The following changes are proposed to the May 19, 2023, Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP) and the supplemental IUPs for State Fiscal Year (SFY) 2023-24. These changes address comments received during the public comment period and editorial corrections. Text with blue underline is an addition to existing language while text with ~~strikethrough~~ indicates the removal of the language from the May 19, 2023 draft. Other changes are as described.

**DWSRF Intended Use Plan**

**Change 1:**

**Executive Summary Section A, page E-1**: The SFY 2023-24 DWSRF IUP is substantially similar to last year’s DWSRF IUP. Impacts from the Bipartisan Infrastructure Law (BIL) remain similar and State Water Board staff continue to coordinate with the United States Environmental Protection Agency (U.S. EPA) on related program and project requirements.

**Change 2:**

**Executive Summary Section D, page E-3**: Update

**Small, Expanded Small, and Medium DACs/SDACs, Small Non-DACs, and Consolidation Project Applications**

|  |  |  |  |
| --- | --- | --- | --- |
| Priority Ranking | Description | No. of Applications | Estimated Requested Funding |
| A | Immediate Health Risk | 26 | $97,737,457  |
| B | Untreated At-Risk Sources | 10 | $17,062,759 ~~11,432,759~~ |
| C | Compliance or Shortage | 105 | $439,286,598~~385,735,115~~  |
| D | Inadequate Reliability | 30 | $60,998,521~~51,666,521~~ |
| E | Secondary Risks | 17 | $98,877,920~~68,526,470~~  |
| F | Other Projects | 103 | $325,453,478~~263,472,144~~ |
| **Total** | **291** | **$1,039,416,733****~~878,570,466~~** |

 Of the 291 applications, 90~~94~~ are considered complete (62~~65~~ construction and 28~~29~~ planning applications) and are requesting approximately $301~~332~~ million in funding.

**Change 3:**

**Executive Summary Section H.1.a, page E-6**:

Based on the adoption of the federal budget for FFY 2023, and considering the effect of Congressionally directed spending on the DWSRF appropriation, the FFY 2023 Base Program Capitalization Grant is estimated to be $53,272,000. An additional $911,000 of federal grant funding will be added to California’s FFY 2023 Base Program Capitalization Grant, for a combined total of $54,183,000, reflecting a re-allotment to California of Wyoming’s uncommitted DWSRF capitalization grant funds from the FFY 2022.

**Change 4:**

**Executive Summary Section H.1.c, page E-7**:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **FFY 2023 Capitalization Grant** | **Loan** | **PF** | **Set-Asides** | **Total Cap Grant** |
| Base Program + Wyoming re-allotment | $13,545,750 ~~13,318,000~~ | $26,549,670 ~~26,103,280~~ | $14,087,580 ~~13,850,720~~ | **$54,183,000 ~~53,272,000~~** |
| General Supplemental (appropriated by BIL) | $56,787,500 | $111,303,500 | $59,059,000 | **$227,150,000** |
| Emerging Contaminants(appropriated by BIL) | $0 | $60,996,720 | $21,431,280 | **$82,428,000** |
| Lead Service Line Replacement(appropriated by BIL) | $0 ~~7,162,500~~ | $14,038,500 | $14,611,500 ~~7,449,000~~ | **$28,650,000** |
| ~~Wyoming re-allotment~~  | ~~$464,610~~  | ~~$446,390~~  | ~~$0~~ | ~~$911,000~~ |
| **Total** | **$70,333,250****~~$77,732,610~~** | **$212,888,390** | **$109,189,360****~~$101,790,000~~** | **$392,411,000** |

**Change 5:**

**Executive Summary Section H.2, page E-7**:

**Estimated Available Grant/PF funds for SFY 2023-24**

|  |  |
| --- | --- |
| Funding Type | Total (Million) |
| PF (FFY 2023 Base Program and General Supplemental) | $137. 4~~8~~ |
| PF (previous cap grants) | $68.4 |
| Prop 1 grant | $15.1 |
| Prop 68 grant | $89.7 |
| 2021 Budget Act Infrastructure Appropriation | $34~~9~~7.5 |
| **Total** | **$~~708.5~~658.1** |

**Change 6:**

**Executive Summary Section H-5, page E-8**: The Budget Acts of 2022 and 2023 appropriated an additional $50 million and $45 million, respectively, as further described in Appendix J.

**Change 7:**

**Executive Summary Section J Set-Aside Activities, page E-9**

For SFY 2023-24, the State Water Board will set-aside 26 percent (26%) of the 2023 Base Program Capitalization Grant, including the Wyoming re-allotment, and 26 percent (26%) of the 2023 General Supplemental Capitalization Grant for set-aside activities as further described below. Set-asides for EC and LSLR funding are described in the supplemental IUPs.

**SFY 2023-24 DWSRF Set-Aside Budget**

|  |  |  |  |
| --- | --- | --- | --- |
| Set-Aside Category | Max Allowed | Budgeted from FFY 2023 Grant | Estimate |
| **Base Program** |  |  |  |
| Administration | 4% | 4% | $2,167,320 ~~2,130,880~~ |
| SWS Technical Assistance | 2% | 2% | $1,083,660 ~~1,065,440~~ |
| State Program Management | 10% | 10% | $5,418,300 ~~5,327,200~~ |
| Other Local Assistance | 15% | 10% | $5,418,300 ~~5,327,200~~ |
| **Base Program Subtotal** |  | **26%** | **$14,087,580 ~~13,850,720~~** |
| **General Supplemental** |  |  |  |
| Administration | 4% | 4% | $9,086,000 |
| SWS Technical Assistance | 2% | 2% | $4,543,000 |
| State Program Management | 10% | 10% | $22,715,000 |
| Other Local Assistance | 15% | 10% | $22,715,000 |
| **General Supplemental Subtotal** |  | **26%** | **$59,059,000** |
| **Total** |  |  | **$73,146,580 ~~72,909,720~~** |

**Change 8:**

**Executive Summary Section K, page E-10:** The State Water Board is required to apply federal environmental review requirements to all DWSRF projects. As part of this review, cross-cutting federal environmental authorities (Tier I) must be applied to DWSRF equivalency projects, i.e., projects funded in an amount equal to the federal capitalization grants (although environmental review does not apply to certain set-asides). DFA will apply an alternative environmental review (Tier II) ~~process~~ to certain non-equivalency DWSRF projects, as described in further detail in Section VI.D.1. and Appendix F.

**Change 9:**

**Executive Summary Section L, page E-11:** The California State Auditor conducted a performance audit at the request of the Joint Legislative Audit Committee to evaluate the State Water Board’s efforts to help provide Californians with clean drinking water. The results of the July 26, 2022, audit report provided an independent review of the State Water Board’s efforts to provide safe drinking water to the 920,000 Californians without it. The State Water Board also worked with the Environmental Finance Center (EFC) at California State University, Sacramento on a program management review of the California~~’s~~ Clean Water State Revolving Fund (CWSRF) program. The findings from this review will be beneficial to the DWSRF program because the State Water Board administers the DWSRF program using many of the same staff and essentially similar processes used to administer the CWSRF program. EFC has developed a report in coordination with stakeholders and State Water Board staff and provided a final [report](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/docs/CWSRF-program-review.pdf) and recommendations in July 2022. The report identifies potential efficiencies, improvements, or enhancements that would facilitate application reviews and execution of loan agreements and disbursements.

DFA submitted a six ~~6-~~month audit response in January 2023 which outlined more immediate implementation responses to the July 2022 audit report.

**Change 10:**

**Section II.A, page 2, second paragraph:**

... The State Water Board is currently authorized to manage the DWSRF program pursuant to Chapter 4.5 of Part 12 of Division 104 of the Health and Safety Code, and does so in accordance with an [Operating Agreement](https://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/dwsrf_policy/appendix_b.pdf) with the ~~United States Environmental Protection Agency (~~U.S. EPA~~)~~, Region 9.

**Change 11:**

**Section IV.A, page 14, footnote 4:** change to refer to Section VI

4 Please refer to Section VI.F. of this IUP for an exception to the [DWSRF Policy](https://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/dwsrf_policy/dwsrf_policy_final.pdf) regarding reimbursement of eligible construction costs.

**Change 12:**

**Section IV.A, page 15, bullets 5 and 6:**

* SADW Fund (generally administered via the SADW Fund Expenditure Plan rather than the DWSRF IUPs); and
* State general fund allocations, including the 2021 Budget Act Infrastructure appropriation, and PFAS appropriations from the 2021,  ~~Budget Act and~~ 2022, and 2023 Budget Acts.

**Change 13:**

**Section IV.A.4, page 22: added clarifying statement**

* A PWS completes a full physical consolidation of an existing PWS(s) (where the Subsumed Water System is no longer separately permitted) or a community (at least 15 year-round residential service connections or a year-round population of at least 25 people) not currently served by a PWS.

**Change 14:**

**Section IV.C.3.c, page 31, 2021 Budget Act Infrastructure Appropriation**

The Budget Act of 2021 (Senate Bill 129 and Senate Bill 170) appropriated
$1.55 billion to the State Water Board in item 3940-106-0001. The budget bill specified that $650 million was~~is~~ for drinking water projects, with priority given to disadvantaged communities. Up to five percent of the funds may be used for State Water Board administrative costs ~~(leaving $617.5 million for drinking water grants)~~. Due to a reversion of appropriated drinking water and wastewater funds back to the General Fund, as outlined in item 3940-495-110 of the state Budget Act of 2023 (Assembly Bill 102), the 2021 Budget Act Infrastructure Appropriation funding for drinking water projects has been reduced by $50 million. Up to ten percent may be utilized for TA and capacity building in DACs. Certain SRF requirements may not apply to projects receiving 2021 Budget Act

**Change 15:**

**Section IV.C.4, page 33, PFAS**

The Budget Acts of 2021, ~~and~~ 2022, and 2023 included $125~~80~~ million in General Fund local assistance for technical and financial assistance to drinking water systems to address PFAS[[1]](https://gbc-word-edit.officeapps.live.com/we/wordeditorframe.aspx?ui=en%2DUS&rs=en%2DUS&wopisrc=https%3A%2F%2Fcawaterboards.sharepoint.com%2FDFA%2FCWSRF%2F_vti_bin%2Fwopi.ashx%2Ffiles%2F64787982ed08404c8cfffc1325359990&wdenableroaming=1&mscc=1&hid=F62EC5A0-B0C3-E000-0786-2FAB69531B1F&wdorigin=ItemsView&wdhostclicktime=1689008640650&jsapi=1&jsapiver=v1&newsession=1&corrid=0816b593-beae-4668-b320-fddc7de75822&usid=0816b593-beae-4668-b320-fddc7de75822&sftc=1&cac=1&mtf=1&sfp=1&instantedit=1&wopicomplete=1&wdredirectionreason=Unified_SingleFlush&rct=Normal&ctp=LeastProtected#_ftn1). ~~The Budget Act of 2023 may include additional General Fund for PFAS projects.~~ The Deputy Director of DFA is authorized to administer these funds consistent with the process outlined herein and in the DWSRF EC Supplemental IUP.

**Change 16:**

**Section V, page 44 Set-Aside Activities, clarification**

The Deputy Director of DFA is authorized to make grants, enter into contracts, and establish in-kind funding from USEPA to accomplish work covered by the set-aside budgets for each grant. The Deputy Director of DFA is also authorized to request from U.S. EPA the transfer of any unspent set-aside funds to the DWSRF loan fund for expenditure on eligible projects.

**Change 17:**

**Section V.A, page 45, clarification**

|  |  |  |
| --- | --- | --- |
| Max Allowed (from each Capitalization Grant): | 4% |  |
| Budgeted from FFY 2023 Base Program Grant + Wyoming Re-Allotment: | 4% | $2,167,320 ~~2,130,880~~ (estimate) |
| Budgeted from FFY 2023 General Supplemental Grant: | 4% | $9,086,000 (estimate) |

**Change 18:**

**Section V.B, page 45, clarification**

|  |  |  |
| --- | --- | --- |
| Max Allowed (from each Capitalization Grant): | 2% |  |
| Budgeted from FFY 2023 Base Program Grant + Wyoming Re-Allotment | 2% | $1,083,660 ~~1,065,440~~ (estimate) |
| Budgeted from FFY 2023 General Supplemental Grant: | 2% | $4,543,000 (estimate) |

**Change 19:**

**Section V.C, page 46, clarification**

|  |  |  |
| --- | --- | --- |
| Max Allowed (from each Capitalization Grant): | 10% |  |
| Budgeted from FFY 2023 Base Program Grant +Wyoming Re-Allotment: | 10% | $5,418,300 ~~5,327,200~~ (estimate) |
| Budgeted from FFY 2023 General Supplemental Grant: | 10% | $22,715,000 (estimate) |

**Change 20:**

**Section V.D, page 46, clarification**

The Local Assistance Set-Aside will be used in SFY 2023-24 to fund personnel costs of the Office of Sustainable Water Solutions within DFA and may fund personnel costs of DDW.

|  |  |  |
| --- | --- | --- |
| Max Allowed (from each Capitalization Grant): | 15% |  |
| Budgeted from FFY 2023 Base Program Grant + Wyoming Re-Allotment: | 10% | $5,418,300 ~~5,327,200~~(estimate) |
| Budgeted from FFY 2023 General Supplemental Grant: | 10% | $22,715,000 (estimate) |

**Change 21:**

**Section VI.B Table 7, page 50:**

**2023 DWSRF Base Capitalization Grant + Wyoming Re-Allotment Payment Schedule**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FFY** | **Payment Date** | **Percentage of Cap Grant** | **Estimated Amount** | **Description** | **Site Code** |
| **2023** | Award Date | 4% | $2,167,320 ~~2,130,880~~ | DWSRF Administration Set-Aside | DD |
| **2023** | Award Date | 2% | $1,083,660 ~~1,065,440~~ | SWS Technical Assistance Set-Aside | DE |
| **2023** | Award Date | 10% | $5,418,300 ~~5,327,200~~ | State Program Management Set-Aside | DF |
| **2023** | Award Date | 10% | $5,418,300 ~~5,327,200~~ | Local Assistance & Other Programs Set-Aside | DG |
| **2023** | Award Date | 74% | $40,095,420 ~~39,421,280~~ | Loan Fund | DA |

**Change 22:**

**Section VI.C Table 9, page 52: FFY 2023 Capitalization Grants and State Match Sources**

|  |  |  |
| --- | --- | --- |
| **DWSRF Grant** |  **FY 21/22 General Fund State Match** | **Federal/State Match Draw Ratio** |
| FFY 2023 Base Grant + Wyoming Re-Allotment | $10,836,600~~564,400~~ | 78.72% / 21.28% |
| FFY 2023 General Supplemental Grant | $22,715,000 | 88.10% / 11.90% |
| Total | $33,551,600~~45,825,400~~  |  |

**Change 23:**

**Section VI.D Table 10, page 53: List of Federal Requirements Based on Funding Source**

...

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  Federal Environmental ~~Federal~~ Cross-Cutters (equivalency, see discussion below) | X | X\*\*, may be Tier II |  |  |  |

**Change 24:**

**Section VI.D.1, page 54 Environmental Cross-Cutters**

Under the DWSRF Operating Agreement, all projects must undergo an environmental review ~~process~~ prior to funding. The State Water Board will use its U.S. EPA-approved State Environmental Review Process (SERP) to review DWSRF project applications submitted for funding during SFY 2023-24.

...The State Water Board Environmental Scientist Staff will review the DWSRF projects consistent with the SERP.

**Change 25:**

**Section VI.D.2, pages 54-55 Tier II Environmental Review, 2nd paragraph**

The State Water Board has elected to apply an alternative environmental review process (referred to as Tier II environmental review) to certain DWSRF projects and activities for which the State provides assistance in amounts that are greater than the amount of the capitalization grant deposited into the DWSRF or set aside accounts (40 C.F.R. § 35.3580(d)). ~~Pending approval from U.S.EPA, the~~The Tier II environmental review process is ~~anticipated to be~~ set forth in an attachment to the SERP. The State Water Board has elected to apply Tier II environmental review to DWSRF-funded planning projects; construction projects for Small or Expanded Small DACs and SDACs;..

 … These categories of projects, set forth in Appendix F, will be designated for Tier II environmental review, unless DFA determines that additional projects are required to satisfy the equivalency requirement or determines that the project should maintain eligibility for DWSRF funding. Projects funded only by State Grant funds may be subject to CEQA environmental review rather than the DWSRF SERP at the discretion of DFA. However, all projects funded by the DWSRF EC and DWSRF LSLR funds are equivalency projects and will be subject to Tier I environmental review under the SERP, so Appendix F does not apply to those projects. Appendix F also does not apply to ASADRA projects; the Deputy Director of DFA will designate ASADRA equivalency projects.

The State Water Board will continue applying federal environmental cross-cutters requirements to projects totaling the amount made available by federal capitalization grants and reportable as such to the U.S. EPA.

**Change 26:**

**Section VII.D, page 64 DWSRF Performance Metrics**

1. Provide TA assistance (TA provider or DDW) by end of Fiscal Year to ninety percent (90%) of currently incomplete applications for Category A-C~~D~~ projects that are eligible for grant/PF under Appendices D and E (Table 2), who require TA to complete their application.

**Change 27:**

**Section IX ACRONYMS, page 67 added**

|  |  |
| --- | --- |
| CEQA | California Environmental Quality Act |
| SERP | State Environmental Review Process |

**Change 28:**

**Section X: Appendix A: pages 69-70 SFY 2023-2024 DWSRF Fundable List**

Added column “Proposed Equivalency & FFATA Projects Base Program” and edited “Proposed Equivalency & FFATA Projects General Supplemental”. Updated data in those 2 columns.

Added row “Automatically Fundable Projects with Complete Applications,” modified title of row, ~~Total Projects~~ to “Total Loan Projects,” and added row titled “Total Fundable List Projects,” and added data.

Edited footnotes 4 and 5, and added footnote 7:

* + - * 1. Monthly Saving per customer connection includes estimated savings from subsidized loan and grant/PF. The savings are estimated by assuming that without SWRCB funding, the applicant would incur debt service at market rates. The monthly savings per customer connection is calculated as the annual debt service savings on a 30-year loan at market rate of 4.2% compared to a similar term at the current D~~C~~WSRF rate of 2.1%, spread among the applicant’s residential connections.
				2. Estimated 2023 DWSRF Base Program ($54,183,000) & 2023 General Supplemental Capitalization Grants ($227,150,000) total $281,333,000~~280,422,000~~. The total available as PF is $137,853,170~~137,406,780~~, and total reserved as set-asides~~administration and technical assistance~~ is $73,146,580~~$12,195,960~~. Therefore, the estimate available for loans is $70,333,250~~$96,346,890~~. Projects on the Comprehensive List ~~with SCWW~~eligible for grant/PF under Appendices D and E, and Consolidation Projects ~~as a proposed funding source are also potentially eligible for~~ may receive ~~CWSRF~~ Principal Forgiveness from DWSRF or grant from State sources.

7. Summary of Projects eligible for grant/PF under Appendices D and E, and Consolidation Projects which have a complete application and are therefore added to the Fundable List. Information about the individual projects are included in the Comprehensive List.

**Change 29:**

**Section X: Appendix B, pages 72-99 SFY 2023-24 DWSRF Comprehensive List**

Edited “Degree of Disadvantaged” column by removing system size and changing notations from “...~~Severely Disadvantaged~~” to “SDAC”, “...~~Disadvantaged~~” to “DAC”, “~~Not Disadvantaged~~” to “Non-DAC”

Under **Construction Projects eligible for grant/PF under Appendices D and E, and Consolidation Projects**

Added 2 columns “Complete Application” and “TA Provided” and added data.

Edited footnote 3:

3. Construction Projects eligible for grant/PF under Appendices D and E are potentially eligible for DWSRF Principal Forgiveness, and DFA intends to award PF in the amounts previously discussed to projects from this group. The demand for grant/PF well exceeds the $137.4~~108~~ million in principal forgiveness available from the FFY 2023 DWSRF Base Program and General Supplemental capitalization grants.

**Change 30:**

**Section X: Appendix D, page 102 Planning Project Grant and PF for an Eligible PWS**

Revised notes:

...~~If the Deputy Director of~~ When DFA amends an existing agreement or approves the final budget form submitted by a recipient, the amendment or final budget approval letter may be based on current IUP criteria rather than those in place at the time of original agreement execution, at DFA’s discretion.

**Change 31:**

**Section X: Appendix E, page 103 Construction Project Grant and PF Limitations for an Eligible PWS**

In the table, corrected footnote reference for the cell that provides Maximum Amount Per Connection for Medium DAC/SDAC projects:

$60,000 48~~7~~

Edited footnote 38:

38 The maximum grant/PF for a community is based on grant/PF funding the community receives in a five-year period. This includes planning, ~~interim solutions,~~ TA, and construction funding for the community, but not GWGP funding. Funds disbursed to the community under planning will be subtracted from the maximum eligible construction grant.

Edited footnote 46:

46 Funding priority will be given to Category A-D Projects and consolidation projects. For consolidation projects, grant/PF eligibility may be determined based on the Subsumed Water System, although the recipient must be eligible under the applicable funding source. Throughout this document, Category A-D Projects may include projects that will address DAC/SDAC state small water systems or domestic wells with water quality or quantity issues deemed equivalent to Category A-D to the extent eligible under the applicable funding source. To be eligible for funding for a consolidation of a state small water system or individual residences, the Receiving Water System need not be one of the specified types of communities, but must be eligible under the funding source. See Section IV.A.4 for a discussion of consolidation incentives, which may be provided to Receiving Water Systems for consolidation projects apart from grant/PF for the consolidation project.

Edited footnote 47 under Medium DAC/SDAC: $60,000 48~~7~~

Edited footnote 48:

48 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.

Revised notes:

NOTES: ~~If the Deputy Director of~~ When DFA amends an existing agreement or approves the final budget form submitted by a recipient, the amendment or final budget approval letter may be based on current IUP criteria rather than those in place at the time of original agreement execution, at DFA’s discretion.

**Change 32:**

**Section X: Appendix F, page 105 Tier II Environmental Review or CEQA Review**

DWSRF projects that will generally be subject to ~~the~~ Tier II environmental review ~~process,~~ and thus would be excluded from federal environmental cross-cutters (see section VI.D. above),

**Change 33:**

**Section X: Appendix K, pages 99-102 Congressionally Directed Spending for DWSRF**

Added 2 columns “Water System Size” and “Disadvantaged Status” and added data for all entries.

**Corrected typos, formatting, and references throughout the DWSRF IUP and supplemental IUPs.**

**Lead Service Line Replacement Supplemental IUP (Appendix I)**

**Change 34:**

**Section I Background and Purpose, end of 3rd paragraph**

The State Water Resources Control Board (State Water Board) intends to participate in updating its data regarding the existence of LSL in California if provided the opportunity by U.S. EPA and if the Deputy Director of the Division of Financial Assistance (DFA) determines that the collection of additional data may increase California’s allotment to more than the minimum allotment of 1 percent (1%).

**Change 35:**

**Section III Program Requirements, added phrase to 3rd paragraph and added the 4th paragraph**

All existing requirements for the DWSRF program2 and execution of a DWSRF funding agreement, and the provisions of the DWSRF IUP and DWSRF Policy, apply to projects receiving DWSRF LSLR program funding and remain in effect unless the Deputy Director of DFA approves modified requirements as described in the following paragraph, or unless such requirements are inconsistent with the requirements of the BIL or this supplemental LSLR IUP. . . .

* The Deputy Director of DFA may approve modified requirements for the LSLR program, including but not limited to application requirements and technical, managerial, and financial capacity (TMF) requirements. For LSLR projects, the “mandatory” and “necessary” designations in the TMF Instructions attachment to the DWSRF Policy will not apply, and the criteria in the TMF Instructions may be modified at the discretion of the Deputy Director of DFA. Small, disadvantaged water systems that lack TMF capacity may be referred the technical assistance program. Recipients may be required to address TMF capacity as a condition of receiving funding, at the discretion of the Deputy Director.

**Change 36:**

**Section V: Program Schedule and Funding Approach correction**

Applicants should follow the existing DWSRF application process for LSLR applications until DFA posts a LSL-specific ~~technical~~ application package. Applicants can refer to the State Water Board’s website.

**Change 37:**

**Section VI, Development of LSLR Project Priority List, Paragraph 5, cost estimates corrected**

* Based on the available data, the State Water Board estimates the overall cost for the LSLR program will be approximately $~~341.8~~333.2 million. The total includes $43.9 million to replace known lead service lines and goosenecks, pigtails, and connectors, $~~70.9~~68.9 million to investigate unknown materials, and $~~227~~ 220.4 million to replace the unknown service lines and goosenecks, pigtails, and connectors if forty percent (40%) were identified to contain lead during investigations of unknown materials.

**Change 38:**

**Section VI, Development of LSLR Project Priority List, Table 1, cost estimates corrected**

|  |  |
| --- | --- |
| **Cost Categories** | **Cost Estimates** |
| Replace Known Lead Lines and Goosenecks, Pigtails, and Connectors | $ 43,912,000  |
| Investigate Lines & Goosenecks, Pigtails, and Connectors with Unknown Material | $ 68,884,000 ~~70,922,500~~  |
| If 40% of Unknown Material Require Replacement | $ 220,428,800 ~~226,952,000~~  |
| **Overall Estimated Total Costs for Investigation & Replacement** | **$ 333,224,800 ~~341,786,500~~**  |

**Change 39:**

**Section VII, Funding Availability and Terms, updated**

The State Water Board will provide forty-nine percent (49%) of the available DWSRF LSLR funds as principal forgiveness, and fifty-one ~~twenty-six~~ percent (51~~26~~%) will be used for set-asides, including using approximately $7 million of banked Administration Set-Aside authority from the FFY 2022 LSLR Capitalization Grant for U.S. EPA in-kind services to assist in lead service line inventory assessments. ~~and twenty-five percent (25%) will be available as zero percent (0%) interest loans.~~

**Change 40:**

**Section VIII, Administration and Set-Aside Funds and Table 3, updated**

The BIL allows each state to set aside up to thirty-one percent (31%) of its DWSRF LSLR capitalization grant plus any prior banked set-aside authority to support various DWSRF and Division of Drinking Water (DDW) program activities, consistent with U.S. EPA guidance on the eligible uses of the set asides, including (1) the administration of the DWSRF, (2) small water system (SWS) technical assistance, (3) public water system (PWS) supervision by DDW and (4) other technical assistance to PWSs in support of technical, managerial, and financial capacity development. The Set-Asides are especially beneficial to SWSs serving SDACs and DACs.

For SFY 2023-24, the State Water Board will set-aside ~~twenty-six~~ fifty-one percent (~~26~~51%) of the 2023 DWSRF LSLR Capitalization Grant for set-aside activities as further described below. The Deputy Director of DFA may adjust the LSLR Capitalization Grant budgets for these activities for good cause, including requesting banked administration set-aside authority from the FFY 2022 LSLR Capitalization Grant and transferring any unspent set-aside funds from the LSLR capitalization grants to the DWSRF loan fund for encumbrance/expenditure for eligible LSL projects. The Deputy Director of DFA is also authorized to make grants, enter into contracts, and establish in-kind funding from U.S. EPA to accomplish work covered by the set-aside budgets for each DWSRF LSLR Capitalization Grant.

**Table 3: SFY 2023-24 DWSRF LSLR Set-Aside Budget**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Set-Aside Category | Max Allowed from FFY 2023 Grant | Banked Authority from FFY 2022 Grant | Budgeted from FFY 2023 Grant | Estimate |
| Administration | 4% | 25% | ~~4%~~29% | $~~1,146,000~~ 8,308,500 |
| SWS Technical Assistance | 2% |  | 2% | $573,000 |
| PWS Supervision (State Program Management) | 10% |  | 10% | $2,865,000 |
| Other Local Assistance | 15% |  | 10% | $2,865,000 |
| **Total** | **31%** | **25%** | **~~26~~51%** | **$~~7,449,000~~14,611,500** |

The DWSRF LSLR Set-Aside Work Plan for SFY 2023-24 will contain information about the specific tasks and full-time equivalent personnel that will be supported in DFA and DDW by the DWSRF LSLR Set-Aside budget. The Work Plan will be submitted to
U.S. EPA for its approval. ~~The Deputy Director of DFA is authorized to enter into contracts to accomplish the work covered by the set-aside budget or to arrange for~~
~~in-kind services from U.S. EPA.~~

**Change 41:**

**Section VIII.A, Administration Set-Aside, updated**

The Administration Set-Aside will fund administration of the DWSRF LSLR program in SFY 2023-24, primarily through U.S. EPA in-kind services for lead service line inventories. ~~This will include the review and~~ Subject to the availability of funds, the Administration Set-Aside may also fund the processing of drinking water funding applications, project management and general oversight of DWSRF LSLR projects. The DWSRF Administration Set-Aside will also cover the costs for accounting, legal, budgetary, and general management and oversight of the DWSRF LSLR funds.

**Change 42:**

**Section IX.1 Table 4: 2023 LSLR Capitalization Grant Payment Schedule, modified**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FFY**  | **Payment Date**  | **Percentage of Cap Grant**  | **Estimated Amount**  | **Description**  | **Site Code\***  |
| **2023**  | Award Date  | ~~4~~29% | $~~1,146,000~~8,308,500 | DWSRF Administration Set-Aside  | DD  |
| **2023**  | Award Date  | 2% | $573,000 | SWS Technical Assistance Set-Aside  | DE  |
| **2023**  | Award Date  | 10% | $2,865,000 | State Program Management Set-Aside  | DF  |
| **2023**  | Award Date  | 10% | $2,865,000 | Local Assistance & Other Programs Set-Aside  | DG  |
| **2023**  | Award Date  | ~~74~~49% | $~~21,201,000~~14,038,500 | Loan Fund  | DA  |
| \*Site Codes reference the federal accounts in which the various loan and set-aside funds of a capitalization grant are deposited and made available for liquidation by the State Water Board.  |

**Change 43:**

**Section XI Lead Service Line Replacement Inventory List,**

Corrected:

Total number of systems in the total row corrected from ~~11~~ to 14.

Revised footnote 3:

3. LSL data from 2021 DWINSA and DDW.

**Change 44:**

**Section XII, Lead Service Line Investigation Inventory List,**

Trabuco Canyon Water District removed.

9 duplicate rows at the bottom of the table were removed.

Total row updated:

* Total number of systems updated from ~~101~~ to 100
* Service Lines Inventoried – Material Unknown updated from ~~95,914~~ to 91,837
* Estimated Costs to Investigate updated from $~~70,922,500~~ to $68,884,000
* Estimated Costs to Replace 25% updated from $~~567,380,000~~ to $551,072,000

Revised Footnote 4:

4. LSL data from 2021 DWINSA and DDW.

**Change 45:**

**Section XIII, FFY 2023 Estimated Federal LSLR Capitalization Grant Cash Draw Schedule**

Revised budget:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **FFY 2023 DWSRF LSL Capitalization Grant/Accounts**  | **Total Payment Amount (Date of Award)**  | **SFY 2023-24 Federal Draws**  | **SFY 2024-25 Federal Draws**  | **SFY 2025-26 Federal Draws**  |
| **Project Loan Fund** |   | **Q1**  | **Q2**  | **Q3**  | **Q4**  | **Q1**  | **Q2**  | **Q3**  | **Q4**  | **Q1**  | **Q2**  | **Q3**  | **Q4**  |
| **2023 Loan Funds** | $~~21,201,000~~14,038,500 |  |  |  |  | ~~$5,300,250~~ |    | ~~$5,300,250~~ | $3,509,625 | ~~$5,300,250~~ | $3,509,625 | $3,509,625~~$5,300,250~~ | $3,509,625   |
| **Set-Aside Accounts** |   |  |  |  |  |   |   |   |   |   |   |   |   |
| **2023 DWSRF Administration\*** | $8,308,500~~1,146,000~~ |  |  |  |  | ~~$286,500~~ | ~~$286,500~~ | ~~$286,500~~ | ~~$286,500~~ |    |    |    |    |
| **2023 SWS Administration** | $573,000 |  |  |  |  | $143,250 | $143,250 | $143,250 | $143,250 |  |  |  |  |
| **2023 PWSS** | $2,865,000 |  |  |  |  |  |  | $1,432,500 | $1,432,500 |  |  |  |  |
| **2023 Local Assistance** | $2,865,000 |  |  |  |  | $716,250 | $716,250 | $716,250 | $716,250 |  |  |  |  |

\*Amount reserved for U.S. EPA in-kind funding and therefore no federal draws by the State Water Board are represented.

**Emerging Contaminants Supplemental IUP (Appendix J)**

**Change 46:**

**Section III, Budget numbers updated, Paragraph 1**

* The ~~2021 budget addendum~~ Budget Act of 2023 included a ~~planned appropriation of~~ n additional appropriation of $45 ~~$20~~ million for SFY 2023-24. ~~If the funds are appropriated by the 2023 Budget Act, the~~ The State Water Board directs the above funds to be administered consistent with this EC Supplemental IUP.

**Change 47:**

**Section IV, 1st Paragraph, Footnote 1 edited**

1 $30 million for FY 2021-22, $50 million for FY 2022-23, $45 million for FY 2023-24.~~. There is an additional $20 million anticipated for FY 2023-24~~, for a total of $1~~00~~25 million.

**Change 48:**

**Section V, 2nd Paragraph, Footnote 3 edited**

3 All projects funded by DWSRF EC funding are equivalency projects, and thus all federal cross-cutting requirements apply. Tier II environmental review and Appendix F of the IUP do not apply to such projects

**Change 49:**

**Federal requirement table reference corrected, Section V, Paragraph 3**

* If a project will receive PFAS General Fund grant funding only, some federal requirements will not apply (see Table 10~~8~~ in the DWSRF IUP).

**Change 50:**

**Clarification that Contaminant Candidate List 5 is no longer draft, Section VI, Paragraph 1**

* Although funding for projects with a focus on PFAS will be prioritized, projects that address any contaminants listed on any of EPA’s [Contaminant Candidate Lists](https://www.epa.gov/ccl) are potentially eligible for DWSRF EC funding (i.e., CCL1 – ~~draft~~ CCL5).

**Change 51:**

**Table 1: Estimated Available Grant/PF funds for SFY 2023-24 corrected**

|  |  |
| --- | --- |
| Funding Type | Total (Million) |
| DWSRF PF (FFY 2023 DWSRF EC) | $76.2 ~~$75.6~~ |
| DWSRF PF (previous DWSRF EC cap grants) | $56.0 ~~$55.7~~ |
| 2021 Budget Act PFAS grant | $30.0 |
| 2022 Budget Act PFAS grant | $28.0 ~~$35.0~~ |
| 2023 Budget Act PFAS grant ~~(estimated)~~ | $45.0 ~~$20.0~~ |
| **Total** | $235.2 ~~$216.3~~ |

**Change 52:**

**Section IX: Administration and Set-Asides Funds**

For SFY 2023-24, the State Water Board will set-aside twenty-six percent (26%) of the 2023 DWSRF EC Capitalization Grant and bank four percent (4%) of the 2023 CWSRF EC Capitalization Grant for set-aside activities as further described below.

**Table 3: SFY 2023-24 DWSRF EC and CWSRF EC Set-Aside Budget**

|  |  |  |  |
| --- | --- | --- | --- |
| Set-Aside Category  | Max Allowed  | Budgeted from FFY 2023 Grant  | Estimate  |
| **DWSRF EC** |  |  |  |
| Administration  | 4%  | 4%  | $ 3,297,120 |
| SWS Technical Assistance  | 2%  | 2%  | $1,648,560 |
| PWS Supervision  | 10%  | 10%  | $8,242,800 |
| Other Local Assistance  | 15%  | 10%  | $8,242,800 |
| **DWSRF EC Subtotal**  |   | **26%**  | **$21,431,280** |
| **CWSRF EC** |  |  |  |
| Administration (banked) | 4%  | 4%  | $608,320 |
| **CWSRF EC Subtotal**  |   | **4%**  | **$608,320** |
| **Total EC Set-Aside**  |  |  | **$22,039,600** |

**Change 53:**

**Section X.1 Table 4: 2023 EC Capitalization Grant Payment Schedule**\*\* **corrected**

* CWSRF EC funds transferred to DWSRF can only be used for project funding and not administration. Adjusted the estimated amounts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FFY** | **Payment Date** | **Percentage of Cap Grant** | **Estimated Amount** | **Description** | **Site Code\*** |
| **2023**  | Award Date  | 4%  | $3,297,120 ~~905,440~~ | DWSRF Administration Set-Aside ~~& CWSRF Administration Allowance~~ | DD  |
| **2023**  | Award Date  | 2%  | $1,648,560 | DWSRF SWS Technical Assistance Set-Aside  | DE  |
| **2023**  | Award Date  | 10%  | $8,242,800 | DWSRF State Program Management Set-Aside  | DF  |
| **2023**  | Award Date  | 10%  | $8,242,800 | DWSRF Local Assistance & Other Programs Set-Aside  | DG  |
| **2023**  | Award Date  | 74%  | $60,996,720 ~~75,596,400~~ | DWSRF Loan Fund ~~& CWSRF PF Fund~~  | DA  |
| \*Site Codes reference the federal accounts in which the various loan and set-aside funds of a capitalization grant are deposited and made available for liquidation by the State Water Board.\*\*Amounts and percentages do not include the transfer of the FFY 2023 CWSRF EC Capitalization Grant ($15,208,000) to the DWSRF for the sole purpose of funding DWSRF EC eligible projects. The requested payment date for the additional transferred EC funds from the CWSRF is also the award date of the FFY 2023 DWSRF EC Capitalization Grant. |

**The DWSRF IUP and supplemental IUPs will be updated throughout as needed to reflect these changes.**