



State of California

FY 2021-22 Fund Expenditure Plan

Safe and Affordable Drinking Water Fund



Prepared by:

THE DIVISION OF FINANCIAL ASSISTANCE

STATE WATER RESOURCES CONTROL BOARD

STATE OF CALIFORNIA

October 8, 2021

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FY 2021-22 Fund Expenditure Plan

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I. EXECUTIVE SUMMARY

Senate Bill (SB) 200 (Ch. 120, Stats. 2019) established the Safe and Affordable Drinking Water Fund (SADW Fund or Fund) and requires the annual adoption of a Fund Expenditure Plan (Plan). Expenditures from the Fund will complement other funding sources as part of the broader Safe and Affordable Funding for Equity and Resilience (SAFER) Drinking Water Program (Program), which includes General Fund appropriations, general obligation bond funds, and funding available through annual Drinking Water State Revolving Fund (DWSRF) capitalization grants. The SAFER Program also encompasses regulatory efforts to protect drinking water, community engagement to identify needs and solutions, data collection and assessment to promote sound decision-making, and information management to provide transparency and accountability. The SAFER Program's goal is to provide safe drinking water in every California community, for every Californian.

The inaugural statewide safe and affordable drinking water needs assessment (Needs Assessment), released in April 2021, included a risk assessment, cost assessment, and affordability assessment for public water systems (PWSs), state small water systems (state smalls) and domestic wells. The results of the Needs Assessments inform the Fund Expenditure Plan as it is updated each year.

Results of the 2021 Needs Assessment (included as Appendix A) indicated that:

- It is important to address the fragmentation and proliferation of small, underperforming systems through consolidation (including regional-scale consolidations). Strategic consolidations at a regional-scale have the potential to decrease project costs when considered on a per connection basis.
- 326 water systems with 3,300 connections or less (343 total) were on the December 21, 2020 version of the Human Right to Water (HR2W) list, i.e., a list of systems that “consistently fail” to meet primary drinking water standards
- Approximately 620 PWSs (25% of those assessed¹) were determined to be at-risk of failing to sustainably provide a sufficient amount of safe and affordable drinking water.
- Approximately 80,000 (32%) of the assessed domestic wells and 610 (49%) of the state smalls with available data were located in aquifers with high risk of groundwater contamination.
- The estimated total cost of implementing the interim and long-term solutions, for the projected number of water systems and domestic wells that need assistance within the next five years, is approximately \$10.25 billion. This projected cost includes estimated grant-eligible costs of \$3.25 billion, such as capital, planning, technical

¹ The Risk Assessment for PWSs was conducted for community water systems with 3,300 service connections or less and all non-transient non-community water systems (NTNCs) which serve K-12 schools.

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assistance (TA) costs, etc. The total cost estimate also includes the long-term local cost share needs of \$7 billion.

- An additional estimated \$2.1 billion in grant funding and \$2.6 billion in loan funding (financing) is needed to address failing and At-Risk systems and domestic wells over the next five years, after using all currently available State Water Board funding sources.
- Approximately 512 water systems (33% of systems assessed) that serve economically disadvantaged communities (DACs) exceeded at least one of three affordability indicator thresholds.

Based on the 2021 Needs Assessment and building on previously established priorities and policies, the expenditures from the Fund for FY 2021-22 will focus on solutions for small DACs and low-income households, and seek to:

- (1) Address any emergency or urgent funding needs expeditiously, where other emergency funds are not available and a critical water shortage or outage could occur without support from the Fund;
- (2) Address community water systems (CWSs) and school water systems consistently out of compliance with primary drinking water standards or at-risk of failing;
- (3) Accelerate consolidations for consistently out of compliance or at-risk systems, as well as state smalls and domestic wells, and promote opportunities for regional-scale consolidations;
- (4) Expedite planning through use of TA for systems out of compliance, at-risk systems, as well as state smalls and domestic wells;
- (5) Provide interim solutions, initiate planning efforts for long-term solutions, and fund capital projects for state smalls and domestic wells with source water above a primary maximum contaminant level (MCL) or at risk of running dry due to drought; and
- (6) Ensure assistance is distributed in a manner consistent with the goals and direction provided in the State Water Board's Racial Equity Resolution and associated Racial Equity Action Plan.

These priorities expand on those established in the adopted FY 2020-21 Fund Expenditure Plan to specify that expenditures from the Fund will focus on solutions for small DACs and low-income households, address emergency or urgent funding needs expeditiously, address CWSs and school water systems at-risk of failing, promote regional-scale consolidations, and add a priority related to expediting planning through use of TA. A new priority was also added for consistency with the State Water Board's proposed Racial Equity Resolution and associated Racial Equity Action Plan.

Up to \$130 million will be available from the Fund for local assistance and state operations. The target allocations of the Fund for FY 2021-22 (Table ES-1) are consistent with the priorities and will be used in conjunction with other available complementary funding from the larger SAFER Program. Fund resources will be used

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to address funding gaps (i.e., where other funding sources cannot be used or are not sufficient) and to expedite priority projects (e.g., where other available funding resources have additional constraints that result in longer timelines for completing a funding agreement or providing reimbursement).

The FY 2021-22 target allocations are in addition to projects already funded in FY 2020-21 and prior. Items to note include:

- Solutions are primarily focused on small DACs and low-income households.
- Funds targeted for TA for PWSs are intended to assist with completing all planning tasks necessary to accelerate moving projects towards construction. These funds are also intended to be used to help address the large number of systems considered to be at risk of failing based on the 2021 Needs Assessment.
- Funds targeted for planning, construction, and direct² operation and maintenance (O&M) and construction will be prioritized to support consolidation (including regional-scale consolidation) efforts (shown to be highly cost effective in the 2021 Needs Assessment) via consolidation incentives.
- Significant investments are proposed to help address the large numbers of state smalls and domestic wells identified as being at high risk of groundwater contamination (based on the 2021 Needs Assessment) or at high risk of being impacted by drought via interim water supplies and emergency funding and TA.

More details on the breakdown of the allocations are presented in Section III.B.

The Budget Act of 2021 and subsequent related bills included four appropriations that directly impact the larger SAFER Program.

- \$985 million in Federal funding from the Coronavirus Fiscal Recovery Fund of 2021 to address COVID-19 pandemic related CWS customer arrearages.
- \$1.3 billion in General Fund local assistance for drinking water and wastewater infrastructure. \$650 million will go towards drinking water infrastructure and \$650 million will go towards wastewater infrastructure.
- \$10 million in General Fund local assistance for interim or immediate solutions to drinking water drought emergencies. (More information on how drought response is part of the larger SAFER Program is included in Section V.B.4).
- \$30 million in General Fund local assistance for technical and financial assistance to drinking water systems to address Per- and Polyfluoroalkyl Substances (PFAS).

Overall, over \$2.1 billion, at least \$1.1 billion of which is available for capital projects, is anticipated to be available for use in FY 2021-22 from complementary funding sources that make up the larger SAFER Program. Anticipated funds available for projects in FY

² Indirect O&M support for a PWS may be provided via TA, appointment of an administrator, and/or a planning project.

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2021-22 (i.e., uncommitted balances) from the larger SAFER Program are summarized in Table ES-2.

Table ES-1 provides target funding allocations by solution type and water system category. The State Water Board authorizes the Deputy Director of the Division of Financial Assistance (DFA) or designee to make adjustments to these targets in response to opportunities or challenges that may require shifting funding from one category to another, up to and including the entire amount of funding designated for that category.

In addition to administering the Fund, resources for staff will be used for implementation of SB 200 to engage communities to support community-based solutions, accelerate consolidation (including regional-scale consolidation) efforts, expedite planning through use of TA, appoint administrators to failing water systems, assess overall funding needs, identify state smalls and domestic wells in aquifers at high risk of having contaminants over MCLs, and implement information management tools to support transparency and accountability.

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Table ES-1. FY 2021-22 SADW Fund Target Allocations (in millions)

Water System Category	Interim Water Supplies and Emergencies	Technical Assistance (includes Planning)¹	Administrator¹	Planning¹	Direct O&M Support¹	Construction	<i>SUBTOTAL BY WATER SYSTEM CATEGORY</i>
Systems Out of Compliance or At-Risk	\$10	\$30	\$5	\$3	\$7	\$15	\$70
State Smalls/ Domestic Wells	\$30.3	\$10	\$0	\$0	\$0	\$5	\$45.3
<i>SUBTOTAL BY SOLUTION TYPE</i>	\$40.3	\$40	\$5	\$3	\$7	\$20	
TOTAL							\$115.3
Other Program Needs	Pilot Projects	Contracts	Staff Costs				
	\$0	\$1.5	\$13.2				
GRAND TOTAL							\$130

¹ Provides Direct/Indirect O&M Support

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Table ES-2. FY 2021-22 SAFER Program Anticipated Funding Availability for Projects (SADW Fund plus complementary funding) (as of June 30, 2021)

Funding Category ¹	Funding Source	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Direct O&M Support	Planning/Construction	FY 2021-22 Available Funds
SADW Fund²	FY 2021-22 ³	Y	Y	Y	Y	Y	\$115,300,000
	FY 2020-21	Y	Y	Y	Y	Y	\$12,369,548
General Fund²	Arrearages ⁴				Y		\$985,000,000
	Infrastructure ^{4,5}					Y	\$617,500,000
	Drought ^{4,5}	Y				Y	\$9,500,000
	PFAS ^{4,5}		Y			Y	\$28,500,000
	AB 72	Y		Y		Y	\$16,563,211
	AB 74	Y			Y	Y	\$8,729,173
General Obligation Bond Funding	Prop 1 DW		Y				\$12,094,591
	Prop 1 GW					Y	\$67,000,000
	Prop 68 DW				Y	Y	\$127,423,575
	Prop 68 GW				Y	Y	\$28,000,000
	Prop 84	Y				Y	\$4,968,288
DWSRF Principal Forgiveness	DWSRF					Y	\$95,704,383
DWSRF Repayable Financing/Loans⁶	DWSRF					Y	\$30,000,000
						TOTAL	\$2,158,652,769

¹ All allocations may be used for projects for at-risk systems.

² SADW Fund and General Fund allocations may be used for projects for state smalls and domestic wells implemented by an eligible recipient.

³ The FY 2021-22 allocation of the SADW Fund is \$130 million minus estimated staff costs.

⁴ General Fund allocations for Arrearages, Infrastructure, and Drought are from the Budget Act of 2021 and subsequent amendments by SB 129 and SB 170.

⁵ Amounts shown for Infrastructure, Drought, and PFAS are the allocations minus 5 percent for state operations/administrative costs.

⁶ This is an estimate of the amount of repayable loan financing that may be expended for small DAC projects that also receive grant funding. The total amount

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of anticipated repayable loan financing that is expected to be committed in FY 2021--22 can be found in the DWSRF Intended Use Plan (IUP). Additional repayable loan financing is available for small DAC projects, if needed.

Since the SADW Fund was established, the SAFER Program has benefitted California communities (including areas served by PWSs, state smalls, and domestic well communities) by providing:

- (1) Interim supplies of safe drinking water;
- (2) Executed and completed preliminary planning assistance projects; and
- (3) Long-term solutions.

Table ES-3 shows progress in both FY 2019-20 and FY 2020-21 for these three metric categories. Additional discussion of performance metrics is included in Section X.

**Table ES-3. SAFER Program Performance
(in Number of Communities)**

Category	FY 2019-20 Progress (7/1/2019 – 6/30/2020)	FY 2020-21 Goal	FY 2020-21 Progress (7/1/2020 – 6/30/2021)
Interim Solutions¹	173	150	426
Planning Assistance	72	100	171
Long-term Solutions	67	100	81

¹ The count for Interim Solutions includes 62 communities and 364 households

II. INTRODUCTION

This Fiscal Year (FY) 2021-22 Fund Expenditure Plan for the SADW Fund is part of the State Water Board's larger SAFER Program. The State Water Board administers the SAFER Program primarily through its Division of Drinking Water (DDW), DFA, and Office of Public Participation (OPP). The SAFER Program's goal is to provide safe and affordable drinking water in every California community, for every Californian – given that limited funding is available, the State Water Board has a responsibility to ensure that monies from the SADW Fund are utilized towards this goal.

The Fund was established by SB 200 in July 2019 to address funding gaps and provide solutions to water systems, especially those serving DACs, to address both their short- and long-term drinking water needs. Further details about the Fund, its purpose, as well as the purpose and goals of the larger SAFER Program are included in Section I of the Policy for Developing the Fund Expenditure Plan for the Safe and Affordable

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Drinking Water Fund (Policy), adopted by the State Water Board on May 5, 2020 (with proposed amendments to be considered for adoption on October 19, 2021).

The Fund complements the State Water Board's existing suite of financial assistance programs, which are generally limited to addressing capital infrastructure. The Fund allows for an expansion of entities and types of projects that are eligible for funding (see Policy Sections V, VI, and VII). Other funding sources administered by the State Water Board's DFA for drinking water projects include: Proposition 1 (Prop 1) and Proposition 68 (Prop 68) Groundwater, Prop 68 Drinking Water, the State Water Pollution Cleanup and Abatement Account (CAA), General Fund appropriations, and the DWSRF, which offers repayable, low-interest financing and loans with partial or complete principal forgiveness. Additionally, the Budget Act of 2021 appropriated \$2.3 billion towards drinking water projects. The Fund, and these other complementary funding sources (further discussed in Section II.B), constitute the larger SAFER Program.

Any expenditures from the Fund in FY 2021-22 must be consistent with this Plan. Complementary funding sources administered by the State Water Board will be used to address the needs and priorities identified in this Plan to the extent allowed by law and applicable policies.

In February 2016, the State Water Board adopted Resolution No. 2016-0010 which identifies the human right to water as a top priority and core value of the Water Boards. Pursuant to Water Code section 106.3, "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." That resolution is foundational to the work carried out under the SAFER Program.

The State Water Board is currently considering adoption of a Racial Equity Resolution, which will provide goals and direction to ensure racial equity issues and concerns are integrated into decisions made by the State Water Board, including funding decisions. As an initial step to ensure that the annual Fund Expenditure Plans are consistent with the Racial Equity Resolution and the associated Racial Equity Action Plan, this year's Plan includes a new Racial Equity performance metric category to start the process of collecting the information needed to evaluate whether assistance is being provided in a manner consistent with the Racial Equity Resolution (see Section X.D). Should the State Water Board adopt the Racial Equity Resolution, State Water Board staff plan to work with the SAFER Advisory Group and other stakeholders to develop potential changes to the Policy to ensure that the appropriate racial equity lens is being applied to each annual Fund Expenditure Plan. In addition, State Water Board staff will gather readily available demographic information for the systems that are identified on the HR2W list or at-risk list that are part of the annual needs assessment. Additional steps and the scope of effort related to ensuring the annual Fund Expenditure Plan is

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consistent with any adopted Racial Equity Resolution will be identified as staff engage with the SAFER Advisory Group and interested stakeholders.

II.A. Plan Purpose and Objective

Per Health and Safety Code section 116768, the purposes of the Fund Expenditure Plan are to:

- (1) Identify PWSs, state smalls, and regions where domestic wells consistently fail or are at risk of failing to provide an adequate supply of safe drinking water, the causes of failure, and appropriate remedies;
- (2) Determine the amounts and sources of funding needed to provide safe drinking water or eliminate the risk of failure to provide safe drinking water; and
- (3) Identify gaps in supplying safe and affordable drinking water and determine the amounts and potential sources of funding to minimize or eliminate those gaps.

This Plan supports the short- and long-term goals for the SAFER Program (see Policy Section I.A) and discusses the Statewide Needs Assessment, funding capacity and distribution of funds; prioritization of solutions for water systems, administrators, TA, interim solutions, emergencies, O&M, state smalls, and households supplied by domestic wells; other activities (e.g., community engagement and workforce development); financing and programmatic requirements; outcomes, goals, and metrics; and a schedule for public comment and adoption of this Plan.

The State Water Board convened an Advisory Group in December 2019 to provide input into the development of this Plan, the Policy, and overall implementation of the Fund. More information on activities of the Advisory Group in FY 2020-21 is presented in Section VI.D.

II.B. SAFER Program Complementary Funding

The Budget Act of 2021 included \$985 million from the Coronavirus Fiscal Recovery Fund of 2021 to forgive residential and commercial customer arrearages and water enterprise revenue shortfalls where those arrearages and revenue shortfalls occurred during the period commencing March 4, 2020, through June 15, 2021, as a result of the COVID-19 pandemic.

The Budget Act of 2021 also included \$1.3 billion for drinking water and wastewater infrastructure. These funds will go towards projects that have been under development and seeking funding from the State Water Board and that can meet applicable construction timelines. Funds will be prioritized for projects that benefit small communities and/or DACs, consolidations, and regional solutions. \$650 million of the \$1.3 billion will go towards drinking water infrastructure. The remaining \$650 million will go towards wastewater infrastructure.

The DWSRF program finances infrastructure improvements to address public health risks. In accordance with federal rules, the DWSRF program prioritizes financing for

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projects that (1) address the most serious human health risks, (2) are necessary to comply with federal Safe Drinking Water Act (SDWA) requirements, and (3) assist PWSs most in need on a per household basis. Repayable, low-interest financing and partial or total principal forgiveness are available through the DWSRF. Approximately \$47 million in principal forgiveness is expected to be available from the DWSRF capitalization grant that the United States Environmental Protection Agency (U.S. EPA) is anticipated to provide to California during federal fiscal year 2021. As of June 30, 2021, the anticipated amount of principal forgiveness available from the DWSRF to go towards projects is \$126 million.

Prop 68, the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 allocated \$250 million for drinking water and clean water financial assistance for PWS infrastructure improvements and related actions to improve water quality or help provide clean, safe, and reliable drinking water. As of June 30, 2021, the anticipated amount available to go towards projects is \$128 million.

Prop 68 also included \$80 million for treatment and remediation activities that prevent or reduce the contamination of groundwater that serves as a source of drinking water (Prop 68 Groundwater). After completing two solicitations, the State Water Board has made remaining uncommitted funds available for DAC drinking water treatment projects that are consistent with Prop 68. The Prop 68 Groundwater Grant Program Guidelines are waived for these projects, which will instead be implemented consistent with this Plan. Agreements will include terms required by Prop 68, including monitoring and reporting requirements. Projects should incorporate efficient use and conservation of water where feasible. As of June 30, 2021, the anticipated amount available to go towards projects is \$28 million.

