

**APPENDIX K: Lead Service Line Replacement Supplemental Intended Use Plan**

California State Water Resources Control Board  
Division of Financial Assistance

Drinking Water State Revolving Fund (DWSRF)

Infrastructure Investment and Jobs Act – DWSRF  
Lead Service Line Replacement Funding

**SUPPLEMENTAL INTENDED USE PLAN**  
**STATE FISCAL YEAR 2026-27**

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## I. BACKGROUND AND PURPOSE

The Infrastructure Investment and Jobs Act (IIJA) of 2021, (P.L. 117-58) was enacted on November 15, 2021. It includes \$50 billion to the U.S. Environmental Protection Agency (U.S. EPA) to strengthen the nation's drinking water and wastewater systems – the single largest investment in clean water that the federal government has ever made.

The IIJA contains a historic \$15 billion in dedicated funding through the DWSRF for lead service line identification and replacement (LSLR). This funding is being provided to states with no match requirement. U.S. EPA will collaborate with state SRF programs to share models, guidance, and build state capacity to assist local communities and ensure LSLR funding is effectively and equitably deployed. Funding can be used for the identification, planning, design, and replacement of lead service lines (LSL).

California's allotment of the IIJA LSLR funding for federal fiscal year (FFY) 2026 is \$27,456,000. The 2026 allotment was based on the updated 7<sup>th</sup> Drinking Water Infrastructure Needs Survey and Assessment (DWINSA) data in 2023.

The State Water Board will not apply for the FFY 2026 DWSRF Lead Service Line Replacement Capitalization Grant this year. There is approximately \$196.7 million available from the FFY 2022 and FFY 2023 Capitalization Grant allocations for projects and only \$22.0 million in funding requests. Since there is significant funding available, the State Water Board will also decline California's FFY 2025 LSLR allotment. States have two years to apply for each capitalization grant; the State Water Board will only apply for the FFY 2026 Capitalization Grant next year (SFY 2027-28) if there is an increase in funding requests that exceed available funds. The period to use the DWSRF LSLR Capitalization Grant funds does not begin until capitalization grants are received by the state.

In addition, California is voluntarily de-obligating \$174.7 million in uncommitted LSLR capitalization grant previously received, leaving \$22.0 million available for projects. Program staff will continue to solicit interest in the LSLR program and will make a recommendation next fiscal year whether to apply for the 2026 allotment (SFY 2027-28 LSLR Supplemental IUP) should additional funding demand materialize. Staff will also continue to work to commit funds to systems with existing applications and re-evaluate whether to voluntarily de-obligate additional funds based on progress.

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**Table 1: Estimated Funding Available for Projects for SFY 2026-2027**

Funding Type	Total*
2022 LSLR Capitalization Grant	\$185,145,320
2023 LSLR Capitalization Grant	\$11,639,240
Proposed Voluntary De-Obligation of Uncommitted Funds	(\$174,736,0114)
<b>Total</b>	<b>\$22,048,549</b>

\* Reflects amount of Capitalization Grant remaining after Set-Asides, U.S. EPA In-Kind, and total agreements executed as of April 1, 2026. Executed agreements are presented in Section V.A. Set-Aside amounts are discussed in Section VIII.

This Lead Service Line Replacement Supplemental Intended Use Plan (LSLR Supplemental IUP) describes the State Water Board’s plan for administering the DWSRF LSLR funds in compliance with any applicable current and future guidance. The LSLR Supplemental IUP is drafted based on current U.S. EPA guidance, but DFA has the discretion to modify the requirements if allowed by subsequent guidance to be consistent with federal requirements.

## **II. PROGRAM GOALS**

California’s LSLR program will investigate the presence of LSL and appurtenances and provide a safe replacement. The LSLR funds provided under the IIJA shall be used for LSLR projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines and fittings as described in Section IV.

