Fact Sheet

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

HELPFUL DEFINITIONS:

- **Disadvantaged Community (DAC)**: Median household income (MHI) less than 80% of statewide MHI.
- **Severely Disadvantaged Community (SDAC)**: MHI less than 60% of statewide MHI.
- **Small Community**: No more than 3,300 connections or no more than 10,000 people.
- **Expanded Small Community**: More than 10,000 but no more than 20,000 population, or 3,301 – 6,600 connections.
- **Medium DAC**: Population of 20,001–100,000 people or 6,601-30,000 connections and MHI < 80% of statewide MHI.
- **Moderate Income Community (MIC)**: MHI is at or > 80% of the statewide annual MHI and <150% of the statewide annual MHI.
- **Consolidation**: 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 of the DWSRF IUP for details.
- **Emerging Contaminant (EC)**: Contaminant on one of USEPA's Contaminant Candidate Lists. Includes contaminants like per- and polyfluoroalkyl substances (PFAS).
- **Consolidation Incentive Project:** A drinking water construction project, often separate from a consolidation project, that solely benefits a Receiving Water System.
- **Receiving Water System:** System that takes in a new service area as part of a consolidation.
- **Lead Service Line Replacement (LSLR)**: The replacement of lead lines in water systems.
  - **Fundable List**: a list of projects in the IUP that are expected to receive assistance from the DWSRF in a particular state fiscal year pending completion of reviews.

PLANNING GRANT / PF ELIGIBILITY CRITERIA:

- Available for small, expanded small, and eligible Non-Transient, Non-Community (NTNC) systems that serve a DAC in accordance with the Project Category/SAFER Status table below.
- Small and Expanded Small Non-DACs may receive 100% planning grant/PF to address a Failing SAFER status.
- No cap on planning grants but generally expected to be 10% or less of the estimated construction costs of the project.
- 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.
- Planning grants can support preliminary engineering, Technical, Managerial and Financial (TMF) capacity development, and consolidation assessments.
- Grant/PF-eligible applicants are encouraged to transition from planning to construction financing upon readiness.

Please contact DrinkingWaterSRF@waterboards.ca.gov or (916) 327-9978 for any questions.

Project Category[24]	System Not Failing or Not At-Rist 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		
System Enhancements / Repairs / New Infrastructure (CIP improvements)		
Interim Assistance	*N/A*	*N/A*
O&M Assistance		

[24] See Grant/PF Project Category Eligibility table for a description of the categories.

[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.

CONSTRUCTION MAXIMUM GRANT /PF AND COST PER CONNECTION LIMITS:

- Small, Expanded Small, and Medium DACs/SDACs and Small MICs: Up to 100% grant/PF in accordance with the Project Category/SAFER Status table below. Non-Small MICs may be eligible for good cause (see DWSRF IUP).
- Tiered Project Caps: Projects <201 connections may receive up to $5M–$16M regardless of cost per connection (see table below).
- Systems >200 connections: $80k per connection limit; $50M overall cap (see table below).
- If there are limited grant/PF funds available, small DACs will be prioritized for funding.
- Amendments for cost increases for lower priority projects generally will not be approved unless the cost increase is due to higher construction costs at time of bidding.

Connections[28]	Maximum Cost per Connection	Maximum Grant/PF
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

[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.

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Cost Per Connection calculation:

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

Prior funded project costs do not include planning, TA, Administrator, direct O&M, interim solutions, Groundwater Grant Program funds, consolidation incentives, loan funds, funds received under a supplemental IUP, or any non-drinking water grant/PF.

CONSTRUCTION GRANT / PF ELIGIBILITY CRITERIA:

Project Category[30]	System Not Failing or Not At-Rist 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[31]		
Drought Resiliency	Loan Only[32]	
Distribution System		
System Enhancements / Repairs / New Infrastructure (CIP improvements)		
Interim Assistance	*N/A*	*N/A*
O&M Assistance		

[30] See Grant/PF Project Category Eligibility table for a description of the categories.

[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.

CONSTRUCTION LOAN ELIGIBILITY FOR SMALL DACs/MICs OR EXPANDED SMALL DACs:

Water Rates (% MHI)	Interest Rate	Max. Financing Term[33]
≥ 1.5%	0%	30-40 Years
< 1.5%	½ General Obligation Bond Rate	30-40 Years

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

CONSOLIDATION INCENTIVES:

Receiving Water Systems may receive incentives for voluntary consolidations:

- Consolidation incentive projects are projects that solely benefit the Receiving Water System.
- $10M in 0% interest loan financing for an incentive project per consolidation.
- Maximum of $1 million grant/PF per consolidated community/water system. Up to $3k per connection for consolidating a community water system that does not qualify as a small DAC, up to $5k per connection for consolidating a small DAC, and up $10k per connection for consolidating a small SDAC.
- Managerial consolidations may qualify for a maximum of $2M in 0% loans.
- Eligibility limited to voluntary consolidations—generally not mandatory orders.

FUNDING FOR CONSOLIDATIONS:

- Consolidation projects prioritized for 100% grant/PF regardless of project category.
- Necessary connection and source capacity fees may be eligible.
- Funding may include infrastructure upgrades for the Receiving Water System to support the consolidation.
- Receiving Water Systems must meet TMF capacity requirements.
- May be able to bypass certain financial review requirements, including for Subsumed System.
- Consolidation assessments are required for all DWSRF applications; funding may be denied if consolidation is feasible but not pursued. Projects must prove infeasibility of consolidation to pursue alternatives.
- Temporary funding for urgent repairs may be approved while a full consolidation project is being planned.
- Consolidation projects with technical feasibility and public health benefit are placed on the Fundable List upon application completeness.

FUNDING FOR WORK ON PRIVATE PROPERTY:

- Work at individual homes (e.g., lateral connections, backflow devices, and well destruction) may be eligible for grant/PF if necessary for consolidation and benefits DACs.
    - Exceptions may apply if cost-per-connection is disproportionately high for certain households.
    - Income verification may be required where community MHI data is not representative of all households.
- Work on the private property of mobile home parks not classified as DACs is generally ineligible for grant/PF.
- Work on the private property of CPUC-regulated entities may be eligible if CPUC and DWSRF requirements are met.

PROPOSITION 4 TRIBAL SET-ASIDE:

- $25 million allocated to tribal water infrastructure projects that provide safe, clean, and reliable drinking water to tribal communities.
- The water system type limitations and SAFER Failing or At-Risk status requirements do not apply to the Proposition 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.

This Fact Sheet summarizes information in the 2026-27 DWSRF IUP. Please see the IUP for additional details.