Prop 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Assembly Bill [AB] 1471, Rendon) 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. The State Water Board's guidelines for the Prop 1 drinking water funds are updated annually, in conjunction with the applicable annual DWSRF IUP. As of June 30, 2021, the anticipated amount available to go towards projects is \$12 million.

Prop 1 also included \$720 million for the prevention and cleanup of contamination of groundwater that serves or has served as a source of drinking water (Prop 1 Groundwater Grant Program). The Prop 1 Groundwater Grant Program Guidelines identify drinking water treatment projects that benefit DACs or Economically Distressed Areas (EDAs)³ as eligible projects. Subject to Prop 1 requirements, these projects are

³ "Economically Distressed Area" is defined in Water Code section 79702, subdivision (k) to mean a municipality with a population of 20,000 persons or less, a rural county, or a reasonably isolated and divisible segment of a larger municipality where the segment

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funded via the DWSRF process, and many of the requirements in the Prop 1 Groundwater Grant Program Guidelines are waived. As of June 30, 2021, the anticipated amount available to go towards projects is \$67 million.

SB 862 (Chapter 449, Stats 2018), AB 72 (Chapter 1, Stats 2018), and AB 74 (Chapter 23, Stats 2019) made appropriations from the General Fund to help provide drinking water systems, schools, and homeowners with funding to address numerous challenges to the provision of safe, reliable drinking water. These bills authorize the State Water Board to provide grants for administrators, urgent drinking water needs, water system emergencies, and various household needs including tanks and hauled water, well and septic system replacement, permanent connections to public systems, and point of use (POU)/point of entry (POE) treatment systems. The funds available and status of each program are detailed in Appendix B. As of June 30, 2021, the anticipated amount available from older appropriations of the General Fund to go towards projects is \$25.3 million.

The Budget Act of 2021 included \$30 million in General Fund local assistance for technical and financial assistance to drinking water systems to address PFAS. This funding program will be developed in FY 2021-22.

The Budget Act of 2021 also included \$10 million in General Fund local assistance for emergency interim or permanent solutions to drinking water drought emergencies. Interim solutions may include hauled water, bottled water, vending machines, POU/POE treatment, and emergency interties. Permanent solutions may include new wells, rehabilitating wells, and permanent connections to adjacent water systems.

The CAA is established by Water Code sections 13440-13443. The sources of the CAA include: General Fund appropriations; criminal or civil penalties for water quality violations; repayments of CAA loans; and interest. (Wat. Code, § 13441). Consistent with the CAA Funding Program Guidelines, adopted by the State Water Board on December 11, 2018, available funds may be awarded to 1) projects that clean up waste and/or abate the effects of waste on waters of the State; or 2) projects that address urgent drinking water needs. Due to the transition to the statewide accounting system (FI\$Cal), a recent reconciled account balance for the CAA is not available; however, it is estimated that less than \$1 million of the funds in the CAA are not committed to projects or other obligations.

The Drinking Water for Schools (DWFS) grant program was initially appropriated and has awarded \$9.5 million in grant funds to school districts to improve access to, and the quality of, drinking water in public schools. Funds were awarded to over 70 school

of the population is 20,000 persons or less, with an annual median household income that is less than 85% of the statewide median household income, and with one or more of the following conditions: (1) Financial hardship; (2) Unemployment rate at least 2% higher than the statewide average; (3) Low population density.

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districts pursuant to SB 828 (the Budget Act of 2016), consistent with the DWFS Guidelines adopted by the State Water Board on May 16, 2017. An additional \$6.8 million was authorized in the Budget Act of 2018. Guidelines for the additional funding were adopted on June 18, 2019, and funding was awarded to two nonprofit organizations (Rural Community Assistance Association and Self-Help Enterprises) with a focus on addressing schools receiving drinking water that exceeds primary MCLs. All DWFS funds have been encumbered.

II.C. Updates to the Fund Expenditure Plan

The inaugural Fund Expenditure Plan, for FY 2020-21, was adopted by the State Water Board on July 7, 2020 and will be updated annually as required by statute. The Deputy Director of DFA may make clarifying, non-substantive amendments to this Plan. The Deputy Director of DFA may also substantively update and amend the appendices included in this Plan.

III. FY 2021-22 TARGETS AND SOLUTION LISTS

III.A. General Funding Approach and Prioritization

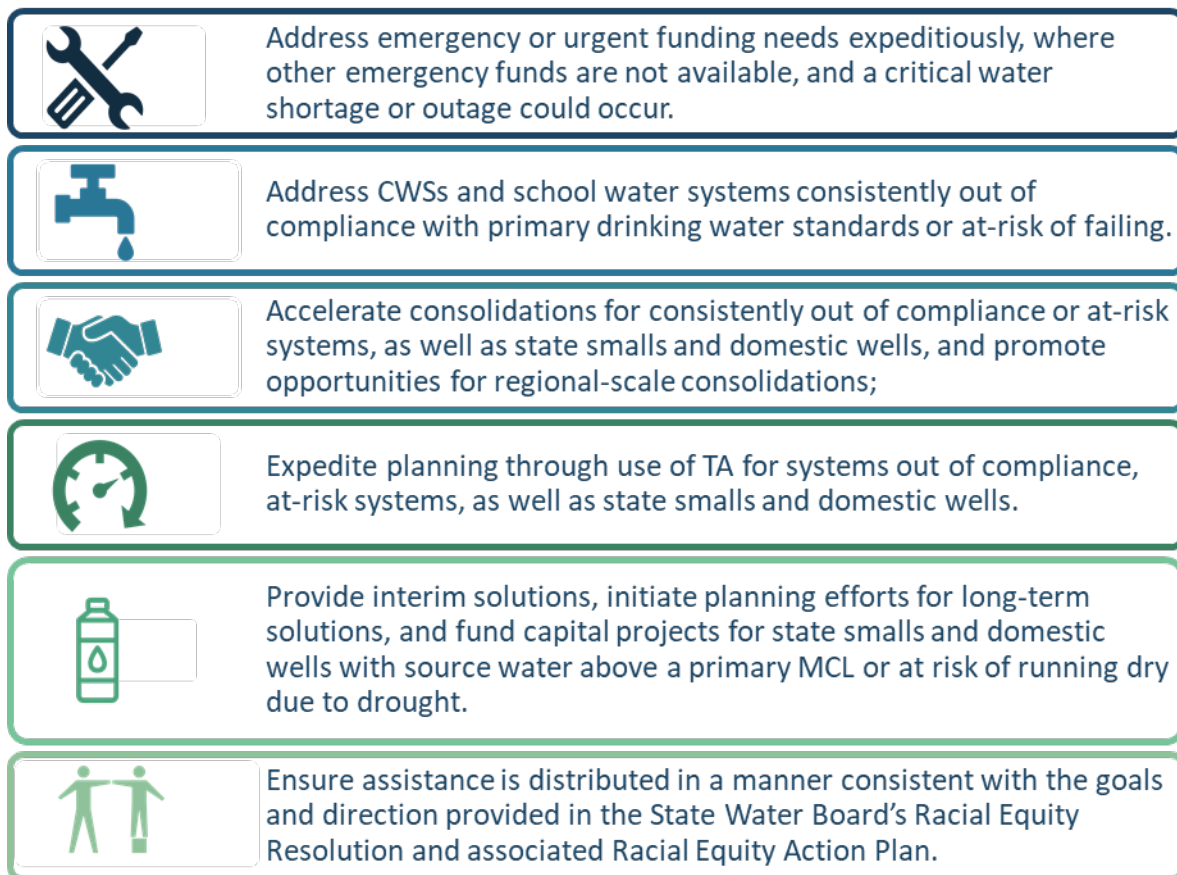
DFA will manage the Fund in concert with the other complementary drinking water funding, including the Small Community Grants Drinking Water⁴ (SCG DW) and DWSRF programs, to provide grants, affordable financing, and other types of assistance to drinking water systems to achieve the long-term goals of the larger SAFER Program. In general, the new 2021 infrastructure funding, SCG DW, and DWSRF will be used to support priority capital infrastructure projects. The Fund will be used to address funding gaps for capital and non-capital projects that otherwise cannot be funded with other funding sources. The Fund may be used to fund or supplement priority capital projects when statutory or other restrictions (e.g., funding caps) of other funding sources would otherwise prevent the priority project from being implemented. The Fund does not have funding limits per project or applicant, but larger projects may be taken to the State Water Board for approval at the discretion of the Deputy Director of DFA.

The expenditures from the Fund for FY 2021-22 will focus on solutions for small DACs and low-income households, as shown in Figure 1.

⁴ “Small Community Grants Drinking Water Programs” means small community grant funds available for drinking water projects from various general obligation bonds.

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Figure 1. FY 2021-22 SADW Fund Expenditure Priorities⁵



These priorities expand on those established in the adopted FY 2020-21 Fund Expenditure Plan to address emergency or urgent funding needs expeditiously, address CWSs and school water systems at-risk of failing, and add a priority related to expediting planning through use of TA. The SAFER Program will be implemented consistent with the above priorities and the requirements and restrictions of each respective funding program. Within each priority category, for routine and non-controversial projects, DFA may commit SADW funding to a given project after a complete application has been submitted and DFA has completed its review of the application package. DFA may provide TA support for those water systems that require help to complete an application or manage a project. In addition, DFA will work with DDW staff and Local Primacy Agencies (LPAs) where enforcement or compliance action are required to ensure a water system is making a good faith effort to seek financing and timely complete any funded project. For example, DDW or an LPA may need to issue or propose to issue fines to water systems that are not making adequate

⁵ The FY 2021-22 SADW Fund expenditure priorities will focus on solutions for small DACs and low-income- households.

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progress in completing a planning project to address a contaminant that exceeds a primary MCL.

III.B. SADW Fund Target Allocations (FY 2021-22)

The target allocations from the SADW Fund for FY 2021-22 are provided below in Table 1. The projected distribution is described for different water system categories (Systems Out of Compliance; Systems at Risk; State Small Systems/Domestic Wells) and Other Program Needs (Contracts; Staff Costs). Within each water system category, the projected distribution among solution types is also provided. The FY 2021-22 target allocations are in addition to projects already funded in FY 2020-21 and prior. Detailed discussion on each solution type is provided Section IV.

The Deputy Director of DFA is authorized to fund projects consistent with these targets and will use the targets as a guide for prioritizing and making funding decisions. Actual FY 2021-22 encumbrances will likely differ from the targets based on factors such as the challenges described in Section VI.A.1.

The projected target allocations for FY 2021-22 are based on the six priorities described above in Section III.A and shown in Table 1 broken out by water system category and solution type. These target allocations are discussed below in Section III.B.1. Table 2 provides an estimate of anticipated funding available for FY 2021-22 (i.e., uncommitted balances) across the larger SAFER Program, which includes the SADW Fund plus complementary funding, broken out by funding category and solution types able to be funded by each funding source.

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Table 1. FY 2021-22 SADW Fund Target Allocations (in millions)

Water System Category	Interim Water Supplies and Emergencies	Technical Assistance (includes Planning)¹	Administrator¹	Planning¹	Direct O&M Support¹	Construction	<i>SUBTOTAL BY WATER SYSTEM CATEGORY</i>
Systems Out of Compliance or At-Risk	\$10	\$30	\$5	\$3	\$7	\$15	\$70
State Smalls/ Domestic Wells	\$30.3	\$10	\$0	\$0	\$0	\$5	\$45.3
<i>SUBTOTAL BY SOLUTION TYPE</i>	\$40.3	\$40	\$5	\$3	\$7	\$20	
TOTAL							\$115.3
Other Program Needs	Pilot Projects	Contracts	Staff Costs				
	\$0	\$1.5	\$13.2				
GRAND TOTAL							\$130

¹ Provides Direct/Indirect O&M Support

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Table 2. FY 2021-22 SAFER Program Anticipated Funding Availability for Projects (SADW Fund plus complementary funding) (as of June 30, 2021)

Funding Category ¹	Funding Source	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Direct O&M Support	Planning/Construction	FY 2021-22 Available Funds
SADW Fund²	FY 2021-22 ³	Y	Y	Y	Y	Y	\$115,300,000
	FY 2020-21	Y	Y	Y	Y	Y	\$12,369,548
General Fund²	Arrearages ⁴				Y		\$985,000,000
	Infrastructure ^{4,5}					Y	\$617,500,000
	Drought ^{4,5}	Y				Y	\$9,500,000
	PFAS ^{4,5}		Y			Y	\$28,500,000
	AB 72	Y		Y		Y	\$16,563,211
	AB 74	Y			Y	Y	\$8,729,173
General Obligation Bond Funding	Prop 1 DW		Y				\$12,094,591
	Prop 1 GW					Y	\$67,000,000
	Prop 68 DW				Y	Y	\$127,423,575
	Prop 68 GW				Y	Y	\$28,000,000
	Prop 84	Y				Y	\$4,968,288
DWSRF Principal Forgiveness	DWSRF					Y	\$95,704,383
DWSRF Repayable Financing/Loans⁶	DWSRF					Y	\$30,000,000
						TOTAL	\$2,158,652,769

¹ All allocations may be used for projects for at-risk systems.

² SADW Fund and General Fund allocations may be used for projects for state smalls and domestic wells implemented by an eligible recipient.

³ The FY 2021-22 allocation of the SADW Fund is \$130 million minus estimated staff costs.

⁴ General Fund allocations for Arrearages, Infrastructure, and Drought are from the Budget Act of 2021 and subsequent amendments by SB 129 and SB 170.

⁵ Amounts shown for Infrastructure, Drought, and PFAS are the allocations minus 5 percent for state operations.

⁶ This is an estimate of the amount of repayable loan financing that may be expended for small DAC projects that also receive grant funding. The total amount

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of anticipated repayable loan financing that is expected to be committed in FY 2021--22 can be found in the DWSRF Intended Use Plan (IUP). Additional repayable loan financing is available for small DAC projects, if needed.

III.B.1.FY 2021-22 SADW Fund Target Allocation Details

The projected target allocations for FY 2021-22, shown above in Table 1, are discussed below.

By Solution Type

- **Interim Water Supplies and Emergencies** – The anticipated funding for interim water supplies and emergencies (\$40.3 million) is equivalent to providing approximately 22,300 households with bottled water (at \$75 /month/ household) for two years. The \$5 million for systems out of compliance or at-risk will be focused on interim water supplies like bottled water or hauled water for systems outside the Central Valley. Emergency repair and O&M funding is still available through AB 74 (approximately \$8 million) for systems out of compliance or at-risk that serve DACs. The \$30.3 million for state smalls and domestic wells will be invested in developing regional bottled water, well testing, and/or POU/POE programs with counties (or other local partners) with the highest numbers of state smalls and/or domestic wells either in high risk aquifers or at risk of water shortage. The funding for interim solutions for systems out of compliance or at-risk will be focused on communities with a population of less than 1,000 people. The focus for interim solutions will be on low-income households and identifying the lowest cost option based on the anticipated timeframe for providing a long-term solution.
- **Technical Assistance (TA)** – Significant investments in TA were made in both FY 2019-20 and 2020-21, primarily to support accelerated planning efforts for systems out of compliance; to support consolidations; and to provide enhanced assistance to water systems to address technical, managerial, and financial (TMF) capacity deficiencies. The proposed FY 2021-22 TA investments of \$40 million will supplement work with systems out of compliance, and focus more resources on at-risk systems to accelerate planning through TA and help them avoid going out of compliance and to invest more in state smalls and domestic well owners that are in high risk aquifers. The \$30 million for PWSs will provide sufficient funding for approximately 60 planning projects through TA. The \$10 million associated with TA for state smalls and domestic wells will go towards a mix of specific projects and regional efforts at the county scale funded through TA providers. The significant investment in TA for FY 2021-22 also anticipates an increase in agreements with new TA providers, given recent legislation to broaden eligible recipients of SADW Funds to include TA providers, which are entities the State Water Board has determined are competent to provide TA services.
- **Administrator** – The appointment of administrators is expected to continue to ramp up in FY 2021-22 as the program matures. DFA will also continue to develop master service agreements with entities qualified to act as administrators which should

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increase the administrative efficiency of the program. The AB 72 appropriation for administrators will be available for use (\$10 million) and \$5 million is anticipated from the SADW Fund. Combined, this could fund administrator appointments for two-year terms for between 15 and 30 systems. In FY 2021-22, DDW anticipates completion of the orders for 10 water systems and initiation of five new administrator projects.

- **Planning and Construction** – The anticipated Planning and Construction funding for systems out of compliance or at-risk will be used in conjunction with complementary funding when limitations apply to those complementary funding sources either due to statutory funding caps or due to availability of funding. For at-risk systems, planning and construction funding will focus on supporting consolidation efforts, primarily by providing additional incentives for large systems to consolidate smaller systems voluntarily. In some cases, planning funds may be more appropriate for regional-scale consolidation efforts being undertaken by larger entities with significant capacity, rather than having planning completed through TA. It is anticipated that construction funding for state smalls and domestic wells will be used to supplement existing State Water Board grant programs that finance extension of service or well repair/replacement in areas with contamination or wells that have gone dry.
- **Direct O&M Support** – The focus of direct O&M support will be on assisting larger systems that are subsuming smaller water systems, through consolidation incentive projects eligible through the applicable DWSRF IUP. Direct O&M support will help address deferred maintenance or revenue shortfall associated with consolidation of the subsumed system during an interim period. The interim O&M assistance is expected to last until such time as required infrastructure upgrades have been completed and appropriate water rate adjustments applicable to the subsumed system have been made. In some cases, direct O&M support may be provided to smaller standalone water systems as part of a pilot study, but only when physical or managerial consolidation is not an option due to the remote location of the water system. Interim O&M support may also be provided for PWSs with an appointed administrator, where revenues are not sufficient to cover costs, or in cases where it is unknown whether revenues are adequate. Applications for direct O&M support will be considered for funding on a case-by-case basis. Direct O&M support is also available in FY 2021-22 through the O&M Pilot (discussed in Section VI.C) and Prop 68 Groundwater.