The State Water Board will support eligible water agencies in completing the LSL inventories, including those completed after the LCRR initial inventory deadline, with the LSLR program funding. Under the LCRR, all community and non-transient non-community water systems were required to have initial inventories submitted to the State Water Board, Division of Drinking Water (DDW) by October 16, 2024 and are required to update their inventories based on the systems’ tap sampling frequencies. Annual inventory updates will also be required by the Lead and Copper Rule Improvements (LCRI) starting on November 1, 2028. Through the LSLR program, the State Water Board will also ensure funding is available for both the publicly and privately owned portion of LSL replacements.

The LSLR program goals are in concert with the long-term and short-term goals listed in the 2026-2027 DWSRF IUP (Outcomes, Goals, Activities, and Measures), including public health benefits, ensuring program perpetuity, and expeditious use of funds.

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### III. PROGRAM REQUIREMENTS

The IJJA mandates that forty-nine percent (49%) of funds provided to the state through the DWSRF LSLR program be provided in the form of principal forgiveness (PF) and/or grants to DWSRF eligible recipients that meet the state's disadvantaged community criteria as described in section 1452(d) of SDWA.<sup>1</sup> The remainder of the funds are for repayable loans to DWSRF eligible recipients for LSLR program projects, and for set-aside activities. The State Water Board will prioritize funding under this Supplemental IUP to projects serving disadvantaged communities, including disadvantaged communities within a water system but also ensure all LSLs are identified and replaced in all other water systems by providing zero percent interest loans. Notwithstanding the requirements in the DWSRF Policy and its Appendix E (Credit/Financial Guidelines) LSLR loans may have different terms from other SRF loans because of program-specific considerations. These different terms may consist of repayable loan at 0% interest, no prepayment penalty, and a subordinate lien position. Otherwise, standard terms in the DWSRF Policy and Credit Appendix are expected to apply. The State Water Board does not intend to pledge any LSLR loans for the repayment of its SRF revenue bond program. Therefore, consistent with the State Water Board's Debt Management Policy, DWSRF LSLR program loans may be repaid at any time without penalty.

Both identification and replacement of LSLs are eligible for funding. As a condition of receiving LSL inventory funding, the State Water Board will require water systems to fund the identification of the customer-owned portion of the service lines as well as the portion owned by the water system, unless the identification has already been done. To the extent required by federal guidance and the applicable capitalization grant, any LSL replacement project funded under this appropriation must replace the entire lead service line as defined in Section IV. of this Supplemental IUP, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source. If a water system cannot gain access to conduct a full LSL replacement (i.e., if a customer refuses to grant access to replace the customer-owned portion of a lead service line), the replacement of the utility-owned portion of that particular lead service line will be ineligible unless an exception applies under U.S. EPA guidance and the terms of the applicable capitalization grant; however, the project as a whole may remain LSLR eligible. In addition, the entire length of each property's lead service line must be replaced at the same time except where it is impractical due to access constraints or local requirements that prevent completing the full LSL replacement at the same time. The time between starting and completing full LSL replacement should be as short as possible and should not exceed three months, unless extenuating

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<sup>1</sup> The State Water Board intends to provide these funds as principal forgiveness.

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circumstances<sup>2</sup> necessitate a longer replacement timeframe. To address household affordability concerns and to minimize adverse public health effects, water systems are encouraged to fund the private portion of service line replacements for disadvantaged communities at no additional cost to the homeowner and are required to do so to the extent that the water systems receive PF for the replacement projects.

All existing requirements for the DWSRF program<sup>3</sup> and execution of a DWSRF funding agreement, and the provisions of the DWSRF IUP and DWSRF Policy, apply to projects receiving DWSRF LSLR program funding and remain in effect unless the Deputy Director of DFA approves modified requirements as described in the following paragraph, or unless such requirements are inconsistent with the requirements of the IIJA or this LSLR Supplemental IUP. Applicants' LSLR projects must meet the requirements of the DWSRF program, including all state and federal cross-cutting requirements,<sup>4</sup> and be otherwise eligible DWSRF projects. In addition, projects receiving DWSRF LSLR funds must meet the specific requirements noted in 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](#)" and in any other applicable guidance.

