State of California

FY 2023-24 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 3, 2023

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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 (FEP)[1]. 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 (GF) 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 and affordable drinking water in every California community, for every Californian.

2023 Needs Assessment Results

The 2023 Statewide Safe and Affordable Drinking Water Needs Assessment[2] (2023 Needs Assessment, included as Appendix A), released in May 2023, 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 each FEP as it is updated each year.

Key enhancements to the 2023 Needs Assessment included:

- Updated affordability indicators, including a new indicator, incorporating stakeholder feedback, "Household Socioeconomic Burden", a composite indicator that is a combined measure of Housing Burden and Poverty Prevalence that measures the extent to which low-income customers may have affordability challenges now or in the future because their disposable income is constrained by high housing costs.
- Development of a third category of risk for state smalls and domestic wells that analyzed socioeconomic risk, with the purpose of:
    (1) Assessing a counties' overall administrative, technical, and managerial capacity to assist communities served by state smalls and domestic wells, and

[1] Key terms used within this FEP are defined either in Section IV of the Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund (SADW Fund Policy) or Section I.E of this FEP.

[2] 2023 Needs Assessment https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2023needsassessment.pdf

(2) Assessing the ability of communities served by these systems to access and pay for water at a neighborhood level, especially when faced with a well experiencing water quality or water shortage issues.

Given these enhancements, key results that inform this FEP include:

- Of the 3,053 water systems analyzed on January 1, 2023, 381 systems were listed as failing. Collectively these Failing systems serve approximately 787,000 people.
- At least half of failing water systems (or 5 percent [%] of all public drinking water systems statewide) have consistently failed for three or more years. Ninety-seven percent of those are small community water systems (CWSs) with the majority exceeding primary maximum contaminant levels (MCLs).
- Forty-two percent of the systems on the Failing list are considering consolidation or are in the process of developing a long-term solution with SAFER technical assistance (TA) and funding support. Consolidation with larger, high-capacity systems is one sustainable solution to help communities secure long-term access to safe drinking water.
- Of the 2,672 systems not on the Failing list, 512 systems are at risk of failing due to water quality or shortage issues, their customers' inability to pay, or limited technical, managerial, and financial (TMF) capacity. Collectively these At-Risk systems serve approximately 1.3 million people.
- The affordability assessment, using an updated methodology that includes poverty and housing costs to assess community-level affordability, found that approximately 23% of systems that serve disadvantaged communities (DACs) or severely disadvantaged communities (SDAC) face a medium-to-high affordability burden. In contrast, only about 9% of systems that serve non-DACs do.
- State smalls and domestic wells, which fall under county jurisdiction and are not regulated by the state, faced both water quality and water shortage risks in 2022, largely from dropping groundwater levels. The assessment incorporated socioeconomic indicators as well, finding that nearly one-fifth of state smalls and 28% of domestic wells were at risk of failing due to one or more of these factors.
- Socio-economic analyses of the Risk and Affordability Assessments indicated:
  - Failing and At-Risk PWSs, state smalls, and domestic wells areas have higher pollution burdens, are typically located in areas with higher poverty, greater linguistic isolation, and serve a greater proportion of non-white households than systems and domestic well locations that are Not At-Risk.
  - When compared with non-DAC/SDAC PWSs, DAC/SDAC water system service areas tend to have higher pollution burdens, a higher percentage of households in poverty, a higher percentage of limited English-speaking households, and are likely to serve a greater proportion of non-white communities.

Fiscal Year (FY) 2023-24 Priorities

Based on the 2023 Needs Assessment and SAFER Advisory Group (Advisory Group) input, the expenditures from the SADW Fund for FY 2023-24 will continue to focus on solutions for small DACs and low-income households, and seek to:

(1) Address any emergency or urgent funding needs expeditiously, only where other emergency funds are not available and a critical water shortage or outage could occur without support from the Fund;
(2) Address CWSs and school water systems consistently out of compliance with primary drinking water standards or at risk of failing, including those CWSs that have relied on bottled and/or hauled water to meet customer demand within the last three years;
(3) Accelerate consolidations for consistently Failing or At-Risk systems, as well as connections for state smalls and domestic wells in proximity to CWS boundaries, and promote opportunities for regional-scale consolidations;
(4) Expedite planning through use of TA for consistently Failing or 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 MCL or at risk of running dry due to drought;
(6) Provide direct operation and maintenance (O&M) support to assist CWSs facing the highest affordability burdens while promoting sustainability and TMF capacity building; and
(7) Ensure assistance is distributed in a manner consistent with the goals and direction provided in the State Water Resources Control Board's (State Water Board's) Racial Equity Resolution and associated Racial Equity Action Plan.

These needs are not necessarily listed in ranked order, and the needs of failing systems will generally be prioritized above the needs of at-risk systems.

