

State of California

Drinking Water State Revolving Fund Program and
Complementary Programs

INTENDED USE PLAN

STATE FISCAL YEAR 2026-27

**(FEDERAL FISCAL YEAR 2026 BASE PROGRAM CAPITALIZATION
GRANT AND GENERAL SUPPLEMENTAL CAPITALIZATION GRANT)**

With Supplemental INTENDED USE PLANS

**(FEDERAL FISCAL YEAR 2026 EMERGING CONTAMINANTS
CAPITALIZATION GRANT, LEAD SERVICE LINE REPLACEMENT, AND
ADDITIONAL SUPPLEMENTAL APPROPRIATIONS FOR DISASTER
RELIEF ACT, 2019)**

and Guidelines for

The Water Quality, Supply, and Infrastructure Improvement Act of 2014

(Proposition 1)

The California Drought, Water, Parks, Climate, Coastal Protection, and
Outdoor Access for All Act of 2018

(Proposition 68)

California Budget Act of 2021 and Budget Act of 2024 Appropriations

and

Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and
Clean Air Bond Act of 2024 (Proposition 4)

STATE WATER RESOURCES CONTROL BOARD | DIVISION OF FINANCIAL ASSISTANCE

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
A. Notable Changes	1
B. Funding Program Outlook	1
C. Application Demand	5
D. Recent Financing Activity	5
I. INTRODUCTION	6
A. Authority	8
B. Past Achievements	9
C. Drinking Water Financing Needs	9
D. Funding Priorities	10
II. FUNDING SOURCES AND APPROPRIATIONS	11
A. DWSRF	11
B. State Bond Funds	12
C. Greenhouse Gas Reduction Fund	14
D. IIJA Emerging Contaminants	15
E. ASADRA	15
III. GENERAL FUNDING PROCESS	17
IV. DWSRF LOAN PROGRAM	24
A. Eligibility	24
B. Interest Rate	24
C. Recent Financing Activity	24
D. Financial Outlook	25
E. Fundable List and Demand	26
F. Match Financing Option	28
G. Future Financing Capacity	28
H. DWSRF Loan Provisions	28
V. Drinking Water Grant/PF	30
A. DW Grant/PF Projections, Eligibility Criteria, and Procedures	30
B. Consolidation Incentives	43
VI. Emerging Contaminants and Per- and Polyfluoroalkyl Substances (PFAS)	47
VII. Lead Service Line Replacement (LSLR)	48
VIII. GROUNDWATER GRANT PROGRAM (GWGP)	49

IX. ASADRA	50
X. DWSRF RESOURCES, WORKLOAD & Fees	51
A. Organization, Program Resources, and Skills	51
B. Servicing and Program Administration	52
C. Administrative Funding	52
D. Administrative Fees	52
E. Drinking Water Small Community Emergency Grant Fees	53
XI. Risks & Oversight	55
A. Application Demand vs. Resources	55
B. Applicants' Schedule Changes or Delays in Executing Agreements	55
C. Cash Balance	56
D. Defaults and Late Payments	56
E. Accountability and Oversight	57
XII. SET-ASIDE ACTIVITIES	58
A. Administration Set Aside	58
B. Small Water System Technical Assistance Set Aside	59
C. State Program Management Set Aside	59
D. Local Assistance Set Aside	60
XIII. FINANCING AND PROGRAMMATIC REQUIREMENTS	61
A. Technical, Managerial and Financial (TMF) Capacity	61
B. Cap Grant Payments and Draws	63
D. Application of Small Water System Reserve	66
E. Green Project Reserve	67
F. Application of Program Requirements and Federal Cross-Cutters	67
G. State Cross-Cutters	68
H. Federal Cross-Cutters	69
J. Capitalization Grant Conditions and Other Federal Requirements	72
K. Other State and State Water Board Requirements	72
L. Other Assurances and Certifications	73
M. Cross-Collateralization	75
XIV. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES	76
A. Prioritizing DWSRF Funds for Public Health Benefits	76
B. Managing the DWSRF Responsibly to Ensure Its Perpetuity	76
C. Ensuring Timely and Expeditious Use of DWSRF Funds	77

D. DWSRF Performance Metrics	78
XV. SCHEDULE.....	80
XVI. DEFINITIONS.....	81
XVII. ACRONYMS	86
XVIII. APPENDICES	87
ES. EXECUTIVE SUMMARY.....	1
A. Notable Changes.....	1
B. Funding Program Outlook	1
C. Application Demand	5
D. Recent Financing Activity	5
I. INTRODUCTION.....	6
A. Authority	8
B. Past Achievements.....	9
C. Drinking Water Financing Needs	10
D. Funding Priorities	10
II. FUNDING SOURCES AND APPROPRIATIONS	11
A. DWSRF	11
B. State Bond Funds.....	12
C. Greenhouse Gas Reduction Fund.....	14
D. IIJA Lead Service Line Replacement	15
E. IIJA Emerging Contaminants.....	15
F. ASADRA.....	16
III. GENERAL FUNDING PROCESS	17
IV. DWSRF LOAN PROGRAM	24
A. Eligibility	24
B. Financing Terms.....	24
C. Recent Financing Activity	24
D. Financial Outlook.....	24
E. Fundable List and Demand	26
F. Match Financing Option.....	28
G. Future Financing Trends	28
H. DWSRF Loan Provisions.....	28
V. Drinking Water Grant/PF.....	30
A. DW Grant/PF Projections, Eligibility Criteria, and Procedures.....	30

B. Consolidation Incentives.....	44
VI. Emerging Contaminants and Per- and Polyfluoroalkyl Substances (PFAS)	48
VII. Lead Service Line Replacement (LSLR)	49
VIII. GROUNDWATER GRANT PROGRAM	50
IX. ASADRA	51
X. DWSRF RESOURCES, WORKLOAD & Fees	52
A. Organization, Program Resources, and Skills	52
B. Servicing and Program Administration	53
C. Administrative Funding	53
D. Administrative Fees	53
E. Drinking Water Small Community Emergency Grant Fees.....	54
XI. Risks & Oversight	56
A. Application Demand vs. Resources.....	56
B. Applicants' Schedule Changes or Delays in Executing Agreements	56
C. Cash Balance	57
D. Defaults and Late Payments	57
E. Accountability and Oversight.....	58
XII. SET-ASIDE ACTIVITIES	59
A. Administration Set-Aside	59
B. Small Water System Technical Assistance Set-Aside	60
C. State Program Management Set-Aside.....	60
D. Local Assistance Set-Aside	61
XIII. FINANCING AND PROGRAMMATIC REQUIREMENTS	63
A. Technical, Managerial and Financial (TMF) Capacity.....	63
B. Cap Grant Payments and Draws.....	65
C. 2025 State Match Source and Proportionality Draw	Error! Bookmark not defined.
D. Application of Small Water System Reserve	67
E. Green Project Reserve	69
F. Application of Program Requirements and Federal Cross-Cutters.....	69
G. State Cross-Cutters	70
H. Federal Cross-Cutters	71
I. Emergency Drinking Water Projects.....	Error! Bookmark not defined.
J. Capitalization Grant Conditions and Other Federal Requirements.....	74
K. Other State and State Water Board Requirements	74

L. Other Assurances and Certifications	75
M. Cross-Collateralization	77
XIV. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES	78
1. Prioritizing DWSRF Funds for Public Health Benefits.....	78
2. Managing the DWSRF Responsibly to Ensure Its Perpetuity	78
3. Ensuring Timely and Expeditious Use of DWSRF Funds	79
4. DWSRF Performance Metrics	80
XV. SCHEDULE.....	82
XVI. DEFINITIONS.....	83
XVII. ACRONYMS	88
XVIII. APPENDICES	89

EXECUTIVE SUMMARY

The Drinking Water State Revolving Fund (DWSRF) program finances infrastructure improvements to mitigate drinking water risks and support the human right to water. This Intended Use Plan (IUP) describes the State Water Resources Control Board's (State Water Board) plan for implementing the DWSRF and its complementary financing for State Fiscal Year (SFY) 2026-27. This IUP serves as guidelines for the State Water Board's administration of certain General Fund, Proposition 1, Proposition 4, and Proposition 68 drinking water funds to the extent authorized.

This Executive Summary is intended to provide a condensed overview of highlights and notable changes for SFY 2026-27.

A. Notable Changes

The SFY 2026-27 DWSRF IUP contains expected federal appropriations. State Water Board staff continue to evaluate a range of funding scenarios and monitor cashflow to ensure program operation, as well as coordinate with the United States Environmental Protection Agency (U.S. EPA) on related program and project requirements.

Notable changes include:

- The Deputy Director may continue to administer a portion of the base and general supplemental DWSRF principal forgiveness funds and grant funds through the EDWG Funding Program.
- Expanding eligibility for Prop 4 Drinking Water Tribal Set-Aside Funds.
- Voluntary de-obligation of a portion of the uncommitted LSLR capitalization grant.
- Implementing priority scoring for DWSRF Loans, per Policy Amendment adopted in May 2025.

B. Funding Program Outlook

1. DWSRF

The Safe Drinking Water Act (SDWA) prescribes the process for the annual allotment of federal funds for the DWSRF program for states, tribes, and territories. Table 1 and Sections ES.B.1.a-c summarizes California's allotment amount and type for each of the

DWSRF funding programs for FFY 2026. The State Water Board will not apply for 2026 DWSRF Lead Service Line Replacement (LSLR) allotments this year.

Table 1: California's FFY 2026 DWSRF Capitalization Grant Allotments

FFY 2026 Capitalization Grant	Loan	PF	Set-Asides	Total Cap Grant
Base Program	\$10,362,500	\$20,310,500	\$10,777,000	\$41,450,000
IIJA General Supplemental	\$67,126,250	\$131,567,450	\$69,811,300	\$268,505,000
IIJA Emerging Contaminants	\$0	\$60,996,720	\$21,431,280	\$82,428,000
IIJA Lead Service Line Replacement	\$0	\$0	\$0	\$0

a. DWSRF Repayable Loan (Base Program & IIJA General Supplemental)

The long-term sustainable repayable loan capacity for the DWSRF Base Program, which includes funding from the Infrastructure, Investment and Jobs Act of 2021 (IIJA) (P.L. 117-58) General Supplemental capitalization grants, is established as \$300 million for SFY 2026-27. Division of Financial Assistance (DFA) staff evaluated 46 loan project applications (subject to scoring) requesting approximately \$1.5 billion in loan funding for placement on the Fundable List, only complete applications are scored. This Fundable List includes 15 projects totaling \$364 million in repayable loan commitments, consistent with the funding target range (90% to 125% of the sustainable loan capacity).

The Project list for DWSRF General Supplemental is combined with the Fundable List (Appendix A) used for the DWSRF Base Program. The Fundable List contains projects requesting funding which exceeds the combined total of Base Program capitalization grant plus General Supplemental capitalization grant.

b. DWSRF IIJA Emerging Contaminants

SFY 2026-27 funding for projects addressing emerging contaminants includes funding from the IIJA for DWSRF Emerging Contaminant (EC) PF and Emerging Contaminants in Small or Disadvantaged Communities (EC-SDC) grants. California intends to apply for ~~an anticipated~~ \$77,257,000 through EC-SDC for FFY 2026. Both funding sources will be administered through the DWSRF Emerging Contaminants Supplemental IUP in Appendix L and may also be used to co-fund projects administered under the Base DWSRF IUP, to the extent permitted by each funding source.

c. DWSRF IIJA Lead Service Line Replacement

There is approximately \$196.7 million available for projects from the FFY 2022 and 2023 LSLR capitalization grant allocations and \$~~2220.4~~ million in funding applications. Since fund availability exceeds demand for funding, the State Water Board will not apply for the 2025 or 2026 DWSRF LSLR capitalization grant this year. States have two years to apply for each capitalization grant; therefore, State Water Board will no longer be able to apply for the 2025 DWSRF LSLR capitalization grant.

In addition, California is voluntarily de-obligating a portion of the uncommitted 2022 LSLR capitalization grant. Program staff will continue to solicit interest in the LSLR program and will make a determination next fiscal year whether to apply for the 2026 allotment (SFY 2027-28 LSLR Supplemental IUP).

d. ASADRA funds

The State Water Board is administering funds from the Additional Supplemental Appropriations for Disaster Relief Act of 2019 (ASADRA), to assist any DWSRF-eligible entity that was damaged, demonstrates an impact, or had a loss or disruption of a mission-essential function, including loss of function where there was potential impact to public health, from calendar year 2018 wildfires.

DFA has a project application with a funding decision in progress that will utilize the remaining balance of funds. DFA is no longer soliciting additional projects at this time. Additional information can be found in the ASADRA Supplemental Intended Use Plan in Appendix J.

2. Drinking Water Grant/PF for Small, Expanded Small, and Medium Disadvantaged Communities and Small Moderate-Income Communities

Small, Expanded Small, and Medium DACs and Small Moderate Income Communities (MICs) with projects that are addressing a SAFER Failing or At-Risk status and/or consolidation projects may be eligible for funds from state general obligation bonds or state general fund appropriations that are not used as state match for DWSRF capitalization grants (such funding is referred to as “grant”), and for PF, as described in Section V, depending on the requirements of the funding source. This funding priority approach, based on SAFER status, differs from the A-F Priority Categories that are listed in the DWSRF Policy and is different than how DFA has previously prioritized grant/PF funds. However, the A-F Priority Categories in the DWSRF Policy are still being used to help determine priority for repayable loan projects. Current grant/PF funding for drinking water projects is provided by the DWSRF Base & IIJA Supplemental funds, Prop 4, Prop 1, Prop 68, and Greenhouse Gas Reduction funds from the Budget Act of 2024 administered under this IUP and by Safe and Affordable Drinking Water Fund described below with a total estimated \$609 million in grant/PF funds anticipated to be available SFY 2026-27. The funding sources are sometimes interchangeable but are subject to different eligibility criteria and requirements. The State Water Board will allocate the most appropriate grant/PF funds for eligible projects with a complete application.

Table 2: Principal Forgiveness and Grant Availability
(as of June 30, 2026)

Funding Type	Total (\$ Million)
DWSRF PF (FFY 2026 Base Program and General Supplemental)	\$151.9
DWSRF PF (previous Base and General Supplemental)	\$118.8 <u>190.5</u>
Prop 4 Drinking Water Grants	\$137 <u>136.2</u>
Prop 4 Tribal Drinking Water Grants	\$25.0
Prop 1 Drinking Water Grants	\$21.9 <u>22</u>
Prop 68 Drinking Water Grants	\$8.1 <u>17.5</u>
Budget Act of 2024 GGRF – Drinking Water Grants	\$46.9 <u>21.7</u>
Safe and Affordable Drinking Water Grants	\$99.7 <u>116.6</u>
Total	\$609.5<u>681.4</u>

3. Safe and Affordable Drinking Water (SADW) Fund

The SADW Fund, which was established through Senate Bill 200 in July 2019, may also be used as a source of funding for eligible projects described in Section V. Expenditures from the SADW Fund will be made consistent with the State Water Board's larger SAFER program and associated annual Fund Expenditure Plan (FEP). The funding administered under the annual FEP is intended to complement funding under this IUP to address similar goals. Eligibility considerations and requirements for capital projects funded via the SADW Fund will generally be consistent with the annual DWSRF IUP.

4. Groundwater Grant Program (GWGP)

GWGP funds may be available for drinking water treatment projects benefiting PWSs that serve DACs. There are currently no uncommitted funds remaining. However, funds left over from existing projects may become available in the future. See the guidelines from the [State Water Board's GWGP webpage](#) for more information.

C. Application Demand

Demand on DWSRF and complementary funding remains high.

DFA has received 4647 applications requesting \$1.5 billion in repayable loan funding. See Table 7. ~~A total of 306~~DFA currently has 321 active, potential, and inactive applications have been submitted, without funding agreements, requesting approximately \$1.42 billion in grant/PF. ~~For~~DFA currently has 128 active and potential applications, without funding agreements, requesting \$1,091,396,054 in non-EC grant/PF; see Table 9 for a detailed breakdown, please refer to Table 9. The Fundable List shows projects currently eligible to be funded in SFY 2026-27. For grant/PF projects, new applications eligible for grant/PF may be placed on the Fundable List throughout the year as applications become complete.

D. Recent Financing Activity

Table 3 shows recent construction and planning financing from various drinking water financing sources (includes DWSRF loan, DWSRF PF, state proposition funds, General Fund, GGRF, and SADW funding agreements).

Table 3: Number of New Executed Agreements and Total Financing per SFY

SFY	Number of Agreements	\$ of Agreements (in millions)
2021-22	72	\$1,020
2022-23	69	\$289
2023-24	88	\$464
2024-25	91	\$695
2025-26	63 <u>(+25)*83*</u>	\$796 <u>(+\$256)*906*</u>

* Numbers are as of June 230, 2026. Additional projects have funding decisions in progress ~~and are expected to be executed by June 30, 2026.~~

I. INTRODUCTION

Clean, affordable, accessible, and safe water adequate for human consumption, cooking, and sanitary purposes is a human right¹, and is essential to health and well-being. The State Water Board's Division of Drinking Water (DDW) and DFA work cooperatively to protect California's drinking water and help ensure that all Californians have access to clean, safe, accessible, and affordable drinking water through several regulatory and financial assistance programs.

State Water Board's DFA includes the Office of Sustainable Water Solutions. The Office of Sustainable Water Solutions was established on March 27, 2015 by California Assembly Bill 92, to promote permanent and sustainable drinking water and wastewater treatment solutions to ensure effective and efficient provision of safe, clean, affordable, and reliable drinking water and wastewater treatment services, focusing on addressing financial and technical assistance (TA) needs, particularly for small disadvantaged communities.

The DWSRF program, created under the federal Safe Drinking Water Act (SDWA),² finances infrastructure improvements to mitigate drinking water risks and support the human right to water. In accordance with federal rules, the DWSRF program generally prioritizes financing for projects that (1) address the most serious human health risks, (2) are necessary to comply with SDWA requirements and (3) assist public water systems (PWSs) most in need on a per household basis. The DWSRF program is also managed to ensure expeditious use of DWSRF funds and long-term financial strength for future generations.

This IUP contains elements required under federal law. The State Water Board will submit this IUP, and necessary Supplemental IUPs, as part of its application for the following FFY 2026 Capitalization Grants from U.S. EPA:

- DWSRF Base Program Funding
- DWSRF General Supplemental Funding
- DWSRF Emerging Contaminants Funding

The State of California also periodically appropriates funding to the State Water Board for programs or projects that help provide clean and safe drinking water, typically from the proceeds of general obligation bonds or general tax revenues, that can be used in combination with the DWSRF program. The State Water Board has issued revenue bonds to augment the DWSRF program.

The SFY 2026-27 IUP serves as guidelines for the State Water Board's administration of Proposition 1 (Prop 1) and Proposition 68 (Prop 68) Drinking Water funds and as the Implementation Plan for the 2024 Budget Act Infrastructure Appropriations. The SFY

¹ Wat. Code, § 106.3.

² See 42 U.S.C. § 300j-12 et seq., 40 C.F.R part 35, subpart L, and Health & Saf. Code, § 116760 et seq.

2026-27 DWSRF IUP will serve as guidelines for Proposition 4 drinking water planning and construction projects, so long as state law permits.³

This IUP, and Supplemental IUPs included as appendices, outline the funding and resources available for SFY 2026-27, the prioritization approach used to rank projects and describes the State Water Board's plans for using the FFY 2026 and prior Capitalization Grants (Base Program, General Supplemental, Emerging Contaminants, Lead Service Line Replacement, and Additional Supplemental Appropriations for Disaster Relief Act of 2019 (ASADRA)) from U.S. EPA, including a summary of applicable DWSRF federal requirements. The IUPs identify projects that the State Water Board anticipates financing in SFY 2026-27 (Appendix A – the Base Program and General Supplemental Fundable List, Appendix K – Lead Service Line Replacement Fundable List, Appendix L – Emerging Contaminants Fundable List, and Appendix J – the ASADRA Fundable List), and forecasts the potential effect they would have on DWSRF cash flows and availability of grant/PF funds over the next several years. This IUP also describes the financing terms for SFY 2026-27. The Supplemental IUPs describe the financing terms applicable to their respective projects. Finally, this IUP details key aspects of the DWSRF program including short and long-term goals, associated performance metrics, and the methods used to achieve the DWSRF program's goals and metrics.

Federal and State laws allow a portion of federal capitalization funds to be used for specified set-aside activities in addition to providing financial assistance to PWSs for infrastructure improvements. In summary, the State Water Board intends to use seventy-four percent (74%) of the 2026 Base Program Capitalization Grant and seventy-four percent (74%) of the 2026 General Supplemental Capitalization Grant for financing the planning, design, and construction of drinking water infrastructure projects. The remaining twenty-six percent (26%) of the 2026 Base Program and twenty-six percent (26%) of the General Supplemental Capitalization Grant will be reserved for set-aside activities. The State Water Board intends to use twenty-six percent (26%) from the Emerging Contaminants (EC) Supplemental Capitalization Grant for set-aside activities related to EC. Further details about the planned use of the set-asides can be found in Section XII of this IUP.

The terms and requirements of these IUPs take effect upon adoption and shall remain in effect until the State Water Board amends or updates the IUP or adopts the IUP(s) for the next SFY. The State Water Board may amend this IUP and the Supplemental IUPs only after the public and interested parties are given an opportunity to comment on the proposed amendments, except for non-substantive corrections, which may be made by the Deputy Director of DFA. Amendments to existing funding agreements may be based on the IUP that the project was funded under, or the IUP in effect at the time of the amendment or the final budget approval, at the discretion of the Deputy Director, subject to funding source requirements.

³ Assembly Bill No. 107 (2025-26 Reg. Sess.), section 36, provides that Prop 4 appropriations made in the Budget Act of 2025 are exempt from the Administrative Procedure Act.

Throughout this document, the Deputy Director of DFA has been authorized to perform actions. Any mention of “Deputy Director” or “Deputy Director of DFA” in this document refers to the Deputy Director of DFA within the State Water Board. The Deputy Director of DFA also has authority to re-delegate any of those actions to a designee.

A. Authority

In 1996, the United States Congress and the President amended the SDWA to establish the DWSRF program nationally, based in part on the success of the CWSRF program. All 50 states and Puerto Rico are currently operating DWSRF programs.

The federal DWSRF program provides each state the opportunity to establish a drinking water public health and infrastructure bank capitalized by federal and state funds. This capital along with its earnings is used to provide financial assistance to eligible applicants for a wide variety of drinking water planning and construction projects. The federal DWSRF program also authorizes states to provide technical assistance (TA) through set-aside funding to help PWSs solve their drinking water problems.

States may offer a variety of financing options and customize terms to meet their drinking water public health needs. Financing options include loans, refinancing debt, purchasing or guaranteeing local debt, and purchasing bond insurance. Interest rates must be below the market rate. Repayment periods for construction loans are generally the lesser of 30 years or the expected useful life of the financed asset and can be as long as 40 years for some communities. Repayment periods are shorter for planning loans.

Federal statutes, regulations and appropriations, as well as California law, have also authorized “additional subsidy” in the form of grants and principal forgiveness (PF) on a limited basis. PF is a form of additional subsidization in which a portion of a loan’s principal amount is forgiven, interest is not charged, and the principal does not need to be repaid by the borrower. PF has historically been the least difficult form of DWSRF additional subsidy for California’s applicants to accept; therefore, state law has historically authorized PF in certain circumstances.

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](#) with the U.S. EPA, Region 9. The DFA, in cooperation with DDW, the Division of Administrative Services (DAS), and the Office of Chief Counsel (OCC), implements the DWSRF program in accordance with the annual Intended Use Plans and the Policy for Implementing the Drinking Water State Revolving Fund (DWSRF Policy) adopted by the State Water Board. The board adopted amendments to the DWSRF Policy on May 6, 2025.

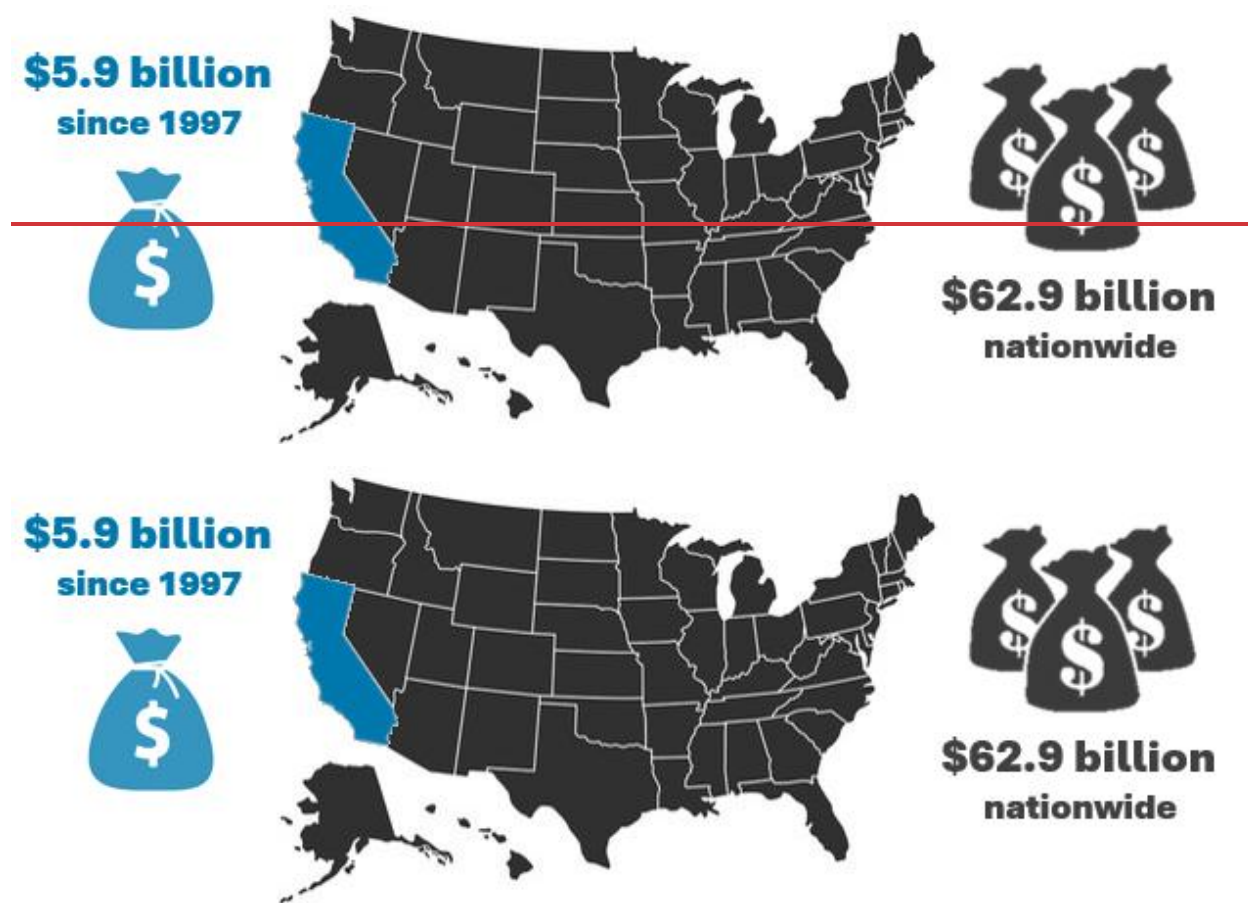
The IIJA, previously referred to as the Bipartisan Infrastructure Law or BIL, appropriated additional funding to DWSRF programs nationally for federal fiscal years 2022-2026. The appropriation includes funds specifically for projects to address emerging contaminants, with a focus on perfluoroalkyl and polyfluoroalkyl substances (PFAS) in accordance with section 1452(a)(2)(G) of SDWA, and for lead service line inventory and replacement projects. The IIJA also reauthorized appropriations for the base DWSRF

program for FFY 2022-26, made minor amendments to the DWSRF statute, and added the Build America, Buy America requirement (see section XIII).

B. Past Achievements

The total DWSRF program financing nationwide currently exceeds [\\$62.9 billion](#). California's DWSRF has grown since financing its first project in 2000 and has funded a broad range of projects:

- California has executed more than \$5.9 billion in financial assistance agreements, and annual principal & interest repayments to the DWSRF in SFY 2025-2026 were approximately \$137 million.
- Approximately sixty-nine percent (69%) of funded projects have been for the benefit of SWSs, while thirty-one percent (31%) of funded projects have been for the benefit of non-small water systems.
- As required, at least fifteen percent (15%) of DWSRF funds have been awarded to small water systems (SWSs), while approximately eighty-five percent (85%) of California's funds have been for the benefit of non-small water systems.
- Over \$1.3 billion of PF has been awarded to disadvantaged communities since 2000.



Additional details on DWSRF achievements can be found in the [DWSRF Annual](#)

[Reports.](#)

C. Drinking Water Financing Needs

Based on the [7th Drinking Water Infrastructure Needs Survey and Assessment \(DWINSA\) Fact Sheet](#), California needs approximately \$83.5 billion over the next 20 years to adequately fund drinking water infrastructure, based on dollars and water systems data from 2021. The U.S. EPA conducts a DWINSA every four years, and results are used to determine the allotment of capitalization grants for state DWSRF programs. The 7th DWINSA began in January 2021 and California completed its assessment based on 182 large and medium water systems selected by U.S. EPA in February 2022. The detailed report on the 7th DWINSA report to Congress is posted at the U.S. EPA website. The 8th DWINSA is anticipated to begin in 2026.

Since 2020, the State Water Board has conducted the annual Drinking Water Needs Assessment.⁴ The Needs Assessment is utilized by the SAFER Advisory Group and the State Water Board to inform the prioritization of funding for the SAFER Program. The Needs Assessment identifies Failing public water systems, state small water systems, and domestic wells that are At-Risk of failing. The report also includes a Cost Assessment, Funding Gap Analysis, and Affordability Assessment. The 2024 Needs Assessment estimated that the total capital costs of addressing the challenges faced by Failing and At-Risk systems was approximately \$4.5 billion for modeled long-term solutions and \$4.9 billion for high-risk state small water systems and domestic wells.

D. Funding Priorities

A primary goal of the State Water Board is to use the DWSRF program and its associated state funding sources to provide drinking water project financing that (1) addresses the most serious human health risks, (2) is necessary to comply with the SDWA, and (3) assists the PWSs most in need on a per household basis. To meet this goal, the State Water Board will use the DWSRF and its complementary and supplementary funds timely and expeditiously and manage the available funding responsibly. Please see respective funding program sections for project prioritization.

⁴ State Water Board [Drinking Water Needs Assessment](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/needs.html)
https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/needs.html
2025 State Water Board [Drinking Water Needs Assessment](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2025needsassessment.pdf)
https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2025needsassessment.pdf

II. FUNDING SOURCES AND APPROPRIATIONS

Funding sources available to the State Water Board to fund new drinking water infrastructure projects in FY 2026-27 generally consist of:

- DWSRF funds, including capitalization grants from U.S. EPA, General Fund state match, loan principal and interest repayments, investment earnings and revenue bond proceeds;
- State bond funds (e.g. Proposition 4, Proposition 1, Proposition 68, etc.);
- Budget Act of 2024 Greenhouse Gas Reduction Funds (GGRF) administered under this IUP; and
- SADW Fund (generally administered via the SADW Fund Expenditure Plan rather than the DWSRF IUPs).

The Deputy Director may administer a portion of the grant funds and base and general supplemental DWSRF principal forgiveness funds (and emerging contaminants funds) through the EDWG Funding Program, to the extent allowed by federal rules.

A. DWSRF

Table 4: FFY 2026 Capitalization Grant Breakdown

FFY 2026 Capitalization Grant	Loan	PF	Set-Asides	Total Cap Grant
Base Program	\$10,362,500	\$20,310,500	\$10,777,000	\$41,450,000
General Supplemental (appropriated by IIJA)	\$67,126,250	\$131,567,450	\$69,811,300	\$268,505,000
Total	\$77,488,750	\$151,877,950	\$80,588,300	\$309,955,000

1. DWSRF Base

The 2026 Base Program Capitalization Grant is \$41,450,000, of which \$30.7 million will be available for project funding and the remainder \$10.7 million reserved for set-asides. Set-asides can be used to administer the DWSRF program, support Public Water System Supervision Program management, support Capacity Development, Operator Certification, and Wellhead Protection Programs, finance local source water protection initiatives, and provide technical assistance to water systems. See Section XII for a detailed discussion of California's use of set-asides.

2. DWSRF General Supplemental

The IIJA appropriated funds for FFY 2022-2026 to DWSRF General Supplemental funding. California is eligible to apply for and receive \$268,505,000 in FFY 2026, the final year of IIJA, as part of the DWSRF General Supplemental funding. The DWSRF General Supplemental funds are available to any DWSRF eligible project and forty-nine percent (49%) will be committed as principal forgiveness to disadvantaged communities, in accordance with any requirements set forth in the DWSRF General

Supplemental capitalization grant. Seventy-four percent or approximately \$199 million will be available for project funding and the remainder \$69.8 million reserved for set-asides.

3. DWSRF Additional Subsidy (PF)

The SDWA allows states to award up to 35 percent (35%) of the federal capitalization grants (and not less than twelve percent (12%), assuming there are sufficient applications) as “additional subsidy” to PWSs serving disadvantaged communities in the form of PF, negative interest rates, or grants. The FFY 2026 Base Program Capitalization Grant is expected to require states to provide an additional 14 percent (14%) of the capitalization grant as Additional Subsidy to eligible projects/recipients. The additional 14% may be committed to non-disadvantaged or disadvantaged communities in the form of PF if allowed by the Capitalization Grant.

The State Water Board will provide the maximum Additional Subsidy allowed by the FFY 2026 Base Program Capitalization Grant and the mandated 49% Additional Subsidy from the FFY 2025 General Supplemental Capitalization Grant.

Based on the projected FFY 2026 capitalization grant, the Additional Subsidy for the Base Program will be approximately \$20.3 million. The IIJA mandates that forty-nine percent (49%) of General Supplemental Funding be provided as PF to disadvantaged communities, which equates to approximately \$131.6 million. Any prior year Additional Subsidy will also be committed to fund eligible projects.

B. State Bond Funds

The State of California voters have approved multiple drinking water funding bonds since 2014. Table 5 summarizes these bonds. If the Legislature appropriates additional drinking water funds to the State Water Board under these bond acts, those funds may be administered consistent with this IUP.

Table 5: Estimated Status of DW Bond Funds (As ~~April 1~~ June 30, 2026)

Source	Appropriation Year	Appropriation (in Millions)	Uncommitted (in Millions)	Encumbrance End Date	Liquidation End Date
Prop 1 DW	2014-15	\$67.5	\$1.50.9	6/30/2027	6/30/2029
Prop 1 DW	2015-16	\$174.3	\$15.9	6/30/2027	6/30/2029
Prop 1 DW	2026-27*	\$5.2	\$5.2	6/30/ 2029 2027	6/30/ 2031 2029
Prop 68 DW	2018-19	\$62.2	\$0.31.2	6/30/2027	6/30/2029
Prop 68 DW	2019-20	\$169.0	\$15.116.3	6/30/ 2025 2028	6/30/ 2027 2030
Prop 4 DW	2025-26	\$90.3	\$58.4	6/30/2030	6/30/2033
Prop 4 DW	2026-27*	\$78.78	\$78.8	6/30/2031	6/30/2034
Prop 4 Tribal DW	2025-26	\$10.7	\$10.7	6/30/2028	6/30/2031
Prop 4 Tribal DW	2026-27*	\$14.32	\$14.323	6/30/2029	6/30/2032

*FY 2026-27 ~~Prop 1 and~~ Prop 4 appropriations are projections and have not been appropriated.

1. Prop 1 grant

[Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 \(Assembly Bill 1471, Rendon\)](#) authorized \$7.545 billion in general obligation bonds for water projects including surface and groundwater storage, ecosystem and watershed protection and restoration, and drinking water protection. Prop 1 allocated \$260 million for drinking water grants and loans for PWS infrastructure improvements and related actions to meet safe drinking water standards, to ensure affordable drinking water, or both. (Water Code, section 79724.)

Chapter 10 of Prop 1 provided \$670 million to the State Water Board for grants for projects to prevent or clean up the contamination of groundwater that serves or has served as a source of drinking water, and the Legislature has proposed to appropriate an additional \$5.2 million in 2026. In accordance with the GWGP Guidelines, some of the GWGP funds were made available for drinking water treatment projects that treat groundwater for direct potable use benefiting PWS serving DACs and SDACs. Projects generally address regional contamination, ongoing discharge, or naturally elevated levels of the contaminant.

2. Prop 4 grant

[Proposition 4, the Safe Drinking Water Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 \(Senate Bill 867, Allen\)](#) authorized \$10 billion in general obligation bonds for projects related to safe drinking water, wildfire prevention, drought preparedness, and clean air. Prop 4 allocated \$610 million, upon appropriation by the Legislature, for grants or loans that improve water quality or help provide clean, safe, and reliable drinking water. (Public Resources Code, section 91011.) Depending on the outcome of the Fiscal Year 2026-27 State Budget process, the State Water Board intends to allocate 50% of SFY 2026-27 Prop 4 appropriations on water quality and drinking water towards drinking water projects, the remaining 50% has been allocated towards Small Community Wastewater projects. Prop 4 Tribal Drinking Water is excluded from this split. DFA will consider a reasonable geographic allocation for Prop 4 funds with no less than \$25 million allocated to tribal water infrastructure projects that provide safe, clean, and reliable drinking water to tribal communities, as required by statute. In addition, if a responsible party is identified, the applicant may apply for funding beyond what the responsible party is required to contribute (see Section V for grant/PF funding limits and criteria).

3. Prop 68 grant

[Proposition 68, the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 \(Senate Bill 5, De León\)](#) authorized \$4 billion in general obligation bonds for water projects including surface and groundwater storage, ecosystem and watershed protection and restoration, and drinking water protection. Prop 68 allocated \$220 million for drinking water and clean water grants and loans for PWS infrastructure improvements and related actions to improve water quality or help provide clean, safe, and reliable drinking water. (Public Resources Code, section 80140.)

c. Greenhouse Gas Reduction Fund

Budget Act of 2024 Greenhouse Gas Reduction Fund (GGRF)

The Budget Act of 2024 allocated \$224.9 million from the GGRF to the State Water Board to be encumbered by June 30, 2027 and liquidated by June 30, 2029. The State Water Board authorized up to \$151 million of the Budget Act of 2024 GGRF funds for planning and construction grants for drinking water projects, with priority to DACs, to be administered through this IUP, although certain DWSRF program compliance obligations or conditions may be waived for projects funded under the 2024 GGRF infrastructure appropriation at the discretion of the Deputy Director (Resolution No. 2024-0039). Approximately \$46.9 million is available for drinking water projects in FY 2026-27. Up to 10 percent of the funds, or more if the State Water Board determines that there is a need for the additional funding, may be used for TA and capacity building in DACs, and up to the lesser of 7 percent or \$20 million, may be used for administrative

costs.⁵ The State Water Board has allocated \$6.3 million in 2024 GGRF funding to support TA for small community wastewater systems. No GGRF funding has been committed to drinking water TA because those activities are already funded through the Safe and Affordable Drinking Water Fund. IIJA Lead Service Line Replacement

D. IIJA Lead Service Line Replacement

California is eligible to apply for \$27,456,000 as part of the FFY 2026 DWSRF LSLR Funding, appropriated by IIJA. The funds are available to DWSRF eligible projects which identify and replace lead pipes and fixtures. 49% must be committed as principal forgiveness for disadvantaged communities.

The State Water Resources Control Board will not apply for the FFY 2025 or FFY 2026 Lead Service Line Replacement (LSLR) Capitalization Grants this year, based on limited current application demand. In addition, California is voluntarily de-obligating ~~\$141.5179.4~~ million in uncommitted LSLR capitalization grant, leaving ~~\$55.920.4~~ million available for projects. Because states have two years to apply for Capitalization Grant allotments, the state may be able to apply for the FFY 2026 LSLR grant next year, if additional demand materializes. DFA staff will continue to solicit interest in the LSLR program and the Board will make a determination next fiscal year whether to apply for the 2026 allotment, in the SFY 2027-28 LSLR Supplemental IUP.

Further information is provided in the LSLR Supplemental IUP.

D.E. IIJA Emerging Contaminants

The anticipated DWSRF and CWSRF funding available for projects that address emerging contaminants in FY 2026-27 is approximately ~~\$265.5228.1~~ million. This amount includes prior year grant awards and the anticipated FFY 2026 federal grant awards. California is eligible to apply for and receive \$82,428,000 as part of the FFY 2026 DWSRF Emerging Contaminants Funding, appropriated by the IIJA; allotments are based on the results of the 2021 DWINSA. The State Water Board will also transfer California's entire \$15,~~362208~~,000 CWSRF EC allocation from the CWSRF program to the DWSRF program. The funds are available to DWSRF eligible projects which address emerging contaminants, with a focus on PFAS. One hundred percent (100%) of the funds other than set-asides will be committed as principal forgiveness, with at least twenty-five percent (25%) directed towards disadvantaged communities or PWS serving fewer than 25,000 persons, as required by IIJA and section 1452(a)(2)(G) of SDWA.

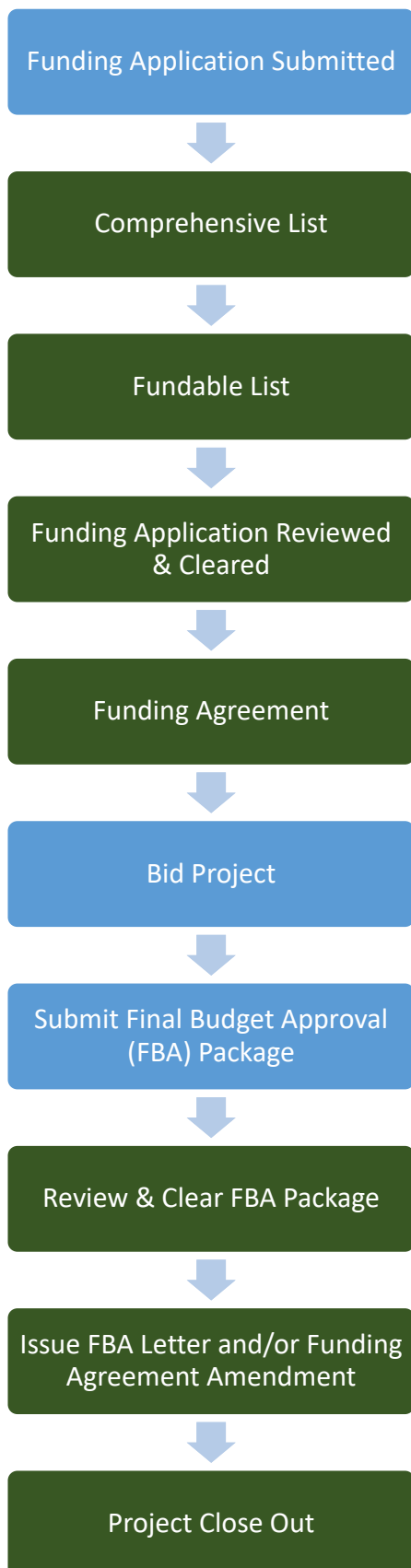
⁵ The Division's TA Program (including, but not limited to, Request for Qualification Guidelines, TA funding eligibility criteria, and the technical assistance request process) is described in the annual Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund.

The IIJA also includes funding for the Emerging Contaminants in Small or Disadvantaged Communities (EC-SDC) grant program, which focuses on addressing EC, including PFAS, in drinking water served by public water systems in small (less than 10,000 population) or disadvantaged communities. California will be eligible to apply for and receive approximately \$77,257,000 for FFY 2026. Including past year's awards, in total, the anticipated EC-SDC funding available in FY 2026-27 is approximately ~~\$255.2~~277.6 million, and the total funding available from both DWSRF Emerging Contaminants and EC-SDC sources for FY 2026-27 is about ~~\$464.6~~505.7 million.

E.F. **ASADRA**

California has received \$62 million in supplemental DWSRF funds from ASADRA. The funds are available to help any DWSRF-eligible entity that was damaged, demonstrates an impact, or had a loss or disruption of a mission-essential function, including loss of function where there was potential impact to public health, from specifically identified calendar year 2018 disasters. All of the ASADRA funding has been committed.

III. GENERAL FUNDING PROCESS



The general process for both grants/PF and repayable loans through the DWSRF Program and its complementary funding sources is outlined below. DFA may also use alternative processes to administer funds, such as EDWG or the Urgent Drinking Water Needs (UDWN) application process (see Section V.A and the FEP for additional information about those programs).

1. Applicant Submits a Funding Application

Using the [Financial Assistance Submittal Tool \(FAAST\)](#), the applicant submits either a Planning/Design or Construction funding application. If planning and preliminary design is already complete, applicants are encouraged to apply for construction financing. Applicants can request reimbursement for planning and design costs associated with a construction project. There are four different packages that are included as part of the [application](#): (1) General, (2) Technical, (3) Environmental, and (4) Financial.

2. Comprehensive List

The Comprehensive List includes general planning and construction funding requests submitted to the State Water Board as of April 1, 2026, including projects requesting repayable and non-repayable funding. Projects potentially eligible for highly specific federal funding sources, including ASADRA, EC, and LSLR, are shown in their respective Supplemental IUPs instead. Interim solutions are not funded via the IUP (they are administered through the FEP).

Placement of a project on the Comprehensive List does not constitute a commitment to provide financing. DFA may periodically post an updated Comprehensive List on the DWSRF website that will include new applications requesting grant/PF under Section V, or requesting consolidation incentive, for which applications were received by the State Water Board after the development of this IUP.

The Comprehensive List serves to quantify California's drinking water infrastructure near-term demand for state funding. This year's Comprehensive List, which identifies

PWSs seeking financial assistance for specific drinking water infrastructure projects, includes applications totaling more than \$2.5 billion.

3. Fundable List

This IUP includes the DWSRF Fundable List, which consists of projects that may be funded by the DWSRF base and general supplemental capitalization grants and other complementary funding sources administered under this IUP. The Fundable List is a subset of the Comprehensive List and represents those projects that the Deputy Director of DFA may approve for funding, provided the projects meet all eligibility requirements. The State Water Board's goal is to execute agreements for all eligible projects on the Fundable List by June 30, 2027⁶. No guarantee can be given that all projects on the Fundable List will receive an executed agreement or that the agreement will be executed by June 30, 2027.

Projects are added to the Fundable List in three ways:

1. Projects that may be eligible for grant/PF under Section V, or eligible for consolidation incentive, may be added to the Fundable List after the Deputy Director deems the application initially complete. The Fundable List will be updated on the State Water Board's website on an as-needed basis, generally allowing for a 30-day public comment per project. This includes projects that may be eligible for partial grant/PF and partial loan.
2. Projects on a drinking water Supplemental IUP Fundable List are automatically part of the base DWSRF IUP Fundable List, for the purpose of being evaluated for co-funding with DW grant, PF, or loan to complete the project that receives funding under a supplemental IUP. If the project is not funded under a Supplemental IUP, then the project will not automatically qualify for other DW grant, PF, or loan, and will instead be evaluated under the prioritization process and criteria in the base IUP.
3. Projects that are not covered by paragraph 1 or by a supplemental IUP are subject to scoring. For this IUP, applications for these projects were due December 31, 2025 (applications are generally due December 31 of the year prior to the adoption of each IUP). Applications that received a priority score equal to or above the cut-off score, based on submissions as of December 31, are added to the Fundable List.

Per the DWSRF Policy, the Deputy Director of DFA may bypass a project on the Fundable List if it is determined that the project is not ready to proceed to financing and the Deputy Director may add a project from the Comprehensive List to the Fundable List if (a) the project is expected to proceed to financing and (b) the aggregate funding amount is consistent with the funding capacities determined in this IUP. Projects that may be administered through the Expedited Drinking Water Grant program are designated on the Fundable List by an EDWG project number and will generally be subject to the application requirements set forth in the EDWG Guidelines and EDWG application materials. EDWG projects considered for DWSRF PF funding may have

⁶ This applies to projects on the initial Fundable List, not projects added the Fundable List throughout the fiscal year, and assumes appropriate funding sources are available.

different application requirements. DFA will direct applicants to submit the required application materials at the appropriate times.

The Fundable Lists for emerging contaminants, lead service lines, and ASADRA funding are described and included in the supplemental IUPs for those funding sources.

4. Application Review

Applications are accepted on a continuous basis. After DFA receives an application, a detailed technical, environmental, legal, and financial review is generally conducted to determine the applicant's eligibility for DWSRF and associated drinking water funding and to evaluate whether the project, once funded, is sustainable and will be operated and maintained for its useful life.

a) Technical Review

As part of reviewing a funding application, the State Water Board staff will conduct a technical review. Staff will review the engineering reports, plans and specifications (may also come after a construction funding agreement), and the general and technical application packages to determine whether a proposed project is eligible for funding. Staff will also review the documents submitted by the PWS demonstrating the PWS's technical, managerial, and financial capacity to operate and maintain the system. If there are operational or managerial issues with the system, applicants may have to resolve these issues prior to funding or by completion of the project. For example, if the proposed project will require the system to have an operator of a higher classification, the system must demonstrate they will be able to hire or contract with an appropriate operator.

b) Financial Review

State Water Board staff will review the credit and financial capacity of applicants in accordance with the DWSRF Policy and this IUP in order to evaluate the applicant's ability to operate and maintain the funded project over its useful life, as well as to repay borrowed DWSRF monies. For non-repayable planning and certain consolidation project funding, DFA may undertake an alternative financial capacity review, consistent with the statutory and other legal requirements for the funding source to be used (see section XIII.A.3).

c) Environmental Review

The State Water Board will conduct environmental reviews of projects as described in the [State Environmental Review Process](#) attached as an appendix to the DWSRF Policy, as may be amended, and as described in Section XIII.H.8 and Appendix G of this IUP. All applicants must provide a completed environmental application as part of their DWSRF Planning and Construction Applications. Certain requirements, including compliance with federal environmental cross-cutters, may not be required for state grant-funded projects and projects subject to Tier II environmental review. The DFA Environmental Scientist Staff will conduct an initial review to verify that a complete application has been received and identify any missing information. Once all required environmental documents have been received, the State Water Board staff will conduct a thorough review of all items to determine whether 1) sufficient information has been provided to enable the State Water Board to make environmental determinations, 2) consultation(s) are required with relevant state and federal agencies, and/or 3) if any additional information is needed. Note that environmental application requirements may differ for EDWG Funding Program projects.

d) Legal Review

The Office of Chief Counsel assists DFA in reviewing certain application materials. Additionally, certain projects, including all repayable loan projects, go through a “legal consultation” process to finalize the terms of the financial assistance agreement.

5. Funding Agreement

DFA may prepare a funding agreement if funding is available, the project meets eligibility requirements and funding priority criteria, and the project is on the Fundable List.

1. Funding Source Considerations

The State Water Board will consider the requirements associated with all available sources of funds, and pair available funds with projects to achieve the maximum drinking water benefits. In order to provide the best funding package for an applicant, DFA will combine funding sources where appropriate. Depending on an applicant's eligibility for various types of funding, as further described in this IUP, this may include the use of repayable loan funds, PF, grant funds, match financing, other state sources of funds appropriated to the State Water Board, and other state and federal funding sources managed by other agencies to the extent they are available and compatible with the State Water Board's funding, to maximize the financing of drinking water projects. Funding for a project will be based on the applicant's engineering cost estimate.

2. Required Closing Documents

Recipients will generally be required to submit an opinion of general counsel to the satisfaction of the Office of Chief Counsel, although this requirement may be waived for certain planning or other projects. If applicable for repayable financing, an opinion of bond counsel may also be required. All opinions must be dated on or after the date that the recipient signs the funding agreement. Templates for these opinions are available on DFA's website and in an appendix to the DWSRF Policy. All recipients of repayable financing and certain non-repayable financing recipients that are private entities will generally be required to provide a resolution authorizing the transaction at closing. CPUC-regulated entities must obtain applicable CPUC approvals as may be required for any of the transactions contemplated in the funding agreement.

6. Pre-Funding Agreement Costs

Costs incurred by a funding recipient prior to the execution of a funding agreement are not guaranteed to be reimbursed.

Planning and design costs incurred prior to the execution of a funding agreement may be reimbursed at DFA's discretion as part of a funding agreement, if an agreement is provided, subject to funding source requirements. DFA will establish an Eligible Work Start Date for planning and design and other pre-construction costs, if applicable.

Construction costs incurred prior to the execution of a funding agreement may be reimbursable if the applicant later receives a funding agreement, under limited circumstances (and not for EDWG projects). **Any costs incurred prior to the execution of a funding agreement are at the applicant's risk of not receiving funding. Starting construction before DFA Environmental Scientist Staff have completed their environmental review will likely render the project ineligible for funding.** Both the applicant and DFA Environmental Scientist Staff must generally complete their environmental reviews, and the project must be on the applicable Fundable List, before any construction activities occur⁷. If DFA determines to provide a funding agreement, DFA will determine the Eligible Construction Start Date for project construction costs. Various factors may restrict reimbursement of costs incurred prior to execution of a funding agreement, including, but not limited to, eligibility issues, the unavailability of funding, failure of the applicant to adopt a satisfactory reimbursement resolution (for repayable financing) or to satisfy applicable funding source requirements, appropriations limits of funding sources, and other factors. Additionally, changes to laws or requirements that occur prior to execution of a financial assistance agreement may affect some or all funding eligibility.

⁷ The DWSRF regulations limit eligible construction costs to those incurred after the state has provided approval to an applicant to proceed. (40 C.F.R. section 35.3525(a)(2).) For the limited purpose of providing construction approval as referenced in those regulations and in the DWSRF Policy, the State Water Board and Deputy Director of the Division of Financial Assistance are hereby providing approval for applicants with projects on the Fundable List to begin construction of those projects after the applicant/CEQA lead agency and DFA Environmental Scientist Staff have each completed their environmental reviews (if that occurs). This does not constitute an approval of funding for any such projects, or approval of the projects, and is solely for

7. Bid Project (Construction Funding)

Under the terms of the State Water Board's funding agreements, the Recipient must adhere to any applicable state law or local ordinance for competitive bidding and applicable labor laws. In addition, the construction funding agreement may have other bidding requirements including, but not limited to, environmental special conditions, Davis Bacon prevailing wages, Disadvantaged Business Enterprises (DBE), Build America Buy America (BABA), and American Iron and Steel (see Section XIII for additional information about Federal requirements). The Recipient must incorporate all construction requirements applicable to their project into a binding agreement with each selected contractor and ensure compliance throughout the construction process. Although the Recipient is not required to get DFA approval prior to bidding their project (except to the extent required by the EDWG Program), they are encouraged to submit their draft plans and specifications to their project manager for review to ensure that some of these requirements are not missed. DFA approval of construction bid documents will be required as part of the Final Budget Approval (FBA) Package.

8. Submit FBA Package

After the bid or proposal opening for construction projects, the [FBA Form](#) and all attachments should be submitted as soon as possible to ensure all applicable requirements have been met. The FBA Form and attachments should be submitted electronically via FFAST to streamline the application submittal and review process.

Projects funded with non-repayable financing may include contingency of up to twenty percent (20%) of the total project cost. In rare circumstances, unforeseen issues encountered in the field can lead to higher than typical change order costs. On a case-by-case basis for good cause, the Deputy Director of DFA may approve a higher percentage, up to thirty-five percent (35%) of the total project cost.

If necessary, the Recipient may request a cost increase as part of the FBA package. Additional financing above the existing amount in the funding agreement is not guaranteed, is subject to DFA review and approval and the funding limits identified in the applicable IUP, and is not available without an amendment to the funding agreement.

9. FBA Letter and/or Funding Agreement Amendment

DFA will review the FBA package to confirm that bid documents comply with the requirements of the funding agreement and construction line items are eligible for funding. If/when the FBA package is approved, DFA will issue either an FBA approval letter and/or a funding agreement amendment, depending on whether the terms of the agreement need modification. If a cost increase is requested as part of the FBA package, DFA will evaluate the request and may update the financial review prior to determining whether to provide approval. Failure to receive DFA approval of the final

the purpose of establishing the date on which construction costs may be incurred and may be reimbursable (Eligible Construction Start Date) if the project is later approved for funding.

budget, either via letter or formal funding agreement amendment, may result in the construction work being ineligible for reimbursement.

CONSTRUCTION COSTS INCURRED BEFORE DFA'S FINAL BUDGET APPROVAL, FOLLOWING EXECUTION OF A FINANCIAL ASSISTANCE AGREEMENT, ARE AT THE APPLICANT'S RISK.

10. Funding Agreement Progress and Schedule

Funding agreements will have estimated due dates for deliverables. In addition, the Recipient will be required to submit quarterly reports to update their project manager on the project. Recipients should work with their project manager if delays occur. The funding agreement includes information about requesting a time extension if needed, but time extensions are not guaranteed. When considering a time extension, DFA will confirm if the funding source is available beyond the dates in the funding agreement and will consider the Recipient's progress on the project and if they are consistently submitting quarterly reports, as well as loan capacity and loan demand in the case of repayable financing.

11. Final Disbursement & Project Close Out

The Recipient must complete and submit all work listed in the funding agreement in time to be approved by DFA prior to the project completion date listed in the funding agreement. The Recipient must plan adequate time to solicit, receive, and address comments prior to submitting final documents including the Project Completion Report. The Recipient must submit a Project Completion Report to the DFA with a copy to the appropriate Division of Drinking Water's District Office on or before its due date. Details about what is needed in the Project Completion Report can be found in the funding agreement. The Recipient must submit the final reimbursement request prior to the Final Reimbursement Request Date set forth on the cover page of the funding agreement. Any undisbursed balance may be deobligated if the Recipient does not provide its final reimbursement request to DFA on or before the Final Reimbursement Request Date.