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

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<sup>2</sup> Examples of extenuating circumstances may include, but are not limited to, weather delays, unexpected problems coordinating between state or local governments, or unexpected financing problems related to customer-owned lead service line replacements.

<sup>3</sup> If a recipient does not own or have authority over components of an LSLR project located on private property, such as the portion of the lead service line not owned by the recipient, the recipient is not required to ensure the operation and maintenance of such components. The recipient is required to operate and maintain its portion of the project for the useful life.

<sup>4</sup> All projects funded by IIJA DWSRF LSLR program funding must comply with all federal requirements that apply to DWSRF equivalency projects. Tier II environmental review set forth in Appendix F of the DWSRF IUP does not apply to such projects.

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on work on private property and limitations on industrial/commercial use do not apply to projects administered under the LSLR Supplemental IUP.

The IIJA waives the requirement of section 1452(e) of the SDWA that the state provide match for the LSLR Capitalization Grant and LSLR recipients are not required to provide any matching funds for their projects.

#### **IV. ELIGIBLE PROJECTS AND ACTIVITIES**

Community water systems and non-profit non-transient non-community water systems are eligible to receive LSLR funding. For a project or activity to be eligible for funding under this appropriation, it must be otherwise DWSRF-eligible and be a LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines. Starting with the FFY 2024 and future Capitalization Grants, galvanized lines downstream of unknowns will not be eligible for funding. However, galvanized lines downstream of unknowns are eligible while FFY 2022 and 2023 funds remain.

To define a “lead service line” for the purpose of this appropriation, U.S. EPA 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 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.”

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.

As previously stated, any project funded under this appropriation involving the replacement of a lead service line must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source, unless an exception applies. Furthermore, the entire lead service line is defined by the SDWA<sup>5</sup> as, “...a pipe and its fittings, which are not lead free (as defined in section 300g–6(d) of this title), that connect the drinking water main

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<sup>5</sup> 42 USC § 300j-19b(a)(4) (under the Reducing Lead in Drinking Water Grant Program)

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to the building inlet.” Projects must comply with all applicable state and federal requirements.

For an LSL replacement project, water systems will be required as a condition of funding to provide public health safeguards to their customers during and for a short time after the replacement of each service line. Public health safeguards may include but are not limited to the following listed below, and must meet any applicable state and federal requirements.

The LCRR and LCRI require the water system that has an approved replacement plan to follow procedures to prevent lead exposure to customers during construction. The DDW recommends a water system conducting construction on any lead pipe, galvanized pipeline requiring replacement (GRR), gooseneck, connector or fitting to:

- Inform the customer of the lead service line and work with the landowner / customer to remove all lead materials at the same time.
- Provide the person served by the water system at the service connection with educational information about the potential for elevated lead levels in drinking water as a result of the disturbance.
- Provide the person served at the service connection with flushing instructions for the building following the replacement.
- Provide a pitcher filter certified by an American National Standards Institute (ANSI) accredited certifier to reduce lead, instructions to use the filter, and six months of filter replacement cartridges or an equivalent certified ANSI point of use device registered with DDW.
- Offer to the consumer to take a follow-up tap sample after completion of the service line replacement

Below are examples of DWSRF-eligible projects and activities under the IIJA DWSRF Lead Service Line Replacement Capitalization Grants.

- Complete removal of entire lead service lines (public and privately owned portion) or service lines made of galvanized iron or galvanized steel (that are currently or have previously been downstream of lead components) and replacement with a pipe that meets the requirements established under 40 C.F.R. § 143 and which complies with state and local plumbing codes and or building codes.
- Removal of lead or galvanized goosenecks, pigtails, and connectors, and replacement with an acceptable material that meets the requirements established under 40 C.F.R. § 143 and which complies with state and local plumbing codes and or building codes.