Other Program Needs

- **Contracts** – \$1.5 million is reserved for contracts that may be executed in FY 2021-22 for items such as data management improvements and/or a program

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performance audit⁶ to more closely evaluate the funding process and identify areas to improve administrative efficiency. The funding process is discussed in Section VIII.A.

- **Staff Costs** – In addition to funding projects/local assistance, the SADW Fund is used to support State Water Board staff costs for administration and implementation of SB 200 through 71 staff positions, which were authorized through the budget process. Anticipated SAFER Program staff costs for FY 2021-22 are \$13.2 million (this takes the costs from FY 2020-21 and assumes a return to normal salaries for staff). Staff cost obligations associated with existing program positions must be met. More information on the SAFER Program Resources is included in Section VI.B.

III.C. Funding Solution List for Systems Out of Compliance

Per Health and Safety Code section 116769, subdivision (a)(2), the Fund Expenditure Plan shall contain a list of systems that consistently fail to provide an adequate supply of safe drinking water. The list shall include, but is not limited to, all of the following:

- Any PWS that consistently fails to provide an adequate supply of safe drinking water.
- Any CWS that serves a DAC that must charge fees that exceed the affordability threshold established by the board in order to supply, treat, and distribute potable water that complies with federal and state drinking water standards.
- Any state small that consistently fails to provide an adequate supply of safe drinking water.

The list of PWSs that fail to provide an adequate supply of safe drinking water is the same as the HR2W list and is presented with funding information in Appendix C. Such systems are out of compliance with drinking water standards and have been issued an enforcement action by DDW. A list of CWSs that serve DACs that charge fees that exceed the affordability threshold is available from the [Affordability Assessment Data Spreadsheet](#) (see Affordability Assessment tab) of the 2021 Needs Assessment. This list will be updated following further refinement of the affordability threshold as mentioned in Section VII.D. A list of state smalls that consistently fail to provide an adequate supply of safe drinking water is not currently available. Counties are not required to provide the State Water Board information about whether a state small is failing. The State Water Board will work to collect this information from counties on a voluntary basis to better inform future iterations of the Needs Assessment.

Priority for funding projects for systems out of compliance will be based on consideration of both the type of problem and the type of system or solution. Funding is also dependent on whether the applicant (or TA provider working on behalf of an eligible

⁶ Pending audit by the State Auditor of the State Water Board's safe drinking water programs as requested by the Joint Legislative Audit Committee expected to begin within the next year.

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entity) has submitted a complete application and is ready to proceed with entering into a funding agreement.

Type of Problem

- (1) Whether the water delivered by the system poses an immediate health risk or is from an untreated or at-risk source; and
- (2) Whether the water system has other chronic compliance⁷ or water shortage problems.

Type of System/Solution

- (1) Assisting DACs served by a PWS or low-income households served by a state small to receive access to safe drinking water as quickly as possible (both near-term and long-term);
- (2) Promoting the consolidation (including regional-scale consolidation), or extension of service and supporting appointed administrators;
- (3) Funding solutions other than those related to capital construction costs when complementary funding sources are available; and
- (4) Assisting small non-DACs with contaminants above the MCL.

The FY 2021-22 Funding Solution List for Systems Out of Compliance identifies existing and potential solutions that are approved for funding, have requested funding, or may request funding from the State Water Board as of May 2021 and includes information on the following:

- Population
- Number of connections
- County
- Analyte that the system is in violation for which the funding is addressing
- Type of solution(s) with existing or potential funding (O&M support [TA, Interim, Planning, Direct O&M Support, Administrator], construction, and consolidation [initiated discussions, voluntary, or mandatory process])
- Costs (existing funding with approved costs and potential funding with requested costs)

The Funding Solution List for Systems Out of Compliance is ordered by systems under review for next steps, then systems with projects that are delayed or require further action, followed by systems that are on schedule to compliance. The order by which water systems are listed on the Funding Solution List for Systems Out of Compliance does not reflect priority for funding. It is also important to note that some water systems will self-fund projects or receive funding from sources other than the State Water Board to fund their compliance project.

⁷ Chronic compliance problems include persistent violations of secondary MCLs.

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Table 3 is a summary of the FY 2021-22 Funding Solution List for Systems Out of Compliance (Appendix C), which includes a total of 341 systems out of compliance, serving 873,007 people for a total of approximately of \$639.5 million (approved and requested funding only).

Table 3. Summary of FY 2021-22 Funding Solution List for Systems Out of Compliance (as of June 30, 2021)

Solution Category	Projected Number of Solutions	Existing Funding Being Provided	Funding Being Requested/ Potential Funding Need²
Technical Assistance	122	\$7,488,972	--
Interim Solutions	335	\$4,352,772	\$154,388,556
Planning ¹	57	\$7,396,773	\$10,876,350
Construction ¹	77	\$129,027,228	\$325,957,208
TOTAL	591	\$148,265,745	\$491,222,114

¹ Consolidation costs are counted within the planning and construction line items.

² Potential funding need is for providing interim solutions only for PWSs with primary MCL violations. Planning and construction amounts are funding requests from submitted applications in the review/approval process. Refer to Appendix C for additional information.

III.D. Funding Solution List for At-Risk Water Systems

Per Health and Safety Code section 116769, subdivision (a)(3), the Fund Expenditure Plan shall contain a list of PWSs, CWSs, and state smalls that may be at risk of failing to provide an adequate supply of safe drinking water.

The Funding Solution List for At-Risk Systems is included as Appendix D and includes 617 PWSs (including CWSs) considered to be At-Risk based on the 2021 Needs Assessment⁸. A list of state smalls that may be at risk of failing to provide an adequate supply of safe drinking water based on the results of the 2021 Needs Assessment is available at:

<https://gispublic.waterboards.ca.gov/portal/home/item.html?id=9a0fba449b1e4ef0aa92254009c49a50#>.

Priority for funding projects for at-risk systems will be based on consideration of both the type of problem and the type of system or solution.

⁸ FY 2020-21 Fund Expenditure Plan's Funding Solution List for Potential At-Risk Systems included systems that may be considered at-risk per Section XI.F of the Policy with existing and potential solutions that were either approved for funding or had requested funding from the State Water Board as of June 2021.

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Type of Problem

- (1) Whether the water system is at risk of failing to deliver drinking water that meets primary drinking water standards absent infrastructure improvements within the next three years; and
- (2) Whether the water system has other chronic compliance or water shortage problems.

Type of System/Solution

- (1) Assisting DACs served by a PWS or low-income households served by a state small;
- (2) Promoting the consolidation (including regional-scale consolidation), or extension of service and supporting appointed administrators; and
- (3) Funding solutions other than those related to capital construction costs when complementary funding sources are available.

The FY 2021-22 Funding Solution List for At-Risk Systems includes information on the following:

- Population
- Number of connections
- County
- Project Classification
- Type of solution(s) with existing or potential funding (O&M support [TA, Interim, Planning, Direct O&M Support, Administrator], construction, and consolidation)
- Costs (existing funding with approved costs, potential funding with requested costs)

The Funding Solution List for At-Risk Systems is ordered alphabetically by water system name. The order by which water systems are listed on the Funding Solution List for At-Risk Systems does not reflect priority for funding.

Table 4 is a summary of the FY 2021-22 Funding Solution List for At-Risk Systems (Appendix D), which includes a total of 617 at-risk systems, serving 369,939 people for a total of approximately of \$131 million (approved and requested funding only).

**Table 4. Summary of FY 2021-22 Funding Solution List for At-Risk Systems
(as of June 30, 2021)**

Solution Category	Projected Number of Solutions	Existing Funding Being Provided	Funding Being Requested
Technical Assistance	82	\$6,349,668	--
Interim Solutions	26	\$3,971,419	--
Planning*	45	\$7,146,422	\$9,174,470

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Solution Category	Projected Number of Solutions	Existing Funding Being Provided	Funding Being Requested
Construction*	51	\$53,522,166	\$50,692,987
TOTAL	204	\$70,989,675	\$59,867,457

*Consolidation costs are counted within the planning and construction line items.

III.E. Consideration of Greenhouse Gas Reduction Fund Requirements

The expenditures from the Fund originating from monies transferred from the Greenhouse Gas Reduction Fund (GGRF) will be used for the purpose of facilitating the achievement of reductions of greenhouse gas emissions or help achieve adaptation and resiliency to climate change by enhancing the long term sustainability of drinking water systems in GGRF Disadvantaged Communities, GGRF Low-Income Communities, and GGRF Low-Income Households. Additionally, projects funded will assist communities confronted with impacts to source waters that have been exacerbated by climate change, such as reduced surface water flows, accelerating declining groundwater levels, and increasing concentrations of contaminants. Per Policy Section VI.B, projects and services may be funded for non-DACs if the project reduces greenhouse gas emissions.

GGRF expenditures from the Fund will be administered in compliance with the Funding Guidelines for Agencies that Administer California Climate Investments (CCI) ([GGRF Funding Guidelines webpage](#)). Key items from the August 2018 GGRF Funding Guidelines for Program Administration (Section IV.A. of the GGRF Funding Guidelines) are included as Appendix E.

III.F. Tribal Considerations

There are approximately 90 federally recognized tribal CWSs, 23 NTNCs, and 15 transient water systems in California. Information on the status of individual tribal PWSs can be found on the [U.S. EPA's Envirofacts Safe Drinking Water Search for Tribes in EPA Region 9 webpage](#).

Per the 2021 Tribal Needs Assessment results (Section VII.E), there were 13 HR2W list tribal equivalent systems, representing a population of approximately 17,400 people. Two of the 13 HR2W list tribal equivalent systems had U.S. EPA funding projects in progress to address the violation. The remaining 11 water systems that potentially may need state funding assistance represent a population of approximately 17,330 people. Two of those 11 water systems are ineligible for U.S. EPA funding because they do not serve tribal homes.

Federally regulated tribal water systems are not required to sample contaminants regulated by California. Therefore, it is expected that there will be a comparatively lower percentage of public health violations and available chemical data compared with State regulated systems. Planning and construction funding for tribal water systems can be obtained from the U.S. EPA, in addition to being available from the State.

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However, O&M funding is not available from federal sources and may be an area of potential need for tribes. Organizations that focus on serving tribal communities may also be eligible to serve as TA providers.

IV. FUNDING PRIORITIZATION BY SOLUTION TYPE

IV.A. Interim Solutions and Emergencies

Although the goal of the SAFER Program is to ensure long-term, sustainable supplies of safe drinking water, it will be necessary, in many communities, to fund interim solutions. Interim solutions will help provide community members with access to safe drinking water while long-term solutions are being planned and constructed. Emergency improvements or repairs to existing water systems may also be necessary to ensure safe drinking water.

IV.A.1. Prioritization of Requests for Interim Solutions

Interim solutions will be prioritized for small systems or domestic wells, serving small DACs or low-income households, with contaminants above primary MCLs or response levels. The initial focus will be on contaminants with acute toxicity, such as nitrate, except where other parties are providing interim solutions (e.g., Central Valley Salinity Alternatives for Long-Term Sustainability [CV-SALTS] Management Zone groups). In addition to the normal application process through the State Water Board's Financial Assistance Application Submittal Tool (FAAST), State Water Board staff or TA providers will outreach directly to communities identified as needing interim solutions per the Needs Assessment, the prioritization process outlined in Section III, or other available information.

Interim solutions will be focused on those households that can least afford to purchase their own bottled water, so DFA will generally require income verification for a household to receive bottled water or other type of interim solution. DFA will also accept analysis from providers of interim solutions demonstrating that all households in the community are, or are likely to be, below the applicable household income thresholds. After interim solutions are in progress, longer-term TA or planning needs will also be evaluated and addressed.

As shown in the 2021 Needs Assessment, the cost of providing interim solutions for all impacted households exceeds the available funding. Therefore, the provision of an interim solution will be evaluated based on the following criteria: a) whether the contaminant has an acute or chronic health impact; whether there are multiple contaminants; and the levels of contaminants; b) whether another entity has responsibility; c) cost-effectiveness; d) technical feasibility; and e) size of community (smaller communities will be given preference over larger communities), with a focus on communities with a population of under 1,000.

Interim solutions may include POU/POE systems, hauled water, bottled water, vending machines/filling stations, temporary connections to safe water sources, or purchasing

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water at a higher cost (e.g., outside of a wholesale agreement or using other's water rights). Cost-effective and feasible solutions will vary by community size and types of contaminants. DFA will support the SAFER Program goal to use alternatives to bottled water wherever feasible and cost-effective. Some communities may require a combination of these solutions. In some cases, interim solutions may take a phased approach, e.g., immediate short-term provision of bottled water while POU/POE treatment is piloted and implemented. In other cases, an interim solution may be the only feasible long-term solution for a community.

Whenever appropriate, State Water Board staff will seek to work with systems and entities to promote regional-scale solutions that address multiple DACs, as opposed to a series of individual projects or services to increase efficiency and decrease administrative burden. Some examples currently being funded include: a statewide program for interim water supplies at small, disadvantaged schools serving drinking water that is not meeting standards, a regional program for tanks and hauled water, and programs to address interim water needs at water systems and/or households across one or more counties.

IV.A.2. Prioritization of Requests for Emergency Funding

Emergency funding will be prioritized for small systems that serve small DACs or low-income communities where there is the greatest threat to public health and safety. DFA staff will also consider the applicant's access to or ability to qualify for alternative funding sources. The State Water Board will make every effort to access, and require applicants to access, other funds available to address emergency needs, including other State, federal, or local funds.

Emergency funding generally refers to system-level emergency improvements or repairs (e.g., well replacement or emergency interties) to address unforeseen needs experienced by individual water systems (see Policy Section VIII.D). Emergency funding requests are accepted on a continuous basis to address needs as they arise. An eligible applicant may apply for emergency funding directly with DFA. If the affected water system is located in the Central Valley, emergency funding may be available through a new program with Self-Help Enterprises.

In some cases, assistance with interim water supplies (i.e., bottled water) may also be provided to ensure safe water is available while emergency improvements or repairs are implemented. Longer-term TA or planning needs can be subsequently evaluated and addressed, as needed. Since the long-term goal is for all systems to become sustainable, emergency funding may be conditioned on the system working to improve asset management and financial planning or taking other actions as directed by the State Water Board to improve the system's TMF capacity. In addition, systems that do not have an adequate emergency response plan or reserves to address "routine" emergencies (e.g., well pump failure or ruptured distribution lines) will be evaluated as candidates for appointment of an administrator or potential consolidation.

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Emergency funding is not to serve as an expedited path to funding for non-emergency projects. Emergency requests submitted in an attempt to circumvent the regular funding process for long-term solutions will not be approved.

IV.B. Technical Assistance

The State Water Board will provide grant funding to TA providers to provide a variety of services geared toward accelerating the implementation of solutions. Some examples include, but are not limited to, preliminary planning, engineering and environmental studies, funding application assistance, TMF assessments, rate studies, income surveys, financial audits and accounting services, negotiating consolidation agreements, and resolving entity formation or ownership issues. Funding will also be provided to community outreach organizations to engage with the community for input into the assessment and determination of solutions. The State Water Board has historically provided TA to small DACs through funded TA providers and will continue to expand those efforts under the SAFER Program using the SADW Fund. Small, non-DACs may also receive TA, with a focus on consolidations and addressing out-of-compliance systems. DFA accepts TA requests on a continuous basis. A 'Request for Technical Assistance Form' is utilized by community members, water systems, regulators, nonprofits, or others to report a specific TA need which is then processed by DFA staff. If the request is approved, a service-specific work plan is developed for the appropriate TA provider.

Effective September 23, 2021, the list of eligible funding recipients for monies from the SADW Fund would include TA providers, meaning that the State Water Board would be able to directly fund a "technical assistance provider", defined as a person whom the State Water Board has determined is competent to assist a water system by providing administrative, technical, operational, legal, or managerial services. DFA staff will develop a Request for Qualifications (RFQ) process to pursue agreements with new potential TA providers.

Criteria that will be used to evaluate the competency of an entity or person interested in being recognized as a TA provider include: 1) demonstrated knowledge and experience in successfully providing any combination of administrative, technical, operational, legal, or managerial services to drinking water systems in California, as well as working with DACs; 2) number of systems assisted; 3) demonstrated successful outcome in bringing a water system into compliance; completing a consolidation; reducing or eliminating factors that put the system at risk of not providing safe water; and/or demonstrable enhancement of the technical, managerial, and administrative capacity of the water system; 4) demonstrated success in outreach and engagement with community members; and 5) ability to provide TA to multiple water systems concurrently in a defined region of California or statewide. The Deputy Director of DFA is delegated the authority to identify other criteria and evaluation factors, as necessary, to conduct the RFQ, or otherwise identify qualified TA providers.

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With greater resources and more eligible services available under the SAFER Program, a more comprehensive and proactive approach is planned. State Water Board staff (through DDW, DFA, and OPP) or TA providers will outreach directly to water systems identified as needing TA per the annual Needs Assessment, the prioritization process outlined in Section III, and other available information. In general, TA will be prioritized for systems that appear to be struggling to make timely progress toward the implementation of long-term solutions. TA funded by the State Water Board may also be used to assist water systems in applying for funding from other state or federal funding programs (e.g., Department of Water Resources' (DWR's) Small Community Drought Funding Program, etc.) State Water Board staff will also work on establishing programs with new TA providers to expand types of services and coverage as well as distribute workload better as existing TA providers become more strained with resources and capacity to continue to provide high-quality TA services.

IV.B.1. Expanded Technical Assistance Services

Under the SAFER Program new types of services and pilot programs are being provided and will continue to be developed. New services include providing 0 percent (%) interest revolving bridge loans (via a third-party provider) for interim construction financing, and emergency fund grants. Pilot programs under development funded by the SADW Fund include offering O&M bridge loans for eligible water systems that are experiencing revenue shortfalls due to COVID-19. TA providers will also be partnering with small water systems and providing assistance through technical experts who will assist by providing mutual aid and assistance, leveraging their expertise, to assist in consolidation efforts with larger entities when feasible. These services will be provided consistent with the scope of work that is developed for each program, and the capabilities of the current TA providers, and may not be available at the statewide level. DFA plans to expand access to these programs by continuing to work with and provide funding to new and existing TA providers.