IV. DWSRF LOAN PROGRAM

A. Eligibility

The Policy for Implementing the Drinking Water State Revolving Fund (Policy) addresses the project categories and costs eligible for DWSRF loan assistance. Under the Policy as amended on May 6, 2025, projects that address water quality levels above a new MCL (e.g., hexavalent chromium or PFAS) may be considered a Category C priority even if they are not currently in violation of the MCL. These categories will be used to prioritize projects for repayable financial assistance. Notwithstanding section VII of the DWSRF Policy, public water systems that have a different source of secured revenue other than monthly water rates may be considered, should the revenue source be able to meet loan eligibility conditions.

B. Interest Rate

The standard interest rate for repayable planning and construction financing is 50 percent (50%) of California's average general obligation bond rate obtained by the State Treasurer for the previous calendar year.⁸

C. Recent Financing Activity

From the previous 5 years (up until April 1, 2026), the State Water Board has provided the following financing through the DWSRF repayable financing.

Table 6: Recent DWSRF Repayable Funding agreements

SFY	Number of Agreements	\$ of Agreements (in millions)
2021-22	13	\$841
2022-23	3	\$28
2023-24	5	\$186
2024-25	9	\$416
2025-26	10 (+4) <u>*11*</u>	\$376 (+\$111) <u>*390*</u>

* Numbers are as of June ~~430~~, 2026. Additional projects have funding decisions in progress ~~and are expected to be executed by June 30, 2026.~~

⁸ For projects eligible for drinking water PF/grant but pursuing a loan, the Deputy Director may provide a lower interest rate, not less than zero percent, in accordance with section V, below. Consolidation incentive loans may be provided at 0%, as described in section V.B Loans for lead service line projects and ASADRA projects will be provided at 0%, as described in the applicable supplemental IUPs. Match loans, if any, may be provided 0%, as described in the DWSRF Policy and section IV.F, below.

D. Financial Outlook

The DWSRF Base Program has been in operation since 1996. The DWSRF Base Program's funding capacity is based, in part, on estimated capitalization grants from future annual federal budget appropriations and the General Supplemental ("any eligible project") IIJA appropriations. The recent DWINSAs resulted in an increase to California's individual state allotment formula, impacting both the Base Program and General Supplemental capitalization grant amounts (approximately 10.79% of DWSRF allotment, increased from 8.82% previously).

Appendix C shows the forecasted cash flow of the DWSRF program. Except for capitalization grants, the future cash flow of the DWSRF program can be predicted with reasonable certainty. The estimated cash flow includes:

- The cash balance at the beginning of SFY 2025 (July 1, 2025);
- U.S. EPA capitalization grants (realized and estimated);
- Principal and interest payments on outstanding receivables;
- Investment earnings;
- Matching funds;
- Disbursements to projects with executed funding agreements; and
- Debt service payments.

Table 7 shows DWSRF Repayable Loan applications received for SFY 2026-27.

Table 7: SFY 2026-27 DWSRF Repayable Funding Request Summary by Priority Ranking

Priority Ranking	Description	No. of Applications	Estimated Requested Funding
A	Immediate Health Risk	0	\$0
B	Untreated At-Risk Sources	0	\$0
C	Compliance or Shortage	8	\$121,850 <u>280,937</u> , 000
D	Inadequate Reliability	1	\$5,000,000
E	Secondary Risks	1	\$350,000
F	Other Projects	36 <u>37</u>	\$1,349,371 <u>4,072,028</u> <u>467,29</u>
Total Repayable Loan Requests		46 <u>47</u>	\$1,476,571 <u>0,359,028</u> <u>467,58</u>

1. DWSRF Sustainable Loan Capacity

Consistent with the DWSRF Policy, DFA has re-evaluated the lending capacity of the DWSRF. Given current capitalization and debt levels, and assuming conservative future capitalization, loan terms and earnings levels, and bond and coverage terms, the

DWSRF can operate at an estimated sustainable repayable loan level of approximately \$300 million per year. The capacity is the amount of new lending that could be done per year with the existing loan pool and new loans pledged to potential bonds. The annual repayable loan capacity is a level amount that could be originated each year for the next 20 years. The DWSRF, therefore, for SFY 2026-27 will utilize a funding target range of 90% to 125% of the \$300 million annual repayable loan capacity.

2. Loan Capacity Calculation and Assumptions

The DWSRF's Municipal Advisor, in cooperation with DFA, ran several different scenarios to gauge the possible effects on the DWSRF's lending capacity from the IIJA supplemental appropriations, potential lower annual appropriations, different match sources and the maximization of principal forgiveness authority. The potential capacity changes ranged from a low of about \$270 million to as high as about \$375 million in lending capacity over the next few years. The more liberal assumptions are contingent on Congress annually appropriating the maximum authorized for the DWSRF. The more conservative assumptions are based on receiving limited annual base program capitalization grants in the future.

3. Impacts of Congressionally Directed Spending (Earmarks)

The FFY 2026 DWSRF Base program appropriation is significantly less than historical average. The FFY 2022, 2023, and 2024 grants were similarly lower than previous grants due to congressionally directed spending for specific projects. The FFY 2025 grants did not include any congressionally directed spending projects, due to the nature of the continuing resolution process used by Congress. Appendix M lists the projects identified through congressionally directed spending to be administered by U.S. EPA. If congressionally directed spending continues beyond 2026 when IIJA appropriations cease, it would result in significantly reduced capitalization, potentially impacting the DWSRF's long-term lending capacity.

E. Fundable List and Demand

This IUP establishes a Fundable List (Appendix A) of projects as provided in the DWSRF Policy. The Fundable and Comprehensive Lists in Appendix A and B primarily serve the DWSRF Base Program and DWSRF General Supplemental funding.

The Fundable List was developed from applications in process.⁹ To the maximum extent practicable based on project readiness, priority for funding and placement on the Fundable List is given to projects based on DWSRF statutory priorities. Table 8 shows a summary of repayable funding requested by system size and type of project.

⁹ "In process" means that some portion of the [DWSRF application](#) was submitted to the State Water Board.

Table 8: DWSRF Repayable Loan Fundable List Summary by System Size and Project Financing Type

Summary	Projected Number of Projects	Funding Decision in Progress	Estimated Rollover and New Project Loan Amount	Projected Total Loan Amount
Small and Expanded Small Water System Construction	3	\$15,653,312	\$55,000,000	\$70,653,312
Medium Water System Construction	44 <u>10</u>	\$16,419,439 <u>\$3,175,000</u>	\$172,958,926	\$189,378,365 <u>\$7,133,926</u>
Large Water System Construction	65 <u>5</u>	\$127 <u>\$77</u> ,241,000	\$136,000,000	\$263 <u>\$213</u> ,241,000
TOTAL	2018<u>2018</u>	\$159,313,751<u>\$96,069,312</u>	\$363,958,926	\$523,272,677<u>\$460,028,238</u>

Of the ~~464~~7 projects shown in Table 7, ~~2018~~2018 are on this year's DWSRF Loan Fundable List. The DWSRF Loan Fundable List includes 9 construction projects that were complete and subject to scoring according to the process established in the DWSRF Policy, amended on May 6, 2025, and ~~419~~10 are rollovers from the previous IUP. Of the ~~419~~10 rollover projects on the Fundable List, ~~53~~5 projects (~~\$159~~\$96 million) are commitments with a funding decision in progress that are already incorporated into the DWSRF Program capacity model used to annually confirm the sustainable loan capacity. With all the projects subject to scoring added to the Fundable List, the amount of new repayable financing commitments for SFY 2026-27 is \$364 million, consistent with the target range of 90% to 125% of the sustainable loan capacity. Therefore, all scored projects have been added to the Fundable List this year. The Fundable List projects are described in Appendix A.

For any project on the Fundable List, the DWSRF repayable loan funds are limited to \$50 million maximum per project. Applicants may request to reallocate funding between their projects on the Fundable List. The funding maximums in this paragraph are for loan only and do not include any financing provided as a consolidation incentive or under any supplemental IUP. Each of the applicants on the Fundable List recommended for partial funding appears capable of obtaining the remaining financing necessary to successfully complete the projects.

All projects on the Fundable List are fundable at any time during SFY 2026-27 provided they meet all eligibility requirements and funding is available. Projects may receive a funding agreement as soon as it is determined the application meets all eligibility requirements and a funding agreement is executable. DFA will review the applications on the Fundable List with the objective of executing agreements quickly and efficiently, giving priority to SDACs and DACs projects. DFA remains committed to meeting its

overall goal to execute agreements for all projects on the Fundable List by June 30, 2027.

F. Match Financing Option

California is required to contribute to the DWSRF at least one dollar of matching funds for every five federal dollars contributed to the program. Offering match financing in accordance with Section V of the [DWSRF Policy](#), where the applicant provides the funds to match the federal grants, is one way California meets the match requirement.

The State Water Board may offer local match financing to eligible DWSRF loan applicants in accordance with Section V of the DWSRF Policy. The State Water Board will generally use the state's contribution ratio, i.e., one matching dollar for every five federal dollars, for each participating project. If the current interest rate makes a local match loan at the state's contribution ratio uncompetitive, the Deputy Director of DFA may lower the contribution ratio on any given project so that the imputed interest rate is competitive with the standard DWSRF interest rate for construction financing.

G. Future Financing Capacity

With evolving changes in state and federal infrastructure funding, the State Water Board continues to evaluate the number of projects that can be financed each year with the DWSRF program and its complementary and supplementary funding sources. The ability of the DWSRF program to leverage current assets remains underutilized and the State Water Board continues to emphasize projects that are "ready-to-proceed to a funding agreement."

If the State Water Board is successful at making a substantial portion of the commitments on the recommended SFY 2026-27 Fundable List, additional capital through the sale of DWSRF debt may be required. DFA will continue to evaluate the need for additional debt relative to average long-term funding levels and the State Water Board's direction in the *SRF Debt Management Policy*.

H. DWSRF Loan Provisions

Equivalency

Each fiscal year, the State Water Board is required to report a number of DWSRF base and general supplemental funding agreements whose total dollar amount equals the amount of the federal DWSRF capitalization grants in order to satisfy federal rules. These reported funding agreements are referred to as "equivalency projects." (All applicable federal requirements apply to projects that receive DWSRF EC, LSLR, and EC-SDC funding.)

The State Water Board has identified this year's equivalency projects on the Fundable List (Appendix A). These projects will need to comply with BABA and Single Audit Act requirements, as well as other equivalency requirements. Equivalency projects were selected based on the following priority, until the necessary equivalent dollar amount was met:

1. Projects that have volunteered to be designated as equivalency projects in order to receive additional secondary points and improve their overall priority score.

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2. Projects that have received or have applied for federal co-funding that are also subject to BABA requirements.
 3. Projects for non-DAC communities. If not all projects need to be selected to meet equivalency requirements, projects with the largest estimated DWSRF funding amounts will be selected first.
 4. If multiple projects have the same estimated DWSRF funding amounts, but not all these projects need to be selected as equivalency, the projects whose applicant communities are the largest will be selected.
 5. If all projects described above are insufficient to meet equivalency requirements, DAC projects may be selected as equivalency projects.

Additional effort will also be required during SFY 2026-27 to administer BABA requirements. More information regarding BABA requirements is discussed in section XIII.H.7.

Revenue Bonds

The Deputy Director of DFA is authorized by the Board to initiate the process to sell revenue bonds. The Deputy Director of DFA is also authorized to regulate project commitment levels, loan increases, or cash disbursement levels, suspend project approvals, or do some combination of these actions to ensure prior commitments are fulfilled and long-term financial risks for the DWSRF program are managed consistent with the Debt Management Policy.

In addition, repayable financing must generally be consistent with the requirements of the DWSRF program's Master Trust Indenture and associated bond documents to ensure compliance with the U.S. Securities and Exchange Commission, Internal Revenue Service, and Municipal Securities Rulemaking Board (MSRB) rules and regulations and ensure that all DWSRF revenue bonds are secure and repaid in full and on time.

Disbursement Priorities

The State Water Board's disbursement priorities for the DWSRF loan program will be:

1. Liquidating revenue bond proceeds, if available during the effective period of this IUP;
2. Liquidating capitalization grants once awarded; and
3. Liquidating repayments and investment earnings.

V. DRINKING WATER GRANT/PF

A. DW Grant/PF Projections, Eligibility Criteria, and Procedures

The State Water Board provides drinking water planning and construction grant/PF using several federal and state funding sources prioritized for small DACs, that may also be available for Small Moderate Income Communities (MICs), Expanded Small DACs, and Medium DACs.

The State Water Board administers its grant/PF funds including DWSRF, the Budget Act of 2024 Greenhouse Gas Reduction funds, Proposition 1, Proposition 68, and Proposition 4 consistent with this IUP and the DWSRF Policy, including any amendments thereto, to the extent allowed by federal regulations and state law and consistent with the conditions and limitations set forth below.¹⁰ Grants funded by the SADW fund, including planning and construction grants and other drinking water assistance, including interim assistance, operations and maintenance (O&M), Administrator funding, assistance for communities served by domestic well and state small water systems, and technical assistance, are implemented through the SAFER program¹¹ and are administered consistently with the State Water Board's annual FEP. Additionally, some grants and DWSRF PF will be administered through the Expedited Drinking Water Grant funding program.¹² Guidelines for this program were amended by the State Water Board in January of 2026. The EDWG funding program targets specific high priority, grant-eligible projects for a streamlined application process to enable the State Water Board to commit funds to projects more quickly. To be eligible for the EDWG funding program, projects must be eligible under the grant/PF eligibility criteria in this IUP and must meet other EDWG requirements. Requirements for EDWG may differ as discussed in this IUP and in the EDWG Guidelines.

Applications for either planning or construction grant/PF are accepted on a continuous basis. All new applications for grant/PF that meet the eligibility criteria under Section V for funding administered under this IUP, are potentially fundable once they have been added to the Fundable List, in accordance with this IUP. Projects on the Fundable List are not guaranteed to be funded within the fiscal year they are placed on the list or beyond. Funding decisions regarding Fundable List projects are based on readiness to proceed, funding availability, eligibilities, and priorities.

The Deputy Director of DFA has the discretion to apply grant/PF limitations from the

¹⁰ The Deputy Director may determine not to apply certain DWSRF Policy requirements to projects that only receive state grant funding.

¹¹ SAFER Program Webpage:
https://www.waterboards.ca.gov/water_issues/programs/grants_loans/sustainable_water_solutions/safer.html

¹² Expedited Drinking Water Grant Program Webpage:
https://www.waterboards.ca.gov/drinking_water/services/funding/expedited-grant-funding.html

2025-26 DWSRF IUP, adopted August 19, 2025, to projects with complete applications submitted to DFA before June 30, 2026.

1. DW Grant/PF Demand for Planning and Construction Projects

The majority of the active and potential drinking water applications currently in-house are requesting grant/PF funds.

Table 9: DW Grant/PF Applications as of 4/18/3/2026

	Planning Applications		Construction Applications	
	No. of Applications	Estimated Requested Funding	No. of Applications	Estimated Requested Funding
Addresses a Failing Status	126	\$9,385,383 2,862,750	7863	\$624,998,484 47,693,534
Addresses an At-Risk Status Consolidation (Non-Failing)	124	\$10,604,867 \$46,719,545	2124	\$192,170,014 \$289,030,060
At-Risk/Non-Failing (Non-Consolidation)	29	\$42,918,400 \$8,287,190	2010	\$245,785,993 \$122,183,283
Other Projects	93	\$14,045,835 3,625,128	639	\$291,479,048 14,748,564
TOTAL	3522	\$76,954,485 1,494,613	182106	\$1,354,433,539 029,901,441

Note: The above table does not include projects anticipated to receive EC grant funding.

2. Financial Outlook

PF is expected to continue to be available from the DWSRF capitalization grants. DFA will continue to prioritize projects receiving grant/PF funds based on projects addressing the most pressing public health risks and readiness to proceed to a funding agreement.

Table 10: Estimated DW Grant/PF for SFY 2026-27¹³
(as of June 30, 2026)

Funding Type	Total (\$ Million)
PF (FFY 2026 Base Program and General Supplemental)	\$151.9
PF (previous cap grants)	\$118.8 <u>190.5</u>
Prop 4 grant*	\$137 <u>136.2</u>
Prop 4 grant Tribal*	\$25.0
Prop 1 grant*	\$21 <u>922</u>
Prop 68 grant	\$8 <u>117.5</u>
Budget Act of 2024 GGRF	\$46 <u>921.7</u>
Safe and Affordable Drinking Water	\$99.7 <u>116.6</u>
Total	\$609.5<u>581.4</u>

*FY 2026-27 Prop 1 and Prop 4 appropriations are projections and have not been appropriated.

3. DW Grant/PF Eligibility Criteria

The State Water Board may provide funding for the planning, design, and construction of eligible drinking water improvements to publicly and privately-owned CWS and non-profit, non-community water systems. Certain state funding may also be provided to eligible entities to undertake projects on behalf of a PWS. Grant/PF may be available for projects benefiting Small, Expanded Small, or Medium DACs or Small MICs, subject to funding source requirements, to address a SAFER Failing or At-Risk status. Large CWSs and many NTNC systems (see list below) are not grant/PF funding eligible under this section.

Projects Addressing Failing Status

A project benefiting one of the community types described above that will resolve a Failing system's compliance order(s) associated with the Failing criteria may be eligible for grant/PF. The project may include consolidation, treatment, new/repaired source, storage, distribution system enhancements or repairs, etc. Currently, there are six Failing criteria¹⁴ categories:

1. Primary MCL Violation
2. Secondary MCL Violation

¹³ Projected available grant/PF funding is based upon agreements executed as of June 30, 2026, including grant/PF agreements to be executed.

¹⁴ [Failing Criteria for Community Water Systems and Schools](https://www.waterboards.ca.gov/water_issues/programs/hr2w/docs/hr2w_expanded_criteria.pdf)

https://www.waterboards.ca.gov/water_issues/programs/hr2w/docs/hr2w_expanded_criteria.pdf

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3. *E. Coli* Violation
 4. Treatment Technique Violation¹⁵
 5. Source Capacity & Water Outage Violation
 6. Monitoring & Reporting Violations¹⁶

In addition, systems with exceedances of the hexavalent chromium MCL are considered eligible for funding similar to Failing systems, even if they are not yet on the Failing list.

A project that is addressing a Failing SAFER status may also include components that help enhance the system's resiliency. Projects addressing certain Failing criteria categories may be prioritized or de-prioritized based on annual funding availability, funding program eligibilities, and/or funding priorities.

Projects Addressing At-Risk Status

The State Water Board identifies public water systems that are "At-Risk" of failing through the Division of Drinking Water's Risk Assessment. A project addressing key risk indicators contributing to its "At-Risk" SAFER status may be prioritized or de-prioritized based on annual funding availability, funding program eligibilities, and/or funding priorities. The Risk Assessment assesses risk of failure in four categories: water quality, water accessibility, affordability, and TMF capacity.

Water Quality risk indicators measure current water quality and trends to identify compliance with regulatory requirements, as well as frequency of exposure to drinking water contaminants.

Accessibility risk indicators measure a system's ability to deliver safe, sufficient, and continuous drinking water to meet public health needs.

Affordability risk indicators measure the capacity of households and the community to supply the revenue necessary for a water system to pay for necessary capital, operations, and maintenance expenses.

TMF Capacity risk indicators measure a system's capacity to plan for, achieve, and maintain long term compliance with drinking water standards.

Infrastructure projects that address the risk indicators contributing to a water system's At-Risk SAFER status may be eligible for grant/PF funding. A project that reduces operation and maintenance costs or helps bring a system into consistent compliance with drinking water standards may be eligible for grant/PF funding.

If a proposed project is for a system that is considered to be non-Failing or Not At-Risk, coordination between DFA and DDW may occur to further evaluate possible solutions.

¹⁵ Systems that are only Failing for three or more Treatment Technique violations within the last three years, with no open/unaddressed Enforcement Action, are excluded from this project category.

¹⁶ Monitoring and reporting violations are typically addressed through technical assistance that addresses the underlying managerial and/or technical capacity challenges.

Project Categories

Eligible planning, preliminary engineering studies, environmental review, project design, and construction costs are described in the DWSRF Policy, Sections IX.B. and X.B. An eligible applicant may apply for construction funding with the option to be reimbursed for eligible planning and design costs as part of the construction funding agreement.

Table 11 defines different categories of drinking water projects DFA can fund through the DWSRF and/or SAFER program related funding sources. For projects that fit into multiple project categories, the project category that most clearly aligns with the intended goal/intent of the project should be selected.

Consolidation and/or Emerging Contaminant projects may receive grant/PF funding regardless of the SAFER status of the water system(s). All other DWSRF eligible project categories in the table below will be grant/PF eligible only if the project is addressing a SAFER Failing or At-Risk status (or is determined to be failing or at-risk equivalent or will address a risk of failure).

Table 11: DW Grant/PF Project Category Eligibility for Failing Systems, At-Risk Systems, and Consolidation Projects

Project Category	Description	IUP Eligible
Consolidation¹⁷	Projects that physically or managerially consolidate at least two water systems into a single public water system and/or projects that connect state small water system(s) and/or domestic well(s) to a public water system. See Definitions section and Appendix F for details.	Yes
System Enhancement/ Repairs/New Infrastructure (CIP improvements)	New infrastructure and infrastructure improvements that enhance reliability or sustainability of the water system.	Yes
Drought Resiliency	Projects that improve a water system's ability to meet customer demand, especially during drought conditions. Drought resiliency projects may include, but are not limited to, construction of a back-up source for systems with a single source, storage tank, back-up generator, installation of meters, etc.	Yes
Distribution System	New distribution system, replacement or rehab of existing distribution system, leak repairs, etc.	Yes
Emerging Contaminants¹⁸	Projects that address one or more emerging contaminants.	Yes
Interim Assistance	<i>Non-construction assistance. Includes, but is not limited to; bottled water, vended water, and point-of-use or point-of-entry treatment units.¹⁹</i>	No ²⁰

¹⁷ Consolidation projects that primarily address a Failing water system's compliance issue(s) are a higher priority than consolidation projects that benefit non-Failing water systems.

¹⁸ In general, Emerging Contaminant projects will be funded through the EC Supplemental IUP. The EC Supplemental IUP governs the use of DWSRF EC and EC-SDC funds.

¹⁹ Health & Saf. Code, §116767, subd. (q).

²⁰ These project types may be eligible for other funding sources/programs. See the SAFER FEP for details.

Project Category	Description	IUP Eligible
Operation and Maintenance (O&M) Assistance	<i>Direct O&M assistance includes financial payments to cover all or some of a public water system's personal, contractor, materials, and/or other ongoing expenses required for operating the water system.</i>	No ²¹

System Types

The following PWSs may be eligible for DW grant/PF or reduced interest rate loans, for planning and construction projects, to the extent consistent with state and federal law, depending on the project types and eligibility criteria discussed in this section.²²

- 1) A Small CWS serving a DAC or MIC.
- 2) A NTNC that serves a Small DAC, if the system serves solely the following:
 - a public K-12 school²³; and/or
 - a not-for-profit K-12 private school; and/or
 - a not-for-profit daycare facility; and/or
 - a not-for-profit labor camp; and/or
 - a not-for-profit elder care facility; and/or
 - a not-for-profit health care facility.

As stated in the DWSRF Policy, an eligible not-for-profit NTNC water system that serves a K-12 School is eligible for 100% grant/PF, subject to all other eligibility rules and requirements. To determine the equivalent service connections for a school, the total number of staff and students is divided by 3.3. In the case of oversubscription, grant/PF may be limited to Title I schools.

- 3) A PWS that is consolidating or extending service to one or more Small CWSs, state small water systems, eligible NTNC that serves a DAC (see #2 above), or households on domestic wells.

²¹ These project types may be eligible for other funding sources/programs. See the SAFER FEP for details.

²² Eligibility for non-repayable financing varies depending on funding source. To the extent permitted by funding source, the categories below include systems owned by Native American Tribes.

²³ Notwithstanding the definition of “not-for-profit” in the DWSRF Policy, NTNCs owned by public schools are deemed to be not-for-profit and may be eligible for grant/PF if authorized under the funding source.

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- 4) An Expanded Small CWS or a Medium CWS that serves a DAC.

Prop 4 Tribal Projects Set-Aside

The water system type limitations and SAFER Failing or At-Risk status requirements described in the previous section do not apply to the Prop 4 set-aside grant funding for federally recognized Native American tribes and non-federally recognized Native American tribes listed on the California Tribal Consultation List maintained by the Native American Heritage Commission. Such tribes are eligible for the Prop 4 set-aside grant funds for tribal water infrastructure projects that help to provide safe, clean, and reliable drinking water to tribal communities, in accordance with the requirements of Prop 4. If there are insufficient funds, DFA may prioritize applications based on the system types and project types prioritized in this IUP for public water systems. The requirements applicable to grant-funded projects under this IUP will apply.

4. Planning Grant/PF Eligibility Criteria

An eligible applicant may apply solely for planning funding with the option to later apply for construction funding. Planning grant/PF funds are available to **Small** or **Expanded Small** CWS or eligible NTNC systems that serve a **DAC**. In addition, Small and Expanded Small MIC may receive 100% planning grant/PF to address a Failing SAFER status. Medium, and Large PWSs are generally not eligible for a planning grant/PF agreement; however, planning funds may be reimbursed through a construction agreement if all funding eligibility requirements are met. Planning grant/PF agreement eligibility is also subject to the limitations described in section 3, above.

Table 12: Planning Grant/PF Eligibility Criteria

Project Category ²⁴	System Not Failing or Not At-Risk of Failing	Project Addresses System Failing or At-Risk of Failing Status
Consolidation	Up to 100% Planning Costs	Up to 100% Planning Costs
Emerging Contaminants ²⁵		
Drought Resiliency	Loan Only ²⁶	
Distribution System		

²⁴ See Table 11: DW Grant/PF Project Category Eligibility

²⁵ In general, Emerging Contaminant projects will be funded through the EC Supplemental IUP.

²⁶ The Deputy Director of DFA will have flexibility to provide grant/PF to these project categories for small or expanded small DACs, or small MICs, if the project is determined to be failing or at-risk equivalent or will address a risk of failure. For loans, these projects will be subject to loan priority scoring and other loan terms, unless specified otherwise by the Deputy Director.

System Enhancements / Repairs / New Infrastructure (CIP improvements)		
<i>Interim Assistance</i>	N/A	N/A
<i>O&M Assistance</i>		

For 100% grant/PF funded planning projects, DFA generally will not require the applicant to submit a complete financial security package or undergo financial security review prior to receiving planning funding. DFA will require certain items that are included in the financial security package, such as an authorizing resolution, to be submitted. An applicant is generally not required to demonstrate financial capacity to operate and maintain its system, or a proposed construction project, prior to receiving 100% grant/PF planning funding, subject to funding source requirements.

While there is no grant/PF cap for planning projects, they are generally expected to be 10% or less of the estimated construction costs of the project. Planning funding can be provided to an eligible applicant that lacks adequate financial capacity to assist it with establishing its financial capacity to operate and maintain its system, and undertake a construction project, in preparation for an eventual construction funding agreement. Examples of tasks financed with planning funds may include, but are not limited to, water rate studies, budget development, and capital improvement planning.

5. Construction Grant/PF Eligibility Criteria

Grant/PF construction funds are available to benefit CWS or not-for-profit NTNC systems that serve a **Small, Expanded Small, or Medium DAC** or **Small MIC** based on the following criteria summarized in Table 13 and Table 14 subject to the limitations discussed in section 3 above. Grant/PF construction funds are also available to consolidate domestic wells that are At-Risk or state small water systems that are At-Risk, or to consolidate domestic wells and state small water systems regardless of SAFER status when incidental to a grant/PF-eligible primary consolidation or extension of service project. The State Water Board offers up to 100% project cost grant/PF for construction projects based on the community/system SAFER status and project type. Grant/PF will generally be limited to project components necessary to resolve the SAFER Failing status or to address drivers of an At-Risk status, or for consolidation.

Table 13: Maximum Grant/PF and Cost Per Connection Construction Limits²⁷

Connections ²⁸	Maximum Cost per Connection	Maximum Grant/PF
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²⁷ See text after Table 14.

²⁸ Includes total residential connections included in the project: public water system, state small water system, and domestic well residential connections. Learn more in the Cost per Connection Appendix.

1-20	N/A	\$5,000,000
21-50		\$10,000,000
51-100		\$12,000,000
101-200		\$16,000,000
≥ 201	\$80,000	\$50,000,000

Table 14: Construction Grant/PF Eligibility Criteria²⁹

Project Category ³⁰	System Not Failing or At-Risk of Failing	Project Addresses System Failing or At-Risk of Failing Status
Consolidation	Up to 100% project cost	Up to 100% project cost
Emerging Contaminants ³¹		
Drought Resiliency	Loan Only ³²	
Distribution System		
System Enhancements / Repairs / New Infrastructure (CIP improvements)		
Interim Assistance	N/A	
O&M Assistance		

As shown in Table 13, for projects benefiting 201 residential connections or more, the maximum grant/PF available is generally \$80,000 per connection, not to exceed \$50 million for the total project. Despite the limits in Table 13, the Deputy Director of DFA may approve:

²⁹ See above community type limitations (Section V.A.5) and funding limits (Table 13).

³⁰ See Table 11: DW Grant/PF Project Category Eligibility.

³¹ In general, Emerging Contaminant projects will be funded through the EC Supplemental IUP.

³² The Deputy Director of DFA will have flexibility to provide grant/PF for these project categories for Small, Expanded Small, or Medium DACs or Small MICs if the Deputy Director of DFA determines the project is determined to be failing or at-risk equivalent or will address a risk of failure. For loans, these projects will be subject to loan priority scoring and other loan terms, unless specified otherwise by the Deputy Director.

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- Up to \$90,000 per connection for good cause or during a Final Budget Approval Amendment (after the project goes out to bid), not to exceed \$50 million for the total project cost.
 - Up to \$120,000 per connection for projects addressing compliance with a mandatory consolidation order or addressing a system with an appointed Administrator or a system in receivership.
 - Up to 20% above the maximum grant/PF limit in Table 13 for good cause for projects with 200 or fewer connections.

In addition, the following apply:

- If there are limited grant/PF funds available, small DACs will generally be prioritized for funding.
- Prop 1 and Prop 68 grant funds are limited to \$5 million per project (\$20 million limit for projects that provide regional benefits or are shared among multiple entities).

The maximum grant/PF is based on the amount of drinking water grant/PF construction funding from the State Water Board benefiting the community in a five-year period, with some exceptions. It does not include planning, TA, Administrator, direct O&M, interim solutions, GWGP funds, consolidation incentives, loan funds, funds received under a supplemental IUP, or any non-drinking water grant/PF. The five-year period is based on the initial funding agreement execution date for the prior funds and does not consider the date that an agreement was amended to incorporate additional costs or to extend dates. Once the time from the initial execution date exceeds five years, the associated agreement, including any cost increases via amendment(s), are not considered in the calculation.

A project involving consolidation or the extension of service may result in the cost per connection for a specific community being significantly higher than the other communities involved in the project. For these projects, both the overall cost per connection and the individual community cost per connection must remain within the limits summarized in Table 13.

In the case of multifamily residential properties served by a single connection, the single connection can be treated as multiple service connections for the purposes of calculating grant eligibility, based on the number of households or housing units within the building or complex.

Notwithstanding section VII of the DWSRF Policy, entities that do not charge monthly water rates, including, but not limited to, migratory labor camps, mobile home parks, or tribes, may be eligible applicants if other requirements are met.

If the project is only partially grant/PF eligible, the applicant may choose to fund the remainder of the total project cost (Local Cost Share) from other sources (e.g.,

repayable financing; grant funding from sources other than the State Water Board; or other sources).

Loans for Small DACs/MICs or Expanded Small DACs

Small DACs/MICs or Expanded Small DACs can apply for loans with the terms stated in Table 15, which are based on the system's common residential water rates as a percentage of the water system's service area's median household income (% MHI). Projects not eligible for grant/PF and applying only for loans will follow the DWSRF loan requirements, including priority scoring and application deadlines. Projects eligible for grant/PF that are seeking supplemental loan funding do not need to be ranked and scored and can be added to the Fundable List as applications are completed, because these grant/PF-eligible projects are generally high-priority projects per the DWSRF statutory priorities, and may be placed on the Fundable List accordingly.

**Table 15: Construction Loan Eligibility for Small DACs/MICs
or Expanded Small DACs**

Water Rates (% MHI)	Interest Rate	Max. Financing Term³³
≥ 1.5%	0%	30-40 Years
< 1.5%	½ General Obligation Bond Rate	30-40 Years

In evaluating project eligibility, DFA will consider any relevant contamination-related settlement funds or other sources of funds for the project, including those related to PFAS or 1,2,3- Trichloropropane (1,2,3-TCP), when determining grant/PF eligibility. Pending or unrestricted funds must be allocated in accordance with the terms of any funding agreement with the State Water Board.

Grant/PF Limitations on Private Property

Funding for work on private property generally will be subject to the following limits, in addition to other applicable eligibility criteria, including those set forth in this IUP and those required by the applicable funding source.

- Work on the property of a for-profit mobile home park generally will not be eligible for grant/PF if the mobile home park serves a non-DAC.
- Work on the private property of individual homes generally will not be eligible for grant/PF if the individual homes are located in a community that is a non-DAC. If available MHI data for the community does not appear representative for some or all of the households served by the project, household income verification may be required to establish eligibility.
- CPUC-regulated entities, and work on the private property of CPUC-regulated entities, will only be eligible for funding if the applicable CPUC rules³⁴ and all other eligibility criteria are satisfied.

6. DW Grant/PF Funding Changes and Amendments

For amendments to funding grant/PF funding agreements that increase a project costs (see Section III for General Project Funding Process) after DFA has completed financial review, DFA will not re-evaluate the Applicant's/Recipient's financial capacity in the following cases:

1. For increases to the project funding amount if all the following are true:

³³ Only DACs can qualify for a 40-year term; MICs are limited to a 30-year term.

³⁴ Entities regulated by the California Public Utilities Commission (CPUC) must comply with CPUC rules governing the receipt and use of state grant funds, including but not limited to rules that (i) limit enrichment of the owners by excluding PF and grant funded assets from the fair market value of the system in the case of a transfer, and (ii) ensure that PF and grant funds benefit rate payers by excluding PF and grant funded assets from the rate base.

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- The amount of repayable co-funding, if any, remains the same or decreases;
 - The amount of the increased Project Financing Amount is 100% grant/PF;
 - No substantive change to the Project scope has occurred³⁵;
 - No increase to anticipated operation and maintenance costs have occurred;
 - The Applicant/Recipient has maintained compliance with all material Agreement conditions in all outstanding State Water Board obligations to date;
 - DFA is not aware of any events that would trigger a new financial review such as concerns about the Applicant's/Recipient's financial or managerial capacity or ability to complete, operate, and maintain the project; and
 - DFA is not aware of any new information that indicates the Applicant/Recipient no longer continues to demonstrate long-term viability.
2. For decreases to the project funding amount that are not related to concerns about the Applicant's/Recipient's financial or managerial capacity and where the Applicant/Recipient continues to demonstrate long-term viability, the Applicant/Recipient has maintained compliance with all material Agreement conditions in any outstanding State Water Board obligations to date, and DFA is not aware of any events that would trigger a new financial review.

Amendments to existing funding agreements may be based on the IUP that the project was funded under, the IUP in effect at the time of the Final Budget Approval, or this IUP, at the discretion of the Deputy Director, subject to funding source requirements. In general, changes to scope and cost increases for lower priority projects may not be approved unless the cost increase is due to higher construction costs at time of bidding (no change in the approved scope). For an amendment, DFA will not necessarily revise the determination for characteristics such as system connections, median household income, and SAFER status, but can adjust PF/grant amounts based on the previous determinations.

7. Fundable and Comprehensive Lists

All projects funded by sources administered under this IUP that may be eligible for planning and/or construction grant/PF under Section V or for consolidation incentive are added to the Fundable List after the Deputy Director deems the application initially complete.

If a potentially grant/PF eligible project is not on the Comprehensive List at the time this IUP is approved by the State Water Board, it will be added automatically to the Comprehensive List when the applicant starts an application. The State Water Board

³⁵ In the event the scope of work has changed, for the limited purposes of evaluating if the criteria under this section are met, the change will be considered non-substantive if after reviewing all information submitted along with the request for change, the DFA Project Manager and Senior Engineer finds that there is no reason to believe that it is related to a change in the financial or managerial capacity of the Applicant/Recipient, and would not increase the anticipated operations and maintenance costs of the Project.

will periodically post an updated Fundable List on the State Water Board's website and allow for public comment. The Fundable List will identify all projects on the Comprehensive and Fundable List that may be eligible for grant/PF under Section V or for consolidation incentive, for which complete applications were received by DFA. The Fundable List will indicate the projects that are on the traditional DWSRF Fundable List and those that are on the EDWG Fundable List.

8. Advance Payment

Advance payments may be available to the Recipients of grants funded by several non-SRF sources. Proposition 1, Proposition 4, and Proposition 68 authorize up to 25 percent (25%) of a grant to be awarded in advance of actual expenditures. (Wat. Code, § 79724, subd. (a)(1) and Pub. Resources Code, §§ 80030, 90130.) SADWF also authorizes advance payments, with a limit on advances for construction costs of 25 percent (25%) of the total SADW portion of a construction grant award amount. (Health & Saf. Code, §116766 (i).) In addition, nonprofit organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and federally recognized Indian tribes may be eligible for advance payments in an amount that does not exceed 25 percent (25%) of the total state-funded grant amount awarded to such entity, subject to certain requirements. (Gov. Code §11019.3) Advance Payment Guidelines are Appendix D of the SAFER Policy.³⁶ If advance payments are approved for a project, the funding agreement will detail the applicable terms, including the approved total amount eligible for advance payment, the process for submitting requests for disbursement, reporting, the requirement to establish a project reserve fund, deposit account requirements, and other applicable requirements and conditions. No advanced funds may be expended toward any costs that are not eligible for reimbursement.

B. Consolidation Incentives

To encourage the consolidation of PWSs, the State Water Board may continue to offer incentives to Receiving Water Systems in exchange for completing a consolidation (Consolidation Incentives). The project that solely benefits a Receiving Water System is an Incentive Project. Incentive Projects must be eligible; criteria depend on the funding source. The Consolidation Incentives DFA is authorized to offer a Receiving Water System for their Incentive Project include, but are not limited to:

- A PWS has begun construction³⁷ and is reasonably expected to complete a full physical consolidation of an existing PWS(s) (where the Subsumed Water System is no longer separately permitted) or a community (for the purposes of

³⁶ The Advance Payment Guidelines are available at the following webpage: https://www.waterboards.ca.gov/water_issues/programs/grants_loans/sustainable_water_solutions/safer.html.

³⁷ In some instances, the consolidation incentive may be included in the funding agreement for the consolidation project. If this occurs, the incentive project may start construction as an earlier phase, prior to the consolidation phase.

consolidation incentives, at least 15 year-round residential service connections or a year-round population of at least 25 people) not currently served by a PWS.

- Maximum of \$10 million in zero percent (0%) interest rate financing per consolidated community/water system from available sources for planning or construction of an Incentive Project (maximum of \$50 million over a 5-year period per Recipient); and/or
- Maximum of \$1 million grant/PF per consolidated community/water system. Grant/PF funding for planning or construction of an Incentive Project of up to \$3,000 per connection³⁸ when consolidating a community water system that does not qualify as a Small DAC, \$5,000 per connection when consolidating a community/water system that qualifies as a small DAC, or up to \$10,000 per connection when consolidating a community/water system that qualifies as a Small SDAC. Any incentive grant/PF will not count towards the grant/PF cap for that community over a 5-year period.
- Maximum of \$2 million in zero percent (0%) interest rate financing for an Incentive Project when a PWS managerially consolidates (where separate water system permits still exist).

The Consolidation Incentive may be applied to one or more eligible projects chosen by a Receiving Water System and approved by DFA. The Receiving Water System may apply for planning financing to develop their Incentive Project. Incentive Project financing may be combined with other financing options, including SADW, to fund an Incentive Project. Consolidation Incentives may include, but are not limited to, planning or construction for infrastructure improvements to mitigate drinking water risks and support the human right to water and/or refinancing existing loans to the extent allowed by applicable statutes. The subsidized financing for the Incentive Project is in addition to any subsidized financing for the associated Consolidation project.

When determining the amount of incentive funding that a Receiving Water System may be eligible for, DFA will consider the following:

- Type of community that will be consolidated:
 - SDAC, DAC, MIC, or Non-DAC.
 - Failing, At-Risk, Potentially At-Risk, or Not At-Risk.
 - Technical, managerial, or financial issues that may be a challenge for the Receiving Water System to take over.
- The scope of the consolidation project:
 - i. Subsumed Water System already receiving water via a master meter, but now will be individual customers of the Receiving Water System.

³⁸ For all Consolidation Incentives, available Consolidation Incentive grant/PF funding is based on the number of residential connections in the Subsumed Water System or the community that will be connected.

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- ii. The amount of infrastructure that was needed to complete the consolidation project and the funding already received.
 - iii. The amount of outreach and coordination that was needed to consolidate (public outreach, LAFCo, CPUC, etc.).
 - iv. Upgrades to the Receiving Water System already included in the consolidation project (new wells, treatment, distribution system replacement, etc.).
 - The project cost for the incentive project compared to the project cost for the consolidation project (ideally not much higher than the consolidation project).
 - Whether the Receiving system is the consolidation project funding recipient and managed the construction implementation.

Additional criteria and application requirements for the Consolidation Incentive include:

- The Receiving Water System must be a voluntary participant in the consolidation project. Consolidation Incentive will not be available to Receiving Water Systems completing a [mandatory consolidation](#), unless the Deputy Director of DFA approves a case-by-case exception for good cause.
- The Receiving Water System must not be an entity consolidating two or more systems it already owns. Such cases may qualify for project funding consistent with Section V, but the entity is not additionally eligible for consolidation incentive.
- The Receiving Water System should submit, at minimum, a [DWSRF General Application Package](#) or [Urgent Drinking Water Needs \(UDWN\) Application](#) for the Incentive Project(s) to DFA before completion of the associated consolidation project(s), or, if DFA is not funding the consolidation, the Subsumed System acquisition.
- The DWSRF or UDWN application must indicate that it is for an Incentive Project associated with a specific consolidation project or group of consolidation projects.
- The Receiving Water System must complete and submit a full DWSRF or UDWN application for the Incentive Project(s) no later than one year after completion of the associated consolidation project, or Subsumed System acquisition (if DFA is not funding the consolidation). The Deputy Director of DFA is authorized to allow additional time for good cause. Receiving systems that have implemented or are implementing a consolidation that does not include a DFA-funded consolidation project may be eligible for Consolidation Incentive at the discretion of the Deputy Director of DFA, but these Incentive Project(s) will generally be considered a low priority, and must meet above-described application deadlines tied to the date of Subsumed System acquisition.
- In the case where the consolidation project has been designed to include the Incentive Project, then up to \$10 million in zero percent (0%) funding shall apply to the portion of costs that are part of the Incentive Project. The consolidation project may also receive up to \$1 million grant/PF funding per consolidated community/water system towards the Incentive Project as described above. The remaining costs associated with the consolidation project shall be funded in accordance with the general project financing terms discussed this IUP. For

example, the Receiving Water System may choose to replace some of its distribution system pipeline at the same time as the consolidation project. If the distribution system replacement that solely benefits the Receiving Water System is estimated to cost \$15 million, then that portion of the project may receive up to \$1 million incentive grant/PF per consolidated community/water system (depending on the amount per connection for the type of community that is being consolidated) and up to \$10 million in zero percent (0%) financing per consolidated community/water system (subject to the limit stated earlier).

VI. EMERGING CONTAMINANTS AND PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS)

The anticipated funding available for projects that address emerging contaminants in FY 2026-27 is approximately \$~~464.6~~505.7 million. Additional information regarding the availability of and requirements associated with emerging contaminants funding can be found in the DWSRF Emerging Contaminants Supplemental Intended Use Plan in Appendix L, along with the Emerging Contaminants Fundable List. The Emerging Contaminants Fundable List was developed from applications submitted by eligible water systems for projects whose primary purpose is to address emerging contaminants. The Emerging Contaminants Supplemental IUP describes the State Water Board's approach for soliciting projects and committing the IIJA Emerging Contaminants funds.

Appendices E, F and G do not apply to the DWSRF Emerging Contaminants and EC-SDC funding. For DAC systems or systems serving less than 25,000 people, there is no grant/PF limit (no per project or per connection maximums).

VII. LEAD SERVICE LINE REPLACEMENT (LSLR)

The anticipated funding available for lead service line inventory or replacement projects in FY 2026-27 is approximately \$~~22.220.4~~ million. Additional information regarding the availability of and requirements associated with DWSRF LSLR funding can be found in the DWSRF Lead Service Line Replacement Supplemental Intended Use Plan in Appendix K, along with the Lead Service Line Fundable Lists. The LSLR Fundable Lists were developed from known water systems with potential lead service lines and applications received. The LSRL Supplemental IUP describes the State Water Board's approach for soliciting projects and committing the IJJA Lead Service Line Replacement funds.

Appendices D, F, and G do not apply to the LSLR funding.

VIII. GROUNDWATER GRANT PROGRAM (GWGP)

Chapter 10 of Prop 1 provided \$670 million to the State Water Board for grants for projects to prevent or clean up the contamination of groundwater that serves or has served as a source of drinking water. In accordance with the GWGP Guidelines, some of the GWGP funds may be available for drinking water treatment projects that treat groundwater for direct potable use and benefit PWSs that serve DACs and SDACs. Projects generally address regional contamination, ongoing discharge, or naturally elevated levels of the contaminant. GWGP funds will be administered consistent with Section V, except that: (1) GWGP funds may be available for projects benefiting SDACs regardless of water rates, and for DACs with water rates greater than or equal to one and five tenths percent (1.5%) of MHI, regardless of the community size, and (2) GWGP grant limits will be as provided in Section V, but are in addition to the maximum grant/PF awarded per Section V. No local match is required. **There are currently no uncommitted funds remaining.** However, any funds disencumbered from existing projects or additional funds appropriated by the Legislature may be administered consistent with this IUP. DFA staff will coordinate with applicants to determine if projects meet the applicable requirements for GWGP funds. Applicants are advised to review the [Groundwater Grant Program Guidelines](#), which were updated in May 2023, for more information.

IX. ASADRA

California received approximately \$62 million in supplemental DWSRF funds from ASADRA. The funds are available to help any DWSRF-eligible entity that was damaged, demonstrates an impact, or had a loss or disruption of a mission-essential function, including loss of function where there was potential impact to public health, from specifically identified calendar year 2018 disasters.

Appended to this IUP is a supplemental ASADRA IUP (Appendix J), which describes the opportunities to use ASADRA funds and the additional requirements associated with the funds. In FY2024-25, \$35 million was executed in one funding agreement. Another project ~~is pending an~~was executed ~~agreement that will use in FY 26-27 for~~ the remaining \$27 million. **DFA is currently not soliciting additional projects for ASADRA.**

X. DWSRF RESOURCES, WORKLOAD & FEES

A. Organization, Program Resources, and Skills

Approximately 95.6 Personnel Years (PY) are budgeted for the DWSRF Program³⁹ in SFY 2025-26 and the number of positions is not expected to change substantially. These positions are distributed between DFA, the Office of Chief Counsel (OCC) and the Office of Communications as follows:

- 6 PYs for Environmental Scientists and management to ensure compliance with state and federal environmental and cultural resources requirements (DFA);
- 56.1 PYs for Water Resources Control Engineers, Sanitary Engineers and related engineering supervisors/managers to manage new project applications and ongoing projects (DFA), conduct programmatic management and provide technical assistance, with approximately 49 PYs dedicated primarily to processing applications from SDACs and DACs and providing associated technical assistance⁴⁰;
- 30 PYs for administrative support, including fiscal oversight, credit review, agreement servicing, disbursement processing and other programmatic support (DFA);
- 0.5 PYs for development and implementation of public-facing communication strategies; and
- ~3 PYs for legal support (OCC).

Additional indirect cost support is provided by accounting, information technology, personnel, budget, and contract support staff in the Division of Administrative Services.

The DWSRF program relies on some contracted services that (i) cannot be provided economically by Water Boards staff, (ii) require skills not available in the State Water Boards, or (iii) require independence from the DWSRF program. Approximately \$830,600 is budgeted for the following contract services in FY 2026-27:

- Independent accounting firm for annual audits;
- Municipal financial advisor and revenue bond/tax counsel;
- Vendor to provide maintenance and enhancements for the Loans and Grants Tracking System (LGTS); and

³⁹ In addition to positions funded directly by the DWSRF, the State Water Board has other state-funded positions associated with its complementary funding programs as noted earlier. Many projects may be financed by a combination of DWSRF and state funds. Staff is trained to help applicants receive financing for their projects regardless of the funding sources; therefore, state-funded positions indirectly provide benefit to the DWSRF program and vice versa.

⁴⁰ These DWSRF staff members are part of the Office of Sustainable Water Solutions within DFA, consisting of technical staff dedicated to addressing drinking water funding and technical assistance needs of Small DACs.

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- Sonoma State University (California Historical Resources Information System (CHRIS) Contract).

The Deputy Director is authorized to increase the budget for existing services or for additional contract services as needed to effectively administer the DWSRF program.

B. Servicing and Program Administration

Servicing existing agreements and fulfilling ongoing program requirements represents a significant workload for the DWSRF staff. There are approximately 205 DWSRF loan agreements in repayment. Payments on these agreements are generally collected two times per year, and DFA conducts regular surveillance on many of these recipients. At present, DWSRF is servicing approximately 115 loan and/or PF agreements in disbursement. On average, staff typically process 286 DWSRF disbursement requests per year. Staff also oversee and perform periodic construction inspections of financed projects to ensure that work is performed consistent with previous approvals, and to ensure that work is being performed in conformance with program requirements, including but not limited to, Davis-Bacon wage rates, American Iron and Steel and Build America Buy America procurement requirements, Disadvantaged Business Enterprise solicitation rules, and environmental special conditions.

The DWSRF program sold revenue bonds in SFY 2018-19 and may sell additional bonds in FY 2026-27. The outstanding revenue bonds require separate accounting of payments from pledged obligations, semi-annual bond payments, and specific monitoring, reporting, and continuing disclosure actions. The DWSRF program prepares annual financial statements that are audited independently. The DWSRF program is subject to yearly review by U.S. EPA and is periodically subject to audit or oversight by other federal or state agencies.

C. Administrative Funding

Administrative funding for the DWSRF program currently comes from the capitalization grants awarded yearly by U.S. EPA via the DWSRF Administration Set-Aside and is anticipated from the DWSRF Administration Fund under the 2026 State Budget Act. See Section XII.A. below for budgeted use of the 2026 DWSRF Administration Set-Aside. The DWSRF Administration Set-Aside is limited to the greatest of: \$400,000, one-fifth percent of the current valuation of the fund, or an amount equal to four percent (4.0 %) of all grant awards to the fund for the fiscal year. Since the inception of the DWSRF program, the DWSRF Administration Set-Aside from U.S. EPA capitalization grants have provided a reliable source of funding for the administration of the DWSRF program.

D. Administrative Fees

In FY 2025-26, the Division began applying an administrative service charge in lieu of interest to repayable funding agreements, as authorized by Section 116761.70 of the

Health and Safety Code.⁴¹ The 2026 State Budget Act is also anticipated to include ~\$3.5 million in annual expenditure authority from the DWSRF Administrative Fund starting in FY 2026-27 to support the administrative costs of the DWSRF program. The State Water Board will also continue to assess this fee on existing, eligible funding agreements in SFY 2026-27 and beyond to provide additional administrative funding for the DWSRF program to help supplement DWSRF Set-Aside funds and the increasing costs of existing DWSRF personnel as well as the risks for possible reductions in future DWSRF federal funds and related set-asides.

Revenue generated by this service charge is deposited into the DWSRF Administrative Fund and may be used for DWSRF administration costs. Under state law, the service charge rate cannot exceed one percent (1.0%) of the outstanding balance of a funding agreement. Once the service charge is applied to an agreement, the rate remains unchanged for the duration of the agreement.

Since the service charge is a percentage of the outstanding principal on each agreement, it produces a declining amount of revenue each year. Each year, the State Water Board must evaluate the need for the service charge revenue and establish an appropriate rate. The service charge will then be applied to additional agreements to maintain the Administrative Fund revenue consistent with the budget established by the Governor and the Legislature for the DWSRF program. The State Water Board will continue an Administrative Service charge rate of one percent (1.0%); this shall be the effective rate until the State Water Board establishes a different rate.

E. Drinking Water Small Community Emergency Grant Fees

The State Water Board may apply a DWSCEG charge as a charge-in-lieu of interest⁴² to any eligible DWSRF repayable financing in an amount not to exceed the standard interest rate of the financing. Once the charge is applied to an agreement, the rate shall remain unchanged for the duration of the agreement, unless the Deputy Director of DFA determines any of the following:

- The DWSCEG charge is no longer consistent with federal requirements regarding the DWSRF; or
- The DWSCEG charge is no longer necessary; or

⁴¹ For federal purposes, the DWSRF Administrative Fund service charge is a fee “other than program income not included as principal in DWSRF financing.” The service charge is collected in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement. The service charge is offset by the reduction in the interest rate so that financing recipients’ payments remain the same whether or not they pay the service charge.

⁴² Like the administrative service charge (see Section X.C.), the DWSCEG charge is also a fee “other than program income not included as principal in DWSRF financing” for federal purposes. The DWSCEG charge is collected, as is the administrative service charge, in-lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement so that the annual payment stays the same.

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- The DWSCEG charge is negatively affecting DFA's ability to fund projects that support the State Water Board's goals.'

The revenue generated by this charge shall be deposited into the DWSCEG Fund, which is held outside of the DWSRF, and used for Small SDAC and Small DAC drinking water projects after grant/PF funds are fully encumbered.

The State Water Board did not have any DWSCEG available during SFY 2025-26 and is not currently collecting a DWSCEG charge on any active projects.

The State Water Board may apply the DWSCEG charge to eligible loans in SFY 2026-27 subject to the availability of eligible loans and any projected demand for grant funding that exceeds all other available funding sources. If applied to an eligible loan, then the DWSCEG charge will be set so that it does not jeopardize the long-term growth of the DWSRF, the State Water Board's ability to leverage the DWSRF, or the State Water Board's ability to collect sufficient revenue to administer the DWSRF.

XI. RISKS & OVERSIGHT

The following are financial or programmatic risks to the DWSRF Program. DFA management will focus on identifying potential problems and acting early to maintain the integrity and success of the DWSRF Program.

A. Application Demand vs. Resources

Demand for financing may exceed the administrative resources needed to review, approve, and finance all complete applications. In addition, the supplemental grants approved in the IIJA will continue to require additional resources to ensure compliance with the new requirements. Staff resources are the most inflexible aspect of the DWSRF program. Additional staff cannot be quickly added to address high demand because they must be approved through the State's budget process. In addition, hiring may be frozen or work hours reduced due to State budget concerns. If new positions are approved, staff hiring and training is necessary before the new staff can be effective.

The State Water Board will prioritize applications consistent with this IUP and the DWSRF Policy. The State Water Board may also adjust its review procedures and work with U.S. EPA or other agencies to resolve delays, schedule financing with applicants, or seek additional resources.

B. Applicants' Schedule Changes or Delays in Executing Agreements

Beneficial and eligible projects may not be financed if the applicants' schedules change or are delayed. To minimize and avoid delays, DWSRF program staff will coordinate regularly with applicants identified in this IUP, and with others that submit applications during the year, to maintain a consistent demand on the program. As project schedules shift, lower priority projects may be funded if they are ready for financing, bearing in mind the PF requirements established in this IUP. This funding flexibility maximizes the use of the DWSRF and increases the number of projects funded.

Beneficial and eligible projects may not be financed if DFA encounters delays completing its reviews of the applications. To minimize and avoid delays, DWSRF program staff will internally coordinate regularly during the year to expeditiously complete its reviews and maintain consistent progress toward the goal of executing agreements for all projects on the Fundable List by June 30, 2027. As delays are encountered, other projects on the Fundable List should continue to move forward, bearing in mind the PF requirements established in this IUP and the amount of leveraging authority approved by the State Water Board. This funding flexibility maximizes the use of the DWSRF and increases the number of projects funded.

After financing is approved, the recipient must start and complete planning or construction promptly. Applicants are required by their funding agreements to report delays to DFA staff so that appropriate action can be taken to address those delays.

C. Cash Balance

The amount of disbursements requested may exceed the DWSRF program's cash balance. DFA staff will maintain accurate account balances and prepare forecasts regularly to identify potential cash shortages in advance. If additional cash is needed, the DWSRF program has several options. The DWSRF program has considerable assets it can leverage through revenue bond sales in the municipal bond market or through the Water Infrastructure Finance and Innovation Act (WIFIA) program to obtain additional cash. The State Water Board can prioritize or limit new commitments or potentially negotiate disbursement schedules with applicants. The DWSRF program can also investigate alternative financing (e.g., providing bond insurance) to reduce cash outlays.

Excess cash may accumulate if applications, and the associated disbursements, are too low. Holding excess cash provides no drinking water or public health benefits for California and tends to reduce the DWSRF's earnings. DFA will use its marketing, customer assistance, and project development resources to maintain a pipeline of projects ready for financing. It will closely monitor undrawn balances on outstanding funding agreements to ensure that financing recipients request funds expeditiously.

D. Defaults and Late Payments

Pursuant to the DWSRF Policy, the State Water Board will implement prudent lending standards and borrower surveillance practices that safeguard the DWSRF program's equity. The State Water Board also contracts with a professional financial advisor to provide additional financial expertise.

The DWSRF program has many tools to reduce the risk of default, including loan monitoring and surveillance, as well as enforcement remedies. For example, DFA collects and reviews audited financial statements of all borrowers for the first five years of repayment and may request audited financials for some borrowers for longer periods of time. The State Water Board has an agreement with independent accounting firm CliftonLarsonAllen to audit select borrowers identified as having a higher risk of experiencing financial difficulties. These audits can be conducted to evaluate the financial and management capacities of an entity and provide recommended solutions. The State Water Board will also continue to provide grant/PF funds in SFY 2026-27 to reduce debt service and default risk for systems, and particularly failing or at-risk systems. Additional subsidies for these systems will reduce borrowing costs and the risk of default. Additionally, the State Water Board can offer water-related technical assistance to certain systems in areas such as evaluating project alternatives, financial management, rate setting, and operation and maintenance.

In addition to ordinary credit risk considerations, external factors may have potential to impact the revenues and/or operations of DWSRF borrowers and cause loan defaults. The State Water Board tracks potential external risk factors in its revenue bond disclosure documents. The State Water Board works with borrowers to address these issues as they arise.

E. Accountability and Oversight

The DWSRF is capitalized with public funds, and the State Water Board is responsible for using them lawfully and effectively.

The State Water Board regularly reports to U.S. EPA through the Office of Water State Revolving Fund (OWSRF) system on use of the funds. Among other parameters, the reporting systems will evaluate the number of California DWSRF program projects that provide the following public health benefits:

- Achieve compliance with SDWA;
- Maintain compliance with SDWA; and
- Meet future requirements of SDWA.

The State Water Board will enter project benefits information by the end of the quarter in which a funding agreement is signed and will enter annual data by U.S. EPA's annual deadline (generally end of August).

The State Water Board will also use the U.S. General Services Administration's SAM.gov reporting system to report on all DWSRF program equivalency projects.

In addition, U.S. EPA reviews the management and performance of the DWSRF annually. The results are summarized in its annual [Program Evaluation Reports](#). The DWSRF Program produces an [annual report and audited financial statements](#).

Additional actions are required of the State Water Board to comply with provisions of the Internal Revenue Code applicable to the DWSRF outstanding bond debt. The DWSRF program's [Post-Issuance Tax Compliance Policy for Tax-Exempt Bond Issues](#) provides further detail about actions required of the program's staff to help ensure that its bonds remain exempt from federal income taxes. Additional reporting is required by the program's Continuing Disclosure Agreement; information on the program's bonds can be found on the [Electronic Municipal Market Access](#) system maintained by the Municipal Securities Rulemaking Board.

DFA staff will continue to oversee projects to ensure that they meet the terms of the funding agreements by conducting periodic site visits during construction or implementation. All projects are subject to a "Final Project Inspection," and a final summary report is submitted on each project to confirm that it was completed. The State Water Board maintains copies of inspection and final summary reports in the project files.

XII. SET-ASIDE ACTIVITIES

In addition to the project funding discussed previously, the SDWA allows each state to set aside up to 31 percent (31%) of its federal capitalization grant to support various DWSRF and DDW program activities, including (1) the administration of the DWSRF, (2) SWS technical assistance, (3) 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. The Office of Sustainable Water Solutions uses the technical assistance, in conjunction with subsidized project financing from the DWSRF and state sources, to help SWSs achieve compliance with safe drinking water standards, establish and maintain TMF compliance, and foster consolidation.

For SFY 2026-27, the State Water Board will set-aside 26 percent (26%) of the 2026 Base Program Capitalization Grant and 26 percent (26%) of the 2026 General Supplemental Capitalization Grant for set-aside activities as further described below. Set-aside funding for the LSLR and EC capitalization grants is described in Appendices J and K. The State Water Board does not plan to take any set-asides from the ASADRA capitalization grant. The State Water Board will submit detailed work plans to U.S. EPA for approval in accordance with federal requirements; the Deputy Director of DFA may adjust the 2026 Base Program and General Supplemental Capitalization Grant budgets between these activities for good cause. The Deputy Director of DFA is authorized to make grants, enter into contracts, including multi-year 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 (1) request from U.S. EPA the transfer of any unspent set-aside funds to the DWSRF loan fund for expenditure on eligible projects and (2) to extend the budget period of a DWSRF federal grant to ensure the maximum drawdown of a DWSRF federal grant. The State Water Board will report on the progress of set-aside activities to U.S. EPA in its DWSRF Annual Report.

A. Administration Set-Aside

The DWSRF Administration Set-Aside will fund administration of the DWSRF program in SFY 2026-27. This will include the review and processing of drinking water funding applications, project management and general oversight of DWSRF construction and planning projects. The DWSRF Administration Set-Aside will also cover the costs for accounting, legal, budgetary, and general management and oversight of the DWSRF, and may be used for contracts, including but not limited to the contracts listed below. The Deputy Director is also authorized to enter into these and other contracts (including multi-year contracts) or otherwise encumber FY 2026-27 amounts for these and other contracts amongst the DWSRF Administrative Set-Aside to accomplish the work necessary for the administration of the DWSRF program. The DWSRF Administrative Set-Aside Work Plan for SFY 2026-27 will contain detailed information about the specific tasks and full-time equivalent personnel that will be supported in DFA by the DWSRF Administration Set-Aside.

Max Allowed (from each Capitalization Grant):		
Budgeted from FFY 2026 Base Program Grant:	4%	\$1,658,000
Budgeted from FFY 2026 General Supplemental	4%	\$10,740,200

Grant:		
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Contracts:	DWSRF Annual Audit of Financial Statements including Single Audit		\$135,000 (estimate)
	U.S. EPA/Northbridge Environmental Management Consultants Maintenance Contract for the State Water Board's Loans and Grants Tracking System (LGTS)		\$220,000 (estimate)
	LGTS Enhancement Contract		\$350,000 (estimate)
	Sonoma State CHRIS Contract		\$24,100 (estimate)
	Environmental Finance Center		\$101,500 (estimate)
	Municipal Financial Advisor		\$200,000 (estimate)
	Bond/Tax Counsel		\$200,000 (estimate)

B. Small Water System Technical Assistance Set-Aside

The SWSTA Set-Aside will fund DFA technical assistance to small PWSs serving less than 10,000 people, particularly those systems with fewer than 200 service connections. SWSTA will help SWS applicants establish eligibility for DWSRF or complementary funding and provide other technical assistance necessary for project development. The SWSTA Set-Aside may also fund technical assistance contracts to SWSs in support of project environmental documentation. The DWSRF Small Water Systems Technical Assistance Work Plan for SFY 2026-2027 will contain detailed information about the specific tasks and full-time equivalent personnel that will be supported in DFA by the DWSRF SWSTA Set-Aside.

Max Allowed (from each Capitalization Grant):		
Budgeted from FFY 2026 Base Program Grant	2%	\$829,000
Budgeted from FFY 2026 General Supplemental Grant:	2%	\$5,730,100

C. State Program Management Set-Aside

The State Program Management Set-Aside will be used to partially fund DDW's administration of the State Water Board's PWSS program. The set-aside will supplement the annual PWSS grant from U.S. EPA and the charges paid by California's regulated PWSs. The Set-Aside will provide funds for DDW's permitting, inspection, compliance, and monitoring activities in accordance with the SDWA and delegated PWSS responsibilities by U.S. EPA. The DWSRF State Program Management Set-Aside Work Plan for SFY 2026-27 will contain detailed information about the specific tasks and full-time equivalent personnel that will be supported in DDW by the DWSRF State Program Management Set-Aside.

Max Allowed (from each Capitalization Grant):		
Budgeted from FFY 2026 Base Program Grant:	10%	\$4,145,000

Budgeted from FFY 2026 General Supplemental Grant:	10%	\$26,850,500
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D. Local Assistance Set-Aside

The Local Assistance Set-Aside will be used in SFY 2026-27 to fund personnel costs of the Office of Sustainable Water Solutions within DFA and may fund personnel costs of DDW. These staff costs are associated with State Water Board's implementation of its Capacity Development Strategy and providing direct technical assistance to PWSs in support of this strategy.

The Local Assistance Set-Aside from the DWSRF General Supplement Grant will also be used to help fund a portion of the development of the DDW's Water Technical Access Portal (WaterTAP) database, primarily from prior years' unspent Local Assistance Set-Aside funding. DDW's forthcoming centralized enterprise data system will modernize and consolidate the wide range of regulatory information of California's over 7,200 public water systems. WaterTAP will serve as a one-stop shop platform that integrates compliance documents, water quality data, inspections, permitting information, lead service line inventories, and other core regulatory data into a single, standardized system. While initially it will be focused on supporting lead and copper regulatory compliance, this unified structure also supports DDW's Technical, Managerial, and Financial (TMF) oversight of public water systems under California's Capacity Development Strategy by enabling more consistent monitoring of system performance, improved visibility into system capacity, and streamlining the review and approval of required plans. This will support a foundation for data-driven decisions to ensure all Californians have safe, affordable, and accessible drinking water.

Also, the Local Assistance Set-Aside will fund contracted work by DDW to assist with the research, development, and stakeholder engagement of new TMF regulations for public water systems.⁴³

Max Allowed (from each Capitalization Grant):		
Budgeted from FFY 2026 Base Program Grant:	10%	\$4,145,000
Budgeted from FFY 2026 General Supplemental Grant:	10%	\$26,850,500

Contracts:	WaterTAP Development		\$30,000,000 ⁴⁴ (estimate)
	TMF regulation research, development and stakeholder engagement		\$1,500,000 (estimate)

⁴³ U.S. EPA has confirmed that it will not require the State Water Board to issue a request for qualifications or proposals for this work, notwithstanding the DWSRF Operating Agreement. This work will be procured and administered in accordance with state contracting requirements.

⁴⁴ This amount from the DWSRF General Supplemental grant(s) is in addition to the \$30 million already authorized by the State Water Board under the FFY 2022 DWSRF Lead Service Line Replacement grant.

XIII. FINANCING AND PROGRAMMATIC REQUIREMENTS

A. Technical, Managerial and Financial (TMF) Capacity

A PWS generally must demonstrate TMF capacity to be eligible for construction funding, regardless of the amount or type of funding provided, and to receive a permit from DDW to operate a drinking water facility. The State Water Board conducts TMF capacity assessments of all drinking water construction applicants to ensure sustainability, resilience, and responsible use of public funds. Where an eligible applicant acts on behalf of a PWS serving a disadvantaged community in applying grant/PF funding, the State Water Board will analyze the TMF capacity of the appropriate PWS.

For projects benefitting Small, Expanded Small, or Medium DACs or small MICs, construction grant/PF funding may be provided even if the system does not have adequate TMF capacity. In these cases, a TMF capacity evaluation and implementation of an improvement plan to improve TMF deficiencies will be required as a condition for funding. Applicants must submit TMF assessment forms as provided in Appendix C of the DWSRF Policy. Targeted case-by-case exceptions to specific requirements may occur with approval from the Deputy Director or Assistant Deputy Director if allowed by the funding source. Note that the timing of achieving TMF requirements differs for the EDWG program according to the EDWG Guidelines.

For LSLR projects, some parts of the TMF Instructions attachment to the DWSRF Policy may not apply, and the criteria in the TMF Instructions may be modified at the discretion of the Deputy Director of DFA. See the LSLR Supplemental IUP (Appendix K).

1. Technical Capacity

To demonstrate technical capacity, PWSs should show that their systems' drinking water sources are adequate⁴⁵; that the treatment, distribution, and storage infrastructure are adequate; and that system personnel have the technical knowledge to properly and efficiently operate and maintain the system. Some of the DW grant/PF projects will not have technical capacity at time of funding, but should demonstrate technical capacity at completion of construction.

2. Managerial Capacity

To demonstrate managerial capacity, the PWS must have personnel with expertise to manage the operation of the entire water system. The State Water Board staff will review the PWS's managerial capacity to assure, among other items, that management is (1) involved in the day-to-day supervision of the water system, (2) compliant with all required regulations, (3) available to respond to emergencies, and (4) capable of identifying and addressing all necessary capital improvements and assuring financial viability. The State Water Board staff will also review records to

⁴⁵ On a case-by-case basis, for larger entities that serve more than 10,000 people (which qualify for the Alternative Assessment Certification for TMF) that rely on purchased water, the Deputy Director may waive the requirement for a long-term water service contract in the TMF appendix for good cause.

ensure that the PWS is staffed with a qualified water operator in accordance with the State's Operator Certification Program.

3. Financial Capacity

A PWS generally must demonstrate it has the financial capacity to own, operate, and maintain its water system, including the proposed construction project, as a condition for the award of construction financing. The PWS must show that the system has sufficient revenues to cover necessary operation and maintenance costs and demonstrate credit worthiness with adequate fiscal controls.⁴⁶ The PWS must also demonstrate financial planning for future capital improvements, including providing any water rate studies to demonstrate overall financial capacity. The State Water Board staff will review the PWS's project budget, annual financial reports, and other financial information to determine whether the PWS has adequate financial capacity to operate and maintain its system, including the proposed infrastructure project.

For EDWG projects, including those EDWG projects funded with DWSRF non-repayable financing, these financial capacity reviews may occur after the execution of a financing agreement, at the discretion of DFA. DFA will generally complete its financial review before the recipient goes out to bid for the construction project, or, at DFA's discretion, before DFA provides final budget approval. DFA will require the recipient to achieve satisfactory financial capacity as part of the project to the extent required by the funding source.

Planning Grant/PF Financial Capacity Requirements:

For 100% nonrepayable planning projects, DFA generally will not require the applicant to submit a complete financial security package or undergo financial security review prior to receiving funding. DFA will require certain items that have been included in the financial security package, such as an authorizing resolution, to be submitted. A PWS is generally not required to demonstrate financial capacity to operate and maintain its system, or a proposed construction project, prior to receiving 100% nonrepayable planning funding. Planning funding would be provided to an eligible PWS that lacks adequate financial capacity to assist it with establishing its financial capacity to operate and maintain its system, and undertake a construction project, in preparation for an eventual construction funding agreement. Examples of tasks financed with planning funds may include, but are not limited to, water rate studies, budget development, and capital improvement planning.

Consolidation Grant/PF Financial Capacity Requirements:

⁴⁶ Any water rate increase determined to be necessary by the Deputy Director of the Division should occur prior to the execution of the construction Financing Agreement, but the Deputy Director may waive this requirement for good cause, to the extent allowed by the funding source, despite section VIII of the May 6, 2025 DWSRF Policy.

A PWS is also generally not required to demonstrate financial capacity to operate and maintain its system if it will be consolidated into another PWS⁴⁷, but the Receiving Water System must satisfy financial capacity requirements.

Notwithstanding the requirements in the DWSRF Policy, financial review requirements for the Receiving Water System for non-repayable funding (regardless of whether the Receiving Water System is the funding applicant), for a construction project that consists solely of a consolidation, are as follows. Receiving Water Systems must submit the appropriate TMF assessment form (see Appendix C to the DWSRF Policy), including a five-year budget projection for the system, including the project, in lieu of a complete financial security package.

However, 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.

Despite the foregoing, DFA has the discretion to require a complete financial security package or other information, and financial review.

Certain requirements in Appendix A of the DWSRF Policy (Consolidation Guidelines) may be waived at the discretion of the Deputy Director.

B. Cap Grant Payments and Draws

1. Federal DWSRF Capitalization Payments

Based upon the State Water Board's cash flow for SFY 2026-27, the State Water Board has requested the following federal payment schedules from U.S. EPA for the 2026 Base and General Supplemental Capitalization Grants as detailed in Table 16 and Table 17. Site Codes reference the federal accounts in which the various loan and set-

⁴⁷ Requirements depend on the funding source, but a financial review of the subsumed system may not be required if the funded project does not include facilities that need to be operated and maintained by the subsumed system. If such facilities exist but are deemed to be minor with minimal O&M requirements, such as laterals, well and tank destruction, backflow prevention, risers, hydrants, master or individual meters, and distribution pipes, then the Assistant Deputy Director may waive the financial review of the subsumed system. For other cases where a review of the subsumed system will be required, a reduced financial review may be acceptable, with the following documents required as a minimum: prior year's tax returns and/or financial statements.

aside funds of a capitalization grant are deposited and made available for liquidation by the State Water Board.

Table 16: 2026 DWSRF Base Capitalization Grant Payment Schedule

FFY	Payment Date	Percentage of Cap Grant	Estimated Amount	Description	Site Code
2026	Award Date	4%	\$1,658,000	DWSRF Administration Set-Aside	DD
2026	Award Date	2%	\$829,000	SWS Technical Assistance Set-Aside	DE
2026	Award Date	10%	\$4,145,000	State Program Management Set-Aside	DF
2026	Award Date	10%	\$4,145,000	Local Assistance & Other Programs Set-Aside	DG
2026	Award Date	74%	\$30,673,000	Loan Fund	DA

Table 17: 2026 DWSRF General Supplemental Capitalization Grant Payment Schedule

FFY	Payment Date	Percentage of Cap Grant	Estimated Amount	Description	Site Code
2026	Award Date	4%	\$10,740,200	DWSRF Administration Set-Aside	DD
2026	Award Date	2%	\$5,730,100	SWS Technical Assistance Set-Aside	DE
2026	Award Date	10%	\$26,850,500	State Program Management Set-Aside	DF
2026	Award Date	10%	\$26,850,500	Local Assistance & Other Programs Set-Aside	DG
2026	Award Date	74%	\$198,693,700	Loan Fund	DA

2. DWSRF Federal Draw Schedule and Estimated DWSRF Project Disbursements

Appendix H represents the State Water Board's anticipated federal draw schedule for SFY 2026-27. The federal draw schedule assumes U.S. EPA's "first-in-first-out" policy for liquidating DWSRF capitalization grants. Therefore, the draw schedule includes the anticipated liquidation of the prior year capitalization grant balances and the FFY 2026 DWSRF capitalization grants.

C. 2026 State Match Source and Proportionality Draw

The State Water Board satisfied the State Match requirement for the FFY 2026 DWSRF IJIA General federal grant through the appropriation and disbursement of General Fund State Match dollars. The State Water Board has also satisfied approximately 9% of the 20% required State Match for the FFY 2026 DWSRF base grant through the same appropriation and disbursement of General Fund monies. The State Water Board will need to secure a short-term State Match financing in the Fall of 2026 for the remaining State Match required for the FFY 2026 DWSRF base grant.

In general, the State Water Board must provide one dollar of match for each five dollars received through U.S. EPA capitalization grants, constituting twenty percent (20%) of a DWSRF capitalization grant. California's DWSRF has been capitalized with a variety of state match sources including general fund appropriations, general obligation bonds not repaid by the DWSRF, short-term financings with the California Economic and Infrastructure Bank, and local match funds.

Most recently, the Deputy Director was authorized at the March 15, 2022 Board meeting to use some of 2021 Budget Act Infrastructure Appropriation funds to meet DWSRF State Match needs, totaling \$35 million. AB 180 (Chapter 44, Statutes of 2022) amended the Budget Act of 2021 and authorized an additional \$400 million for the state share of the CWSRF and DWSRF, consistent with existing law. The Deputy Director of DFA was also authorized to determine the appropriate allocation of the additional funds appropriated by AB 180 between the CWSRF and DWSRF. The Deputy Director allocated \$170 million and \$230 million to be used as State Match for

the CWSRF and DWSRF programs, respectively. However, the \$230 million DWSRF allocation was later reduced to \$220 million upon an executive order from the Governor, which transferred \$10 million in General Fund monies from local assistance to state operations to support the administration of these General Fund monies. The total amount of General Fund state match provided to the DWSRF from 2021 Budget Act was therefore \$255 million. This General Fund monies has satisfied the State Match requirement for the FFY2022 – FFY2026 DWSRF base and IIJA grants, with exception of approximately 11% of the 20% State Match required for the FFY2026 DWSRF base grant, as discussed above.

Table 18: FFY 2026 Capitalization Grants and State Match Sources

DWSRF Grant	SFY 21/22 General Fund State Match	Federal/State Match Draw Ratio
FFY 2026 Base Grant	\$8,290,000	78.72% / 21.28%
FFY 2026 General Supplemental Grant	\$53,701,000	78.72% / 21.28%
Total:	\$61,991,000	

The State Water Board will not draw capitalization grant and State Match funds per the draw ratio in Table above. Rather, the State Water Board disbursed the entire state match for the FFY 2026 DWSRF IIJA general supplemental capitalization grant prior to drawing project funds from the grants. Therefore, the draw ratio of federal capitalization funds for the FFY 2026 DWSRF general supplemental capitalization grant will be one hundred percent (100%). Similarly, the State Water Board will not draw capitalization grant funds for loan and PF disbursements from the FFY2026 DWSRF base grant until the entire required State Match is disbursed so that the draw ratio of federal capitalization funds for the FFY 2026 DWSRF base grant will be one hundred percent (100%).

D. Application of Small Water System Reserve

Federal rules require that at least 15 percent (15%) of the available financial assistance from the DWSRF shall be available solely for public water systems that serve less than 10,000 people to the extent that funds can be obligated for eligible projects for these public water systems (Small Water System Reserve). Based on the current DWSRF long-term loan capacity of approximately \$300 million, the minimum that must be reserved for SWSs is approximately \$45 million. Regardless of the minimum federal funding requirements for SWSs, the State Water Board will prioritize DWSRF funding for eligible SWSs that are ready to proceed to a funding agreement, to the maximum extent practicable, bearing in mind all other federal and State requirements regarding the prioritization of DWSRF funding. The State Water Board anticipates that the 15% Small Water System Reserve will be maintained as more SWSs are ready to proceed to a funding agreement in this FY.

E. Green Project Reserve

Funding Green Project Reserve (GPR) projects has been discretionary for DWSRF since FFY 2012. Green Project Reserve (GPR) projects may address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, including but not limited to, reducing water losses and energy consumption, reducing the environmental footprint of water treatment and distribution, adopting more sustainable solutions, and promoting innovative approaches to water conservation and source protection. While DWSRF funding is currently prioritized first for “ready-to proceed” projects that address risks to human health and ensure compliance with safe drinking water standards, the State Water Board also acknowledges the importance of the Green Project Reserves, and continues track and report GPR projects in the DWSRF Annual Report.

F. Application of Program Requirements and Federal Cross-Cutters

Applicants must comply with all applicable federal and state requirements to maintain eligibility. Projects partially or fully funded by the DWSRF generally must also comply with other federal laws⁴⁸ commonly known as “cross-cutters.” The State Water Board will ensure that DWSRF financing recipients comply with the applicable federal laws through a variety of program procedures.

DWSRF financing agreements will generally include a list of applicable federal statutes and requirements identified in the most recent capitalization grant. Described below are those federal cross-cutters that often require greater efforts of compliance by DWSRF funding recipients. Some federal requirements will only apply to projects specifically identified as equivalency projects.⁴⁹ The State Water Board has identified this year’s equivalency projects for the DWSRF base and general supplemental capitalization grants on the DWSRF Fundable List (Appendix A). These equivalency projects must meet all federal equivalency requirements to maintain eligibility.

DWSRF EC, LSLR, and ASADRA projects are subject to all federal requirements, and should all be considered equivalency projects for the purpose of Table 19. EC-SDC projects are subject to almost all of the federal cross-cutters and are subject to some additional federal grant-related requirements, as discussed in the EC Supplemental IUP.

All projects funded by DWSRF, DWSRF EC, LSLR, ASADRA, and EC-SDC must be performed in accordance with the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.

Table 19: List of Requirements Based on Funding Source

⁴⁸ See also Appendix O of the DWSRF Policy.

⁴⁹ Cross-cutters also apply to activities funded by set-asides, although environmental cross-cutters do not apply to certain set-asides.

Financing and Programmatic Requirements	DWSRF			EC-SDC grant	DW Grants	GWGP
	Repayable Loan (including match loan)	PF (including state money used as match)	EC, LSLR, and ASADRA		Prop 1, 4, 68, General Fund (not used as state match for DWSRF)	Prop 1
State Cross-Cutters	X	X	X	X	X	X
Davis-Bacon Prevailing Wage	X	X	X			
Generally Accepted Accounting Principles	X	X	X	X	XX ⁵¹ Error! Bookmark not defined.	XError! Bookmark not defined. ⁵¹
American Iron and Steel	X	X	X	X		
TMF	X	X	X ⁵⁰	X	X ⁵¹	X ⁵⁰⁵¹
Federal requirements applied if specifically identified as an equivalency project:						
Disadvantaged Business Enterprise	X	X	X	X		
Single Audit Act	X	X	X	X		
Telecomm Equipment & Services	X	X	X	X		
Build America Buy America	X	X	X	X		
Federal Environmental Cross-Cutters (See Appendix G)	X	X	X	X		

G. State Cross-Cutters

A list of State Cross-Cutters is included in the [DWSRF Policy as Appendix O](#). These State laws are not specific to DWSRF funding, but may be applicable. These may

⁵⁰ For LSLR projects, some parts of 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. See the LSLR Supplemental IUP (Appendix K).

⁵¹ Targeted case-by-case exceptions may occur with approval from the Deputy Director or Assistant Deputy Director of DFA.

include but are not limited to laws affecting urban water suppliers, charter cities, agricultural water users, projects located in the Delta and debt reporting.

Russian Sanctions - All projects must demonstrate compliance with California Executive Order N-6-22 regarding economic sanctions imposed in response to Russia's actions in Ukraine while that Executive Order remains in effect.

H. Federal Cross-Cutters

Federal requirements include, but are not limited to, the following.

1. Davis-Bacon Prevailing Wage

Federal [Davis-Bacon Act](#) rules apply to the construction activities carried out in whole or in part with assistance made available by the DWSRF. This includes all DWSRF funding sources, which also includes DWSRF EC, LSLR, and ASADRA. The State Water Board, therefore, will continue to require that DWSRF recipients comply with Davis-Bacon rules. Recipients of DWSRF financing must also agree to provide information necessary to show compliance with Davis-Bacon requirements as a condition of DWSRF funding. On August 23, 2023, the U.S. Department of Labor published in the Federal Register the final rule, "Updating the Davis-Bacon and Related Acts Regulations. The [final rule](#) took effect on October 23, 2023.

2. Generally Accepted Accounting Principles (GAAP)

Federal rules require that financing recipients maintain project accounts in accordance with generally accepted government accounting standards, including standards relating to the reporting of infrastructure assets. Recipients must agree to comply with GAAP. For governmental entities, the Government Accounting Standards Board establishes these standards. The State Water Board, therefore, will require as a condition of financing that governmental applicants maintain project accounts in accordance with generally accepted government accounting standards.

3. American Iron and Steel (AIS)

Federal rules require DWSRF (including EC, LSLR, and ASADRA) and EC-SDC recipients, absent an exclusion or waiver, to use iron and steel products that are produced in the United States.

U.S. EPA implementation of these provisions is described on its [State Revolving Fund American Iron and Steel \(AIS\) Requirement](#) website.

4. Disadvantaged Business Enterprise

DWSRF equivalency projects, DWSRF EC, LSLR, ASADRA equivalency, and EC-SDC funding recipients will be required to comply with the U.S. EPA's Disadvantaged Business Enterprises (DBE) requirements to the extent applicable. These requirements, set forth in 40 CFR part 33, include the use of good faith efforts to utilize DBE's whenever procuring construction, equipment, supplies, and services, and apply to the recipient as well as to the prime contractor for the project. Recipients with planning projects funded by base and general supplemental DWSRF funding will not be required to comply with federal DBE requirements. In a March 17, 2025 memo, the U.S. EPA suspended the fair share objectives requirements under 40 CFR part 33, subpart D; recipient reporting requirements under 40 CFR section 33.502; and collection of U.S.

EPA Form 5700-52A. DBE requirements will be applied consistent with federal rules, as may be amended.

5. Single Audit Act

Federal rules require DWSRF equivalency, DWSRF EC, LSLR, ASADRA equivalency, and EC-SDC recipients to comply with applicable provisions of the federal Single Audit Act of 1984, OMB Circular No. A-133 and 2 CFR Part 200, subpart F, and updates or revisions thereto. U.S. EPA clarified the Single Audit Act requirements in July 2023. The State Water Board will include applicable Single Audit Act provisions in all funding agreements receiving federal funding and require Single Audit Act reporting by those funding recipients, to the extent applicable, if their expenditure of any federal financial assistance is equal to or more than applicable federal threshold, which is currently \$1,000,000 for a given fiscal year. For SRF, the expenditure occurs at the time the recipient pays an invoice.

6. Telecommunications Equipment & Services

Effective August 13, 2020, U.S. EPA General Terms and Conditions have placed SRF funding prohibitions on certain telecommunications and video surveillance services or equipment. As required by 2 C.F.R. § 200.216, borrowers under U.S. EPA funded revolving loan fund programs are prohibited from obligating or expending loan or grant funds to procure or obtain equipment, services, or systems from Huawei Technologies Company, ZTE Corporation, or certain other companies, subsidiaries, and affiliates.

7. Build America Buy America (BABA)

Congress passed the Build America Buy America Act in 2021 as part of the IIJA. It requires that by May 14, 2022, federal agencies must ensure that “none of the funds made available for a Federal financial assistance program for infrastructure, including each deficient program, may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States”.

Office of Management and Budget (OMB) issued its initial implementation guidance to federal agencies in the memorandum M-22-11 titled “Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure”. On August 23, 2023, OMB issued a [Notification of Final Guidance](#) revising title 2 of the Code of Regulations (“CFR”) to add a new part 184 (Buy America Preferences for Infrastructure Projects) and revise section 200.322. OMB issued its supplemental [Implementation guidance](#) on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure M-24-02, on October 25, 2023, which rescinded and replaced OMB Memorandum M-22-11. Additionally, U.S. EPA issued a memorandum titled ["Build America, Buy America Act Implementation Procedures for EPA Office of Water Federal Financial Assistance Programs"](#) on November 3, 2022, and a supplemental Q&A on this subject in May 2023.

U.S. EPA also issued several general applicability waivers from the BABA requirement. The adjustment period waiver for SRF projects that have initiated project design and planning prior to May 14, 2022, was amended on November 13, 2023, such that this waiver may apply to SRF projects funded by federal appropriations in FFY 2022 and 2023, but will no longer apply to projects receiving SRF funding appropriated in or after FFY 2024. A list of currently approved waivers can be found on U.S. EPA’s website:

<https://www.epa.gov/cwsrf/build-america-buy-america-baba-approved-waivers>. U.S. EPA may develop and issue additional guidance regarding waivers for infrastructure projects funded through the State Revolving Funds, including DWSRF. Projects will be required to comply with any additional guidance issued by U.S. EPA and OMB with respect to criteria, processes, and procedures for applying the Buy America preference, to the extent applicable.

BABA is a DWSRF equivalency requirement and also applies to all DWSRF EC, LSLR, and EC-SDC projects. It may apply to ASADRA projects depending upon the terms of the applicable capitalization grant. See section IV.H.

8. Environmental Review and Federal Environmental Cross-Cutters

Under the DWSRF Operating Agreement, all projects must undergo an environmental review prior to funding. The State Water Board will use its U.S. EPA-approved State Environmental Review Process (SERP), as may be amended, to review DWSRF project applications submitted for funding during the term of this IUP. However, projects funded by non-DWSRF funds may be reviewed under the California Environmental Quality Act (CEQA) rather than the SERP at the discretion of DFA.

The SERP sets forth an environmental review process based upon DWSRF environmental review requirements, the CEQA, and additional federal environmental laws (referred to as “federal environmental cross-cutters”). This process is referred to as “Tier I environmental review” and will apply to all projects designated as “equivalency” projects.⁵² In general, projects seeking repayable loan funding may be required to submit environmental application materials associated with the federal environmental cross-cutters to ensure that there are sufficient projects to satisfy equivalency requirements. All projects seeking DWSRF EC, DWSRF LSLR, EC-SDC and ASADRA funds are subject to Tier I environmental review and must submit applicable documentation.

The SERP also sets forth an alternative environmental review process, referred to as “Tier II environmental review,” that may apply to all projects not designated as “equivalency” projects. Tier II environmental review does not require application of the federal environmental cross-cutters.⁵³ The projects described in Appendix G to this IUP generally will not be required to submit documentation associated with the federal environmental cross-cutters. Appendix G does not apply to DWSRF, DWSRF EC, DWSRF LSLR, EC-SDC, or ASADRA projects.

Based on the current potential equivalency projects on the Fundable List, the State Water Board expects to fulfill all equivalency requirements in SFY 2026-27 without

⁵² The State Water Board must apply Tier I environmental review, which includes compliance with federal environmental cross-cutters, to DWSRF equivalency projects (projects totaling the amount made available by federal capitalization grants), as well as projects funded by the source water protection set-aside (40 C.F.R. § 35.3580(b)).

⁵³ 40 C.F.R. § 35.3580(d).

needing to subject Tier II environmental review designated projects to meet federal environmental cross-cutters requirements.

Applicants generally may not initiate project construction unless both the applicant and DFA Environmental Scientist Staff have completed the appropriate environmental review for the project, including review under any applicable federal environmental cross-cutting laws/authorities. Once environmental reviews are complete, if an applicant wishes to begin construction prior to receiving a funding agreement, any such construction would be at the risk of not receiving funding. No guarantee can be given that the project will receive financing.

I. Emergency Drinking Water Projects

Per 40 C.F.R., § 35.3555(c)(2)(iii), “the IUP may allow for the funding of projects which require immediate attention to protect public health on an emergency basis, provided that a State defines what conditions constitute an emergency and identifies the projects in the Biennial Report and during the annual review.” These projects may be funded without being placed on the Fundable List or being subject to the state’s priority system.

The Deputy Director of DFA may designate projects as emergency projects if the projects maintain, repair, restore, demolish, or replace property or facilities damaged or destroyed as a result of a disaster in a disaster-stricken area in which a state of emergency has been proclaimed by the Governor pursuant to the California Emergency Services Act, commencing with Section 8550 of the Government Code. This includes emergency repairs to publicly or privately owned service facilities necessary to maintain service essential to the public health, safety, or welfare. Emergency repairs include those that require a reasonable amount of planning to address an anticipated emergency.

Emergency projects will be designated as non-equivalency projects, and thus will not be subject to requirements that apply only to equivalency projects.

J. Capitalization Grant Conditions and Other Federal Requirements

The State Water Board will comply with all conditions included in the FFY 2026 Capitalization Grant agreements and will require that DWSRF financing recipients also comply with applicable federal pass-through requirements. Provisions specific to the FFY 2026 appropriations will take effect only if the State Water Board receives the FFY 2026 Capitalization Grants and will apply only as directed by Congress or U.S. EPA. The State Water Board will require that recipients of DWSRF financing agree to provide information necessary to show compliance with all applicable federal requirements.

K. Other State and State Water Board Requirements

Commencing with construction of a project and continuing throughout the reasonably expected useful life of the project, recipients must implement water conservation practices consistent with compliance obligations under governing statutes, regulations, and Executive Orders. More information about water conservation can be found at the State Water Board’s website at

To be eligible for DWSRF and complementary funding per this IUP, a project proposed by a PWS owned by a private entity, including utilities regulated by the Public Utilities Commission, shall have a clear and definite public purpose, and shall solely benefit the customers of the PWSs.

The costs of purchasing water systems may be eligible under DWSRF and complementary funds, including associated water rights. However, acquisition of real property, right-of-way, and easements are eligible only if integral to the project. Land must generally be acquired from a willing seller (land acquired by eminent domain is generally not eligible). Where the Financing Agreement provides exclusively Non-Repayable Financing, DFA will only reimburse for land purchase costs up to an approved appraisal amount. DFA will determine real property eligibility. Project costs associated with water rights may be eligible in accordance with the DWSRF Policy, although consultation with U.S. EPA may be required.

As a condition of eligibility for planning funding, applicants shall submit evidence to DFA of a contract for professional engineering services between the funding recipient and its engineering consultant(s) unless waived for good cause as determined by the Deputy Director of DFA. This agreement shall include the scope of work, cost, and deliverable due dates. DFA will review the budget and identify costs that are ineligible or raise questions related to waste, fraud, or abuse. DFA will also review the professional services agreement(s) for compliance with applicable DWSRF federal and state requirements.

DFA will continue to evaluate all planning/design expenditures and deliverables of funding recipients to ensure the most cost-effective project is developed and to protect against potential waste, fraud or abuse of DWSRF and complementary funds. Suspected cases of waste, fraud or abuse of DWSRF and complementary funds may be forwarded to the U.S. EPA Office of Inspector General, the California Department of Finance, the State Water Board's Office of Enforcement, and/or the California Bureau of State Audits for further audit and investigation.

L. Other Assurances and Certifications

1. The State has the authority to establish a fund and to operate the DWSRF program in accordance with the SDWA

In California, the responsibility for regulating PWSs and overseeing the safety of drinking water has been assigned to the State Water Board. U.S. EPA recognized California's primacy status beginning in 1978, and has acknowledged the State Water Board's primacy authority, effective July 1, 2014.

2. The State will comply with state statutes and the DWSRF Policy handbook

State statutes governing California's DWSRF program are set forth in California's Health & Safety Code, Division 104, Part 12, Chapter 4.5, commencing with section 116760. The state statutes and DWSRF Policy conform to federal requirements. California will implement its DWSRF program in compliance with all applicable state and federal laws, regulations, and guidelines.

3. The State will deposit all capitalization grant funds in the DWSRF or Set-Aside Accounts

The State Water Board will maintain identifiable and separate accounts for all portions of the capitalization grant to be used. The capitalization grant will be deposited into either the DWSRF or the set-aside accounts.

4. The State will deposit revenues generated from the DWSRF Administration Charge and the DWSCEG Charge into their respective funds

In accordance with Health and Safety Code § 116761.70, the State Water Board will deposit revenues generated from the DWSRF Administration Charge into the Safe Drinking Water State Revolving Fund Administration Fund. The State Water Board will also deposit revenues generated from the DWSCEG Charge into Safe Drinking Water Small Community Emergency Grant Fund, in accordance with Health and Safety Code § 116760.46.

5. The State will deposit net bond proceeds, interest earnings, and repayments into the DWSRF

All interest, earnings, principal repayments, and other proceeds will be deposited into the DWSRF.

6. The State will adopt policies and procedures to ensure that borrowers have a dedicated source of revenue for repayments (or in the case of a privately-owned system, demonstrated that there is adequate security)

The State Water Board has developed policies and procedures for ensuring that borrowers have a dedicated source of repayment and that privately owned systems have adequate security. These policies and procedures are contained in the State Water Board's DWSRF Policy.

7. The State will commit and expend funds as efficiently as possible, and in an expeditious and timely manner

The IUP explains how the State Water Board will use DWSRF funds. The State Water Board will commit and expend 2026 capitalization grants and associated state match funds as efficiently as possible, and in an expeditious and timely manner. The State Water Board will enter into binding commitments with recipients equal to the total amount of each 2026 Capitalization Grant payment and proportional State Match within one year of each 2026 Capitalization Grant payment. Additionally, the State Water Board will use cash-flow modeling to over-commit cash and undrawn federal funds to continually and timely disburse 100 percent (100%) of those funds.

8. DWSRF funds will be used in accordance with this IUP

The State Water Board will use DWSRF funds in accordance with this IUP.

9. The State will provide the U.S. EPA with an Annual Report on the performance of the DWSRF

The State Water Board will publish a SFY 2026-27 DWSRF Annual Report on the uses of the DWSRF funds and provide a final draft of the SFY 2026-27 DWSRF Annual Report to U.S. EPA Region 9. The report will document the projects funded through the DWSRF; financial and programmatic outcomes of the DWSRF; and summarize the accomplishments of the DWSRF program as it relates to the long-term and short-term goals contained within this IUP and the tasks included in the associated DWSRF work plans.

M. Cross-Collateralization

The State Water Board will implement cross-collateralization between the DWSRF and the CWSRF loan programs as necessary to support the goals and objectives of the State Water Board as documented in the [Operating Agreement for Implementing and Managing the Drinking Water State Revolving Fund Program between the State of California and the United States Environmental Protection Agency Region IX](#), as amended March 2019.

XIV. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES

The following are the short-term and long-term goals of the State Water Board for its administration of the DWSRF. These goals will help the State Water Board maximize and prioritize its staff and funding resources.

A. Prioritizing DWSRF Funds for Public Health Benefits

Long-Term Goals

1. **Address Significant Risks to Public Health:** DFA will coordinate with DDW to ensure that DWSRF and all available drinking water funding is targeted to address the most significant public health and compliance issues.
2. **Promote SDWA Compliance:** DFA will continue to provide and prioritize subsidized financing for planning and construction that addresses SDWA compliance. DFA will also coordinate with DDW on the use of set-asides to promote the development of TMF capacity for all PWSs (especially small CWSs) to achieve or maintain compliance with State drinking water standards and federal SDWA requirements.
3. **Improve Affordability and Sustainability:** DFA will continue to strategically use the DWSRF additional subsidy, set-aside funds and all available Drinking Water funds to achieve affordable compliance, especially for small severely disadvantaged and small disadvantaged communities. Also, DFA will continue to use DWSRF funds to maximize opportunities for consolidation, in coordination with DDW, to increase economies of scale to improve project affordability and PWS sustainability.

Short-Term Goals

1. Identify public health issues and evaluate solutions for SWSs, including technical assistance and consolidation where feasible.
2. Reduce instances of noncompliance with drinking water standards by providing technical and consolidation assistance to SWSs with significant SDWA violations, including addressing issues faced by failing water systems.

B. Managing the DWSRF Responsibly to Ensure Its Perpetuity

Long-Term Goals

1. **Use revenue and capital effectively:** Maximize the funding capacity of the DWSRF while minimizing long-term costs to the DWSRF to maximize safe drinking water results. In accordance with the CWSRF/DWSRF *Debt Management Policy*, the State Water Board may also consider leveraging the DWSRF for greater funding capacity. However, additional debt should be balanced against the long-term financial health of the program and the federal requirement to maintain the DWSRF in perpetuity.

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2. **Maintain financial integrity:** Financial integrity is a core value of the DWSRF program. Effective internal controls ensure that the program's finances are dependable and trustworthy. Prudent lending practices and reasonable interest rates ensure the stability and continued growth of the DWSRF program.
 3. **Provide excellent customer service with a special emphasis on assisting DACs.** Ensure that the application forms and review procedures are clear, flexible, up-to-date, and efficient. Ensure staff is well trained and ready to help applicants resolve technical, legal, environmental, and financial issues needed to receive financing. Effectively communicate the status of funding applications as well as the general availability of DWSRF funding through a variety of channels.

Short-Term Goals

1. Continue marketing and outreach efforts to PWSs, including application status reports, Spanish translation services, newsletters, and social media to advertise the availability of technical assistance to assist small, and disadvantaged communities as well as large PWSs with projects benefitting small water systems.
2. Continue regular staff level finance/audit coordination meetings to ensure the immediate and long-term health of the DWSRF.
 - a. Review cash flow forecasts of existing and potential commitments to assess the State Water Board's ability to meet its DWSRF commitments and to evaluate the need for leveraging or actions to regulate cash flows.
 - b. Compare actual performance with targeted performance measures.
 - c. Verify compliance with post-issuance tax compliance and continuing disclosure requirements associated with outstanding DWSRF bonds.
 - d. Review audit issues, program control issues, and prepare for any anticipated audits.
3. Continue to maximize all available DWSRF state match sources for future capitalization grants, including DWSRF Local Match financing options.
4. Coordinate with Environmental Finance Center (EFC) and the SRF Stakeholders Advisory Group on following up on the program management review of the CWSRF Program to identify potential efficiencies, improvements, or enhancements that would facilitate review processing, and execution of loan agreements and disbursements for both SRF programs.

C. Ensuring Timely and Expeditious Use of DWSRF Funds

Long-Term Goals

1. **Ensure the timely commitment and disbursement of DWSRF funds:** Prioritize staff and financial resources to the maximum extent possible to ensure that the State Water Board can timely disburse DWSRF funds on existing obligations before considering new obligations.
2. **Maximize cash flow and the disbursement of funds:** Engage in the over-commitment of DWSRF funds based upon cash-flow modeling of projected

disbursements relative to anticipated receipt of repayments and other funding sources, including leveraged funds.

Short-Term Goals

1. Apply for and accept the anticipated 2026 Capitalization Grants from U.S. EPA. Upon award, commit funds from the 2026 Capitalization Grants, including the associated state match, by June 30, 2027, so that the federal funds can be utilized in an efficient and timely manner in accordance with 40 C.F.R. § 35.3550(c).
2. Continue to liquidate DWSRF capitalization grants within two to three years of their award, to the maximum extent possible, by prioritizing disbursements for federal funds to the maximum extent possible.
3. Review cash flow forecasts of existing and potential commitments to assess the State Water Board's ability to satisfy its obligations timely and to also evaluate the need for leveraging or other actions to regulate cash outflows.

D. DWSRF Performance Metrics

Metrics for funding agreements will be reported annually via the DWSRF Annual Report and FEP. The following constitute performance metrics and targets for DFA to enable the timely and efficient processing of applications and disbursements:

1. Provide TA assistance (TA provider or DDW) by end of Fiscal Year to ninety percent (90%) of currently submitted incomplete applications for grant/PF eligible projects (Addressing a Failing Status or Consolidation; see Section V), who require TA to complete their application.
2. Conduct initial application completeness reviews and notify applicants within 35 days.
3. Complete Tier I environmental reviews within six months and Tier II environmental reviews within 30 days of receiving a complete environmental package.
4. Complete financial reviews within 30 days of receiving complete financial information and legal concurrence with agreement conditions.
5. Execute agreements within 120 days of completing package reviews (environmental, financial, technical) and receiving legal concurrence from applicant where applicable.
6. For projects funded via the EDWG process: Agreement execution within 6 months from the date of complete EDWG application submittal..
7. Execute loan financing agreements, or recommend final resolution such as project removal if executing an agreement is not possible, for 80 percent (80%) of rollover project applications and execute 50 percent (50%) of new project applications listed on the Fundable List, Appendix A of this IUP, by June 30, 2027.

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8. Issue funding agreements (or approve planning workplans if planning work will be completed by a TA provider rather than through a planning funding agreement) for seventy-five percent (75%) of projects with complete applications on the Board-Adopted IUP Fundable List that are eligible for grant/PF under Section V.
 9. Fulfill seventy-five percent (75%) of complete disbursement requests in 60 days or less.⁵⁴
 10. DWSRF Fund utilization rate⁵⁵ > one hundred and five percent (105%) of available funds.

The SADW Policy establishes additional metrics that DFA will be tracking and for which goals will be set (see Section XI.I of the SADW Policy). The annual FEPs will identify the specific numeric goals and include a summary of progress made. These performance metrics will be used across programs.

⁵⁴ Disbursement fulfillment time is the receipt of a complete disbursement request to warrant date. The metric only includes disbursement requests that are complete and acceptable for processing and filled within the same fiscal year. Disbursement requests that are incomplete or not acceptable for processing and/or not filled by fiscal yearend are not included in the performance metric.

⁵⁵ A utilization rate above 100% indicates that the total of the loan commitments exceeds the DWSRF cash available to fulfill those commitments. Overcommitting the available funds is necessary to ensure that an excessive amount of cash does not accumulate in the DWSRF.

XV. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the SFY 2026-27 DWSRF IUP, and the application, award, and acceptance of the 2026 DWSRF Base and Supplemental Capitalization Grants is as follows:

U.S. EPA released FY 2026 Grant Allotments	April 14, 2026
Submit FFY 2026 Capitalization Grant applications to U.S. EPA	June 1, 2026
Draft IUP and Draft Supplemental IUPs posted for public comment	June 23, 2026
<u>Receive FFY 2026 Capitalization Grant agreements from U.S. EPA</u>	<u>July 2026</u>
Board Workshop	July 8 <u>7</u> , 2026
Deadline for Public Comments on Draft IUP and Draft Supplemental IUPs	July 23, 2026
State Water Board considers IUP and Supplemental IUPs at regularly scheduled meeting	August 18, 2026
Receive FFY 2026 Capitalization Grant agreements from U.S. EPA	October 2026

XVI. DEFINITIONS

Terms and associated definitions that can also be found in the DWSRF Policy are shown in “**bold**” and the same definitions are used. Unless otherwise defined below, the definitions in the [DWSRF Policy](#) apply to funding under this IUP.

1. “At-Risk” Public Water System: means a public water system that is at-risk of failing according to the criteria set forth in the State Water Board’s Drinking Water Needs Assessment.⁵⁶ At-Risk systems are identified on the State Water Board’s SAFER Dashboard.⁵⁷
2. “**Community Water System**” or “CWS” means a PWS that: 1) serves at least 15 service connections used by yearlong residents of the area served by the system, or 2) regularly serves at least twenty-five (25) yearlong residents of the area served by the system.
3. “Consolidation” means joining two or more Public Water Systems, State Small Water Systems, or affected residences into a single Public Water System. For the purposes of funding eligibility under this IUP, consolidations can also include projects that will achieve the following: provision of water via a master meter agreement where the Subsumed Water System is no longer separately permitted, or managerial consolidation where separate water system permits may still exist upon completion of the project. The term “consolidation” does not include the provision of water via an interconnection where the water systems will continue to operate under separate PWS permits.
4. “**Comprehensive List**” means a list that consists of all planning/design and construction projects for which at least one portion of an application has been received, including sufficient information for an initial ranking.
5. For the purposes of DWSRF funding, “Disadvantaged Community” or “DAC” means the entire service area of a Community Water System, or a community therein, in which the Median Household Income (MHI) is less than 80 percent of the statewide annual MHI (Health & Saf. Code, §§ 116275, 116760.20). For the purposes of state grant funding, “Disadvantaged Community” or “DAC” means a community with an annual MHI that is less than 80 percent of the statewide annual MHI (Wat. Code, §§ 79702, 79705.5.). In general, the entire water system service area will be used or, for a consolidation or extension of service project, the Subsumed Water System’s entire service area or the community that will be connected will be used to determine grant/PF eligibility. The LSLR Supplemental IUP in Appendix K describes

⁵⁶ For additional information, please see the following websites: [Drinking Water Quality: Needs Assessment | California State Water Resources Control Board](#) (criteria for identifying At-Risk water systems).

⁵⁷ [SAFER Dashboard | California State Water Resources Control Board](#) (SAFER risk statuses of water systems that were evaluated).

“disadvantaged community” for the purposes of any projects administered through the LSLR Supplemental IUP.

6. “Emerging Contaminant” is any physical, chemical, biological, or radiological substance or matter in any environmental media that may pose a risk to human and/or ecological health, for which there is not a currently published federal environmental or health standard, or the existing standard is evolving or being re-evaluated, and/or the presence, frequency of occurrence, source, fate and transport, and/or toxicology of which is not well understood, routinely monitored, and/or may lack analytical methods. For the purposes of this IUP and the EC Supplemental IUP, an “Emerging Contaminant” or “EC” is a contaminant listed on any of EPA’s [Contaminant Candidate Lists](#) (i.e., CCL1 – CCL5 and any future CCL).
7. **“Expanded Small Disadvantaged Community”** or “Expanded Small DAC” means a Disadvantaged Community with a population more than 10,000 persons but no more than 20,000 persons, or more than 3,300 service connections but no more than 6,600 service connections.
8. “Failing Water System” or “Failing Status” means or refers to a public water system that is out of compliance or that consistently fails to meet drinking water standards according to the State Water Board’s criteria.⁵⁸ Failing systems are identified on the State Water Board’s SAFER Dashboard.⁵⁹
9. “Fundable List” means a list of projects in the IUP that are expected to receive assistance from the DWSRF in a particular state fiscal year.
10. **“Large Community Water System”** or “Large CWS” means a CWS that serves more than 30,000 service connections or a yearlong population of more than 100,000 persons.
11. “Lead Service Line” or “LSL.” For the purposes of Lead Service Line Replacement (LSLR) funding, this IUP uses an amended version of the Lead and Copper Rule Revisions’ regulatory definition, which is,

“...a service line made of lead, which connects the water main to the building inlet. A lead service line may be owned by the water system, owned by the property owner, or both. For the purposes of this subpart, a galvanized service line is considered a lead service line if it ever was or is currently downstream of any lead service line or service line of unknown material. If the only lead piping

⁵⁸ State Water Board’s [Failing Criteria for Community Water Systems and Schools](#) are available at the following link:
https://www.waterboards.ca.gov/water_issues/programs/hr2w/docs/hr2w_expanded_criteria.pdf. Systems that were assessed for meeting the criteria include Community Water Systems and Non-Community Water Systems that serve K-12 schools and daycares. For additional information, please see the definition of “SAFER Status.”

⁵⁹ [SAFER Dashboard | California State Water Resources Control Board](#) (SAFER risk statuses of water systems that were evaluated).

serving the home or building is a lead gooseneck, pigtail, or connector, and it is not a galvanized service line that is considered an LSL the service line is not a lead service line.”

For certain DWSRF funding, U.S. EPA has expanded the eligible uses beyond the definition above to also include the replacement of lead goosenecks, pigtails, and connectors as eligible expenses, whether standalone or connected to a lead service line as well as galvanized piping downstream of a lead gooseneck, pigtail, or other connector.

12. For the purposes of DWSRF funding, except for LSLR funding, “Median Household Income” or “MHI” means the household income that represents the median value for the community⁶⁰. The LSLR Supplemental IUP in Appendix K defines “Median Household Income” or “MHI” for the purposes of any projects administered through the LSLR Supplemental IUP.
13. **“Medium Community Water System”** or “Medium CWS” means a CWS that serves more than 6,600 service connections but no more than 30,000 service connections; or a yearlong population of more than 20,000 persons but no more than 100,000 persons.
14. **“Medium Disadvantaged Community”** or “Medium DAC” means a Disadvantaged Community with a population more than 20,000 but no more than 100,000 people, or more than 6,600 service connections but no more than 30,000 connections.
15. “Moderate Income Community” or “MIC” means the entire service area of a CWS in which the MHI is at or greater than 80% of the statewide annual MHI and less than 150% of the statewide annual MHI.
16. **“Multifamily Residential”** means a classification of housing where multiple separate housing units for residential inhabitants are contained within one building, such as a duplex or apartment building.
17. **“Native American Tribe”** means a federally recognized Indian tribe, or a State Indian tribe listed on the Native American Heritage Commission’s California Tribal Consultation List.
18. **“Non-Community Water System”** or “Non-CWS” means a PWS that is not a CWS.
19. “Non-Disadvantaged Community” or “Non-DAC” means the entire service area of a community water system in which the MHI is at or greater than 80% of the statewide annual household income. Non-DACs include MICs.
20. **“Non-transient Non-Community Water System”** or “NTNC” means a Public Water System that is not a Community Water System and that regularly serves at least 25 of the same persons over six months per year.

⁶⁰ See APPENDIX D: Median Household Income Determination for additional information.

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21. “Principal Forgiveness” or “PF” is a form of additional subsidization in which a DWSRF loan’s principal amount is forgiven, interest is not charged, and the principal does not need to be repaid by the recipient.
22. “Receiving Water System” means the Public Water System that provides service to a Subsumed Water System, state small water system, or domestic well through physical or managerial consolidation.
23. “SAFER Status” refers to a categorization of community water systems and non-community water system K-12 schools and daycares determined by the State Water Board. The following five SAFER Statuses are used by the State Water Board.⁶¹
- Failing
 - At-Risk
 - Potentially At-Risk
 - Not At-Risk
 - Not Assessed
24. A “set-aside” is a portion of the DWSRF capitalization grant funds that are reserved to support activities that ensure the long-term safety and sustainability of drinking water systems (i.e., technical assistance to small systems; source water protection; capacity development; operator certification programs; state program administration, etc.), rather than direct project loans.
25. **“Small Disadvantaged Community”** or “Small DAC” means a Disadvantaged Community with a population no more than 10,000 persons, or no more than 3,300 service connections.
26. **“Small Severely Disadvantaged Community”** or “Small SDAC” means a community with a population no more than 10,000 persons, or no more than 3,300 service connections, and whose MHI is less than 60 percent of the statewide average MHI.
27. **“State Small Water System”** means a system for the provision of piped water to the public for human consumption that serves at least five, but not more than 14, service connections and does not regularly serve drinking water to more than an average of 25 individuals daily for more than 60 days out of the year.
28. **“Subsumed Water System”** means the Public Water System consolidated into or receiving service from the Receiving Water System.

⁶¹ The categorization methods, Failing criteria and risk assessment methods are summarized in the [Drinking Water Needs Assessment](#). A list of water systems that were evaluated and their Safe and Affordable Funding for Equity and Resilience (SAFER Statuses is available at the following link: [SAFER Dashboard | California State Water Resources Control Board](#).

XVII. ACRONYMS

AIS	American Iron and Steel
BABA	Build America, Buy America
CEQA	California Environmental Quality Act
CWS	Community Water System
DAC	Disadvantaged Community
DBE	Disadvantaged Business Enterprise
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
DWSRF	Drinking Water State Revolving Fund
EC	Emerging Contaminants
EDWG	Expedited Drinking Water Grant
ESCWS	Expanded Small Community Water System
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
GPR	Green Project Reserve
GWUDI	Groundwater Under the Direct Influence
IJA	Infrastructure Investment and Job Act
IUP	Intended Use Plan
LPA	Local Primacy Agency
LSLR	Lead Service Line Replacement
MCL	Maximum Contaminant Level
MHI	Median Household Income
NIMS	National Information Management System
NTNC	Non-Transient Non-Community Water System
PBR	Project Benefits and Reporting
PFAS	Per- and Polyfluoroalkyl Substances
PWS	Public Water System
PWSS	Public Water System Supervision
SAFER	Safe and Affordable Funding for Equity and Resilience
SCWS	Small Community Water System
SDAC	Severely Disadvantaged Community
SDWA	Safe Drinking Water Act
SERP	State Environmental Review Process
DWSCEG	Drinking Water Small Community Emergency Grant
SFY	State Fiscal Year
SWS	Small Water System
SWSTA	Small Water Systems Technical Assistance
TMF	Technical, Managerial and Financial
ULO	Unliquidated Obligation
U.S. EPA	United States Environmental Protection Agency

XVIII. APPENDICES

Appendix A	SFY 2026-27 DWSRF Fundable List
Appendix B	SFY 2026-27 DWSRF Comprehensive List
Appendix C	SFY 2026-27 DWSRF IUP Fiscal Impact Summary
Appendix D	Median Household Income Determination
Appendix E	Cost Per Connection Methodology
Appendix F	Consolidation Projects
Appendix G	Tier II Environmental Review or CEQA Review
Appendix H	FFY 2026 Estimated Federal Capitalization Grant Cash Draw Schedule
Appendix I	Connections to Other Plans, Goals, and Programs
Appendix J	Additional Supplemental Appropriation for Disaster Relief Act, 2019 (ASADRA) Supplemental Intended Use Plan
Appendix K	Lead Service Line Replacement Supplemental Intended Use Plan
Appendix L	Emerging Contaminants Supplemental Intended Use Plan
Appendix M	Congressional Directed Spending for DWSRF

APPENDIX A: SFY 2026-27 DWSRF Fundable List

APPENDIX B: SFY 2026-27 DWSRF Comprehensive List

APPENDIX C: SFY ~~2025-26~~2026-27 DWSRF IUP Base Program Sources & Uses Summary^{62,63}

	Projected SFY 2025-26	Projected SFY 2026-27	Projected SFY 2027-28	Projected SFY 2028-29	Projected SFY 2029-30
Estimated Beginning Balance (Cash + Undrawn Federal Capitalization Grants)	\$543,580,096	\$659,619,586	\$679,690,999	\$501,273,203	\$376,986,447
Estimated Principal Payments + Interest Earnings	\$85,867,790	\$142,866,818	\$143,118,058	\$147,151,099	\$144,805,163
Estimated SMIF ⁶⁴ Interest Earnings	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Estimated Federal Capitalization Grants Received ⁶⁵ (Loan Fund)	\$285,847,200	\$234,862,970	\$36,169,270	\$36,169,270	\$36,169,270
Estimated State Match ⁶⁶	\$342,000	\$0	\$0	\$0	\$0
Estimated Bond Proceeds Received	\$0	\$0	\$0	\$0	\$0
Existing Revenue Bond Debt Service	(\$8,785,500)	(\$8,158,375)	(\$8,205,125)	(\$8,107,125)	(\$7,719,750)
Estimated New Debt Service	\$0	\$0	\$0	\$0	\$0
Estimated Disbursements ⁶⁷	(\$247,732,000)	(\$350,000,000)	(\$350,000,000)	(\$300,000,000)	(\$250,000,000)
Estimated Year-End Balances ⁶⁸	\$659,619,586	\$679,690,999	\$501,273,203	\$376,986,447	\$300,741,129

⁶² Forecast as of ~~April~~June 2026.

⁶³ This table reflects projected sources of the base DWSRF funding program, including estimated future federal funds, as well as the disbursement of current executed agreements and scheduled bond debt service. Disbursements will increase and year-end cash balances will decrease over time as future fundable lists are adopted and associated agreements are executed."

⁶⁴ SMIF means Surplus Money Investment Fund.

⁶⁵ The forecasted capitalization grants are listed in the aggregate amounts. Principal forgiveness, if available, is included in the aggregate grant amount in the forecast.

⁶⁶ State Match for these estimated federal capitalization grants has already been provided for the DWSRF via State General Fund appropriations. Any additional match needs are anticipated via a short-term financing using DWSRF repayment funds, which generally have a net-zero impact on the cashflows of the DWSRF. The Deputy Director of DFA was authorized at the March 15, 2022 Board meeting to use up to \$85 million of 2021 Budget Act Infrastructure Appropriation grant funds as state match for the CWSRF and DWSRF programs and determine the appropriate allocation. AB 180 authorized an additional \$400 million for the state share of the CWSRF and DWSRF, consistent with existing law, and the Deputy Director of DFA is authorized to determine the appropriate allocation of the additional funds appropriated by AB 180 between the CWSRF and DWSRF. As a result, the Deputy Director of DFA has allocated \$265 million of this General Fund funding as State Match for the DWSRF.

⁶⁷ Estimated disbursements are a forecast of the cash disbursements for projects with current executed financing agreements.

⁶⁸ Estimated Year End Balances represent a running total based on the previous year's ending balance.

Estimated Cash Flow	SFY 2025-26	SFY 2026-27	SFY 2027-28	SFY 2028-29	SFY 2029-30
Estimated Yearly Cash Flows ⁶⁹	\$166,039,490	\$20,071,413	(\$178,417,797)	(\$124,286,756)	(\$76,245,317)

⁶⁹ Estimated Yearly Cash Flows represent the projected difference between revenues and capitalization grants (inflows) and disbursements and expenses (outflows) for each year, and do not include the previous year’s ending balance. Positive numbers indicate that inflows are projected to be greater than outflows for that year. Negative numbers indicate that outflows are projected to be greater than inflows for that year.

APPENDIX D: Median Household Income Determination

In general, the MHI determination for a CWS will be based on the entire permitted service area of the CWS.⁷⁰ The MHI and Economic Status Determination Methodology can be found online at:

https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2025/2025mhi-calculation.pdfhttps://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2025/2025mhi-calculation.pdf

PWS MHI data can be found on the SAFER Dashboard website at:

https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/saferdashboard.html.

Domestic Well and/or State Small System MHI data can be found at the following Risk Assessment website:

<https://gispublic.waterboards.ca.gov/portal/apps/experiencebuilder/experience/?id=ece2b3ca1f66401d9ae4bfce2e6a0403&page=Homepage>.

If the MHI cannot be determined due to unavailable ACS data or the available data is not considered representative based on consultation with DDW or Regional Board staff, an income survey may be conducted. An impartial third party must conduct an income survey in accordance with the current Multiagency Income Survey Guidelines.

A NTNC owned by a K-12 public school district is deemed to serve a severely disadvantaged community because the primary users are minor students. Minors generally have incomes below 60 percent (60%) of the statewide MHI. All other eligible NTNCs and the MHI of the small community they serve will be evaluated on a case-by-case basis based upon the intended customer base.

For a consolidation including the extension of water service by a PWS to a small community not currently being served by a PWS, for purposes of providing reduced interest rates and PF, the MHI of the PWS extending service/the Receiving Water System or the community receiving service/Subsumed Water System may be considered, consistent with statutory requirements. Grant eligibility for state small water systems or individual residences may be determined based on the best fit block group, an income survey, individual household certifications, or a combination thereof.

If a project will benefit a system that has industrial/commercial connections that account for greater than ten percent of the total water consumption, then grant/PF funding may be reduced for costs attributable to industrial/commercial use. In addition, project components that are solely for industrial/commercial use (e.g., water meters at an industrial/commercial facility) generally are not grant/PF eligible. 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. Individual project components such as water meters or private laterals that benefit individual facilities such as the following are not considered industrial/commercial connections and, therefore, may be

⁷⁰ The LSLR Supplemental IUP in Appendix K may use a different methodology to determine MHI for LSLR projects.

eligible for grant/PF: a public K-12 school, a not-for-profit K-12 private school, a not-for-profit daycare facility, a not-for-profit labor camp, a not-for-profit elder care facility, a not-for-profit health care facility, or a not-for-profit facility serving a tribe.

APPENDIX E: Cost Per Connection Methodology

The following methodology is utilized by the State Water Board's Division of Financial Assistance for calculating the cost per connection for drinking water and wastewater construction projects.

The State Water Board requires a cost per connection calculation to determine the funding eligibility for a construction project prior to the execution of an initial agreement, a cost increase amendment, and a final budget approval (FBA) amendment (if there is a cost increase).

The definitions for terms referenced in this document, in addition to the maximum grant/principal forgiveness (PF) funding limits that a community can receive, are set forth under the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) Intended Use Plans (IUPs), as applicable.

I. Calculation

The equation below (Equation 1) is used to calculate the cost per connection.

Equation 1. Cost Per Connection

$$\frac{\text{Construction Project Cost} + \text{Prior State Water Board Funded Project Costs}}{\text{Number of Residential Connections Benefiting from Project}}$$

$$\frac{\text{Construction Project Cost} + \text{Prior State Water Board Funded Project Costs}}{\text{Number of Residential Connections Benefiting from Project}}$$

II. Construction Project Cost

The construction project cost includes the construction funding requested from the State Water Board. Project costs may include, but are not limited to, construction, pre-purchased material/equipment, real property/easement acquisition, change order contingency, force account (a public entity or agency using their own in-house workforce and equipment for construction, rather than hiring a contractor, which must be pre-approved by the State Water Board), connection fees, capacity purchase fees, permits, planning, design, construction management, and administrative costs. Additional eligible and ineligible construction costs can be found in the CWSRF and DWSRF Policies.

Construction and prior funds received from agencies other than the State Water Board are not considered in the calculation.

III. Prior State Water Board Funded Project Costs

Prior State Water Board funded project costs include the drinking water grant/PF construction funding that the benefiting community(ies) has received within the last five years, with some exceptions. The five-year period is based on the initial funding agreement execution date for the prior funds and does not consider the date that an agreement was amended to incorporate additional costs or to extend dates. Once the time from the initial execution date exceeds five years, the associated agreement, including any cost increases via amendment(s), are not considered in the calculation.

Included in the calculation is any State Water Board drinking water grant/PF provided for construction funding, unless it is excluded pursuant to this paragraph. The following funding is excluded from this calculation: planning grant agreements, technical assistance (TA), interim solutions, Administrator, direct operation and maintenance support, Groundwater Grant Program funding, consolidation incentive, loan funds, funding under any supplemental IUP for the current or previous fiscal year(s), and any non-drinking water grant/PF.

IV. Benefitting Residential Connections

In general, the connections considered in the cost per connection calculation are permanent residential connections that are benefiting from the project. Permanent residential connections are those that intend to have occupants within a residence/household for more than six (6) months out of the year. Industrial, commercial, irrigation, agricultural, and transient non-community (such as campsites and recreational vehicle parks) are not grant/PF eligible and are not considered in the calculation.

Additional connection considerations include the following:

- For non-transient non-community (NTNC) water systems that serve a small disadvantaged community (DAC) or small severely disadvantaged community (SDAC), such as public K-12 schools, not-for-profit K-12 private schools, not-for-profit daycare facilities, not-for-profit labor camps, not-for-profit elder care facilities, and not-for-profit health care facilities, equivalent service connections can be determined by calculating the total number of staff, students, workers, residents, and/or patients, and dividing by 3.3, as determined in the Title 22 Drinking Water Regulations.
- For multi-family residential properties that are served by a single connection, such as apartment complexes or duplexes, and mobile home parks (MHPs) served by a master meter connection, the single connection can be treated as multiple service connections for the cost per connection calculation and are based on the number of households or housing units within the building, complex, or MHP. For example, if there is one connection serving an apartment complex consisting of five (5) residential units, then five (5) connections can be considered for the cost per connection calculation.
- For multi-use connections, such as a single connection serving a commercial business and residential units, the single connection can be treated as multiple service connections for the cost per connection calculation and is based on the number of residential units served by the connection.

- For state small water systems, the number of residential service connections that are receiving water for human consumption will be considered for the cost per connection calculation.
- For residential domestic wells, the number of residential service connections that are utilizing the domestic well(s) will be considered for the cost per connection calculation.
- For secondary homes (classified as vacation or seasonal homes), homes that are connected to the community's existing system will be considered for the cost per connection calculation regardless of whether the homes have occupants for six (6) months per year.
- Vacant lots that have an existing connection to the community's system or have an approved building permit may be considered for the cost per connection calculation.
- Accessory dwelling units (ADUs), such as a small residential unit that is located on a property that has a separate main residential home, units that have a submeter may be considered for the cost per connection calculation.

For consolidation or extension of service projects, the connections of the community(ies) benefiting from the project will be considered. If improvements to the receiving system are required for the consolidation or extension of service project, the receiving system connections benefiting from the project components can also be considered in the calculation. Two (2) common examples of a receiving system benefiting from a consolidation or extension of service project include:

- If a new pipeline is required within the receiving water system to connect to another community (or multiple communities), any permanent residential connections within the receiving system directly benefiting from the new pipeline, such as those connected to the pipeline and receiving water service, can be considered.
- If water system infrastructure (water source, treatment, storage, pump station, etc.) is required within the receiving system to connect to another community (or multiple communities), the permanent residential connections within the receiving system that are utilizing the infrastructure for water service can be considered.

If improvements are solely benefiting the receiving system and not the community(ies) that are being consolidated or receiving extended services, the connections associated with the receiving water system will be the only connections included in the calculation for those improvements.

V. Projects Involving Multiple Communities

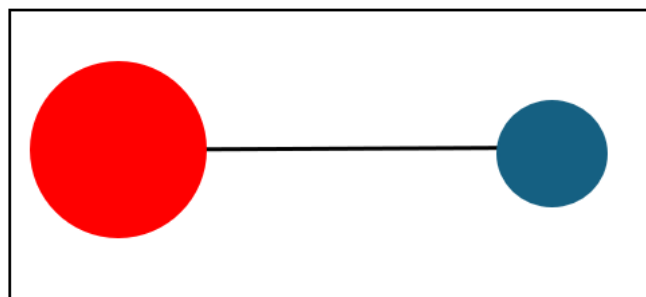
Consolidation or extension of service projects often have a primary community that is involved due to their regulatory compliance status or the priority of the community; however, additional communities and/or private households are often added due to their proximity or as part of a large-scale regionalization project. For a project that is adding communities and/or private households to the primary consolidation/extension of service project, the total project cost per connection must remain within the limits set forth in the CWSRF or DWSRF IUP. Furthermore, if the completion of the primary consolidation/extension of service project is not dependent on the additional communities and/or private households, and significant infrastructure is needed

to add the communities and/or private households, the project costs associated with adding the additional communities and/or private households must also adhere to the cost per connection limits specified in the IUP. Any costs exceeding the limit for a specific community and/or private household added to the primary consolidation/extension of service project may not be grant/PF eligible. Depending on the overall project cost and cost per connection, the Deputy Director has the discretion to approve a higher cost per connection limit in accordance with the limits set forth elsewhere in this IUP. If the overall project cost and cost per connection limits are exceeded for Deputy Director approval, Board approval may be required.

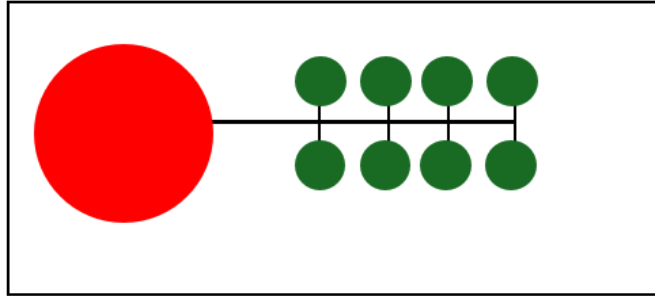
Significant infrastructure that is needed to add communities and/or private households includes components that are not required for the primary consolidation or extension of service project, such as pump stations and significant transmission/distribution lines. Infrastructure such as laterals and minor piping that are needed to add communities and/or private households are not considered significant and can be considered as part of the primary consolidation/extension of service project.

Figure 1 shows examples of primary consolidation or extension of service projects that do not have significant infrastructure to include additional communities and/or private households. Conversely, Figure 2 shows examples of primary consolidation or extension of service projects that have significant infrastructure to include additional communities and/or private households and will require an additional cost per connection calculation for each additional community/private household. For the figures, a red circle indicates the receiving system, a blue circle indicates a subsumed system, and a green circle indicates a community served by a state small water system or private household. The straight black lines indicate a transmission pipeline, distribution pipeline, and/or lateral. The rectangle with a solid border is used to show the primary consolidation or extension of service project, and the rectangle with a dashed border is used to show the significant infrastructure added to the primary consolidation/extension of service project to add an additional community/private household.

(a)



(b)



(c)

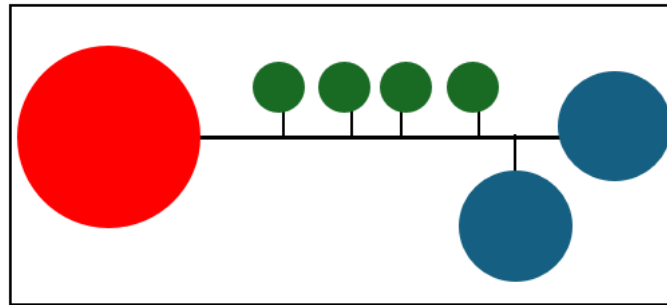
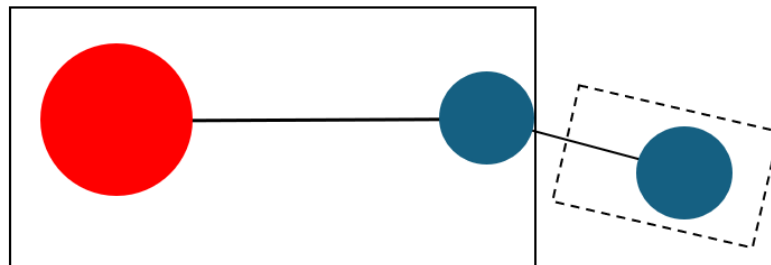


Figure 1. Primary consolidation or extension of service projects

Figure 1(a) shows a consolidation between a receiving system and a single subsumed system, Figure 1(B) shows the consolidation of multiple private households with a receiving system, and Figure 1(c) shows the consolidation of multiple subsumed systems and private households via the same pipeline alignment, laterals, and minor piping. All these examples are considered a primary consolidation or extension of service project, and do not require an additional cost per connection calculation for each community/private household involved since there is not significant infrastructure to incorporate additional communities/private households.

(a)



(b)

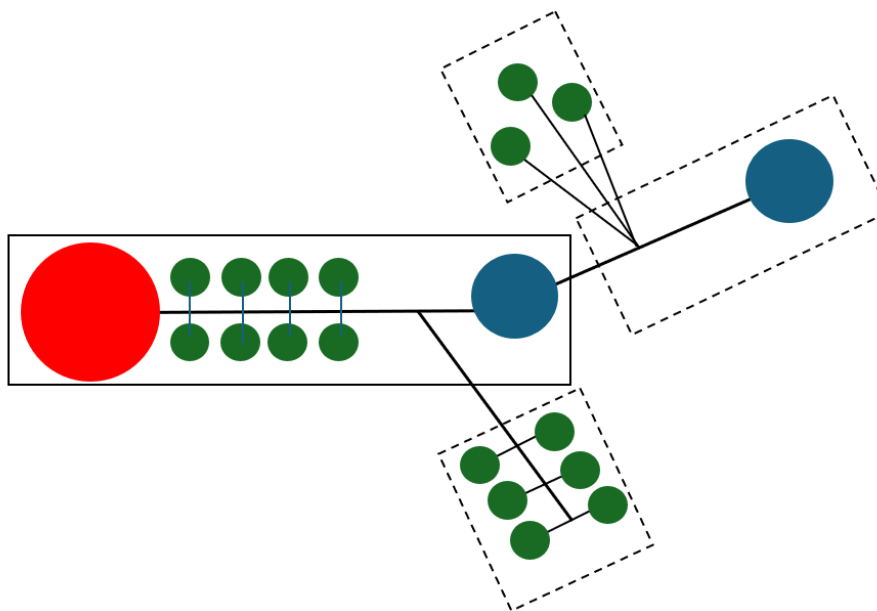


Figure 2. Consolidation or extension of service projects with significant infrastructure to include additional communities

Figure 2(a) shows a consolidation of a receiving system and two (2) subsumed systems; however, the second subsumed system (far right) requires a significant length of pipeline that branches off the main pipeline alignment and is not required for the primary consolidation, thus triggering the cost per connection calculation for the specific community. Figure 2(b) includes the consolidation of private households and a subsumed system as part of the primary consolidation project but has additional pipelines branching off that incorporate two (2) sets of communities utilizing private systems and another subsumed system. As a result, an additional cost per connection calculation is required for these specific communities that are added to the primary consolidation project.

To determine the cost per connection for a specific community/private household for the types of projects identified in Figure 2, the cost per connection formula (Equation 1) will be used, and only the costs and connections associated with that specific community/private household will be included. State Water Board staff will coordinate with the applicant and/or engineering consultant to itemize the project costs associated with each specific community/private household added to the project. For construction costs, this includes the infrastructure that will primarily benefit the specific community/private household (such as pipelines, storage tanks, treatment systems, etc.). For prior State Water Board costs, this includes construction agreements.

If construction project costs (such as project-wide construction costs, allowance costs, etc.) cannot be clearly allocated to the primary consolidation/extension of service project or specific community/private household added to the project, then the remaining total of unallocated costs will be divided by the number of connections benefiting from the project, to determine the unallocated costs per connection. This value will then be multiplied by the connections associated with each specific community/private household added to the project (Equation 2) and added to the costs already allocated for the specific community/private household.

Equation 2. Unallocated Cost for a Specific Community

$$\left(\frac{\text{Total Unallocated Costs}}{\text{Number of Residential Connections Benefiting from Project}} \right) \times \text{Number of Connections for Specific Community}$$

$$\left(\frac{\text{Total Unallocated Costs}}{\text{Number of Residential Connections Benefiting from Project}} \right) \times \text{Number of Connections for Specific Community}$$

APPENDIX F: Consolidation Projects

It is the intent of the State Water Board to promote consolidation where appropriate and feasible, especially among Small CWSs serving DACs. Many Small CWSs struggle to meet minimum state and federal requirements to provide safe and reliable drinking water. Due to their smaller scale and limited resources, Small CWSs face many TMF challenges and have difficulty maintaining long-term compliance. Infrastructure projects are increasingly costly, the technical complexity of compliance grows, and economic constraints are especially onerous for these systems. Consolidation is a promising solution to many difficulties faced by Small CWSs, particularly when confronted with compliance-related problems or depleted water sources. To support consolidation, DFA, in coordination with DDW, will continue to emphasize consolidation opportunities by providing project financing and TA. Funding available through DFA can act as a key incentive for consolidation projects, even when other approaches such as mandatory consolidation orders are not applicable.

Consolidation projects may be eligible for up to one hundred percent (100%) grant/PF funding as provided in Section V.C and V.D above. Consolidation projects where the Subsumed System is already receiving water from the Receiving Water System via a master meter connection will generally be considered lower priority. To the extent that the Receiving Water System requires infrastructure improvements (e.g., pipelines, storage tank, new well, treatment) for the consolidation, those improvements may be eligible for 100% grant/PF. Funding for reasonable connection fees and constructed facilities for the consolidation that will be owned and operated by the Receiving Water System are eligible for up to one hundred percent (100%) 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 reduce or limit reimbursement of connection fees if such infrastructure improvements, that provide capacity for the new service connections, are being funded with grant/PF. For other work that is occurring on private property⁷¹, please reference the Subsidized Construction Financing Section for grant/PF eligibility. The Deputy Director of DFA may approve grant/PF funding for necessary improvements to recently consolidated systems for good cause.

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.

⁷¹ Work on private property, including laterals, well and tank destruction, backflow prevention, risers, hydrants, master or individual meters, and distribution pipes, may be eligible for one hundred percent (100%) grant/PF if deemed necessary for consolidation and if the entity meets the eligibility requirements. If recipients do not own or have authority over project components located on private property, such as these components, the Deputy Director or Assistant Deputy Director has the discretion to determine whether recipients are required to ensure the operation and maintenance of such components.

DFA will continue to require that all grant/PF funding applicants evaluate the feasibility of consolidation to be eligible for the DWSRF construction funding. If planning funding is being provided, DFA may also require a consolidation assessment prior to reimbursement of other planning activities under the planning funding agreement. For funding applicants proximal to another community water system within 1.5 miles, the feasibility assessment or study shall include a consolidation assessment with an analysis of consolidation alternatives, including estimates of consolidation costs. For funding applicants proximal to another community water system at a distance greater than 1.5 miles, DFA may determine that a consolidation assessment is not necessary.

The consolidation assessment shall also include an assessment of the cost-effectiveness of consolidation over the useful life of the project and the impact to ratepayers. 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. Loan funding may be available for alternative projects when consolidation is determined to be feasible but is not the preferred solution identified by the applicant.

There may be unique cases where DFA approves grant/PF funding for system enhancements that are necessary for a future consolidation 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:

- the improvements included in the project would be necessary and continue to operate as part of the identified future consolidation opportunities; or
- 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).

APPENDIX G: Tier II Environmental Review or CEQA Review

The State Water Board may apply Tier II environmental review, which does not include review under the federal environmental cross-cutters, to projects that are not designated as “equivalency” projects. However, applicants for projects seeking repayable loans will generally be required to submit documentation associated with the federal environmental cross-cutters to ensure that there will be sufficient “equivalency” projects.

The DWSRF projects that will generally be subject to Tier II environmental review, and thus would not be required to submit documentation associated with the federal environmental cross-cutters include the following.⁷²

- 1) Planning projects;
- 2) Construction projects that serve one of the following community types, as defined in this IUP:
 - a. Small DAC;
 - b. A grant/PF eligible NTNC that serves a Small DAC (see Section V).
 - c. Expanded Small DAC; or
 - e. Small MIC eligible for grant/PF per Section V of this IUP.
- 3) Consolidation projects involving Small and Expanded Small DACs and MICs, and non-repayable consolidation incentive projects involving those types of communities.

Also note that projects funded only by state grant or state loan funds may be subject to CEQA environmental review rather than the DWSRF SERP at the discretion of the Deputy Director of DFA.

DFA will designate non-equivalency/Tier II drinking water projects at its discretion. Tier II may include certain repayable loan projects. Projects that are in one of the categories listed above and are in the following groups will generally be Tier II:

- Projects receiving planning assistance during the term of this IUP (either in an existing planning agreement or completing planning work through an approved technical assistance [TA] workplan) regardless of when the environmental documents are completed, and regardless of whether federal environmental cross-cutters are listed in the existing scope of work, as long as the planning agreement or work under the TA workplan is completed to DFA’s satisfaction.
 - If federal environmental cross-cutters are part of the scope of work, the applicant/TA provider may be notified by DFA Project Manager (PM) not to prepare the relevant federal environmental cross-cutters documents.

⁷² The Deputy Director of DFA may designate projects in these categories as projects for which the state provides assistance in amounts up to the amount of the capitalization grant subject to Tier I environmental review and federal environmental cross-cutters to the extent necessary to satisfy the equivalency requirement. The Deputy Director of DFA may also designate additional individual projects for Tier II environmental review for good cause.

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- Upon amendment of the funding agreement, the PM may notify DFA Agreements Staff of the changes to the scope of work, to amend the project funding agreement to relieve the applicant/TA provider of the obligation to prepare the relevant federal environmental cross-cutter documents.
 - Projects with a complete planning application submitted to DFA by June 30, 2027.
 - Projects with complete construction applications submitted by June 30, 2027 (including environmental documents). This may include projects in which the applicant has self-funded preparation of the environmental documents.

APPENDIX H: FFY 2026 Estimated Federal Capitalization Grant Cash Draw Schedule

DWSRF Base Capitalization Grant	Estimated Balance	SFY 2026-27 Projected Federal Draws				SFY 2027-28 Projected Federal Draws				SFY 2028-29 Projected Federal Draws
Project Loans/PF		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
2023 grant	\$6,137,383	\$6,137,383								
2024 grant	\$11,114,677			\$11,114,677						
2025 grant	\$91,054,914					\$91,054,914				
2026 grant	\$41,450,000									\$41,450,000
Set-Asides										
FFY 2023 Set-Asides*	\$6,137,383	\$3,068,692,	\$3,068,691							
FFY 2024 Set-Asides*	\$11,114,677			\$3,704,892,	\$3,704,892	\$3,704,893				
FFY 2025 Set-Asides*	\$30,140,335						\$10,046,778	\$10,046,778	\$10,046,779	
FFY 2026 Set-Asides*	\$10,777,000									\$10,777,000

DWSRF IIJA-General Capitalization Grant	Estimated Balance	SFY 2026-27 Projected Federal Draws				SFY 2027-28 Projected Federal Draws				SFY 2028-29 Projected Federal Draws
Project Loans/PF		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
2022 grant	\$13,307,017		\$13,307,017							
2023 grant	\$144,507,036			\$72,253,518	\$72,253,518					
2024 grant	\$240,823,011				\$80,274,337	\$80,274,337	\$80,274,337			
2025 grant	\$268,618,000							\$134,309,000	\$134,309,000	
2025 grant	\$268.505,000									\$238,505,000
Set-Asides										
FFY 2022 Set-Asides*	\$13,307,017	\$6,653,509	\$3,326,754							
FFY 2023 Set-Asides*	\$36,583,078		\$9,145,770	\$9,145,770	\$9,145,770	\$9,145,770				
FFY 2024 Set-Asides*	\$57,851,400			\$19,283,800	\$19,283,800	\$19,283,800				
FFY 2025 Set-Asides*	\$69,840,680						\$23,280,226	\$23,280,226	\$23,280,226	

FFY 2026 Set-Asides*	\$69.811,300									\$69,811,300
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*Draws may also represent draws for set-asides transferred back to loan fund and expended on loans/PF

Appendix I: Connections to Other Plans, Goals, and Programs

Human Right to Water

In establishing the terms of this IUP, the State Water Board considered statewide policy set forth in section 106.3 of the Water Code. Specifically, subdivision (a) declares it is the established policy of the State that “every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” Subdivision (b) requires the State Water Board to consider this state policy when “revising, adopting, or establishing policies, regulations, and grant criteria when those policies, regulations, and criteria are pertinent to the uses of water.” State Water Board [Resolution No. 2016-0010](#) adopted the human right to water as a core value and directed its implementation in Water Board programs and activities. This IUP, in addition to the SAFER Drinking Water program, directly supports this policy.

SADW and FEP

In July 2019, [Senate Bill 200](#) established the Safe and Affordable Drinking Water Fund (SADW Fund). The SADW Fund is one tool in the State Water Board’s larger [Safe and Affordable Funding for Equity and Resilience \(SAFER\) Drinking Water program](#). The State Water Board administers the SAFER Drinking Water program primarily through DDW, DFA, and the Office of Public Engagement, Equity, and Tribal Affairs (OPEETA). The SAFER Drinking Water program’s goals are to provide safe drinking water in every California community, for every Californian. The Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund (SADW Policy) was adopted by the State Water Board on May 5, 2020. The SADW Policy establishes the State Water Board’s direction on how the FEP will be developed and implemented. The SADW Fund will be used in combination with the DWSRF program and other complementary funding sources as part of the State Water Board’s existing suite of financial assistance programs.

The SADW Fund may be used for various types of assistance for PWS, state small water systems, and domestic wells with demonstrated failure or risk of failure, including but not limited to projects that: (1) provide interim access to safe water sources; (2) contract or provide a grant to an Administrator to address or prevent failure to provide safe and affordable drinking water; (3) improve water delivery infrastructure; (4) provide technical assistance (TA); (5) consolidate systems; and (6) fund operation and maintenance for disadvantaged and low-income communities.

Safe Drinking Water Act

U.S. EPA, in cooperation with the State, has designated the State Water Board as the “primacy agency” to implement and enforce the federal SDWA. As the state primacy agency, the State Water Board, through DDW, regulates more than 7,500 PWSs located throughout the State. To assist in this effort, through DDW, the State Water Board has also delegated its primacy authority to 27 local health departments, known as local primacy agencies (LPA), to regulate PWSs serving less than 200 service connections. The State Water Board also promotes safe and reliable drinking water through drought preparedness and water conservation measures; promoting water recycling projects; certifying drinking water treatment and distribution operators; supporting and promoting water system security; providing for small water system technical assistance (SWSTA) and mandating minimum standards for PWS technical, managerial, and financial (TMF) capacity.

Program Goals

The DWSRF program and complementary funding sources support the four goals of the [Water Resilience Portfolio](#): maintain and diversify water supplies; protect and enhance natural ecosystems; build connections and be prepared. The State Water Board is tasked as the responsible agency for 17 actions of which 8 actions require direct involvement from DFA.

The DWSRF program and its project priority approach also support the Governor’s [Executive Order B-40-17](#) of April 7, 2017, which states, “The Water Board and [the Department of Water Resources] shall continue to direct actions to minimize water system leaks that waste large amounts of water. The State Water Board, after funding projects to address health and safety, shall use loans from the [DWSRF] to prioritize local projects that reduce leaks and other water system losses.”

The DWSRF program supports the State Water Board's [California Capacity Development Strategy for Public Water Systems](#), updated November 2022. With DWSRF set-aside funds as well as leveraging DWSRF planning and infrastructure financing, the DWSRF program and this IUP support the following strategic elements of the combined Clean Water and Drinking Water Capacity Development Strategy:

- Element 1: Ensuring NEW Public Water Systems have TMF Capacity;
- Element 2: Identification & Prioritization of Existing Systems in Need of Improved TMF Capacity; Element 3: Supporting Direct Capacity Building;
- Element 4: Supporting Capacity Building Work of Third-Party Organizations;
- Element 5: Ensuring TMF Capacity of State Funding & Financing Recipients;
- Element 6: Promoting Asset Management;
- Element 7: Building Capacity Through Complete and Accurate Data Gathering and Reporting; and
- Element 8: Measuring TMF Capacity Building Success.

In 2017, the Drinking Water Capacity Development program, as required by the federal SDWA, was moved from DFA to DDW, but both divisions play a role in supporting the Board's capacity development goals.

Federal and State Water Board Guidance

The State Water Board will continue to implement the DWSRF consistent with applicable state and federal statutes, regulations, and policies. These include, but are not limited to:

- [The DWSRF Policy](#);
- [The Operating Agreement between the State Water Board and U.S. EPA](#);
- [The Clean Water and Drinking Water State Revolving Funds Debt Management Policy](#) (CWSRF/DWSRF Debt Management Policy) and agreements related to outstanding revenue bonds;
- [California Capacity Development Strategy for Public Water Systems](#) (Capacity Development Strategy);
- [U.S. EPA Interpretive Guidance regarding the DWSRF](#);
- U.S. EPA's October 23, 2019, Memorandum "[Award of State Revolving Funds Appropriated by the 'Additional Supplemental Appropriations for Disaster Relief Act, 2019'](#)";
- U.S. EPA's February 23, 2021, Memorandum "[Reallotment of FY 2019 ASADRA SRF Funds](#)";
- U.S. EPA's March 8, 2022, Memorandum "[Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law](#)" as modified by the U.S. EPA's May 15, 2025, Memorandum "[State Revolving Funds: Back to Basics, Back to Business](#)" regarding Implementation of the CW and DWSRF Provisions of the IIJA
- Applicable federal regulations, including the DWSRF regulations at 40 C.F.R. part 35, subpart L, other applicable U.S. EPA regulations, and the general grant regulations at 40 C.F.R. part 200
- Any additional federal requirements in the 2026 budget appropriation, the 2026 Capitalization Grant Agreement, and/or guidance from U.S. EPA. The State Water Board will operate its complementary financing programs in accordance with any requirements applicable thereto.

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- APPENDIX J: Additional Supplemental Appropriations for Disaster Relief Act, 2019 (ASADRA) Supplemental Intended Use Plan**
- APPENDIX K: Lead Service Line Replacement Supplemental Intended Use Plan**
- APPENDIX L: Emerging Contaminants Supplemental Intended Use Plan**

APPENDIX M: Congressionally Directed Spending for DWSRF¹

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Adventist Health St. Helena Hospital for Napa County Deer Park/St. Helena Water System improvements	\$1,840,000	FFY 2022	Small	Non-DAC					
Cambria Community Services District for Water Tanks project	\$375,000	FFY 2022	Expanded Small	Non-DAC					
Citrus Heights Water District for Ground-water Production Well	\$585,000	FFY 2022	Medium	Non-DAC					
City of Dos Palos for Water Plant Clarifier Replacement and Repair	\$279,664	FFY 2022	Small	SDAC	Yes	2410002-003C	Dos Palos, City of	Water Treatment Plant Replacement Project	Agreement executed
City of Downey for Well Remediation Project	\$1,000,000	FFY 2022	Medium	Non-DAC					
City of Gustine for Water Loop Line Completion Project	\$950,000	FFY 2022	Small	DAC					
City of Lomita for Lomita Water System Improvements Project	\$940,000	FFY 2022	Expanded Small	Non-DAC					
City of Oxnard for a Water Transmission Line	\$500,000	FFY 2022	Large	Non-DAC					
City of Poway for Clearwell Bypass System Project	\$1,000,000	FFY 2022	Medium	Non-DAC					
City of San Buenaventura (Ventura Water) for a State Water Interconnection Project	\$2,840,000	FFY 2022	Medium	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
City of Santa Cruz for Water Meter Up-grade Program	\$1,000,000	FFY 2022	Medium	Non-DAC					
City of Thousand Oaks for a Water Reuse Project	\$1,500,000	FFY 2022	Medium	Non-DAC					
Coachella Valley Water District for Water Transmission Project	\$2,700,000	FFY 2022	Small	SDAC					
Earlimart Public Utility District for a well treatment improvement project.	\$1,756,416	FFY 2022	Small	SDAC					
East Bay Municipal Utility District for Upper San Leandro Drinking Water Treatment Plant upgrades	\$3,500,000	FFY 2022	Large	Non-DAC					
Eastern Municipal Water District for Mead Valley Water Booster Station Replacement Project	\$1,000,000	FFY 2022	Large	Non-DAC					
Elsinore Valley Municipal Water District for the Canyon Lake Water Treatment Plant improvement project.	\$780,000	FFY 2022	Large	Non-DAC	Yes	3310012-019C	Elsinore Valley Municipal Water District	Canyon Lake Water Treatment Plan Phase 1 Improvements (PFAS)	Under review - included on 26/27 Fundable List and EC Fundable List
Ironhouse Sanitary District for Recycled Water Project	\$3,000,000	FFY 2022	Small	SDAC					
Pico Rivera Water Authority for PFAS Groundwater Treatment Project	\$2,500,000	FFY 2022	Medium	Non-DAC					
West Valley Water District for Bloomington Alleyway Pipeline Project	\$2,000,000	FFY 2022	Medium	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
City of Gustine for Tank and Booster Pump Station Improvements	\$3,000,000	FFY 2022	Small	DAC					
City of Sacramento for Fairbairn Ground-water Well	\$1,700,000	FFY 2022	Large	Non-DAC					
South Coast Water District for Doheny De- salination Plant Well Project	\$2,400,000	FFY 2022	Large	Non-DAC					
East Palo Alto for East Palo Alto Water Infrastructure Improvements	\$800,000	FFY2023	Expanded Small	Non-DAC					
County of Tulare for Drinking Water Kiosks	\$200,000	FFY2023	Large	DAC					
Woodville Public Utility District for Woodville PUD Well No. 4 Replacement	\$1,150,000	FFY2023	Small	SDAC	Yes	5410025-001C	Woodville Public Utility District	Replacement Well Project	Incomplete application
City of Modesto for Grayson Well and Tank Replacement	\$1,750,000	FFY2023	Expanded Small	DAC	Yes	5010033-001P	City of Modesto	Grayson Water Infrastructure	Agreement executed
Allensworth Community Services District for Allensworth Well Solar Array	\$150,000	FFY2023	Small	SDAC	Yes	5400544-001C	Allensworth Community Services District	Water System Improvement Project	Agreement executed
City of Tulare for Water Delivery System	\$500,000	FFY2023	Medium	DAC					
City of Dinuba for Well 21 Construction	\$1,500,000	FFY2023	Expanded Small	SDAC	Yes	5410002-002C	City of Dinuba	Well #21 Project	Agreement executed
Carmichael Water District for Aquifer Storage and Recharge Well #2	\$2,500,000.00	FFY2023	Medium	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Citrus Heights Water District for the Highland Avenue Well Project	\$1,500,000.00	FFY2023	Medium	DAC					
Sacramento County for a Regional Conjunctive Use Project	\$2,800,000.00	FFY2023	Large	Non-DAC					
City of Oxnard for a Water Pipeline Replacement	\$2,846,400.00	FFY2023	Large	Non-DAC					
Cachuma Operation and Maintenance Board for the Lake Cachuma Pumping Facility Project	\$500,000.00	FFY2023	Large	Non-DAC					
City of Atwater for the Buhach Road and Gurr Road Utility Extension	\$3,000,000.00	FFY2023	Medium	DAC					
Solano Irrigation District for Quail Creek Well Relocation and Associated Conveyance Facilities	\$2,824,000.00	FFY2023	Large	DAC					
City of Ripon for the SSJID Surface Water Connection Project	\$3,452,972.00	FFY2023	Expanded Small	Non-DAC					
Stanislaus County for a Crows Landing Water Wells Project	\$3,452,972.00	FFY2023	Large	Non-DAC					
Valley Center Municipal Water District Lilac Road Pipeline Replacement Project	\$3,060,000.00	FFY23	Medium	Non-DAC	Yes	3710026-003C	Valley Center Municipal Water District	2020 Pipeline Replacement Project	Agreement executed
Borrego Water District—Borrego Spring Road Transmission Main and Sun Gold Pipeline Replacement Projects	\$3,392,667.00	FFY2023	Small	SDAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Orange County Water District PFAS Groundwater Treatment Project	\$5,000,000.00	FFY2023	Medium	Non-DAC	Yes	Multiple	Orange County Water District partnering with multiple water systems	PFAS Water Treatment Plant	Multiple Agreements executed
Placer County Water Agency Alta Loop Pipeline Project	\$1,000,000.00	FFY2023	Small	Non-DAC					
City of Sacramento for the Shasta Ground- water Well Project	\$3,452,972.00	FFY2023	Large	Non-DAC					
City of Azusa for Aspan Well Treatment and Rehabilitation	\$2,500,000.00	FFY2023	Medium	Non-DAC					
City of Salinas for the Castroville Seawater Intrusion Project	\$900,000.00	FFY2023	Medium	Non-DAC					
Soquel Creek Water District for a Water Reliability Improvement Project	\$1,416,000.00	FFY2023	Medium	Non-DAC					
City of Hemet for the Oakland and Santa Fe Water Main Replacement Project	\$1,200,000.00	FFY2023	Medium	SDAC					
Coachella Valley Water District for a Water Consolidation Project	\$3,452,972.00	FFY23	Large	SDAC	Yes	3310001-015C	Coachella Valley Water District	Valley View Mobile Home Park Consolidation Project	Agreement executed
City of Santa Fe Springs for Water Well No. 12 Assessment and Treatment	\$2,200,000.00	FFY2023	Expanded Small	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Water Replenishment District of Southern California for Five Groundwater Well Projects	\$2,500,000.00	FFY2023	Large	Non-DAC					
City of Pleasanton for a PFAS Treatment and Well Rehabilitation Project	\$2,000,000.00	FFY2023	Medium	Non-DAC	Yes	0110008-001C	City of Pleasanton	Per- and Polyfluoroalkyl (PFAS) Treatment and Wells Rehabilitation Project	Incomplete application
Eastern Municipal Water District for the Well 56 & 57 PFAS Removal Project	\$3,452,972.00	FFY2023	Large	Non-DAC					
City of Pomona for Groundwater Treatment R34	\$1,600,000.00	FFY2023	Large	Non-DAC					
City of Chino for a Treatment Plant Groundwater Wells 4 & 6 Project	\$2,000,000.00	FFY2023	Medium	Non-DAC					
City of Fowler New Well and System Inter- connection for Drought Resiliency Project	\$3,005,200.00	FFY2023	Small	DAC					
City of Inglewood for a Water Main Replacement Project	\$3,452,972.00	FFY2023	Medium	DAC					
Alameda County for Chain of Lakes PFAS Treatment Facility Project	\$959,752	FFY 2024	Large	Non-DAC					
Borrego Water District for Water Infrastructure Replacement Project	\$3,608,800	FFY 2024	Small	SDAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Carmichael Water District for Garfield Ave. Transmission Pipeline Replacement Project	\$959,752	FFY 2024	Medium	Non-DAC					
City of Beverly Hills for Water Resiliency Project	\$959,752	FFY 2024	Medium	Non-DAC					
City of Buena Park for Municipal Water Well Construction	\$1,000,000	FFY 2024	Medium	Non-DAC					
City of California City for Water Infrastructure Replacement Project	\$1,000,000	FFY 2024	Expanded Small	SDAC					
City of Fullerton for Well 7A Construction Project	\$959,752	FFY 2024	Large	Non-DAC					
City of Lindsay for Self-Sustainable and Clean Drinking Water	\$1,750,000	FFY 2024	Expanded Small	SDAC					
City of Loyalton for Main Waterline Replacement	\$2,000,000	FFY 2024	Small	DAC					
City of Oxnard for Water Pipeline Replacement Project	\$959,752	FFY 2024	Large	Non-DAC					
City of Pasadena for Water Treatment Project	\$959,752	FFY 2024	Large	Non-DAC					
City of Riverside for PFAS Treatment Project	\$959,752	FFY 2024	Large	Non-DAC					
City of Sacramento for Groundwater Well #168	\$959,752	FFY 2024	Large	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
City of Sacramento for Groundwater Well #169 - Phase 1	\$959,752	FFY 2024	Large	Non-DAC					
City of Santa Cruz for Newell Creek Pipeline Replacement	\$959,752	FFY 2024	Large	Non-DAC	Yes	4410010-004C	City of Santa Cruz	Newell Creek Pipeline Improvement Project [Felton/ Graham Hill]	Agreement executed
City of Santa Paula for Mesa Tanks Replacement Project	\$959,752	FFY 2024	Medium	DAC					
City of South Gate for Hawkins and South Gate Park Reservoir Wells PFOA Treatment Facilities	\$959,752	FFY 2024	Medium	DAC					
City of St. Helena Water for Treatment Plant SCADA/Microgrid	\$959,752	FFY 2024	Small	Non-DAC					
City of Visalia for Groundwater Basin Project	\$959,752	FFY 2024	Large	Non-DAC					
County of Monterey for San Lucas Clean Drinking Water Project	\$959,752	FFY 2024	Small	DAC					
County of Sacramento for Walnut Grove Water Supply Reliability Project	\$725,600	FFY 2024	Small	Non-DAC					
East County AWP Joint Powers Authority for Water District Cybersecurity and Information Technology Project	\$690,898	FFY 2024	Large	Non-DAC					
East Orange County Water District for Advanced Metering Infrastructure Project	\$1,000,000	FFY 2024	Large	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Eastern Municipal Water District for Cactus II Feeder Phase 2 Project	\$959,752	FFY 2024	Large	Non-DAC					
Eastern Municipal Water District for Water Booster Plant Improvements	\$2,300,000	FFY 2024	Large	Non-DAC					
Elsinore Valley Municipal Water District for Water Treatment Facility	\$4,700,000	FFY 2024	Large	Non-DAC	Yes	3310012-019C	Elsinore Valley Municipal Water District	Canyon Lake Water Treatment Plan Phase 1 Improvements (PFAS)	Under review - included on 26/27 Fundable List and EC Fundable List
Fallbrook Public Utility District for Primary Pipeline Replacement	\$250,000	FFY 2024	Large	Non-DAC					
Georgetown Divide Public Utility District for Water Reliability and Storage Tank Construction	\$1,250,000	FFY 2024	Small	Non-DAC					
Los Angeles County Public Works for Regional Water Resilience Project	\$350,000	FFY 2024	Large	Non-DAC					
Monte Vista Water District for State Street Pipeline Replacement Project (Phase II)	\$959,757	FFY 2024	Medium	DAC					
Sweetwater Authority for National City Wells Iron and Manganese Removal System Project	\$959,752	FFY 2024	Large	DAC					
North Tahoe Public Utility District for Water Improvement Project	\$1,250,000	FFY 2024	Small	Non-DAC	Yes	3110001-001C	North Tahoe PUD	Kings Beach Grid and Brockway Water System Improvements	Incomplete application

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Olivenhain Municipal Water District for San Diego to Valley Brackish Groundwater Desalination Project	\$959,752	FFY 2024	Medium	Non-DAC					
Orange County Water District for PFAS Treatment Plants Project	\$1,750,000	FFY 2024	Small	Non-DAC	Yes	Multiple	Orange County Water District partnering with multiple water systems	PFAS Water Treatment Plant	Multiple Agreements executed
Rancho California Water District for Water Infrastructure Construction	\$1,000,000	FFY 2024	Large	Non-DAC					
San Juan Water District Reservoir Replacement	\$1,250,000	FFY 2024	Medium	Non-DAC	Yes	3410021-002C	San Juan Water District	Kokila Reservoir Replacement	Agreement executed
San Lorenzo Valley Water District for Tank Replacement Project	\$959,752	FFY 2024	Medium	Non-DAC	Yes	4410014-003C	San Lorenzo Valley Water District	Probation Tank Replacement	Incomplete application
Santa Clarita Valley Water Agency for PFAS Treatment and Disinfection Facilities	\$2,100,000	FFY 2024	Large	Non-DAC	Yes	1910240-001C	Santa Clarita Valley Water Agency	T&U Wells PFAS Treatment, Saugus 1&2 Wells VOC Treatment & Disinfection Facility Improvement Project	Agreement executed
Santa Margarita Water District for Ranch Water North Open Space Well PFAS Treatment Facility	\$959,752	FFY 2024	Large	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Serrano Water District for Pump Station Upgrades	\$750,000	FFY 2024	Small	Non-DAC					
South Tahoe Public Utility District for Critical Water Infrastructure Replacements	\$1,000,000	FFY 2024	Large	Non-DAC	Yes	0910002-032C	South Tahoe Public Utility District	Pioneer Trail Waterline and PRV Upgrade Project	Amendment executed
Valley Center Municipal Water District for Pipeline Replacement	\$715,000	FFY 2024	Medium	Non-DAC	Yes	3710026-004C	Valley Center Municipal Water District	2023 Water Facilities Replacement Project	Amendment executed
West Valley Water District for Bunker Hills Wells Project	\$959,757	FFY 2024	Medium	Non-DAC					
City of San Diego for Pure Water San Phase 2 Demonstration Facility	\$600,000	FFY 2024	Large	Non-DAC					
County of San Joaquin for Lincoln Village Maintenance District Water System Improvements-Phase 1	\$2,000,000	FFY 2024	Small	DAC					
Borrego Water District for Water Line Replacement	\$750,000	FFY 2026	Small	DAC					
Calleguas Municipal Water District for Lake Bard Pump Station Project	\$1,092,000	FFY 2026	Small	Non-DAC					
City of Avenal for Water Storage Tank Project	\$4,000,000	FFY 2026	Small	SDAC					
City of Beverly Hills for Water Main Replacement Project	\$ 1,092,000	FFY 2026	Medium	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
City of Burbank for Potable Reservoir Replacement	\$ 1,092,000	FFY 2026	Large	Non-DAC					
City of California City for Water System Replacement Project Phase II	\$ 1,000,000	FFY 2026	Expanded Small	SDAC					
City of Chino for Benson Emergency Power Generator Project	\$ 1,092,000	FFY 2026	Medium	Non-DAC					
City of Coalinga for Sodium Hydroxide Storage and Injection Facility Project	\$ 1,092,000	FFY 2026	Expanded Small	DAC					
City of Dinuba for Water Tower Replacement	\$ 1,092,000	FFY 2026	Medium	SDAC					
City of Escalon for SSJID Surface Water Connection Project	\$ 1,092,000	FFY 2026	Small	DAC					
City of La Habra for Foothill Zone Consolidation Water Project	\$ 1,092,000	FFY 2026	Medium	Non-DAC					
City of Lemoore for Water Meter Project	\$ 1,000,000	FFY 2026	Medium	DAC					
City of Loma Linda for SCADA System Reliability Project	\$ 750,000	FFY 2026	Medium	DAC					
City of Manhattan Beach for Cybersecurity of Critical Infrastructure Project	\$ 1,040,000	FFY 2026	Medium	Non-DAC					
City of McFarland for Well Replacement	\$ 2,000,000	FFY 2026	Expanded Small	SDAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
City of Oxnard for Cast Iron Pipe Replacement Project	\$ 1,092,000	FFY 2026	Large	DAC					
City of Pasadena for Water and Wastewater System Replacement	\$ 1,092,000	FFY 2026	Large	Non-DAC					
City of Poway for Water Supply Project	\$ 1,000,000	FFY 2026	Medium	Non-DAC					
City of San Juan Bautista for Drinking Water Supply Regionalization	\$ 1,092,000	FFY 2026	Small	Non-DAC	Yes	3510002-004P	San Juan Bautista, City of	San Juan Bautista Water Transmission Pipeline Design	Under review – included on 26/27 Fundable List
City of Santa Ana for PFAS Treatment	\$ 1,092,000	FFY 2026	Large	Non-DAC	Yes	3010038-005C	Santa Ana, City of	City of Santa Ana Walnut Pump Station PFAS Treatment	Incomplete application
City of Santa Paula for Cross-Town Pipeline Project	\$ 1,092,000	FFY 2026	Medium	DAC					
City of Tustin for 17th Street Desalter Electrical Upgrade Project	\$ 2,000,000	FFY 2026	Medium	Non-DAC					
City of Williams for Water Infrastructure Improvements	\$ 1,000,000	FFY 2026	Small	DAC					
County of Kings for New Well Project	\$ 2,000,000	FFY 2026	Small	SDAC					
County of Madera for North Fork Water System Project	\$ 1,200,000	FFY 2026	Small	DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
County of Monterey for San Lucas Water Treatment Project	\$ 1,092,000	FFY 2026	Small	SDAC	Yes	2701676-001C	Monterey, County of	San Lucas County Water District Drinking Water Supply Project	Under review – included on 26/27 Fundable List
Cucamonga Valley Water District for Baseline Waterline Improvement Project	\$ 1,092,000	FFY 2026	Large	Non-DAC					
Eastern Municipal Water District for Well 84D Water Quality Improvement Project	\$ 1,092,000	FFY 2026	Large	Non-DAC					
Fallbrook Public Utility District for Water Line Replacement	\$ 1,000,000	FFY 2026	Medium	Non-DAC					
Jurupa Community Services District for Well 29 Development	\$ 1,092,000	FFY 2026	Large	Non-DAC					
Las Virgenes Municipal Water District for Water Farm Study	\$ 1,050,000	FFY 2026	Medium	Non-DAC					
Montara Water and Sanitary District for Water and Sewer Line Relocation Project	\$ 1,092,000	FFY 2026	Small	Non-DAC					
Monte Vista Water District for Pipeline Replacement Project	\$ 1,092,000	FFY 2026	Medium	DAC					
Orange County Water District for PFAS Treatment Project	\$ 750,000	FFY 2026	Small	Non-DAC	Yes	3010068-001C	East Orange County Water District	East Orange CWD PFAS WATER TREATMENT PLANT	Agreement Executed
Rancho California Water District for Water Treatment Facility Construction	\$ 1,000,000	FFY 2026	Large	Non-DAC					

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
Sacramento County for Arden Service Area Water Supply Project	\$ 1,092,000	FFY 2026	Small	DAC					
Santa Clara Valley Water District for Silicon Valley Regional Purified Water Facility	\$ 1,092,000	FFY 2026	Large	Non-DAC					
Santa Clarita Valley Water Agency for PFAS Treatment Project	\$ 1,092,000	FFY 2026	Large	Non-DAC	Yes	1910240-002C	Santa Clarita Valley Water Agency	S6, S7, and S8 Wells PFAS Treatment Facility Improvements Project	Under review – included on 26/27 Fundable List
Santa Margarita Water District for Water Treatment Plant	\$ 750,000	FFY 2026	Large	Non-DAC					
Solano Irrigation District for Vaca Valley Public Water System Consolidation Phase I	\$1,092,000	FFY 2026	Large	Non-DAC					
South Tahoe Public Utility District for Water Improvement Project	\$ 1,200,000	FFY 2026	Medium	DAC	Yes	0910002-032C	South Tahoe Public Utility District	Pioneer Trail Waterline and PRV Upgrade Project	Agreement executed
Sweetwater Authority for Sodium Hypochlorite Chlorination Water Treatment System	\$ 1,000,000	FFY 2026	Large	DAC	Yes	3710025-002P	Sweetwater Authority	Sweetwater Authority PFAS Mitigation	Incomplete application
Tahoe City Public Utility District for Water Infrastructure Improvement Project	\$ 1,250,000	FFY 2026	Small	Non-DAC	Yes	3110013-001C	Tahoe City Public Utility District	TCPUD Tahoe Cedars Water System Infrastructure	Under review – included on 26/27 Fundable List

Recipient and Project	Community Grant Amount	Funding Year	Water System Size	Disadvantaged Status	SWRCB Received Funding Application?	Project Number	Applicant	Project Title	Status of SWRCB Application
								Improvement Project	
Tule River Indian Tribe of California for Water Transmission Improvement Project	\$ 1,250,000	FFY 2026	Small	SDAC					
West Valley Water District for Cybersecurity and Water Reliability	\$ 1,092,000	FFY 2026	Large	Non-DAC					
Western Municipal Water District for Reservoir Management Systems	\$1,092,000	FFY 2026	Medium	Non-DAC					

Notes:

1. Funding for projects identified through Congressionally directed spending will be administered by U.S. EPA. Some of these projects have submitted an application to the State Water Board for DWSRF or complementary funding and are identified in this table. Having been selected for Congressionally directed spending does not guarantee eligibility for California’s DWSRF Program or complementary funding sources.