
State Water Resources Control Board

TO: Greenhouse Gas Reduction Fund Program

FROM: Joe Karkoski  Digitally signed by Joe Karkoski
Deputy Director for the Division of Financial Assistance
STATE WATER RESOURCES CONTROL BOARD
Date: 2025.11.07 09:24:55 -08'00'

DATE: November 4, 2025

SUBJECT: GREENHOUSE GAS REDUCTION FUND:
STATE WATER RESOURCES CONTROL BOARD

EXPENDITURE RECORD FOR FISCAL YEAR 2025-26
SAFE AND AFFORDABLE DRINKING WATER FUND PROGRAM

This memorandum documents that the State Water Resources Control Board completed the attached Expenditure Record on November 4, 2025, for the Safe and Affordable Drinking Water (SADW) Fund Program, part of the broader Safe and Affordable Funding for Equity and Resilience (SAFER) Program. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 to support expenditures from the Greenhouse Gas Reduction Fund.

This memorandum and Expenditure Record will be submitted to the California Air Resources Board (CARB) for posting on the CARB website at: <http://www.arb.ca.gov/caclimateinvestments>. Questions on this Expenditure Record may be directed to Kristyn Abhold, Assistant Deputy Director of the Division of Financial Assistance, at Kristyn.Abhold@waterboards.ca.gov.

Attachment: Expenditure Record

cc: Kristyn Abhold

Jasmine Oaxaca

Greenhouse Gas Reduction Fund: FY 2025-26 Expenditure Record

State Water Resources Control Board
Safe and Affordable Drinking Water Fund

Authorizing legislation: Section 39719, subdivision (b)(3)(A) of the Health and Safety Code, as amended by Senate Bill (SB) 200, appropriates 5 percent of the annual proceeds of the fund, up to the sum of one hundred thirty million dollars (\$130,000,000), beginning in the 2020-21 fiscal year, and until June 30, 2026, to the Safe and Affordable Drinking Water (SADW) Fund for local assistance to fund grants, loans, contracts, or services to help water systems provide safe and affordable drinking water and for staff costs to administer the SADW Fund and implement SB 200. Beginning FY 2026-27, pursuant to Section 39719.4, subdivision (c)(1)(F) of the Health and Safety Code, as established by SB 840, the sum of one hundred thirty million dollars (\$130,000,000) is transferred to the Safe and Affordable Drinking Water Fund, following the allocation of amounts specified in subdivisions (a) and (b) as determined by the Department of Finance. Item 3940-012-0439 of the Budget Act of 2020, as added by SB 115 (Section 37), authorizes the transfer of up to \$32,500,000 each quarter as a loan from the Underground Storage Tank Cleanup Fund Account to the SADW Fund for each quarter in which the amount transferred from the Greenhouse Gas Reduction Fund to the SADW Fund is less than \$32,500,000.

Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.

Agency that will administer funding

- State Water Resources Control Board (State Water Board)

Amount of proposed expenditure and appropriation reference

- The total appropriated for FY 2025-26 is up to \$130 million, per Section 39719 (b)(3)(A) of the Health and Safety Code.
 - Of the \$130 million appropriation for FY 2025-26, approximately \$15.7 million will go towards staff administration and implementation costs and \$114.3 million (plus an additional \$200 million from prior FYs) will go towards projects that focus on solutions for small, disadvantaged communities (DACs) and low-income households or projects that reduce GHG emissions.

Estimated amount of expenditures for administering agency administrative costs

- Expenditures from the SADW Fund are available for State Water Board costs associated with the implementation and administration of the program.
- Administering agency administrative costs are estimated to be approximately \$5.9 million, or 4.5 percent.

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- An additional \$9.8 million are expected to go towards staff costs to implement other aspects of the program mandated by SB 200.

Identify how any interest earned on appropriated funds will be used, including any interest earned by third-party administrators

- Interest is not earned on the appropriation.

If applicable, identify laws or regulations that govern how funds will be used

Relevant statutes include:

- SB 200 established the program and provides the general framework for how the funds will be administered, including project and recipient eligibility. All funds will be allocated and managed in accordance with this law.
- Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund (SADW Fund Policy, May 2020, amended October 2021).
- FY 2025-26 Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund (FEP, November 2025).
- Related legislation in 2021 and 2022 included: SB 155, SB 170, SB 776, and AB 180.
- Assembly Bill (AB) 1532 (Perez, Chapter 807, Statutes of 2012), SB 535 (de Leon, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), SB 862 (Budget and Fiscal Review Committee, Chapter 36, Statutes of 2014), and AB 1550 (Gomez, Chapter 369, Statutes of 2016) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32.