In order to accelerate the implementation of long-term solutions, the State Water Board will use TA providers to accelerate the planning efforts for small systems prioritizing those serving small DACs or low-income households by providing planning through TA to support the submittal of a complete application for construction funding. Consistent with the priorities established in the DWSRF IUP, planning through TA may be provided for systems out of compliance and consolidation projects. Additionally, now equipped with the results of the 2021 Needs Assessment, TA will also be utilized to accelerate planning for At-Risk systems. In general, planning tasks will include development of an engineering report, a cost estimate, plans and specifications, and necessary environmental documentation for the most feasible solution.

In addition, for greater efficiency under the SAFER Program, the State Water Board may use a regional approach where appropriate and provide pooled services to multiple systems within an area to reduce costs. In all cases, DFA staff will be assigned to oversee and manage the scope, cost, and progress of all TA work, with increased

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attention given to new types of services that have been approved under the SAFER Program.

IV.C. Administrators

In September 2019, the State Water Board adopted an Administrator Policy Handbook to provide direction regarding the appointment of administrators by DDW of designated water systems, as authorized by Health and Safety Code section 116686.

Administrators may be individual persons, businesses, non-profit organizations, local agencies including counties or nearby larger utilities, and other entities. Administrators may be assigned broad duties such as acting as general manager for the designated water system, or specific duties, such as managing an infrastructure improvement project on behalf of a designated water system.

The appointment of an administrator is an authority that the State Water Board will consider when necessary to provide an adequate supply of affordable, safe drinking water. Water systems in need of an administrator are identified based on the Needs Assessment, the prioritization process outlined in Section III, and the direct local knowledge and expertise of DDW District Office staff. The State Water Board recognizes the significance and potentially disruptive effect of ordering a designated water system to accept an administrator and therefore intends to use its authority carefully and will incorporate significant community engagement as outlined in the [Administrator Policy Handbook](#).

DDW staff are continuously evaluating water systems that are out of compliance to determine the appropriateness of appointing an administrator. In FY 2020-21, DDW initiated and/or completed public meetings for 12 administrator projects, for which two administrators were appointed, for North Edwards Water District and the Sierra Vista Association. In FY 2021-22, the State Water Board anticipates completion of the orders for the remaining 10 water systems and initiation of five new administrator projects. More information is available at the [SAFER Program Water System Administrator webpage](#).

Funds allocated from the General Fund (AB 72) and the SADW Fund can be utilized to support the activities of appointed administrators. This is either through a singular system-specific funding agreement or through a master service agreement with an eligible entity qualified to be an administrator through DDW's [Administrator Request for Qualifications](#) process. Master service agreements with the State Water Board can be amended through a system-specific administrator work plan (similar to the existing TA work plan process).

Administrator funding provided by the State Water Board is intended for the administrator's salary to conduct or oversee managerial, administrative, technical, operational, and legal services, as appropriate for the system, i.e., to take on the role of a general manager. The funding provided for the administrator is not used for direct O&M activities or to fund capital projects. A water system managed by an administrator

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may still receive separate funding from the State Water Board for direct O&M support or capital projects, typically in the form of the administrator applying for funding on behalf of the system. Limited funding may be provided to the administrator to address emergency repairs or maintenance activities for those systems that have inadequate reserves.

IV.D. Operation and Maintenance

State Water Board staff will employ an iterative approach to assisting systems to optimize efficiency and lower O&M costs. Near-term efforts include providing TA, providing planning funding, and appointing administrators. Such efforts indirectly lower O&M costs as the State Water Board is funding activities that would normally be funded by the water system.

For example, TA can directly reduce O&M costs when services are provided free of charge for activities that would otherwise require the system to expend funds (e.g., training of water system operators, development of asset management plans and capital improvement plans). TA can also provide indirect reductions in O&M costs through the performance of TMF assessments and assisting the water system in implementing TMF improvement recommendations.

One of the longer-term goals is to reduce O&M costs through the implementation of capital improvement projects. This may be achieved through a variety of efforts, such as: physical or managerial consolidation, and improvements to reduce overall water and energy demand, such as installation of water meters, replacement of leaking or aging distribution lines, installation of solar energy systems, or replacement of inefficient pumps.

Any direct O&M cost support will be prioritized to facilitate voluntary consolidations and provide adequate interim funding for O&M of water systems with an appointed administrator. During the interim period that the larger system is subsuming the smaller water system, it may be appropriate to provide funding to offset any increased costs associated with continuing to operate the smaller water system that is to be consolidated. For water systems with an appointed administrator and where current water rates do not support needed operational costs, interim O&M support may be provided until water rate increases and/or infrastructure projects to bring down costs can be implemented.

The State Water Board may also consider funding O&M requests that are part of an overall compliance solution where O&M funding will be necessary to make projects affordable, for example long-term POU/POE for regionally isolated small and DAC water systems or domestic wells where consolidation may not be feasible.

Through the O&M Pilot, the State Water Board is exploring direct funding to water systems that comply with drinking water standards but charge high rates (that may exceed an affordability threshold). Through information collected in the O&M Pilot, DFA

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will establish guidelines and criteria for funding O&M costs. More information on the O&M Pilot is included in Section VI.C.2. More detailed information on broader O&M funding eligibility will be included in the FY 2022-23 Fund Expenditure Plan.

The long-term goal is for all systems to become sustainable, so any direct O&M assistance will be conditioned on the system working to optimize efficiency, consolidate where feasible, or take other actions as directed by the State Water Board to reduce O&M costs and expand their TMF capacity.

IV.E. Consolidations

Consolidations are included under the planning and construction solution types.

IV.E.1. Low-Cost Consolidations

In some cases, considerable State Water Board staff time and resources are spent on low-cost (less than \$250,000) consolidations. In cases where DACs would be eligible for grant funding for low-cost consolidations, the Deputy Director of DFA may elect to substantially streamline the funding application and approval process where funding source rules do not preclude such an approach, provided all applicable environmental work is completed and the entity receiving the funding is a city, municipality, county, special district, or a Class A or Class B investor owned utility regulated by the California Public Utilities Commission (CPUC). In these cases, technical assistance may be utilized to complete environmental work. Planning and construction funds may be provided simultaneously to expedite the consolidation.

IV.E.2. Regional-Scale Planning of Consolidations

The 2021 Needs Assessment demonstrated the cost savings associated with regional models of physical consolidations when compared to individual system consolidations. For example, in the Prunedale area of Monterey County, there are approximately 177 potential joining water systems in a 32-mile radius. When examined as individual consolidations the cost per connection was estimated at \$153,000, but when examined as a regional project the cost per connection was estimated at \$15,000. This is a cost savings of approximately 90%. Table C5.5 in Appendix C5 of the 2021 Needs Assessment provides a list of counties in the state where regional-scale consolidations were most likely to be successful.

Using the Needs Assessment as a guide, DDW will perform approximately 20 water partnership outreach workshops along with letter writing campaigns in FY 2021-22 to evaluate the level of interest in consolidations in areas that were identified with the potential for high numbers of consolidations on a regional scale. These water partnership webinars are also intended to highlight consolidation incentive programs and develop additional knowledge base in communities about the benefits of consolidation and other types of water partnerships.

Planning of consolidations on a regional scale will require TA and planning efforts be done with a larger scope, including not just CWSs that are in compliance or at-risk, but

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including all small PWSs, state smalls, and domestic well communities that may be in the same vicinity. Construction funding for these projects may be done in a phased approach to expedite implementation of certain project pieces while simultaneously continuing additional planning work that may be necessary for later phases.

The planning of consolidations on a regional scale would allow funding consideration of costs per connection to be done based on the entire project scope rather than individual water system projects. Consolidation opportunities for non-community water systems may be included, where eligible, in the planning phases to ensure a holistic approach when developing factors such as source capacity, pipeline alignment and pipeline sizing. Construction funding for entities such as private non-community water systems from eligible sources may include the nominal costs associated with installation of stub-outs and laterals to private properties. The purpose of this work would be to decrease barriers to consolidation in the future for these non-community water systems, recognizing that during construction this work is relatively simple but becomes much more complex and expensive if roadways must be disturbed in the future. However, non-community water systems must still pay service connection fees and the costs for laterals on their private properties, unless those costs are eligible for funding under other portions of the DWSRF IUP. DACs located along pipelines that are constructed within the service area of another larger water system may have connection fees paid at the time of the project, even if consolidation for that individual water system is not completed at that time. This would reserve capacity for the DAC, prevent barriers to future consolidations, and potentially forgo the need for financial assistance in the future.

V. FUNDING STRATEGY FOR STATE SMALL WATER SYSTEMS AND HOUSEHOLDS SUPPLIED BY DOMESTIC WELLS

V.A. Identification of State Smalls and Domestic Wells that are At Risk

Per Health and Safety Code section 116762, subdivision (a), the State Water Board shall develop and make available by January 1, 2021, a map of aquifers that are at high risk of containing contaminants that exceed safe drinking water standards that are used or likely to be used as a source of drinking water for a state small or a domestic well. This was accomplished through the development of the Aquifer Risk Map, which will be updated annually.

Additionally, per Health and Safety Code section 116769, subdivision (a)(4), the Fund Expenditure Plan shall include an estimate of the number of households that are served by domestic wells or state smalls in high-risk areas identified pursuant to Article 6 (commencing with Section 116772). As stated in Section VII.B.2, based on the Aquifer Risk Map and the results of the 2021 Needs Assessment, 77,973 of the domestic wells and 611 of the state smalls with available data were assessed as high risk. Fresno,

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Stanislaus, and Sonoma counties have the highest estimates of domestic wells located in high risk aquifers. Monterey, Riverside, and Kern counties have the highest estimates of state smalls located in high risk aquifers.

Because the water supply accessed by domestic wells is not regulated by the state, accurate locations and groundwater quality data is generally not available. The values presented in the aquifer risk map represent estimates of domestic well location density and groundwater quality. Further sampling and investigation will be needed to assess the actual water quality concerns for these state smalls and domestic wells.

DWQ and DDW will continue to coordinate with local health officers and county planning agencies, including collecting additional data through increased electronic reporting requirements, to identify state smalls and domestic wells in high-risk aquifers within their jurisdictions.

Two types of additional data will improve the accuracy of the Aquifer Risk Map for the identification of state smalls and domestic wells that are at-risk.

- (1) **Location Data** – Even if some areas of the state report more specific/updated domestic well locations, this does not become useful until it reaches a critical mass. To assess the risk to domestic wells statewide there must be a standardized statewide location dataset. Local specific data is beneficial, but it is not easily integrated with the existing location dataset.
- (2) **Water Quality Data** – Using SAFER funds to support testing for additional contaminants in existing domestic well sampling programs such as through the Irrigated Lands Regulatory Program (ILRP) and CV-SALTS would help increase data coverage. Increased reporting requirements under SB 200 may yield additional water quality data for some counties. Once there is critical mass of domestic well water quality data, this data can be integrated into the Aquifer Risk Map and replace (not supplement) the existing water quality estimates.

With the development and continuation of the specified DFA funding programs, the sampling data could replace the existing proxy data in the Aquifer Risk Map, which would remove the need for inferring risk based on adjacent areas. Improving the accuracy of the Aquifer Risk Map improves the ability to identify and prioritize potential funding programs and projects.

V.B. Prioritization of Solutions for Households Supplied by State Smalls and Domestic Wells

Funding for state smalls and domestic wells will be prioritized for provision of interim water on a regional basis and evaluating the most sustainable and cost-effective long-term solutions. To successfully implement this priority, individual well testing may be required, and community outreach will be an important component of any project or program.

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As programs are developed, DFA will consider the needs of the area, addressing water quality and/or water quantity issues. OPP and DDW will conduct community outreach and in identifying potential local partners, e.g., County Environmental Health Departments, Groundwater Sustainability Agencies, CV-SALTS Management Zones, or other local non-governmental organization (NGO) partners.

V.B.1. Existing Programs

The State Water Board currently has the following programs in place that serve state smalls and/or households served by domestic wells. These programs are a mix of interim solutions (e.g., bottled water, tanks and hauled water, point of use (POU)/point of entry (POE) treatment systems) and long-term solutions (e.g., well repairs and replacements, connections to existing systems, and POU/POE in some cases). These programs are also contingent on either a water quality issue (determined through well testing results) or water shortage (e.g., dry or failed well), as well as income qualification.

Central Valley Programs

- Self-Help Enterprises (SHE) administers several programs in the Central Valley (Kern, Kings, Tulare, Fresno, Madera, Merced, Mariposa and Stanislaus counties), which include well testing, bottled water provision, and implementation of POU/POE treatment systems for income-qualifying households or communities served by small systems not meeting drinking water standards. A Tanks and Hauled Water program is available for households whose domestic wells have gone dry. Another program is available for well repairs or replacements and connections to existing water systems.
- Tulare County has a bottled water program for income-qualifying households. Well testing is conducted through SHE's well testing program.
- Madera County has a bottled water program for income-qualifying households. Well testing is conducted through SHE's well testing program.

Central Coast Program

- The Community Water Center Bottled Water Program serves the Central Coast Region (i.e., Santa Cruz, San Benito, Monterey, San Luis Obispo, Santa Barbara Counties, southern Santa Clara County, and very small portions of San Mateo, Kern and Ventura Counties) counties for the provision of bottled water to income-qualifying households. Well testing is conducted through the Central Coast Regional Water Quality Control Board's domestic well testing program.

Statewide

- Rural Community Assistance Corporation has a program to assist individual households and small water systems to replace failed drinking water wells for disadvantaged households.

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V.B.2. Program Gaps

The State Water Board has made significant investments towards state smalls and domestic well programs over the past few years, but gaps still exist. These gaps include statewide or regional programs outside of the Central Valley or Central Coast that cover:

Assessment

- Community outreach
- Domestic well testing

Interim Solutions

- Bottled water
- Tanks and hauled water
- POU/POE installation and maintenance

Long-Term Solutions

- Well repairs and replacements
- Connections to existing systems
- Consolidations (including regional-scale consolidations)
- POU/POE installation and maintenance, in some cases

V.B.3. Current Funding Parameters Related to Income

The existing regional programs in the Central Valley and Central Coast provide funding for well testing and interim or long-term solutions if the annual Median Household Income (MHI) for the community or household is less than 80% of the statewide annual MHI (i.e., if the community is a DAC or the household is a low-income household).

For new programs being developed to assist communities served by state smalls and domestic wells, the State Water Board will:

- (1) Support domestic well testing without requiring income certification or other income analysis but focus on areas of highest risk for water shortage or water quality issues, in areas where we have potential local or regional partners.
- (2) Require individual household income verification or evaluation of community income levels for interim or long-term solution provision to ensure that solutions go to small DACs or low-income households.

V.B.4. Contaminants of Emerging Concern

In the interest of obtaining more data for characterization purposes, the State Water Board will support well testing for some contaminants of emerging concern or contaminants without an established MCL (e.g., PFAS, hexavalent chromium, 1,4-dioxane, N-nitrodimethylamine [NDMA]) via existing or new programs for domestic well testing or as an added task to projects where wells are being repaired, replaced, or abandoned.

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Where these contaminants are identified, planning and TA work may include analysis of project alternatives designed to address both existing and anticipated future compliance needs.

Pilot studies for treatment of these types of contaminants may also be considered for funding.

V.B.5. Drought Response Strategy

In the near term, during the drought emergency, State Water Board staff will focus efforts on state smalls and domestic wells in areas most impacted by drought and thus most susceptible to water shortage issues. Solutions will often include interim bottled or hauled water but may also be emergency infrastructure repairs or updates (e.g., emergency interties, well repairs, lowering of intakes).

The proposed implementation strategy for emergency drought response is a two--pronged approach that is both reactive and proactive: 1) responding to urgent requests related to drought, and 2) strategically targeting certain areas (i.e., at the county level) that are most susceptible to drought impacts to get interim solution programs in place.

Note that funding for drought response will generally come from the larger SAFER program or via funding from the Department of Water Resources (DWR), as appropriate, before utilizing monies from the SADW Fund.

Inter-agency Coordination

State Water Board staff have recurring calls with inter-agency partners such as the DWR and the California Office of Emergency Services (CalOES) at various levels to coordinate on funding and the roles of the various agencies in drought response.

Urgent Drought Requests

While emergency drought response should begin at the local level with the Local Government being best positioned to provide immediate emergency relief such as bottled and hauled water, funding through the State Water Board and DWR may be available to assist for eligible urgent projects in the intermediate time frame (i.e., on the order of months) as well as projects that promote a community or water system's long-term resiliency for future drought.

DFA will continue to receive emergency assistance requests related to drought via DDW, NGO partners, and the general email inbox. These requests will require submittal of an Urgent Drinking Water Needs Application. Once contact is made, a DFA project manager will be assigned and can work with the potential recipient to collect the required information needed to get approval for funding by the DFA Deputy Director. Funding approval allows the recipient to begin incurring costs while a funding agreement is prepared and executed. Depending on the nature of the project and the funding source, advance approval authority may be allowed.

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Another avenue for receiving emergency assistance in SHE's service area is through the TA agreement with that provider. These requests will be coordinated through SHE and then pass through DFA management for DFA Deputy Director approval. Agreements with recipients will be administered through SHE in these cases.

County Program Development

The State Water Board's DFA, DDW, and OPP are working collaboratively with DWR to outreach to counties to develop drought response programs (i.e., at the county level, either directly with counties or with a local NGO partner) to address water shortage issues (e.g., bottled water, hauled water, tanks), with a focus on small DACs and low-income households. Since neither the State Water Board nor DWR can directly fund individual domestic well owners, the intent of the county programs is to be more proactive and help counties with a high density of state smalls and/or domestic wells be more resilient in future drought.

An initial outreach letter was distributed to all counties on August 18, 2021, followed by workshops on August 25 and 31 with more information on the program intent, what is eligible for funding, and how to apply. Additional tailored outreach to counties that did not participate in the webinars and/or have not submitted applications is ongoing.