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- Replacement of curb stops, curb stop boxes, and other service line appurtenances that are removed as part of full LSLR.
  - Site restoration, including landscaping, sidewalks, driveways, etc. if the removal was necessary to replace the lead service line.
  - Permit fees if the fees are normal, required, and specific to the LSLR. It is recommended that communities waive these fees.
  - Temporary pitcher filters or point-of-use (POU) devices certified by an American National Standards Institute accredited certifier to reduce lead during or for a short time period after LSLR projects.
  - Development or updating of lead service line inventories, including locating and mapping lead service lines.
  - Development of replacement plans, community engagement planning, development of the project scope, and technical specifications, and estimation of construction costs, regardless of whether such work results in a DWSRF funded construction project.
  - Methods of investigation to develop inventories could include visual observation, water quality sampling (non-compliance), excavation, vacuum or hydro-excavation, statistical analysis, or other emerging technologies.
  - Non-routine lead sampling (if not for compliance purposes) as part of a LSLR project.

Integrated components that are directly connected to the primary lead service line replacement project may be eligible for reimbursement. Examples of integrated components include, but are not limited to, water mains, water meters, connectors, and backflow preventers directly connected to lead service lines. Integrated components must meet all three criteria listed below:

1. Integrated components are sufficiently financially integrated into the LSLR replacement project such that the project could not proceed without their replacement (in other words, replacement of the integrated components is directly connected to the community's ability to do LSLR);
2. Integrated components needing repair or replacement are directly connected to a lead service line; and
3. Integrated components are in a disadvantaged community as described in SDWA Section 1452(d)(3).

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Applicants may be eligible to receive reimbursement of costs for previously completed lead service line inventories. Per federal limitations, PF may be provided to DACs (or to non-DAC's for costs associated with DAC areas) to reimburse inventory costs dated back to November 15, 2021, as long as the project meets all of the DWSRF requirements, including environmental crosscutters. Applicants can request repayable loan at 0% interest for LSL inventory costs incurred even prior to November 15, 2021. Previously completed LSL replacement projects are unlikely to be eligible because federal regulations require state approval prior to the start of construction.

## **V. PROGRAM SCHEDULE AND FUNDING APPROACH**

The schedule for public comment, application to the U.S. EPA, State Water Board adoption of this LSLR Supplemental IUP, and award of the LSLR funds is the same as the schedule for the SFY 2026-2027 DWSRF IUP as presented in the SFY 2026-2027 DWSRF IUP.

The State Water Board has prepared a modified funding application to be used specifically for LSLR projects. The DWSRF Policy authorizes the Deputy Director of DFA to update and amend the DWSRF Policy Appendices and create new Appendices as necessary for administrative or procedural changes not in conflict with the Policy. As a result, the new LSLR application packages were added to the DWSRF Policy as Appendix R. Applicants should use the new LSLR application packages when requesting LSLR funding. Applicants can refer to the State Water Board's website [https://waterboards.ca.gov/drinking\\_water/services/funding/lead-service-line-funding.html](https://waterboards.ca.gov/drinking_water/services/funding/lead-service-line-funding.html) and the FAAST portal <https://faast.waterboards.ca.gov/> where details of the application and supporting documentation are described in order to complete the LSLR funding application.

Projects must be on the LSLR Fundable List to receive funding. Section X provides a summary of project applications received (LSLR Fundable List). The Deputy Director of DFA may add to the LSLR Fundable List any potentially eligible projects that request DWSRF LSLR program funding for which applications have been submitted. In addition, a project added to the LSLR Fundable List will also be automatically added to the Base Program Fundable List. Beginning this year, as long as LSLR funding is available, all projects on the LSLR Fundable List are also on the Base DWSRF program Fundable List (see base DWSRF IUP for more information). The Deputy Director DFA is also authorized to bypass any project with a complete application if the applicant is non-responsive to DFA's request for information or consultation after notifying the applicant and giving the applicant a reasonable opportunity to respond, and instead fund any other LSLR eligible project that is ready to proceed to an agreement.