Continuation of existing Expenditure Record

This is a continuation of existing expenditure records completed on November 6, 2019, October 6, 2020, October 21, 2021, November 15, 2022, October 6, 2023, and August 20, 2024 for the SADW Fund.

Project Type(s)

- Expenditures from the SADW Fund will focus on solutions for small DACs and low-income households. The following are examples of project types.
 - Interim replacement water
 - Planning and construction for drinking water systems
 - Physical or managerial consolidation
 - Administrator funding
 - Operation and maintenance of drinking water systems
 - Technical assistance (TA)
 - Climate adaptation and resiliency of small community drinking water systems
 - Regional programs that assist communities served by state small water systems and domestic wells

Describe the projects and/or measures that will be eligible for funding

- Expenditures from the SADW Fund will focus on solutions for small DACs and low-income households.
 - Planning, construction, and repair of long-term sustainable improvements to drinking water systems, increasing their resiliency to climate change.
 - Operation and maintenance costs to help deliver an adequate supply of safe drinking water in both the near and long term (e.g., via a water rate subsidy).
 - Operation and maintenance costs for systems identified for potential administrator appointment.
 - TA in support of long-term sustainable improvements to drinking water systems, increasing their resilience to climate change.
 - TA to further opportunities to reduce the unit cost of providing drinking water through organizational improvements, operational efficiency improvements, and other options and approaches to reduce cost.
 - Interim solutions while the long-term sustainable solutions are being planned/constructed, including the provision of replacement water (e.g., bottled and/or hauled) and providing funding for administrator services.
 - Provide job development and training programs related to the identified long-term sustainable solution to the drinking water system.
 - Outreach efforts that seek to directly engage and involve local community residents and community-based organizations.

Intended recipients

- Public agencies
- Nonprofit organizations
- Public utilities
- Mutual water companies
- Federally recognized California Native American tribes
- Non-federally recognized Native American tribes on the contact list maintained by the Native American Heritage Commission
- State Water Board-appointed Administrators of public water systems
- Groundwater sustainability agencies
- Qualified drinking water TA Providers (effective September 23, 2021)

Program structure and process for selecting projects for funding

- Grant agreements and contracts will be awarded to assistance providers and administrators to provide interim solutions and provide necessary planning work toward long-term solutions for water quality, accessibility, and affordability issues and to provide safe and affordable drinking water.
- The existing, non-competitive, continuous solicitation processes will be used to award grants in accordance with the terms outlined in the FY 2025-26 FEP for the SADW

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Fund, the SFY 2025-26 Drinking Water State Revolving Fund Intended Use Plan, and/or the Cleanup and Abatement Account Funding Program Guidelines, as appropriate.

- In general, priority will be given to projects serving small disadvantaged and/or low-income communities and households that also benefit public health.
- Specific FY 2025-26 priorities defined by the FEP include:
 - Address community and school water systems that were failing in 2019.
 - Expedite planning through use of technical assistance for failing systems and communities served by failing domestic wells.
 - Accelerate technically and financially feasible long-term solutions, like consolidations, for failing systems and communities served by failing domestic wells.
 - Continue existing programs to support communities served by domestic wells and state small water systems where other assistance is not available.
 - Ensure assistance is distributed consistent with the goals and direction provided in the State Water Board's Racial Equity Resolution and associated Racial Equity Action Plan.

Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

How the expenditure is consistent with the Investment Plan and the Scoping Plan

- Expenditures through the program are consistent with the Investment Plan and the Scoping Plan by addressing the critical need for developing community drought resilience and reducing health and social inequities by providing safe and affordable drinking water for all. Capital projects generally include GHG reduction and climate adaptation components with water saving measures (e.g., new water distribution systems that have fewer leaks than older systems; new pumps that are more energy efficient; new treatment systems that eliminate the need for bottled water).

Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Describe how expenditures will facilitate the achievement of GHG emission reductions in the State

- SB 200¹ requires that expenditures will facilitate the achievement of GHG emission reductions in the state or, in accordance with SB 200, improve climate change adaptation and resiliency of priority populations such as DACs or low-income households or communities.
- Expenditures will help achieve adaptation and resiliency to climate change by funding projects and or/measures to enhance the long-term sustainability of drinking water systems, prioritizing solutions for small DACs and low-income communities confronted with reduced surface water flows, accelerating declining groundwater levels, and increasing concentrations of environmental contamination that has been exacerbated by climate change.
- Capital projects generally include GHG reduction and climate adaptation components with water saving measures (e.g., new water distribution systems that have fewer leaks than older systems; new pumps that are more energy efficient; new treatment systems that eliminate the need for bottled water).