As programs with counties are developed and implemented, State Water Board staff will work with counties to ensure that assistance is being provided to residents in small DACs and/or low-income households.

Waiver of Proof of Income Eligibility due to Drought Emergency

Existing bottled water programs and household well assistance programs include eligibility requirements to ensure assistance is being deployed as intended and consistent with the underlying authorizing legislation. The funding agreements include provisions to waive the eligibility requirements under large-scale emergency conditions (e.g., earthquake, flood, drought, fire, or pandemic, per Section VIII.D.1 of the Policy). The eligibility requirements generally include self-certification of income, proof of residency, and proof of contaminated water supply.

The State Water Board has had waivers in place due to the COVID-19 emergency for the bottled water programs. During the drought emergency, the State Water Board will:

- (1) For bottled water programs, continue the waivers but require some documentation from the funding recipient (e.g., NGO partner, County) that states that services are being provided to small DACs or low-income households.
- (2) For household well assistance programs:
 - a) Provide a temporary waiver (i.e., for up to three months that may be extended upon approval of the DFA Deputy Director) for tanks and hauled water services.
 - b) Require income verification for any work related to the well (e.g., repair or replacement).

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V.B.6. Long-term Resiliency Planning Implementation Strategy

In the longer term, State Water Board staff will build on existing relationships with counties, or conduct outreach in additional counties, to discuss long-term solutions and resiliency planning to promote sustainability. Counties with a large number of domestic wells and or state smalls with high potential for regional-scale consolidation will be prioritized.

V.C. Co-funding Opportunities with Regional or Local Domestic Well Sampling Programs

DFA will continue to explore coordinated outreach, well sampling collection efforts, and the implementation of interim solutions in partnership with other programs being implemented on a regional or local level. By coordinating with other domestic well sampling programs throughout the state and implementing co-funding, this would facilitate the ability to collect and upload additional data into the Groundwater Ambient Monitoring and Assessment (GAMA) database, which would also improve future versions of the Aquifer Risk Map and Needs Assessment.

Two potential approaches to implementing co-funding with other regional or local programs would be to enter into funding agreements directly with an entity (e.g., CV-SALTS Management Zone Group, etc.) or with a nonprofit organization on behalf of an entity or multiple entities. The scope of the co-funding agreements would include initial outreach, well sampling and testing, implementation of an interim solution, and follow-up outreach with residents. All data collected regarding domestic well locations and water quality would be required to be uploaded into the applicable statewide database (e.g., GAMA, GeoTracker).

DFA has been coordinating with the Central Valley Salinity Coalition on co-funding opportunities with the CV-SALTS Management Zones to use SADW Funds to broaden data collection and improve the data set available for domestic well locations and water quality. It is expected that DFA will begin approving co-funding agreements with the Management Zones in late 2021/early 2022.

V.D. Existing Funding Programs for Households

Per Health and Safety Code section 116769, subdivisions (a)(6) and (7), the Fund Expenditure Plan shall include:

- A list of programs to be funded that assist or will assist households supplied by a domestic well that consistently fails to provide an adequate supply of safe drinking water.
- A list of programs to be funded that assist or will assist households and schools whose tap water contains contaminants, such as lead or secondary contaminants, at levels that exceed recommended standards.

The lists of programs can be found in Appendices F and G.

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DFA staff will continue to oversee ongoing implementation efforts for households that are funded with past General Fund allocations. This includes programs implemented by non-profit organizations to provide the following for households with dry wells: interim tanks, hauled water, well replacement or, where feasible, permanent connections to public systems. DFA staff are also overseeing programs in the Central Valley to implement POU/POE treatment for households with contaminated domestic wells. Lessons learned from these ongoing efforts will help inform analysis of the most sustainable and cost-effective solutions for low population density areas.

VI. DISTRIBUTION OF FY 2020-21 FUNDS

VI.A. Report of Recent Expenditures (FY 2020-21)

Per Section XI.H of the Policy, the Fund Expenditure Plan will include a summary of recipients; the status, type and location of each project funded in the prior year; and the amount and type of funds from each source spent on each project in the prior year.

The total amount appropriated to the SADW Fund for FY 2020-21 was \$130 million. Per the Budget Act of 2020, the Director of the Department of Finance may transfer up to \$32,500,000 each quarter as a loan to the SADW Fund for each quarter in which the amount transferred from the GGRF to the SADW Fund is less than \$32,500,000. The amount transferred shall be calculated based on the difference between the GGRF transferred each quarter pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 39719 of the Health and Safety Code and \$32,500,000. The table below summarizes the amount of funding encumbered for FY 2020-21 from the Budget Act appropriations and provided to water systems serving DACs and additional funding provided through complementary financing programs.

The FY 2020-21 target allocations were focused on the priorities adopted in the FY 2020-21 Fund Expenditure Plan. Table 5 is a summary of FY 2020-21 Encumbrances for the SADW Fund (as of June 30, 2021) broken out by water system category and solution type. Target allocations from the prior Fund Expenditure Plan (Table 1 of the FY 2020-21 Fund Expenditure Plan) are shown in parentheses. Differences between the former target allocations and the actual estimated encumbrances for FY 2020-21 are discussed below in Section VI.A.1. Table 6 is a summary of FY 2020-21 Committed Expenditures for the larger SAFER Program (as of June 30, 2021), which includes the SADW Fund plus complementary funding, broken out by funding category and solution type. A full list of FY 2020-21 Committed Expenditures for the larger SAFER Program by project is included as Appendix H.

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Table 5. FY 2020-21 SADW Fund Estimated Committed Expenditures (in millions) (as of June 30, 2021)

Water System Category	Interim Water Supplies and Emergencies	Technical Assistance (includes Planning)¹	Administrator¹	Planning¹	Direct O&M Support¹	Construction	<i>SUBTOTAL BY WATER SYSTEM CATEGORY²</i>
Systems Out of Compliance	\$10.7 <i>(\$10)</i>	\$8.1 <i>(\$30)</i>	\$1.3 <i>(\$0)</i>	\$0.1 <i>(\$3)</i>	\$0 <i>(\$5)</i>	\$29.2 <i>(\$19)</i>	\$41.3 <i>(\$44)</i>
Systems At-Risk³	\$0 <i>(\$4)</i>		\$0	\$0 <i>(\$3)</i>	\$0 <i>(\$5)</i>	\$22.7 <i>(\$20)</i>	\$22.7 <i>(\$50)</i>
Other Systems	\$0		\$0	\$0	\$0	\$2.1	\$2.1
State Smalls/ Domestic Wells	\$16.6 <i>(\$5)</i>		\$0	\$0	\$0	\$11.3 <i>(\$10)</i>	\$27.9 <i>(\$20)</i>
Reserved	\$12.4	\$0	\$0	\$0	\$0	\$0	\$12.4
<i>SUBTOTAL BY SOLUTION TYPE</i>	\$39.7 <i>(\$19)</i>	\$8.1 <i>(\$30)</i>	\$1.3 <i>(\$0)</i>	\$0.1 <i>(\$6)</i>	\$0 <i>(\$10)</i>	\$65.3 <i>(\$49)</i>	
TOTAL							\$114.5 <i>(\$114)</i>
Other Program Needs	Pilot Projects (Reserved)	Staff Costs⁴					
	\$3.2 <i>(\$3.2)</i>	\$12.3 <i>(\$12.8)</i>					
GRAND TOTAL							\$130

¹ Direct/Indirect O&M Support

² Subtotal by Water System Category does not include TA investments.

³ "Systems At-Risk" include systems identified in Appendix F of the FY 2020-21 Fund Expenditure Plan (not the 2021 Needs Assessment).

⁴ Staff costs are projected as year-end financials for FY 2020-21 and have not been finalized.

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Table 6. FY 2020-21 SAFER Program Committed Expenditures (SADW Fund plus complementary funding) (as of June 30, 2021)

Funding Category	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Planning/ Construction	TOTAL
SADW Fund¹	\$27,300,317	\$8,058,045	\$1,309,457	\$65,481,742	\$102,149,561
General Obligation Bond Funding	-	-	-	\$73,491,969	\$73,491,969
General Fund	\$6,075,651	-	-	\$9,775,000	\$15,850,651
Principal Forgiveness		-	-	\$53,390,377	\$53,390,377
Repayable Financing/ Loans (to DACs)	-	-	-	-	-
TOTAL	\$33,375,968	\$8,058,045	\$1,309,457	\$202,139,088	\$244,882,558 (116)²

¹ Amount shown for SADW Fund does not include funding reserved for known projects in development.

² Parentheses shows Number of Agreements

VI.A.1. Differences in FY 2020-21 Target Allocations versus Committed Expenditures

Differences between the former target allocations for the SADW Fund for FY 2020-21 and the actual estimated encumbrances (i.e., the funding amounts allocated towards projects) shown in Table 5, are discussed below.

By Solution Type

- **Interim Water Supplies and Emergencies** – Significant investments were made towards interim water supplies (\$27.3 million from the SADW Fund). Larger investments included amendments to Central Valley regional programs for well testing, bottled water, tanks and hauled water, and POU/POE installation and maintenance. One TA agreement in place in the Central Valley will also be able to fund emergency projects directly through the TA provider. \$12.4 million is reserved to be used towards interim water supplies and emergencies related to drought prior to the FY 2021-22 Plan’s adoption.
- **TA** – Three amendments to existing TA agreements were funded through the SADW Fund for general program outreach, a new O&M bridge loan program for systems that are experiencing a revenue shortfall due to COVID-19, and the transfer of

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subvention tasks from the DWSRF Set Aside Funds to the SADW Fund. Subvention tasks are typically smaller, discrete tasks (e.g., water rate studies, median household income surveys, O&M plan preparation, preparation and submittal of funding applications).

- **Administrator** – The Budget Act of 2018 (AB 72) appropriated \$10 million for the funding of administrators. The funds will be available for use in FY 2021-22.
- **Planning** – One planning project was funded through the SADW Fund for an out of compliance system. In the larger SAFER Program, planning efforts were also funded by the DWSRF as well as through work plan amendments to existing master service agreements with TA providers as a way of expediting the planning process. In FY 2020-21, 18 work plans were executed which conducted planning through TA. Per the proposed SAFER Program priorities, it is expected that more planning projects will be directed to go through TA.
- **Direct O&M Support** – One consolidation project (captured in the Construction solution type) included \$200,000 of direct O&M assistance as the consolidation incentive project, eligible per the FY 2020-21 DWSRF IUP. Types of water system scenarios that would be considered as priorities for direct O&M assistance are still in development. This will be furthered through the O&M Pilot (discussed in Section VI.C.2) and the ongoing refinement of the affordability threshold.
- **Construction** – Seventeen construction projects were funded through the SADW Fund for systems out of compliance, at-risk, and other CWSs, and represented the largest solution type investment for the FY 2020-21 SADW Fund. One new domestic well program is being established in the Central Valley for well repairs, replacement, and connections to CWSs where possible.

By System Type

- **Systems Out of Compliance** – A majority of SADW funding went towards construction projects for systems out of compliance (\$29.2 million). Systems out of compliance also benefited from interim solutions, appointed administrators, and planning (\$12.4 million total). Existing TA (\$8.1 million) may benefit all types of systems.
- **Systems At-Risk** – \$22.7 million in SADW funding went towards construction projects for systems identified as potentially at-risk in the FY 2020-21 Fund Expenditure Plan (i.e., not the 2021 Needs Assessment). Existing TA (\$8.1 million) may benefit all types of systems. Now that At-Risk systems have been identified through the 2021 Needs Assessment, it is expected that more of these systems will benefit from the SADW Fund moving forward.
- **State Smalls/Domestic Wells** – Significant investments were made towards interim solutions for communities served by state smalls and domestic wells (\$27.9 million from the SADW Fund). Larger investments included a new well repair, replacement, and connection program as well as amendments to Central Valley regional programs for well testing, bottled water, tanks and hauled water, and POU/POE installation

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and maintenance. Additionally, the existing TA (\$8.1 million) may benefit all types of systems.

- **Other Systems** – Two construction projects were funded for other CWSs not out of compliance or At-Risk, one for a voluntary consolidation, and another for infrastructure improvements necessary to address a system’s inefficient water delivery capability to meet existing demand.
- **Reserved** – \$15.6 million is reserved to respond to drought related requests as well as various known projects in development to be encumbered towards the FY 2020-21 SADW Fund appropriation early in FY 2021-22. This total includes \$3.2 million for Pilot Projects, discussed below.

Other Program Needs

- **Pilot Projects** – \$3.2 million is reserved for use in the O&M Pilot in development, anticipated to begin using those funds by Fall 2021 over the next three years. More information on Pilot Projects is included in Section VI.C.
- **Staff Costs** – In addition to funding projects/local assistance, the SADW Fund is used to support State Water Board staff costs for administration and implementation of SB 200 through 71 staff positions. The estimated staff costs for FY 2020-21 are \$12.3 million, \$4.6 million towards administrative positions (approximately 3.5% of the \$130 million) and \$7.7 million towards implementation positions. More information on the SAFER Program Resources is included in Section VI.B.

VI.B. Safe and Affordable Drinking Water Program Resources and Workload

No new positions were added in FY 2020-21 or were proposed for FY 2021-22 related to the SADW Fund. Refer to Section III.H of the FY 2020-21 Fund Expenditure Plan for details of the 71 positions.

Twenty-eight (28) positions are associated with administrative tasks and forty-three (43) positions are associated with implementation tasks related to the SADW Fund. The total estimated annual staff costs for FY 2021-22 is \$13.2 million, \$4.9 million for the administrative positions (approximately 4% of the \$130 million anticipated in the SADW Fund) and \$8.3 million for the implementation positions.

VI.C. Pilot Projects

Section IX.C of the FY 2020-21 Fund Expenditure Plan identified two pilot projects to be funded by the SADW Fund – the Innovative POU/POE Technology Pilot (POU/POE Pilot, led by DDW) and the Direct O&M Support Pilot (O&M Pilot, led by OPP).

Development of both pilots began in FY 2020-21 with more information provided below.

Also mentioned in the FY 2020-21 Fund Expenditure Plan is interest from Advisory Group members and other stakeholders in a potential pilot program for providing people experiencing homelessness with access to drinking water.

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Recognizing that 1) expertise from members of impacted communities is valuable and necessary for effective and inclusive planning and decision-making and 2) providing expertise and “community voice” in a meaningful way and on a regular basis is a large time commitment for community members, the State Water Board may pilot a community capacity building project that provides training and compensation to frontline community members seeking to build capacity in their community to drive long-term sustainable drinking water solutions.

VI.C.1. Innovative POU/POE Technology Pilot

The purpose of the POU/POE Pilot is to prepare an authoritative report on the current state of POU/POE technologies, and to provide suggestions for future research and development. Some of the limitations to be considered include needs related to regulation of POU/POE in PWSs, performance certification and testing, installation challenges, and ensuring reliable O&M of the devices once installed.

The State Water Board has developed an implementation plan, report outline, and has collected information on the current state of POU/POE technologies. Over the next few months, DDW and OPP will reach out to the community groups, industry groups and other stakeholders identified in the FY 2020-21 Fund Expenditure Plan. These outreach efforts will solicit feedback on the needs and knowledge gaps related to POU/POE treatment devices and may take the form of workshops or focus groups. DDW will also recommend a list of research projects to DFA that may fill in knowledge gaps identified over the course of the POU/POE Pilot for funding consideration. Lastly, the State Water Board will collaborate to write a white paper that reports the status of POU/POE technologies and the findings of the overall POU/POE Pilot. The white paper and other supporting communication materials will be added to the State Water Board’s website to facilitate knowledge sharing across various stakeholder groups.

VI.C.2. Direct O&M Support Pilot

The goal of the O&M Pilot is to learn how different types of water systems benefit from receiving direct O&M assistance, for a limited time, to ensure customers receive safe and affordable drinking water while long-term solutions are planned and implemented. The O&M Pilot will fund at least two water systems that have different O&M challenges in order to explore a diverse set of solutions. The focus will be on water systems that comply with drinking water standards but charge high rates (that may exceed an affordability threshold) due to one or more of the following issues:

(1) The system treats contaminants to meet primary maximum contaminant levels⁹.

⁹ DFA has authority to use approximately \$28 million in remaining Prop 68 Groundwater funds for O&M of DAC water systems with existing facilities that treat contaminated groundwater for direct potable use. Funding will be focused on systems that charge high rates (that may exceed an affordability threshold). This funding will be coordinated with the O&M pilot, updates will be provided at future SAFER Advisory Group meetings, and funding agreements will likely be executed in 2022.

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- (2) The system has an existing debt obligation to satisfy.
- (3) The system purchases water at high wholesale rates.

The O&M Pilot may fund O&M expenses such as permitting, monitoring, reporting, utilities, treatment chemicals, replacement/changeout of existing equipment, and plant operators. The duration of the O&M Pilot will likely be three years and may be extended if longer term support is needed. Any direct O&M assistance will be conditioned on the water system working to optimize efficiency, consolidate where feasible, or take other actions directed by the State Water Board to reduce O&M costs and increase TMF capacity.

The State Water Board is currently developing an implementation plan for the O&M Pilot and will be working with interested water systems to participate in the efforts. Updates will be provided at future Advisory Group meetings and funding agreements will likely be executed in 2022.

VI.D. Community Engagement

State Water Board staff will increase engagement with water systems, tribal governments, community residents, domestic well owners, schools, local community-based organizations, or other funding recipients at all stages of the SAFER Program.

SAFER Advisory Group

Purpose: The SAFER Advisory Group provides the State Water Board with constructive advice and feedback on the Plan, Policy, implementation of the Fund, and other related analyses and components of the SAFER Program.

Structure: The Advisory Group is composed of up to 19 appointed members that represent PWSs, TA providers, local agencies, non-governmental organizations, the public, tribes, and residents served by CWSs in DACs, state smalls, and domestic wells. The Advisory Group meets at least four times a year to provide opportunities for public and community input. Additional Advisory Group meetings may be held to solicit feedback on related policies or programs depending on the need. As a result of the COVID-19 pandemic, the Advisory Group may meet virtually through Zoom. All meetings are widely publicized, open to the public, and offer language interpretation services. Feedback and recommendations solicited through the Advisory Group, from Advisory Group members and the public, are shared with State Water Board members via meeting notes and during regularly scheduled State Water Board meetings and workshops.

Application for membership: Advisory Group members serve two-year terms. The State Water Board's Executive Director or designee reviews applications and appoints members in the Fall/Winter preceding the start of the appointment. New members are provided an orientation to the SAFER Program which includes an overview of their role as an Advisory Group member, background on the SAFER Program, and an overview

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of upcoming discussion topics. Application information for available appointments beginning in January 2022 will be posted on the SAFER website in Summer 2021 and applications will be reviewed in Fall 2021.

Public Education and Outreach

Building public awareness and education of the SAFER Program is a priority for the State Water Board. State Water Board staff will continue implementing and revising a communication and outreach plan that outlines key actions and deliverables for educating, informing, and engaging various audiences on the SAFER Program. The following goals and potential strategies are included in the communication and outreach plan:

- (1) Increase awareness of the SAFER Program and SB 200 regulatory tools, funding, and approaches.
- (2) Build broad support for regulatory and enforcement efforts (e.g., consolidations, administrators, etc.) and garner acceptance of State and Regional Water Quality Control Boards (Regional Water Boards) regulatory approach among affected communities through education about drinking water quality issues.
- (3) Increase opportunities for transparency, awareness, and engagement with the public throughout SAFER Program development and implementation.
- (4) Employ a proactive approach to obtaining applications and requests for funding by engaging directly with communities, water systems, and tribes.
- (5) Promote success stories through various media forums.

State Water Board staff will develop outreach materials in multiple languages and provide many opportunities for community participation in the SAFER Program. State Water Board staff will work with the Advisory Group and other stakeholders to solicit input in developing and updating communication and outreach strategies.

Public Outreach Activities

In addition to the Advisory Group, State Water Board staff will host community and tribal-focused meetings and workshops throughout the state (in person and virtually as appropriate) to raise awareness of the SAFER Program and its components; solicit feedback on community drinking water needs; build relationships between staff and community members and leaders; and highlight opportunities for local water-related jobs, capacity building, and leadership positions.

The SAFER Program uses digital tools, including virtual stakeholder engagement sessions, webpages, email subscription lists, and more, to support outreach and engagement efforts, and hear feedback on ways to improve the SAFER Program.

Supporting the Success of Long-Term Solutions

Communities will be given the opportunity to inform the processes used to identify and implement long-term solutions. Community input will be solicited and incorporated throughout the development of projects from planning through construction. After a

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community has completed the construction phase, and throughout the timeframe of the provided solution (e.g., interim replacement water, administrator funding, O&M support, or TA), community input, feedback, and concerns will be solicited and incorporated as appropriate.

Increased and early community engagement will help keep projects on track; proactively identify potential risks, issues, or delays; and ensure that identified long-term solutions have community buy-in and a path towards equitable and resilient water governance.

VI.E. Community Workforce Development and Capacity Building

The State Water Board currently funds third-party capacity building, through the SADW Fund, to develop and conduct training workshops covering all aspects of operating and maintaining a PWS, including the legal responsibilities of the board members. The State Water Board will continue to expand these programs, working with members of impacted communities to provide support for local training and apprenticeship programs. The State Water Board will build upon existing local community capacity building efforts and address additional needs described in the State Water Board's proposed Racial Equity Resolution and associated Racial Equity Action Plan.

The SAFER workforce development efforts will be focused on job creation to support the long-term sustainability, which includes O&M and TMF capacity, of small DAC drinking water systems. The State Water Board will leverage existing efforts within the State Water Board, CalEPA, and other GGRF programs to incorporate water sector needs. Additionally, the State Water Board will support involvement of community leaders and residents through new and established TA programs.

In FY 2019-20 staff began working with the Workforce Development Board and University Enterprises, Inc., a Sacramento State non-profit auxiliary organization, to develop this program. However, in FY 2020-21 the efforts were delayed due to the COVID-19 emergency. In FY 2021-22 staff will continue to work on this effort taking into consideration the current COVID-19 restrictions and potential future impacts as a result of the pandemic. In addition, staff will reexamine outreach techniques and possibilities in the near and long term to take into consideration the technology gap many small DACs experience.

State Water Board staff anticipate conducting the following activities with other State agencies and partners:

- (1) Outreach designed to educate small DACs about career pathways in the water industry.
- (2) Recruiting aimed at preparation and certification for entry-level jobs connected to clear advancement pathways.
- (3) Identifying opportunities for work-based learning to determine suitability and enhance job readiness for entry-level jobs designed to support small water systems serving small DACs.

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(4) Continuing to develop training materials geared towards water system and distribution system operators.

DFA staff also manage the State Water Board’s Drinking Water Operator Certification Program, which as of February 2021, transitioned to Computer Based Operator Certification Testing. This transition, from a paper-based examination process, allows for greater testing accessibility and opportunities at more than 30 vendor hosted sites throughout California.

The Drinking Water Operator Certification Program ensures the protection of public health by ensuring drinking water is safe for public consumption through testing and certification. Drinking Water Operator Certification, and the knowledge that accompanies it, provides certificate holders with employment opportunities throughout the State in jobs that are stable.

VI.E.1. Job Co-Benefits

The California Air Resources Board (CARB) Job Co-benefit Modeling Tool has been applied to SADW funded projects executed in FY 2019-20 and FY 2020-21 and anticipated to be executed in FY 2021-22, shown in Table 5. SADW funded projects with executed agreements are reported on semi-annually to CARB.

Table 7 shows the total estimated full-time equivalent jobs (direct, indirect, and induced¹⁰) by solution type for executed projects supported by the SADW Fund.

Table 7. Estimated Job Co-Benefits from Executed Agreements

Item	FY 2019-20	FY 2020-21	FY 2021-22 (planned)
Executed Planning Investment	-	\$1.8 M	\$0.6 M
Planning Full-Time Equivalent Jobs	-	14 jobs	6 – 8 jobs
Executed Construction Investment	\$23.9 M	\$25.9 M	\$52.9 M
Construction Full-Time Equivalent Jobs	321 jobs	335 jobs	650 – 903 jobs
Executed Interim Solution Investment	-	\$1.0 M	\$35.3 M
Interim Solution Full-Time Equivalent Jobs	-	10 jobs	288 – 401 jobs
Executed TA Investment	-	\$9.8 M	\$16.4 M

¹⁰ Induced jobs are linked to the spending of income from directly and indirectly supported jobs. The personal consumption expenditures of workers in jobs directly and indirectly supported by CCI projects (i.e., increased household spending) stimulate demand for goods and services in the wider California economy.

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Item	FY 2019-20	FY 2020-21	FY 2021-22 (planned)
TA Full-Time Equivalent Jobs	-	130 jobs	196 – 272 jobs

More information on the Job Co-benefit Modeling Tool is available at the [CCI Co-benefit Assessment Methodologies webpage](#).

VII. DRINKING WATER NEEDS ASSESSMENT

In 2018, the Legislature appropriated \$3 million to the State Water Board to perform a statewide safe and affordable drinking water needs assessment to be completed by June 2021. The Needs Assessment consists of three core components: the Risk Assessment, Cost Assessment, and Affordability Assessment. Development of the Needs Assessment consisted of stages between September 2019 and March 2021, each of which were detailed in publicly -available white papers and presented at public webinars. The public feedback was incorporated into the final methodology and results of the 2021 Needs Assessment (Appendix A). More information is available at the State Water Board’s [Drinking Water Needs Assessment webpage](#).

The State Water Board will be updating the Needs Assessment annually to inform the annual Fund Expenditure Plan and support implementation of the SAFER Program. The results of the Needs Assessment will be used by the State Water Board and the SAFER Advisory Group to inform prioritization of PWSs, tribal water systems, state smalls, and domestic wells for funding in the annual Fund Expenditure Plans; inform direction for State Water Board funded TA; and to develop strategies for implementing interim and long-term solutions.

VII.A. Failing Water Systems (Systems Out of Compliance)

The State Water Board assesses water systems that fail to meet the goals of the Human Right to Water and maintains a list and map of these systems on its website. Systems that are on the HR2W list are those that are out of compliance or consistently fail to meet primary drinking water standards. Systems that are assessed for meeting the HR2W list criteria include CWSs and Non-Community Water Systems that serve schools and daycares. The HR2W list criteria were expanded in April 2021 to better align with statutory definitions of what it means for a water system to “consistently fail” to meet primary drinking water standards. Approximately 47 new water systems are added to the HR2W list each year. More information on the HR2W list and the expanded criteria are available in the Failing Water Systems section of the 2021 Needs Assessment.

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VII.B. Risk Assessment

The purpose of the Risk Assessment is to identify PWSs, tribal water systems, and state smalls and regions where domestic wells are at-risk of failing to sustainably provide a sufficient amount of safe and affordable drinking water.

The State Water Board has developed two different Risk Assessment methodologies to identify At-Risk water systems and domestic wells. The first methodology is for CWSs with 3,300 service connections or less and K-12 schools. The second methodology identifies state smalls and domestic wells that are at a high risk of accessing source water that may contain contaminants that exceed primary drinking water standards. More information on the Risk Assessment methodologies and results are available in the two risk assessment results sections of the 2021 Needs Assessment.

VII.B.1. At-Risk Public Water Systems

The 2021 Risk Assessment was conducted for 2,779 PWSs and evaluated their performance across 19 risk indicators within the following four categories: Water Quality, Accessibility, Affordability, and TMF Capacity. The results identified 617 (25%) At-Risk water systems, 552 (23%) Potentially At-Risk water systems, and 1,284 (52%) Not At-Risk water systems.

VII.B.2. At-Risk State Small Water Systems & Domestic Wells

The Risk Assessment methodology developed for state smalls and domestic wells is focused on identifying areas where groundwater is at high risk of containing contaminants that exceed safe drinking water standards and where groundwater is used or likely to be used as a drinking water source. This information is presented as an online map tool called the Aquifer Risk Map. The first version of the [Aquifer Risk Map](#) was released on January 1, 2021 and will be updated annually with new data.

Statewide, the top contaminants that contributed to higher risk designations in state smalls and domestic wells are nitrate, arsenic, 1,2,3-trichloropropane, gross alpha, uranium, and hexavalent chromium. The results identified 77,973 (32%) of the assessed domestic wells and 611 (49%) of the state smalls with available data as high risk.

VII.C. Cost Assessment

The Cost Assessment methodology utilized modeling to estimate the financial costs of both interim measures and longer-term solutions to bring HR2W list systems into compliance and address the challenges faced by At-Risk PWSs, as well as At-Risk state smalls and domestic wells where data was available. The scope of the Cost Assessment is to assess the overall need of the systems analyzed by the SAFER Program. More information on the Cost Assessment methodology and results is available in the Cost Assessment Results section of the 2021 Needs Assessment.

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Long-Term Solution Costs

For HR2W list systems, the Cost Assessment Model identified multiple potential solutions based on the system's identified challenges and additional site-specific information. These long-term solutions included: treatment, physical consolidation, POU/POE treatment technologies, other essential infrastructure, and TA. A sustainability and resiliency assessment were conducted for each system's set of identified potential solutions to identify the top two most sustainable model solutions. The Cost Assessment Model then compared the long-term costs of these potential model solutions to select the best model solution of the system. The total estimated capital cost range of long-term solutions for all HR2W list and At-Risk PWSs, state smalls and domestic wells is estimated between \$2.3 and \$9.1 billion.

The Cost Assessment results illustrate that there are relatively higher per connection costs associated with bringing small water systems into compliance. Additional cost efficiencies and better long-term solutions can occur where there are regional-scale consolidation projects resulting in larger water systems with economies of scale.

O&M Costs for Long-Term Solutions

The Cost Assessment results for annual O&M costs for the HR2W list systems showed a large difference in the total annual costs for POU/POE O&M versus treatment O&M costs, \$1.6 million and \$52.4 million, respectively. However, the estimated O&M costs per connection favors treatment, at \$1,500 per connection (or approximately \$125 per month) addition to rates for POE/POU and \$780 per connection (or approximately \$65 per month) addition to rates for treatment.

Interim Solution Costs

Interim solution costs were calculated for a six-year term for populations served by HR2W list systems, and a nine-year term for At-Risk state smalls and domestic wells. The total net present worth cost for the entire population in need is estimated at nearly \$1.6 billion, with over \$1 billion in cost for HR2W list systems alone. Estimated annual interim solution costs for bottled water are \$850 per residential connection, and \$54 per person in school settings.

VII.C.1. Gap Analysis

A Gap Analysis was performed to estimate the gap in available funding and financing to address the costs indicated in the results of the Cost Assessment. The Gap Analysis also identified available funding sources that could be used to support the identified funding needs based on potential project and borrower/grantee eligibilities. The Gap Analysis evaluated both the gap in available State Water Board grant dollars and the gap in State Water Board financing dollars (e.g. loan dollars).

Based on the Gap Analysis results, the total refined cost estimate for the 5-year projected number of HR2W list and At-Risk systems and domestic wells is approximately \$10.25 billion. This includes the estimated 5-year grant-eligible costs of \$3.25 billion plus the long-term 20-year local cost share costs of \$7 billion (non-grant

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eligible capital costs, 20-year interest payments, 20-year annual O&M for modeled long-term solutions, and 6 or 9 years of O&M for interim solutions). \$10.25 billion represents the total estimated cost of implementing interim and long-term solutions for HR2W list systems, At-Risk water systems and well owners.

VII.D. Affordability Assessment

The State Water Board must establish an affordability threshold in the Fund Expenditure Plan. The affordability threshold is used to create a list of CWSs serving DACs that must charge fees exceeding the affordability threshold in order to provide drinking water that meets State and federal standards (Health & Saf. Code, § 116769, subd. (a)(2)(B)). For the purposes of the annual Fund Expenditure Plans, the affordability threshold refers to a water system- or community- level affordability as opposed to an individual household affordability.

Absent the Needs Assessment, the previous FY 2020-21 Fund Expenditure Plan used 1.5% of the annual MHI of the community served by the water system as the Affordability Threshold. Any CWS with an annual water rate, based on water usage of 6 hundred cubic feet (HCF) of water per month, that exceeded 1.5% of the MHI was included on the list. Six HCF indoor water usage per month is roughly equivalent to 50 gallons per person per day for a three-person household for 30 days.

With the inaugural 2021 Needs Assessment completed, the FY 2021-22 Fund Expenditure Plan relies on the results of the 2021 Affordability Assessment to identify disadvantaged CWSs, that have instituted customer charges that exceed affordability indicators established by the State Water Board. The 2021 Affordability Assessment was conducted for 2,877 California CWSs. The Affordability Assessment included large and small CWSs but excluded NTNCs, like schools. It also excluded tribal water systems, SWSs, and households supplied by domestic wells.

For the Affordability Assessment, the State Water Board analyzed three affordability indicators that were also utilized in the Risk Assessment.

- (1) **Median Household Income:** average residential customer charges for 6 HCF per month meet or exceed 1.5% of the annual Median Household Income within a water system's service area.
- (2) **Extreme Water Bill:** customer charges that meet or exceed 150% and 200% of statewide average drinking water customer charges at the 6 HCF level.
- (3) **Shut-Offs:** 10% or more of a water system's residential customer base experienced service shut-offs due to non-payment in 2019.

Overall, comparing the three indicators in cases where data were available, systems were slightly more likely to exceed an Extreme Water Bill threshold (22% of systems with data) than a %MHI threshold (21% of systems with data). Systems were much less likely to exceed the % Shut-Offs threshold. Staff identified 592 water systems that exceeded the minimum 1.5% MHI affordability threshold, 222 of which exceeded the

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maximum 2.5% MHI threshold. Of those, 121 systems were identified that serve DACs and 313 systems that serve SDACs. The Assessment identified 628 water systems that exceeded the minimum 150% extreme water bill threshold and 365 of those systems exceeded the maximum 200% extreme water bill threshold. The analysis indicated that 1,911 systems (66%) do not exceed any of the affordability indicator thresholds. More information on the Affordability Assessment methodology and results is available in the Affordability Assessment Results section of the 2021 Needs Assessment. **A list of systems exceeding the affordability threshold is available as the [Affordability Assessment Data Spreadsheet](#) (see Affordability Assessment tab).**

State Water Board staff, in consultation with the Advisory Group, will continue discussions in 2021 and 2022 towards developing an appropriate water system- or community-level affordability threshold to be considered by the State Water Board in future updates of the Policy or the FY 2022-23 Fund Expenditure Plan, per Section VI.B.5 of the Policy.

VII.E. Tribal Needs Assessment

Due to data limitations, the State Water Board was unable to assess the needs of water systems serving federally recognized California Native American tribes and non-federally recognized Native American tribes on the contact list maintained by the Native American Heritage Commission (tribal water systems) in the 2021 Needs Assessment using the same methodology employed for evaluation of PWSs, state smalls, and domestic wells. Therefore, the State Water Board developed an alternative approach for conducting a tribal water system Needs Assessment which relies upon approximating the HR2W list equivalent and At-Risk equivalent water systems to conduct a Risk Assessment and Cost Assessment for tribal water systems. However, the State Water Board did not have access to the data necessary to conduct an Affordability Assessment or Gap Analysis for tribal water systems. The State Water Board, in coordination with Indian Health Services, U.S. EPA, and other partners, will be reaching out to tribal water systems and tribal leaders to explore interest in data sharing which may enable a tribal water system Affordability Assessment and more comprehensive Risk and Cost Assessments in the future.

State Water Board staff's review of available data and coordination with the U.S. EPA identified 13 tribal CWSs that met the criteria of the HR2W list and 22 tribal CWSs considered as At-Risk equivalents. The Tribal Cost Assessment estimated capital costs to address both the tribal equivalent HR2W and At-Risk systems as \$98.3 million, with an O&M cost of \$152,000 per year for three of the tribal water systems associated with a treatment solution. For all the tribal equivalent HR2W and At-Risk systems, the total estimated costs for interim/emergency was \$6.7 million. More information on the Needs Assessment for Tribal Water System is available in Appendix F of the 2021 Needs Assessment.

