMESTIC WELLS:

For projects that consist of consolidation of homes not currently served by a PWS, or for consolidations that may require work on private property associated with the residences served by a Subsumed Water System, the work on private property associated with the residences, including items such as laterals, well destruction, or backflow prevention, can qualify for grant/PF, if allowed by the funding source, if the community being consolidated is a DAC. If available MHI data for the community does not appear representative for some or all of the households served by the consolidation project, household income verification may be required. Exceptions to grant eligibility may apply if the total cost per connection for specific households is significantly higher than others in the community being consolidated, for example because there is a larger individual property with an exceptionally long lateral or a higher connection fee required.