Explain when GHG emission reductions and/or co benefits are expected to occur and how they will be maintained

- Long-term sustainable improvements to drinking water systems will begin increasing resiliency to climate change as construction projects are completed for an average period of 20 to 50 years based on the expected life of the improvement(s).
- TA and the preparation of planning documents are key steps in determining long-term sustainable solutions that will have long-term benefits in increasing resiliency to climate change. Approximately \$183 million from the SADW Fund has been committed to TA multi-year agreements, intended to help expedite getting projects through the planning process and ready for construction.

¹ SB 200 provides direction to the SWRCB for completing Element 2 and Element 3 of this expenditure record. The statute states: "For purposes of the funds made available pursuant to subdivision (a), a state agency may also comply with the requirements of paragraphs (2) and (3) of subdivision (a) of Section 16428.9 of the Government Code by describing how each proposed expenditure will improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities."

Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency

- Projects funded by the SADW Fund are prioritized for drinking water systems serving small DACs and low-income communities to implement long-term sustainable projects to provide safe and affordable drinking water in the short- and long-term. In addition, the implementation of long-term projects will aid in assisting DACs and low-income communities in becoming more resilient to climate change by reducing their susceptibility to drought-induced water shortages.

How the project will support other objectives of AB 32 and related statutes

- Directs public investment toward the most disadvantaged communities in California.
- Improves climate adaptation and resiliency of DACs and low-income communities by providing more reliable sources of drinking water that are less susceptible to drought-induced water shortages.
- Provides job development and training programs to disadvantaged and low-income communities.

Percentage of total funding that will be expended for projects that are located in and benefit priority populations² per CARB guidance

- The State Water Board anticipates that \$114.3 million of the FY 2025-26 appropriation of \$130 million (plus an additional \$200 million from prior FYs) will go towards projects that focus on solutions for small, DACs and low-income households or projects that reduce GHG emissions (approximately 88 percent).

Describe the benefits to priority populations per CARB guidance

- Projects will directly assist disadvantaged and low-income communities in adapting to climate change.
- Improving resiliency and climate change adaptation needs of low-income³ communities is a goal of the State Water Board's SAFER Drinking Water Program and stated in the FY 2025-26 FEP.
- Any priority population benefits determined will be consistent with CARB guidance.

² Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. See Section VII.B Funding Guidelines for more information on the definitions of priority populations.

³ A low-income household per AB 1550. See Section IV of the SADW Fund Policy for more information on the definitions of priority populations.

Explain strategies the administering agency will use to maximize benefits to disadvantaged communities

- Expenditures from the SADW Fund will focus on solutions for small DACs and low-income households or projects that reduce GHG emissions.
- The SAFER Advisory Group was formed in 2019 to inform each annual FEP and includes some members who are residents served by community water systems in disadvantaged and/or low-income communities.

Explain how the administering agency will avoid potential substantial burdens or harm to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens or harm

- The State Water Board will consult directly with communities through various means including TA, workshops, and public comments on program guidelines to identify potential burdens or harm. The agency will make programmatic adjustments to eligibility criteria, and ultimately funding decisions, as necessary to avoid potential substantial burdens or harm to disadvantaged and low-income communities.

Element (5) A description of how the administering agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB guidance

- The State Water Board will require funding recipients to maintain records and submit quarterly status reports. In addition, the State Water Board will conduct periodic reviews of selected projects. If a funding recipient does not perform in accordance with program requirements, the recipient will be subject to the remedies for non-performance, as identified in the State Water Board's guidelines or the grant agreement.
- The State Water Board has also identified several metrics for the SAFER Drinking Water Program in the FY 2025-26 FEP (Section III and Appendix C) which will continue to be tracked as the Program is implemented and reported on in future annual FEPs.

Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion

- The State Water Board will provide a summary of projects through the required semi-annual reporting to CARB, including the climate change resiliency measures taken.
- The State Water Board will calculate benefits achieved from projects using CARB-developed quantification methodologies.

Type of information that will be collected to document results, consistent with CARB guidance

- The State Water Board will collect data on project location, baseline water quality and resiliency to climate change, type of upgrade that was installed, expected quantification period, and other data, as applicable and as specified in CARB guidance.
- To determine the job benefits, the State Water Board will compile data from funding recipients on the quality and quantity of jobs provided, consistent with CARB guidance.

How the administering agency will report on program status

- The State Water Board will report to CARB consistent with CARB guidance. The State Water Board will provide regular updates on the program, including expenditure amounts, the number and type of agreements executed and other benefits, as applicable (e.g., number of construction projects completed, and jobs supported). Reports will also include information on project outcomes for a subset of projects.

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- State Water Board staff also report to its Executive Director, Board Members, and stakeholders through the Executive Director's Reports, annual updates to the Board at State Water Board meetings, and at SAFER Advisory Group meetings.