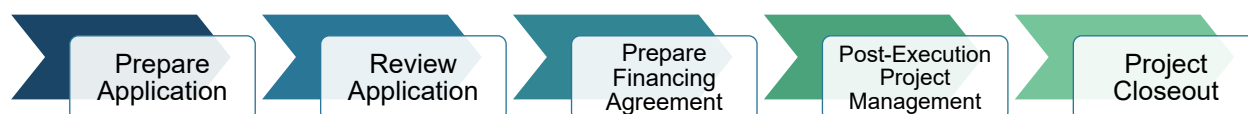
VIII. FUNDING PROCESS

VIII.A. Funding Process Overview

DFA implements the State Water Board’s financial assistance programs, which include loan and grant funding for drinking water projects through the SAFER Program, as well as other types of projects such as construction of municipal sewage and water recycling facilities, remediation for underground storage tank releases, watershed protection projects, and nonpoint source pollution control projects.

The funding process, from the submittal of a complete application to the end of a project, has five phases, shown in Figure 2. Descriptions below focus on how the funding process would go for a capital planning or construction project.

Figure 2. Funding Process Overview



(1) Prepare Application

- In this phase, the potential recipient prepares and submits a complete application through FFAST. More information on applying for SAFER Program funding is included below in Section VII.D.
- This phase can take a few months to many months depending on several factors such as the availability and completeness of key documents. In cases of consolidation, preparation of these documents can take longer as more than one entity is involved.

(2) Review Application

- In this phase, DFA staff review the application’s various packages (i.e., General, Environmental, Technical, Financial, and Legal) and prepares the Master File. (A master file is a compilation of application documents, reviews, and clearances for a project).
- This phase can also take a few months to many months, again based on many factors. Each project is unique, but some reasons review might take longer is if the project is controversial, on federal land, or if the applicant is undergoing litigation.

(3) Prepare Financing Agreement

- This phase includes scope negotiation between DFA and the potential recipient, financing agreement preparation, and agreement routing for approvals and execution.
- This phase typically takes several months up to a year, depending on the nature and complexity of a project.

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(4) Post-Execution Project Management

- Once the financing agreement is executed, project work begins. This phase includes ongoing project management by DFA staff, final budget approval (FBA), amendments, and disbursements.
- Depending on the project, this phase can last from months to years.

(5) Project Closeout

- This phase includes the final invoice, final project inspection, and project closeout and can take weeks to months.

VIII.B. Priority Funding Process Improvements for FY 2021-22

DFA recognizes that an ongoing effort is necessary to further improve its service, particularly in increasing the efficiency of the funding process. Starting in June 2021, DFA staff will focus some staff resources towards a strategic, dedicated effort to evaluate several items to improve administrative efficiencies of the funding process. These items are listed below relative to the funding process phases described above and will have an overall impact on the time it takes to issue a funding agreement or amendment and enables DFA staff to shorten the process time in other areas.

In addition to the process improvements listed below, DFA staff are working to develop and post to the State Water Board's website, a dataset that shows what projects have been funded and completed by the larger SAFER Program since July 1, 2019. In the longer term, this dataset will be used to develop better visualizations and mapping, coupled with highlights of success stories and lessons learned for projects to improve transparency around SAFER Program funding.

(1) Prepare Application

- **Streamline Application for Specific Projects** – Create a fast-track application/review for the DWSRF program to meet the most urgent needs.
- **Waive Updated Financials** – Clarify when the current year's financial documents can be waived or conditioned in the financing agreement to continue the application review. This may reduce the number of applications that stall due to an incomplete application.
- **Review Effectiveness of Documents Requested in the Application** – Review the purpose of the SRF application requirements and the effectiveness of the attachments to meet their intended purpose. Develop recommendations to improve the application to ensure DFA fulfills its regulatory requirements while streamlining the requirements for the applicants.

(2) Review Application

- **Develop Income Survey and Second Home Survey Procedures** – Make clear procedures for staff and applicants to demonstrate eligibility and reduce the number of applications stalled while an eligibility determination is determined.

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- **Evaluate Initial Application Review Timing** – Review existing procedures for reviewing applications and determine opportunities to improve workflow and decrease the time to process.
- **Pre-determine Funding Sources for Projects** – Streamline the application review of certain projects by identifying the funding source and associated requirements early.
- **Streamline Project Transition from Planning to Construction** – Develop procedures to concurrently review a construction application for projects that received a planning financing agreement or TA agreement. Reduce process delays.

(3) Prepare Financing Agreement

- **FI\$CaL** – Evaluate best timing for entering a new applicant into FI\$CaL to minimize time to route a new financing agreement.
- **Standardize Special Conditions** – Standardize common special conditions and improve consistency across DFA units.
- **Increased Encumbrance Amount** – Evaluate potential to encumber an amount above the requested engineer's cost estimate or establishment of a construction reserve account. Decrease processing delays during and FBA due to construction bids exceed the engineer's cost estimate.

(4) Post-Execution Project Management

- **Project Manager Training and Performance Measures** – Develop comprehensive training to review responsibilities, best practices, and recent process improvements. Set clear performance measures and track effectiveness.
- **Streamline the FBA Process** – Develop expedited procedures for FBAs with no scope of work changes to reduce project delays related to processing.
- **Bridge Loan Funding to Initial Agreement** – Investigate when and how to include bridge loan financing in the initial construction financing agreements to reduce project delays while FBA is processed.
- **Advance Payment** – DFA staff are developing a process to implement advanced payment processes in response to new legislation that would allow some portion of total project costs to be disbursed before costs are incurred. The initial focus is planned for construction and implementation projects, where cash flow problems are most common.
- **SharePoint Workflow** – Develop workflows procedures via SharePoint for routing and tracking invoices to improve time to approve and lost documents.

(5) Project Closeout

- **Improved Tracking of Final Disbursement Dates** – Timely amendment requests can reduce project delays associated with date extensions. Determine if new checks are necessary to ensure timely amendment requests.

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VIII.C. Completed Funding Process Improvements Since FY 2019-20

The following describes improvements made in the last two years relative to the funding process phases described above to streamline internal processes and coordination.

General SAFER Program

- **SAFER Clearinghouse** – The State Water Board has initiated the development of a new database platform, known as the SAFER Clearinghouse, which will collect, manage, and analyze data from a variety of internal and external data sources to effectively implement the SAFER Program and track progress toward bringing a safe and affordable drinking water supply to communities. Once completed, over the course of the next several years, the SAFER Clearinghouse will be used by the State Water Board to oversee and manage the identification and prioritization of high priority water systems and domestic wells; the provision of TA; assigned Administrators; provision of interim water supplies; status of violations and compliance with issued enforcement orders; as well as tracking the funding of planning and construction projects to address drinking water issues. It will also be used to demonstrate progress toward achieving the human right to water, and provide information to the State Water Board, the public, and stakeholders on SAFER Program implementation.
- **Continued DDW/DFA/OPP Coordination** – DFA and DDW regularly coordinate on projects during the development of the funding agreement, in review of project deliverables, and in ensuring projects are properly constructed to meet permit requirements. DDW, DFA, and OPP are increasing this coordination through regular DDW District-specific quarterly meetings to evaluate progress on addressing needs of small DAC water systems. These discussions include evaluation of needed enforcement and compliance efforts; progress on completing State Water Board funded projects; identification of unmet needs, such as TA or interim replacement water; status of community outreach and engagement; and evaluation of opportunities for and progress in consolidation and administrator appointment efforts. DDW and DFA have also started meeting monthly on various consolidation projects. OPP will also help facilitate discussions with tribes, as appropriate.
- **Process Improvements Work Group** – In FY 2020-21 DFA formed an internal Process Improvement Work Group to identify program inefficiencies, evaluate potential improvements, and revise internal procedures accordingly. The focus is to reduce the amount of time needed to approve projects, execute funding agreements, and process reimbursement requests. Process improvements implemented as a result of this work group will be described in future Fund Expenditure Plans. Note that DDW is also working on evaluating their regulatory process and identifying areas for improvement. DDW and DFA will consider where respective processes intersect and interplay and how they can be improved. In the future, as this is discussed with the SAFER Advisory Group,

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there may be opportunity to invite additional stakeholder input on process improvements.

- **Staff Training** –DDW, DFA, and OPP have made efforts to onboard and train new staff through a combination of cross training across Divisions as well as internal training. In DFA, for example, monthly webinars are being conducted for both technical and administrative staff to provide training on the different phases of the funding process.

(1) Prepare Application

- **Pre-application** – The pre-application process allows DFA staff to engage with interested parties early to better assist with the application, connect interested parties with TA providers if needed, and determine which funding source within the larger SAFER Program is most appropriate.
- **Environmental California Environmental Quality Act (CEQA)-only Review** – Projects meeting certain requirements can proceed with a CEQA-only review which reduces the need to conduct certain studies and get concurrence from federal agencies on certain environmental aspects of a project.
- **Credit Review Memo for Cost Increases for 100% Grant Projects** – A credit review is part of a financial capacity review that is performed to establish a borrower’s credit to help ensure that repayable financing will be repaid. As a best practice, credit reviews have been conducted for all projects during the eligibility review and again should the project require a cost increase. Where repayable financing is not contemplated, a streamlined financial capacity review will be undertaken that assesses the sustainability of the system.
- **Use of TA for Planning Projects** – TA is being used more often to conduct planning for projects, which eliminates the need for small DAC systems to go through a separate, potentially lengthy process to apply for planning grants.

(2) Review Application

- **Updated Package Checklists** – The main package checklists have been updated recently to ensure that all relevant information and documentation is being requested up front to minimize back and forth between DFA staff and the applicant during the review process.
- **Use of a Digital Master File** – A master file is a compilation of application documents, reviews and clearances for a project and is used for project review and routing for approvals prior to funding agreement execution. As a result of the telework situation, DFA has replaced the physical master file with a digital master file which has increased the ability to conduct reviews electronically.
- **Revised MHI Determination Guidelines** – Revised MHI Determination Guidelines were added to the Policy as Appendix A in December 2020. The revised guidelines will reduce the number of income surveys that need to be conducted to determine a system’s eligibility for funding, which has historically caused delays.

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- **DWSRF IUP** – The FY 2020-21 DWSRF IUP was revised to ease funding restrictions on planning projects and larger dollar amount projects. These modifications are retained in the proposed FY 2021-22 DWSRF IUP.

(3) Prepare Financing Agreement

- **Evaluate Projects in Queue** – By evaluating which projects have complete applications and are in the queue for review and funding agreement preparation, DFA can better match appropriate funding sources before timing becomes critical with fiscal year-end deadlines.
- **Earlier Management Review of Project Scope and Budget** – DFA management has been added earlier on in the funding agreement review process during scope and budget development to catch potential issues and redirect early, which should minimize re-work.
- **Electronic Processing of Encumbrance Documents** – In April 2021, DFA implemented use of Adobe Sign for encumbrance documents (i.e., Grant and Loan Request Form and Standard Form 215) which replaces the need for wet signatures by the DFA Deputy Director or Assistant Deputy Director.
- **Use of Phased Approach for Complex Projects** – For some complicated projects, a phased approach is being implemented. For example, construction of all elements related to addressing an emergency need would be part of the first phase, with the remaining items as phase two. This helps get critical parts of a project done faster.
- **Combine Multiple Projects for Same Entity into a Single Agreement** – Where possible, multiple grant projects for the same entity are being combined into a single agreement to minimize processing and paperwork related to having multiple agreements.

(4) Post-Execution Project Management

- **Use of Expedited Amendments** – Using an expedited amendment process for time extensions or FBAs that do not include a cost increase can save time.
- **Electronic Invoice Submittal** – Using electronic invoice submittals for recipients through FFAST in addition to mailing hard copies has allowed DFA staff easier access to invoices for review purposes during telework.
- **Uniform Cover Page for Invoice Submittals** – Use of a uniform cover page for invoice submittals helps the recipient organize invoices and submit necessary supporting documentation. This also helps DFA and accounting staff in their reviews and minimizes back and forth with the recipient for missing information.

(5) Project Closeout

- **Use of a Final Inspection Checklist** – This has helped ensure all necessary requirements are verified upon project completion.
- **Virtual Inspection Procedures** – During the COVID-19 emergency, virtual inspection procedures were established to ensure that project site inspections,

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including the final inspection, could be conducted appropriately and adequately in a virtual setting.

VIII.C.1. Improvements for Non-Capital Projects Since FY 2019-20

Below is a list of some improvements that have been implemented for non-capital projects over the last two years.

Interim Water Supplies and Emergencies

- Enter into regional agreements where possible rather than water system-specific agreements
- Utilize a checklist to be completed by the funding recipient, as appropriate, to self-certify specific details of a funding agreement. (i.e., contact information, budget summary, deliverable submittal dates, etc.) in place of holding a teleconference
- Write scopes to be more broad describing main tasks but allowing for details to be approved by DFA staff as the project develops
- Use of advance approval authority for simple projects to allow direct invoicing for services like bottled or hauled water.

TA

- Delegation of authority for funding approvals of TA routine and non-controversial projects to the Supervising Engineer level
- Revised work plan template and budget to be used by TA providers
- Increased coordination with TA providers on work plan priorities
- Developed guidance for TA providers on best practices for planning projects
- Provided training to TA providers on application process, revised work plan and budget templates

Administrator

- Use of an administrator master service agreement for qualified entities that can serve multiple counties or statewide

VIII.D. Applying for SAFER Program Funding

Funding is available under the SAFER Program for various types of solutions.

Information regarding the application process is described by solution type below.

Information on project application status is available publicly on the State Water Board's website through the [Application Status Search Tool](#).

Drinking Water Infrastructure and Consolidation Projects

Funding for drinking water Infrastructure and consolidation projects is available through the SADW Fund as well as other complementary funding sources within the larger SAFER Program. Interested parties may apply for funding for drinking water infrastructure and consolidation projects funding through the [FAAST pre-application](#), which includes a set of general questions regarding the facility/system, project description, and type of funding assistance being requested. As mentioned above in Section VIII.C, the pre-application process allows DFA staff to engage with interested

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parties early to better assist with the application, connect interested parties with TA providers if needed, and determine which funding source within the larger SAFER Program is most appropriate.

Interim Water Supplies and Emergencies

Funding for interim water supplies (e.g., bottled water, hauled water) and emergencies (e.g., emergency system repairs) is available through SADW Fund, CAA, and various General Fund appropriations. Interested parties may apply for funding for interim water supplies and emergency repairs through the Urgent Drinking Water Needs application which can be found in the 'How to Apply' section of the [CAA Urgent Drinking Water Needs webpage](#).

Technical Assistance

TA is available to help small systems serving small DACs develop, fund, and implement eligible drinking water needs. To request TA, a water system may submit a TA request directly, or seek the assistance of a local nonprofit organization, DDW District Office, or County Department of Environmental Health to submit the request on its behalf. The completed [TA Request Form](#) is submitted by emailing it to DFA-TArequest@waterboards.ca.gov. More information is available at the [TA Funding Program webpage](#).

IX. FINANCING AND PROGRAMMATIC REQUIREMENTS

Per Section IX of the Policy, general program requirements and conditions that must be met to obtain funding are outlined as [General Terms and Conditions](#).

IX.A. Policy Requirements

Programmatic requirements identified in the Policy include:

System Sustainability: Per Section VIII.C of the Policy, funding of all projects for water systems will be contingent on developing or updating an asset management plan, capital improvement plan, and conducting a rate study within the first two years after completion of the project. Additionally, any new projects for systems that have already received funding from the State Water Board to address existing and potential water quality, or TMF capacity issues, may generally only be considered for funding of the new project if the system has completed these required plans and rate study, and implemented appropriate rate adjustments in the last five years, to the extent not inconsistent with the requirements of the specific funding program.

System-Level Emergencies: Per Section VIII.D.2 of the Policy, any system requesting funding as a result of an emergency specific to that water system will be required to submit financial records to determine whether the system has adequate emergency reserves.

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IX.B. GGRF Requirements

Additional terms and conditions specific to GGRF expenditures are outlined in the [GGRF Funding Guidelines](#). Key requirements for funding recipients are summarized below.

Priority Populations: Projects funded by the GGRF through the SAFER Program are required to provide opportunity to yield significant benefit for GGRF Disadvantaged Communities, Low-Income Communities, and Low-Income Households collectively referred to as “GGRF Priority Populations” (definitions of these terms are included in Section IV of the Policy). For FY 2020-21, the investment targets for the SADW Fund per the [CCI: Investment Targets for Agencies Administering FY 2020-21 Funds](#), were 25% to GGRF Disadvantaged Communities and 60% to GGRF Low-Income Communities and Households. These same investment targets will be proposed for the SADW Fund for FY 2021-22.

In FY 2020-21, for known committed projects, of the \$115.5 million available for projects (minus staff costs and other program needs), 15% will go towards GGRF Disadvantaged Communities and 59% will go towards GGRF Low-Income Communities and Households. The remaining 26% will go towards projects or programs with unknown locations at this time (e.g., regional programs, TA agreements, administrator master service agreements). Project locations will be determined as these projects and programs are implemented.

The GGRF Priority Populations represent economically disadvantaged individuals and communities as well as communities disproportionately burdened by the impacts of climate change, exposed to multiple sources of pollution, and especially vulnerable to environmental pollutants. Specific details are included in the GGRF Funding Guidelines Section V.A. Investment for Priority Population and V.B. Implementing Programs to Benefit Priority Populations.

Accountability Tools: The GGRF Funding Guidelines require that a funding agreement be in place, legally binding the funding agency and funding recipient. The funding agreement must include provisions related to monitoring and reporting, recordkeeping, auditing language, and remedies for non-performance. Funding agreements with the State Water Board contain these provisions. General terms and conditions for all State Water Board grants can be found on the State Water Board’s website at [Exhibit C – General Terms and Conditions 2019-Nov \(ca.gov\)](#). Additional details on accountability requirements are in the GGRF Funding Guidelines, Section IV.B.7 Accountability Tools for Legal Agreements.

Reporting Requirements: All funding recipients of GGRF monies are required to track project status and report the estimated benefits, including greenhouse gas emission reductions, co-benefits, and benefits to priority populations. CARB has established the [SADW Fund Quantification Methodology](#) and SADW Fund Benefits Calculator Tool to estimate the GHG emission reductions, available at www.arb.ca.gov/cci-resources.

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CARB has also established the Jobs Co-benefit Modeling Tool and other applicable co-benefit Assessment Methodologies (e.g., Community Engagement Questionnaire).

Each funding agreement with the State Water Board will define the reporting requirements and frequency which would fulfill the GGRF Funding Guidelines Section VI Reporting Requirements. This reporting is compiled by the State Water Board and reported to CARB each June and December.

IX.C. Other Applicable Program Requirements

Additional general program requirements that apply to the Fund are described below.

Confidentiality: When submitting a funding application to the State Water Board, the applicant will be required to waive the privacy and confidentiality of its application package. Most other records produced or received by the State Water Board will be public records subject to potential disclosure to the public. The locations of all funded projects, including the locations of management measures or practices implemented, must be reported to the State Water Board and Regional Water Boards and may be made available to the public. The State and Regional Water Boards may report project locations to the public through internet-accessible databases. The State Water Board uses Global Positioning System (GPS) coordinates for project and sampling locations.

For domestic wells, well construction, location information, and sampling results part of the GAMA program are not considered confidential and will be made publicly available. Personal information will be kept confidential.

Indirect Cost Allowances: Agreements may include provisions to reimburse for indirect costs, if permitted by these indirect cost rules and requirements applicable to the funding source. Indirect costs are costs incurred for common or joint objectives that cannot be readily identified with a particular project.

An indirect cost rate of up to 25 percent may be approved. Indirect expenses are allowed on recipient's expenses identified in the following budget categories: personnel services (salaries and fringe benefits), operating expenses (services, materials, and supplies), travel, and up to the first \$25,000 of each subaward or subcontract, and other direct cost categories approved by the Deputy Director of DFA. Indirect costs may not be applied to equipment, capital expenditures, tuition remission, scholarships and fellowships, participant support costs, food (except meal per diems included in travel expenses), engagement merchandise, and the portion of each subaward or subcontract in excess of \$25,000.

The State Water Board does not approve an individual recipient's indirect methodology. It is the recipient's responsibility to ensure consistency in its indirect cost methodology, to verify that ineligible costs are not claimed, and to maintain backup documentation and source documents to support indirect cost accounting. All such documentation must be available in the case of an audit. Recipients should request reimbursement only for actual costs, not budgeted costs. No costs invoiced as part of indirect costs should

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be included elsewhere as a direct cost, and fringe benefits should be included in personnel services. The recipient's claimed personnel expenses shall include only salary and fringe benefits (loaded rates are not accepted). The rate of reimbursement of indirect costs must be commensurate with the rate of reimbursement of direct costs.

For good cause, the Deputy Director of DFA may waive the aforementioned indirect cost rate limitations and accept another negotiated indirect cost rate.

Data Management: When applicable, projects must include appropriate data management activities so that recipients can provide data, including data from domestic well sampling, in the format necessary to upload into the applicable statewide data systems. Typical requirements may include:

- Groundwater quality monitoring data must be integrated into GeoTracker. Data will be available to the stakeholders, agencies, and the public. Please see the [GeoTracker website](#) for additional information.
- Groundwater monitoring data also must be integrated into the GAMA database. Please see the [GAMA website](#) for additional information.
- Drinking water quality data from public water supply sources must be submitted electronically to the Division of Drinking Water. Data are submitted via the [Electronic Data Transfer Portal](#). For more information regarding the requirements for data submittal, go to: https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/EDTlibrary.html
- Financial capacity and rate information must be integrated into the statewide Needs Assessment Financial Capacity Dashboard, once developed.

State Cross-Cutters: Miscellaneous state laws apply to funding provided by state agencies. The recipient must comply with, or not be prohibited from receiving funding under, these laws. A list is provided in Appendix I.

X. OUTCOMES, GOALS, AND METRICS

Long-term and short-term goals for FY 2021-22 will remain consistent with those identified in the FY 2020-21 Fund Expenditure Plan. These goals assume full funding for FY 2021-22 and may be modified if funding is reduced or if funding priorities are shifted. These goals will also help the State Water Board maximize and prioritize its staff and funding resource. In future Fund Expenditure Plans, progress will be shown cumulatively from a start date of July 1, 2020, to show SAFER Program performance over time since the adoption of the first Fund Expenditure Plan, i.e., the start of FY 2020-21. Performance compared to goals shown in sections below is the performance of the larger SAFER Program, i.e., SADW Fund plus complementary funding sources.

X.A. Prioritizing Funds for Public Health Benefits

Long-term goals to prioritize funds for public health benefits included:

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- (1) Address significant risks to public health
- (2) Reduce the number of unsustainable, small water systems
- (3) Promote SDWA compliance
- (4) Improve affordability and sustainability

Measurable short-term goals and performance are shown in Table 8 below.

Table 8. Short-Term Goals Related to Public Health Benefits

Item	2-yr Goal (7/1/2020 – 6/30/2022)	4-yr Goal (7/1/2020 – 6/30/2024)	Progress (7/1/2020 – 6/30/2021)
Systems serving DACs with chronic MCL violations implementing at least 1 solution	All systems that were on the HR2W list as of 7/1/2019	--	153
Systems out of compliance serving DACs and small non-DACs with chronic MCL violations implementing a long-term solution	--	All systems that were on the HR2W list as of 7/1/2019	44
Complete dissolution of systems through consolidation	80	200	30
Households receiving interim solutions	200	--	364
Consolidation and regional-scale efforts initiated for systems under 500 connections that are out of compliance or at highest risk*	--	300	132

*These efforts are currently for HR2W systems. New HR2W systems that come on the list will be evaluated when applicable. At-risk systems will be evaluated in future iterations of this Plan.

X.B. Responsible Management

Long-term goals around responsible management of funds included:

- (1) Use capital effectively.
- (2) Maintain financial integrity.
- (3) Provide exceptional customer service and project management.
- (4) Ensure transparency and accountability.

Measurable short-term (two-year) goals and performance are listed below.

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- **Evaluate the effectiveness of the pre-application**
 - Received 17 pre-applications which were directed to the appropriate DFA staff to guide them through the next steps. Staff will continue to evaluate if the applications resulting from pre-applications are indicative of improved efficiency throughout the application review and approval process.
- **Develop outreach and community engagement in concert with DDW and OPP to raise Program awareness in communities that could benefit most from long-term solutions**
 - Hosted 33 public meetings and webinars and 20 targeted Tribal meetings with a total of 1,288 attendees. Developed 48 sets of bilingual (English and Spanish) written materials and provided Spanish language interpretation services at 15 public meetings to a total of 55 participants.
- **Implement the communications plan in coordination with DDW, OPP, and OPA to increase public awareness of the larger SAFER Program**
 - Refined SAFER messaging based on key audiences and program goals. Revised and expanded SAFER website to better meet the needs of stakeholders and Tribes. Communicated program information to stakeholders and the public via media releases and interviews, social media outlets, email subscriptions lists, Water Boards website, and community partners.

X.C. Timely and Expeditious Use of Funds

Long-term goals around the timely and expeditious use of funds included:

- (1) Ensure the timely commitment and disbursement of SADW funds.
- (2) Continuously evaluate and improve internal processes.

Measurable short-term goals and performance are shown in Table 9 and described below.

Table 9. Short-Term Goals Related to Timely and Expeditious Use of Funds

Item	2-yr Goal (7/1/2020 – 6/30/2022)	4-yr Goal (7/1/2020 – 6/30/2024)	Progress (7/1/2020 – 6/30/2021)
Completion of long-term solution implementation and/or return to compliance of HR2W list systems as of FY 2019-20	100	--	21
Encumbrance of SADW funds towards priority projects or eligible services	50	--	38

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- **Move towards an electronic process, where possible, from application submittal, to funding agreement approvals, to invoice submittals and approvals¹¹**
 - DFA and the Division of Administrative Services (DAS) have begun to move towards electronic processes in a number of areas, including the internal reviewing and approving of draft agreement documents, including encumbrance and claim form documents.
 - During the first half of FY 2020-21, DFA developed and implemented an electronic process for the routing, review and digital sign-off of draft agreement documents, including draft funding agreements, and draft claim forms. This new digital process for the review and approval of draft agreement documents replaced what was once a substantially paper and wet-signature process.
 - Beginning in the second half of FY 2020-21, the electronic routing, review and digital sign-off of certain encumbrance documents was implemented and expanded to include the digital sign-off of such documents by the State Water Board's Accounting Section.
 - Concurrently, DFA developed and began implementing a new digital claim form and disbursement process that allowed for the electronic submittal of claims and digital sign-off of the claim form by both the funding recipient and DFA analysts/management.
 - DFA continues to refine the digital platform and processes for the receipt, routing, review and digital sign-off of various agreement and claim documents. In the near future, DFA also intends to implement an electronic platform for the execution of agreements via certified digital signature by all parties.
 - Additional information around funding process improvements is included in Section VIII.

X.D. Performance Metrics

The Policy establishes the types of metrics that will be tracked and for which specific numeric goals will be set (see Section XI.I of the Policy). The general categories of metrics are described below with details provided in the Policy.

The number of communities¹², including areas served by PWSs, state smalls and domestic well communities, and schools and associated population:

- (1) Provided with interim supplies of safe drinking water;
- (2) Provided with executed and completed preliminary planning assistance projects;
- (3) Provided with long-term solutions; and

¹¹ Achieving this goal will require changes in the requirements of control and audit agencies, such as the State Controller's Office, for "wet signatures"/hard copy backup documentation.

¹² The term communities includes the area defined by a water system boundary, as well as areas served by state smalls and domestic wells.

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(4) Return to compliance and are out of compliance.

Additional performance metric categories include:

- (5) Climate change adaptation and resiliency;
- (6) Cost-effectiveness of the Program;
- (7) Administrative efficiency of the Program; and
- (8) Community engagement effectiveness of the Program (including capacity building).

In support of the State Water Board’s work towards racial equity, a new performance metric category, (9) Racial Equity/Environmental Justice, is being added as an area to be tracked for the SAFER Program and will be reported on in future Fund Expenditure Plans. Data to be tracked will include demographic information (e.g., pollution burden, income level, race, ethnicity, number of household members, etc.) of communities receiving various forms of assistance through the SAFER Program (e.g., interim solutions, TA, planning, construction, etc.).

X.D.1. Metric Categories 1, 2, and 3: Interim Solutions, Planning Assistance, and Long-Term Solutions

Table 10 shows progress for Metric Categories 1, 2, and 3 in both FY 2019-20 and FY 2020-21 for the SAFER Program (SADW Fund and complementary funding sources). In future Fund Expenditure Plans, these categories will be shown cumulatively from a start date of July 1, 2020, to show SAFER Program performance over time since the adoption of the first Fund Expenditure Plan, i.e., the start of FY 2020-21.

**Table 10. Performance in Metric Categories 1, 2, and 3
(in Number of Communities)**

Category	FY 2019-20 Progress (7/1/2019 – 6/30/2020)	FY 2020-21 Goal	FY 2020-21 Progress (7/1/2020 – 6/30/2021)
Interim Solutions¹	173	150	426
Planning Assistance	72	100	171
Long-term Solutions	67	100	81

¹ The count for Interim Solutions includes 62 communities and 364 households

Table 11 further details FY 2020-21 progress for Metric Categories 1, 2, and 3. Additional information on the metrics tracking methodology is included in Appendix J.

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Table 11. Detailed Performance, Categories 1, 2, and 3 (7/1/2020 – 6/30/2021)

Category	# of Communities	# of Connections	Population
Interim Solutions	426	4,770	27,731
Bottled Water	49	1,100	16,248
POU/POE	2	25	282
Hauled Water	3	914	3,016
Repair	8	2,731	8,185
Treatment	-	-	-
Households Bottled Water	283	-	-
Households POU/POE	81	-	-
Planning Assistance	171	49,783	135,887
New Executed TA	42	6,387	22,691
Planning through TA	18	3,334	12,539
Executed Planning Agreements	14	12,170	22,799
Completed Planning	1	48	195
Completed TA	93	27,614	76,675
Approved/Executed Administrator Agreements	3	230	988
Long-term Solutions	81	61,463	189,396
Executed Construction Agreements	21	35,120	79,738
Completed Construction	9	3,575	10,946
New TA-Construction Management/Support	-	-	-
Consolidation Complete	30	789	8,112
Water Systems Returned to Compliance	21	21,979	90,600

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X.D.2. Metric Category 4: Systems Out of Compliance and those Returned to Compliance

Table 12 shows FY 2020-21 progress for Metric Category 4 on systems out of compliance and those returned to compliance.

Table 12. Performance in Metric Category 4 (7/1/2020 – 6/30/2021)

Item	# of Systems	Population
Returned to compliance	21	90,600
Out of compliance (as of 7/1/2020)	312	846,821
Out of compliance (as of 6/30/2021)	341	872,736

In examination of the time to return to compliance for the 21 systems since July 1, 2020, it was found that the average time it took for a system to return to compliance from the date that an enforcement action was issued was approximately three years.

X.D.3. Metric Categories 6 and 7: Program Cost-Effectiveness and Administrative Efficiency

DFA's Loans and Grants Tracking System (LGTS) and CAA Databases are applications designed to manage the financial and technical aspects of projects that the State Water Board is providing financial assistance to. The LGTS database was designed specifically to track funding processes and financing agreement information for the State Revolving Fund and complementary state funding programs, while the CAA Database currently tracks the interim and emergency assistance projects being funded. Data tracked in LGTS and the CAA Database includes, but is not limited to:

- General information of the water system(s) and or community impacted by assistance (i.e., location, population, connections, DAC status, contact information)
- Project information
- Application package submittal and approval dates
- TA request submittal and TA provision dates
- Financing agreement routing and execution dates
- Cost breakdown of project tasks
- Invoice submittal and processing dates

Staff continue to make improvements to existing databases to be able to better track and report on performance. In FY 2021-22, DFA staff will analyze project data and work with stakeholders to develop and report performance metrics around Metric Categories 6 and 7, as outlined in Section XI.I of the Policy for inclusion in future Fund Expenditure Plans.

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X.D.4. Metric Categories 5, 8, and 9: Climate Change, , Community Engagement, and Racial Equity/Environmental Justice

For metric categories 5, 8, and 9, data collection and tracking will continue to take place as the Program is implemented in order to establish a baseline for developing specific goals in future Fund Expenditure Plans.

For Metric Category 8 on community engagement effectiveness, some data is reported above in Section X.B.

For Metric Category 9 on racial equity and environmental justice, some data is included in Appendix H.

XI. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the FY 2021-22 Fund Expenditure Plan for the SADW Fund is shown below in Table 13.

Table 13. Schedule for FY 2021-22 Fund Expenditure Plan

Date	Milestone
March to August 2021	Draft FY 2021-22 Fund Expenditure Plan Preparation and Internal Review
April 8, 2021 & April 22, 2021	Advisory Group Meeting #1: Statewide Needs Assessment and Fund Expenditure Plan (SADW Fund Target Allocations Discussion)
April 20, 2021	Board Meeting with Informational Item on Needs Assessment Results
August 6, 2021	Release Draft FY 2021-22 Fund Expenditure Plan for Public Comment
August 12, 2021	Advisory Group Meeting #2: Review Draft Fund Expenditure Plan
August 18, 2021	Board Workshop on FY 2021-22 Fund Expenditure Plan
August 27, 2021	End of 21-Day Public Comment Period for FY 2021-22 Draft Fund Expenditure Plan
October 19, 2021	Board Meeting to Consider Adoption of FY 2021-22 Fund Expenditure Plan

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XII. ACRONYMS AND ABBREVIATIONS

AB	Assembly Bill
ARPA	American Rescue Plan Act
CAA	State Water Pollution Cleanup and Abatement Account
CalOES	California Office of Emergency Services
CARB	California Air Resources Board
CCI	California Climate Investments
CEQA	California Environmental Quality Act
CPUC	California Public Utilities Commission
CV-SALTS	Central Valley Salinity Alternatives for Long-Term Sustainability
CWS	Community Water System
DAC	Disadvantaged Community
DAS	Division of Administrative Services
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
DWR	Department of Water Resources
DWFS	Drinking Water for Schools Grant Program
DWSRF	Drinking Water State Revolving Fund
EDA	Economically Distressed Area
FAAST	Financial Assistance Application Submittal Tool
FBA	Final Budget Approval
Fund	Safe and Affordable Drinking Water Fund
FY	Fiscal Year
GAMA	Groundwater Ambient Monitoring and Assessment
GGRF	Greenhouse Gas Reduction Fund
GGRF Funding Guidelines	Funding Guidelines for Agencies that Administer California Climate Investments
GPS	Global Positioning System
HCF	hundred cubic feet
ILRP	Irrigated Lands Regulatory Program
IUP	Intended Use Plan (DWSRF)
LGTS	Loans and Grants Tracking System
LPA	Local Primacy Agency
MCL	Maximum Contaminant Level
MHI	Median Household Income
Needs Assessment	Statewide Safe and Affordable Drinking Water Needs Assessment
NGO	Non-Governmental Organization
NTNC	Non-Transient Non-Community Water System
O&M	Operation and Maintenance
OPP	Office of Public Participation
PFAS	Per-and Polyfluoroalkyl Substances
Plan	Fund Expenditure Plan
POU/POE	Point of Use/Point of Entry

FY 2021-22 Fund Expenditure Plan

Safe and Affordable Drinking Water Fund

Policy	Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund
Program	Safe and Affordable Funding for Equity and Resilience Drinking Water Program
Prop 1	Proposition 1
Prop 68	Proposition 68
PWS	Public Water System
Regional Water Board	Regional Water Quality Control Board
SADW Fund	Safe and Affordable Drinking Water Fund
SAFER	Safe and Affordable Funding for Equity and Resilience
SB	Senate Bill
SCG DW	Small Community Grants Drinking Water
SDWA	Safe Drinking Water Act
State Smalls	State Small Water Systems
State Water Board	State Water Resources Control Board
TA	Technical Assistance
TMF	Technical, Managerial, and Financial
U.S. EPA	United States Environmental Protection Agency