



Fact Sheet

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

HELPFUL DEFINITIONS:

- **Disadvantaged Community (DAC):** median household income (MHI) < 80% statewide MHI
- **Severely Disadvantaged Community (SDAC):** MHI < 60% statewide MHI.
- **Small Community:** < 3,300 connections or < 10,000 people.
- **Expanded Small Community:** 3,300 – 6,600 connections or 10,000 – 20,000 people.
- **Medium DAC:** 20,000 - 100,000 people and with MHI < 80% statewide MHI.
- **Consolidation:** joining 2 or more public water systems, state small water systems, or affected residences not served by a public water system, into a single public water system.
- **Category A-C Projects:** high priority projects that address public health issues (waterborne disease, water exceeds primary standards or surface water is inadequately treated, insufficient source or water delivery capacity, etc.).
- **Category D-F Projects:** other eligible projects (water meters, community water systems with a single source and no backup supply, water exceeds secondary standards, etc.).
- **Incentive Project:** a drinking water construction project, often separate from a consolidation project, that solely benefits a Receiving Water System.
- **Receiving Water System:** takes in a new service area as part of a consolidation.

PLANNING GRANTS / PRINCIPAL FORGIVENESS (PF):

- Available for projects that serve small DACs.
- No cap on planning grant. Rather, planning grants count towards the total cost a community is eligible for over a 5-year period including planning, technical assistance, and construction funding.

CONSTRUCTION GRANTS / PF:

Type of Community	Residential Water Rates as a % of MHI	% of Total Eligible Project Cost	Max Amount Per Connection*
Category A – C and/or Consolidation Projects			
Small DAC, Small SDAC, Eligible NTNC That Serves a Small DAC, Expanded Small DAC/SDAC, Medium DAC**, or Small Non-DAC with MHI < 150% of Statewide MHI**	N/A	up to 100%	\$60,000 (up to \$80,000 for good cause)
Category D – F Projects			
Small DAC/SDAC or Eligible NTNC That Serves a Small DAC	N/A	up to 100%	\$45,000 (up to \$60,000 for good cause)
Expanded Small DAC/SDAC	>=1.5%		
	<1.5%	Not Eligible for PF/Grant	
* The Deputy Director of DFA may approve financing for construction projects with a total eligible project cost up to \$6 M regardless of the amount per connection.			
** Except for case-by-case exceptions, maximum of \$20 million per project for Medium DAC or Small Non-DAC.			

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CONSOLIDATION INCENTIVES:

During SFY 2021-22, the State Water Board plans to continue to offer incentives to encourage consolidation, especially of Public Water Systems (PWSs) experiencing serious drinking water public health issues. The Division of Financial Assistance may offer a Receiving Water System* the following for their Incentive Project in exchange for completing a consolidation(s):

- PWS fully consolidates 1 or more communities (at least 15 connections or 25 people)
 - Up to \$10 million in 0% financing per consolidated community/water system for an Incentive Project; and
 - Grant funding up to \$3k/connection when consolidating a system that does not qualify as a small DAC, \$5k/connection when consolidating a small DAC, or up to \$10k/connection when consolidating a small SDAC water system for an Incentive Project. Max of \$5 million grant per consolidated community/water system.
- PWS either managerially consolidates or provides water via an interconnection (where separate water system permits still exist), or a master meter agreement to one or more small community water system (where separate water system permits still exist).
 - Up to \$2 million in 0% financing for an Incentive Project; and
 - Grant funding of up to \$2.5k/connection when managerially consolidating or providing water via an interconnection/master meter to a small DAC water system or up to \$5k/connection for a small SDAC water system for an Incentive Project. Max of \$1 million grant per water system.
- PWS acts as an administrator to one or more SCWSs.
 - Up to \$5 million in 0% financing for an Incentive Project; or
 - Grant funding of up to \$2.5k/connection when acting as an administrator for a small DAC water system or up to \$5k/connection for a small SDAC water system for an Incentive Project. Max of \$1 million grant per water system.

*** Receiving Water System must be a voluntary participant (not mandatory consolidation) to receive incentive funding.**

FUNDING FOR CONSOLIDATIONS:

DFA will continue to require that all funding applicants evaluate the feasibility of consolidation to be eligible for DWSRF construction funding. 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. There may be unique cases where a non-consolidation improvement project is necessary as an interim step to support future consolidation opportunities, and grant/PF eligibility for such projects will be evaluated on a case-by-case basis.

As part of a consolidation project, reasonable and necessary connection fees or source capacity fees may be eligible for 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 infrastructure improvements are being funded with grant/PF.

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FUNDING FOR PRIVATELY-OWNED SYSTEMS:

Privately-owned water systems that serve small, expanded small or medium DACs may be eligible for grant/PF based on the following criteria:

- **Consolidation projects:** eligible for 100% grant/PF funding, regardless of project category.
 - The system owner's ability to pay will not be considered in determining funding for reasonable connection fees and constructed facilities that will be owned and operated by the Receiving Water System, except to the extent required by the funding source.
 - For other work occurring on private property, the Deputy Director may waive the ability to pay analysis, to the extent allowed by the funding source, when available information indicates either: the system owner has no other commercial assets other than the property associated with the system; or that necessary improvements to complete the consolidation are likely to result in negligible appreciation of the value of the system owner's property.
 - In most cases, funding will be provided to the Receiving Water System. 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. The Deputy Director of DFA may reduce or limit reimbursement of connection fees if infrastructure improvements are being funded with grant/PF.
- **Non-consolidation Category A-C projects:** work on private property may be eligible for up to 100% grant/PF. The system owner's ability to pay is considered when determining the grant/PF amount to be provided for construction projects. Planning projects may receive 100% grant/PF or be funded through Technical Assistance.
- **Non-consolidation Category D-F projects:** the system owner's ability to pay will be considered in determining whether to provide any financial assistance.

FUNDING FOR WORK ON PRIVATE PROPERTY RELATED TO DOMESTIC WELLS:

For projects that consist of consolidation of homes not currently served by a PWS, work on private property including items such as laterals, well destruction, or backflow prevention, can qualify for grant/PF if the community being consolidated is a DAC. If available MHI data for the community doesn't appear representative for some or all of the households served by the consolidation project, household income verification may be required. 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.