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## A. Recent Financing Activity

IIJA requires that forty-nine percent (49%) of the available DWSRF LSLR funds as principal forgiveness, and fifty-one percent (51%) be used for repayable loans and set-asides. Therefore, funding under this Supplemental IUP is prioritized to projects serving disadvantaged communities, including disadvantaged communities within a water system.

A portion of the LSLR allotments are also used for set-aside activities (presented in greater detail in Section VII) supporting the DWSRF LSLR Funding Program and DDW program activities. Since receiving the initial FFY 2022 allotment of LSLR funding, substantial effort was made try to commit funds to meet these percentage requirements, including holding multiple public information sessions and funding presentations, surveying eligible California water systems, coordinating with the Division of Drinking Water on funding announcements, and directly reaching out to systems based on the results of service line inventories. Funds are also being utilized through U.S. EPA in-kind services to provide technical assistance to water systems with incomplete initial inventories.

However, demands for DWSRF LSLR funds, as either repayable loan or principal forgiveness, have not materialized to the level anticipated by the 7<sup>th</sup> DWINSA. As of April 1, 2026, 89% of water systems in California have reported their service line inventories with 9,995,886 service lines assessed, of which no lines were found to be lead and 12,146 lines were found to be galvanized requiring replacement (GRR), meaning only 0.12% of service lines assessed may be eligible for LSLR funded replacement. In addition, only 848 of the inventoried lines were found to have lead connectors. As shown in Table 2, there have been five (5) funding agreements executed, all for completing inventories, totaling \$9.5 million. Currently, as seen in Section X, there are 4 applications for LSLR funding, totaling \$22.0 million.

**Table 2: Number of Executed Agreements and Total Financing per SFY**

SFY	Number of Agreements	\$ of Loan Agreements (in millions)	\$ of PF Agreements (in millions)
2024-25	3	\$5.5	\$3.4
2025-26*	2	\$0.0	\$0.6

\* Reflects agreements executed as of April 1, 2026.

## VI. FUNDING AVAILABILITY AND TERMS

Based on the recent financing activity and low application demand for LSLR funding, California is voluntarily de-obligating \$175.5 million in uncommitted LSLR capitalization grant previously received, leaving \$22.0 million available for projects, as shown in Table

3. The State Water Board has reserved principal forgiveness and set-asides in line with the percentages prescribed in the capitalization grants (49% and 25% respectively). As a result of the de-obligation, the final percentage of principal forgiveness and set-asides spent will deviate from initial US EPA guidance. The anticipated amounts are shown in Table 3.

**Table 3: Breakdown of Funding Availability for Projects**

	Capitalization Grant Allotment	Executed Agreements	Proposed Voluntary De-Obligation of Uncommitted Funds	Total Available for Projects
<b>2022 LSLR Capitalization Grant</b>				
Set-Asides	\$57.9			
Repayable Loan	\$69.7	\$5.5	(\$54.94)	\$9.28
PF	\$122.5	\$1.1	(\$119.8)	\$1.6
<b>Total 2022 LSLR</b>	<b>\$250.1</b>	<b>\$6.6</b>	<b>(\$174.7)</b>	<b>\$10.9</b>
<b>2023 LSLR Capitalization Grant</b>				
Set-Asides*	\$14.6			
Repayable Loan	\$0.0	\$0.0	\$0	\$0.0
PF	\$14.0	\$2.9	\$0	\$11.2
<b>Total 2023 LSLR</b>	<b>\$28.6</b>	<b>\$2.9</b>	<b>\$0</b>	<b>\$11.2</b>

\* Includes \$7,518,178 for U.S. EPA In-Kind funding for technical assistance. Part of 2023 Set-Asides authority was banked from 2022.

\*\* Reflects total agreements executed as of April 1, 2026.

The State Water Board will provide funding to eligible water systems to maximize the opportunities for investigation and removal of lead service lines and fittings in the state. This includes downstream galvanized pipelines and eligible private laterals.

Funding will be offered to each type of community for eligible LSLR program projects as shown in [Table 4](#) below. A disadvantaged community (DAC) means the entire service area of a community water system, or a community therein, in which the median household income is less than eighty percent (80%) of the statewide annual median

household income level. Notwithstanding the definition of “disadvantaged community” in the DWSRF Policy, the disadvantaged community definition for this Supplemental IUP allows a project for a disadvantaged area served by a larger non-disadvantaged public water system to be eligible for LSLR PF. The MHI is determined using the Census geography that best represents the public water system or disadvantaged area served by a public water system being evaluated (i.e., city/Census Designated Place [CDP] or block group). The disadvantaged area within the non-DAC may be determined at the block group level.

As the State Water Board continues receiving applications, the demand for LSLR funding will be evaluated. The Deputy Director of DFA may adjust the PF funding to eligible LSLR projects serving a DAC area within a non-DAC public water system to maximize the amount of LSLR funds being provided as PF.

**Table 4: LSLR Funding for an Eligible PWS**

<b>LSLR Program Funding Per Project</b>		
<b>Type of Community</b>	<b>Percentage of Total Eligible Project Cost</b>	<b>Funding Eligibility<sup>6</sup></b>
DAC	up to 100%	100% PF
Non-DAC	Up to 100%	100% loan at zero percent interest rate; PF may be available based on disadvantaged areas within a water system, availability of PF, and consistent with mandated 49% PF requirement

Consistent with the DWSRF Base Program rules, replacement projects financed with DWSRF LSLR program repayable loan financing will have a repayment period of up to 30 years after project completion or the expected useful life of the project, whichever is shorter. In accordance with the DWSRF Policy, inventory projects financed with DWSRF LSLR program repayable loan financing will have a repayment period of five years or ten years, at the recipient’s option. In contrast to standard DWSRF financing conditions that require the consent of the Deputy Director of DFA for prepayment,

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<sup>6</sup> DACs, at their request, may receive loan funding at zero percent (0%) interest rate if consistent with the mandated percentage of non-repayable financing. The repayment term for a loan to a DAC is up to 40 years from completion of construction or the useful life of the facilities.

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DWSRF LSLR program loans may be prepaid at any time without penalty. Notwithstanding Section IX.A.2 and X.A.4 of the DWSRF Policy, the State Water Board normally expects that the LSLR loan obligation may be placed on an applicant's subordinate lien tier, meet the coverage requirements that the applicant applies to that lien tier, and provide for the possibility of additional senior debt, all provided that credit considerations support these expectations. Per U.S. EPA's IIJA guidance dated March 8, 2022, to the extent assistance recipients repay IIJA funds or provide interest payments to the state SRF program, those repaid funds and interest can be used for any SRF-eligible purpose. Therefore, repaid DWSRF IIJA LSLR funds are not limited to future LSLR projects and activities.

The first principal payment will be due 12 months after project completion for non-disadvantaged PWS. Thereafter, DWSRF repayments are due annually.

DFA may offer DWSRF Base Program funding to applicants for project components that are eligible for DWSRF Base Program funding. Projects must also be placed on the Base Program DWSRF Fundable List in order to execute an agreement containing DWSRF Base Program funds.

If any LSLR projects are co-funded with DWSRF Base Program funds, the Base Program DWSRF IUP will govern the Base Program funds.

## **VII. ADMINISTRATION AND SET-ASIDE FUNDS**

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

For SFY 2026-27, the State Water Board will continue to utilize LSLR set-aside funds from the FFY 2022 and FFY 2023 grants, as further described below. The Deputy Director of DFA may adjust the LSLR Capitalization Grant budgets for these activities for good cause, including requesting banked administration set-aside authority from the prior LSLR Capitalization Grants and transferring any unspent set-aside funds from the LSLR Capitalization Grants to the DWSRF LSLR loan fund for encumbrance/expenditure for eligible LSL projects. The Deputy Director of DFA is also authorized to make grants, enter into contracts, and establish in-kind funding from U.S. EPA to accomplish work covered by the set-aside budgets for each DWSRF LSLR Capitalization Grant.

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The DWSRF LSLR Set-Aside Work Plan for SFY 2026-2027 will contain information about the specific tasks and full-time equivalent personnel that will be supported in DFA and DDW by the DWSRF LSLR Set-Aside budget.

### **A. Administration Set-Aside**

The Administration Set-Aside from the FFY 2022 and FFY 2023 grants will fund administration of the DWSRF LSLR program in SFY 2026-27, including remaining work through U.S. EPA in-kind services for lead service line inventories. Subject to the availability of funds, the Administration Set-Aside may also fund the processing of LSLR funding applications, project management and general oversight of DWSRF LSLR projects. The DWSRF Administration Set-Aside will also cover the costs for accounting, legal, budgetary, and general management and oversight of the DWSRF LSLR funds.

### **B. Small Water System Technical Assistance Set-Aside**

The SWSTA Set-Aside will fund DFA and DDW technical assistance to SWS applicants with 10,000 or fewer persons to help establish eligibility for DWSRF LSLR funding, assist with project development, and assist SWSs undertaking lead service line inventories or construction projects.

### **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 as it relates to LSLR activities. The Set-Aside will provide funds for DDW's permitting, inspection, compliance, and monitoring activities as they relate to LSLR and in accordance with the SDWA and delegated PWSS responsibilities by U.S. EPA.

### **D. Local Assistance Set-Aside**

The Local Assistance Set-Aside from the FFY 2022 and FFY 2023 grants will continue to be used in SFY 2026-27 to fund personnel costs of DFA and DDW working with PWSs investigating and implementing LSLR, including developing or updating LSL inventories and the development of the State Water Board's WaterTAP reporting database, which will help implement the lead and copper rule. The WaterTAP contract is projected to utilize \$25 million of LSLR set-aside funding.

To assist eligible public water systems in completing their initial lead service line inventories, the State Water Board also utilizes the local assistance set-aside to contract with third parties to complete public water systems' inventories of service lines owned by both water systems and their customers. Assistance is made available to eligible public water systems. Priority is given to eligible public water systems with 500 service connections or less serving disadvantaged communities (DAC). The assistance

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application form can be found online at [https://www.waterboards.ca.gov/drinking\\_water/services/funding/documents/2023/isl-request-form.pdf](https://www.waterboards.ca.gov/drinking_water/services/funding/documents/2023/isl-request-form.pdf).

As of May 28, 2026, there is about \$3.4 million remaining in the In-Kind Assistance budget, with 405 water systems having been assisted with completing and submitting initial inventories, conducting inspections, and guiding systems on notification requirements. It is anticipated that the remaining budget is sufficient to assist the additional 199 systems that have either already submitted their assistance application or have indicated they would.

## **VIII. LSLR CAPITALIZATION GRANT PAYMENTS AND DRAWS**

### **1. Federal LSLR Capitalization Payments**

The State Water Board is not applying for the FFY 2026 LSLR Capitalization Grant with this Supplemental IUP. Therefore, a grant payment schedule was not prepared.

### **2. LSLR Federal Draw Schedule and Estimated LSLR Project Disbursements**

The State Water Board is not applying for the FFY 2026 LSLR Capitalization Grant with this Supplemental IUP. Therefore, a draw schedule was not prepared.

## **IX. REPORTING**

The State Water Board's DFA will report on LSLR projects to the U.S. EPA through the Office of Water State Revolving Fund (OWSRF) system and the U.S. General Services Administration's SAM.gov reporting system. The LSLR project characteristics and milestone information will be reported to OWSRF, and the public water system receiving federal dollars will be reported in the SAM.gov reporting system.

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**X. LEAD SERVICE LINE INVESTIGATION/REPLACEMENT PROJECT LIST (FUNDING APPLICATIONS RECEIVED)**