FY 2023-24 Target Allocations

Up to $130 million will be available from the SADW Fund for local assistance and state operations, plus an uncommitted balance of $23.5 million from prior FYs (see Section VI.A for discussion on FY 2022-23 funding commitments). The target allocations of the Fund for FY 2023-24 (Table ES-1) are consistent with the priorities and will be used in conjunction with other available complementary funding from the broader SAFER Program. SADW Fund resources will be used 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 2023-24 target allocations are in addition to projects already funded in FY 2022-23 and prior. Items to note include:

- Solutions funded by the SADW Fund will continue to be focused on small DACs and low-income households, while allowing for funding of small non-DAC[3] or medium DAC projects that either address high-priority public health impacts or are part of a consolidation effort.
- Significant investments are proposed to help address the large numbers of state smalls and domestic wells considered to be at risk for either water quality or drought impacts via county-wide and regional programs to provide interim water supplies (e.g., bottled and hauled water) as well as long-term solutions.
- $30 million each are proposed in the Administrator and Construction solution types, expected to assist at least 20 additional designated water systems that will be appointed an administrator, and the following implementation work: installation of backup generators for an additional 30 priority systems, and programs that finance extension of service or well repair/replacement in areas with contamination or wells that have gone dry.
- $20 million is proposed for direct O&M assistance, which is expected to benefit approximately 30 systems using a streamlined approach that will initially target small DAC water systems with water rates higher than 2.5% of the community's median household income (MHI) that are also considered to have a high affordability burden based on the 2023 Affordability Assessment.
- $15 million is proposed for TA to potentially add funding and scope to one or more existing TA agreements to cover the following needs: focused TA needs for tribal water systems, Point of Use (POU)/Point of Entry (POE) Pilot related items, Funding Partner community outreach related items, and potential TA needs of PWSs associated with implementation of the Direct O&M Funding Program (Direct O&M Program).

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

Overall, it is anticipated that in FY 2023-24, around $773 million, at least $635 million of which is available for capital projects, is anticipated to be available for use in FY-2023-24 from the SADW Fund and complementary funding sources that make up the broader SAFER Program (see Table ES-2). Table ES-2 also shows solution types that may be funded by each funding source.

Table ES-1 provides target SADW 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 adjust 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.

[3] Per SADW Fund Policy Section VI.B, projects and services may be funded for non-DACs if the project reduces greenhouse gas emissions.

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 designated water systems, assess overall funding needs, identify state smalls and domestic wells in aquifers at high risk of having contaminants over MCLs, implement information management tools to support transparency and accountability, and actions to implement the Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund (SADW Fund Policy)[4], and this FEP that are consistent with the State Water Board's Racial Equity Action Plan.

[4] Policy for Developing the FEP for the SADW Fund
https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2021/final_policy_for_dev_fep_sadwf_1221.pdf

Table ES-1. FY 2023-24 SADW Fund Target Allocations (in millions)

Water System Category	Interim Water Supplies and Emergencies	Technical Assistance (includes Planning)[1]	Administrator[1]	Planning[1,2]	Direct O&M Support[1]	Construction[2]
Failing or At-Risk Systems, or Consolidations	$5	$15	$30	$3	$20	$20
State Smalls/ Domestic Wells	$10.9		$0	$0	$0	$10
Uncommitted from Prior FYs	$23.5	$0	$0	$0	$0	$0
SUBTOTAL BY SOLUTION TYPE[3]	**$15.9 ($39.4)**	**$15**	**$30**	**$3[2]**	**$20**	**$30[2]**
TOTAL					**PROJECT TOTAL[3]**	**$113.9 ($137.4)**
Other Program Needs	**Pilot Projects**	**Contracts**	**Staff Costs**			
	$0	$1.5	$14.6			
					GRAND TOTAL[3]	**$130 ($153.5)**

[1] Solution type provides direct and/or indirect O&M support.
[2] Approximately $635 million will be available from the broader SAFER Program (i.e., non-SADW funding sources) for planning and construction projects.
[3] Totals in parentheses include target allocations from FY 2023-24 and uncommitted amounts from prior FYs.

Table ES-2. FY 2023-24 SAFER Program Anticipated Funding Availability for Projects (SADW Fund plus complementary funding) (as of June 30, 2023)

Funding Category	Funding Source	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Direct O&M Support	Planning/ Construction	FY 2023-24 Available Funds (in millions, excluding loan funds[4])
SADW Fund[1]	FY 2023-24[2]	Y	Y	Y	Y	Y	$114.6
	FY 2022-23	Y	Y	Y	Y	Y	$23.5
GF[1]	Infrastructure[3]					Y	$165.6
	PFAS[3]		Y			Y	$97.7
General Obligation Bond Funding	Prop 1 DW		Y			Y	$13
	Prop 1 GW					Y	$21.8
	Prop 68 DW					Y	$84.7
	Prop 84	Y				Y	$3.2
DWSRF Principal Forgiveness[4]	DWSRF[5]					Y	$200.5
Other DWSRF	Emerging Contaminants					Y	$48
						TOTAL	**$772.6**

[1] SADW Fund and GF allocations may be used for projects for state smalls and domestic wells implemented by an eligible recipient. The DWSRF may also be used to consolidate state smalls and domestic wells, if funding is provided to an eligible water system.

[2] The FY 2023-24 allocation of the SADW Fund is $130 million minus estimated staff and other program need costs.

[3] Amounts shown for Infrastructure and PFAS are the allocations minus 5% for state operations/administrative costs.

[4] DWSRF amount includes unencumbered funds from prior FYs. Repayable loan financing through the DWSRF is also available for projects that address compliance issues and/or other risk factors for larger systems that otherwise would not qualify for grant funding. The total amount of anticipated repayable loan financing that is expected to be committed in FY 2023-24 can be found in the DWSRF Intended Use Plan (IUP).

[5] Includes DWSRF Base Program and General Supplemental capitalization grants for Federal FY 2023 and prior years.

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) TA projects;
(3) Planning projects; and
(4) Long-term solutions (i.e., construction projects).

Table ES-3 shows progress for the above solution types cumulatively, from a start date of January 1, 2019, to show SAFER Program performance over time. