

**SUMMARY OF
DRAFT STATE FISCAL YEAR (SFY) 2024-25 CLEAN WATER STATE REVOLVING
FUND (CWSRF) INTENDED USE PLAN (IUP)**

INCLUDING SUPPLEMENTAL IUP FOR THE BIPARTISAN INFRASTRUCTURE
LAW'S EMERGING CONTAMINANTS, AND GUIDELINES FOR COMPLEMENTARY
FUNDING FROM THE BUDGET ACTS OF 2021, 2022, AND 2023 AND
PROPOSITIONS 1 AND 68

The 2024-25 CWSRF IUP will guide staff implementing the CWSRF, Small Community Wastewater (SCWW) grant funds, and Water Recycling Funding Program in 2024-25, and is required for the Division of Financial Assistance (DFA) to apply for and receive the Federal Fiscal Year (FFY) 2024 Capitalization Grants from the United States Environmental Protection Agency (US EPA).

Funding sources administered through the 2024-25 CWSRF IUP includes:

- CWSRF Base Program and General Supplemental capitalization grants
- General Fund Appropriations from the Budget Act of 2021, 2022, and 2023
- Proposition 1 and Proposition 68
- CWSRF Emerging Contaminants capitalization grants

CWSRF Loan Program Proposals

1. Select a cut-off score of 12, resulting in adding 14 new projects to the Fundable List. Limit new projects to \$50 million maximum CWSRF loan (rollover projects are already limited to \$50 million maximum CWSRF loan from previous IUPs). This results in a total Fundable List of 36 scored projects that would be eligible for loan funds.
2. Adhere to sustainable funding target in-lieu of a break year. In last year's IUP, the Fundable List included ~\$1.3 billion in loan commitments, double the annual funding target (of \$540 to \$750 million). To balance the long-term sustainable loan capacity, last year's IUP suggested the Board add \$750 million of new projects this year (SFY 2024-25) and no new projects next year (SFY 2025-26). Through the last fiscal year, ~\$500 million of the original \$1.3 billion loan commitments were removed or withdrawn. Therefore, a break year can be avoided if new added projects align with the sustainable funding targets this year and next year.
3. All rollover projects that have been on the Fundable List for more than two years have already reached legal concurrence. Therefore, no additional rollover projects are proposed to be removed at this time.
4. Eight new projects on the Fundable List are missing one or more supplemental environmental attachments (attachments depend on each project's

environmental impacts). Points awarded for a complete application will be removed if applicants fail to submit necessary environmental attachments by September 30, 2024. If this results in some projects scoring below the cut-off score, these projects would be automatically removed from the Fundable List.

Small Community Wastewater (SCWW) Proposals

5. State grant and federal principal forgiveness (PF) are available for small disadvantaged communities (DAC). There is approximately \$180.6 million in grant and PF available during the SFY 2024-25. Three major changes to grant and PF eligibility requirements are:
 - Large DAC and/or small non-DAC (septic-to-sewer set-aside only) projects are removed from eligibility,
 - Maximum per project grant/PF amount is established, and
 - The consolidation incentive section is removed due to limited funding available in SFY 2024-25.

SCWW Construction Grant/PF Eligibility Criteria

Affordability Criteria			Grant/PF Amount	
Community Type	Wastewater Rates as a % of MHI	Percentage of Total Eligible Project Cost	Maximum Grant/PF Amount	Maximum Grant/PF Per Residential Connection ¹
Small Community with MHI ≤ 150% Statewide MHI but > 80% Statewide MHI	≥4%	50%	\$15 million ²	\$45,000 ³ or
Small DAC	N/A	100%	\$15 million ^{2, 3}	\$125,000 ³

¹ The Deputy Director of DFA may approve financing for construction projects with a total eligible project cost up to \$6 million regardless of the amount per connection.

² If grant/PF funds available for the State Water Board to encumber are not adequate to fund all the projects with complete applications, the Deputy Director is authorized to reduce the Maximum Grant/PF Amount.

³ Deputy Director of DFA can approve up to \$60,000 or \$175,000, respectively, for good cause.

³ Project costs beyond the maximum grant/PF amount may receive 0% interest loan for the remainder of the Total Eligible Project Cost.

6. Priority will be given to public health projects, projects that address violations of waste discharge requirements and National Pollutant Discharge Elimination System (NPDES) permits, and projects that connect previously unsewered areas or join communities to regionalize wastewater treatment works. If sufficient

funding is available, the Deputy Director of DFA may consider other projects identified as priority by the Regional Water Quality Control Boards for SCWW grant/PF.

7. On a case-by-case basis, the Deputy Director of DFA may approve grant/PF for industrial/commercial connections for consolidation projects for good cause.

Water Recycling Funding Program (WRF) Proposals

The remaining state grant funding available for water recycling construction projects is approximately \$6.36 million. Based on available funding, the following changes are proposed:

8. Construction grant maximum limited to \$2,000,000 (previously \$15,000,000) and Planning grant maximum limited to \$150,000 (previously \$500,000).
9. Construction projects listed on the 2023-24 IUP Fundable List and impacted by reducing the maximum grant may be considered for additional WRF grant in the 2024-25 IUP depending on funding availability. Such consideration applies to those projects for which a financing agreement has been executed, as well as those projects with a pending financing agreement.
10. Water Recycling projects will not be added to the Fundable List throughout this fiscal year.

Stormwater Program Proposals

11. PF reserved for stormwater projects will be reduced to \$10 million total for SFY 2024-25 due to the high demand on PF. New stormwater projects seeking PF will not be added to the Fundable list throughout the year. Aside from PF, there is limited Sewer Overflow and Stormwater Reuse Municipal Grant (OSG) available to small disadvantaged communities.

Emerging Contaminants Program Proposals

California intends to apply for \$15,208,000 in CWSRF EC supplemental funds. Previous year CWSRF EC funds were transferred to the DWSRF EC program

12. Transfer the 2024 CWSRF EC capitalization grant to the DWSRF EC program.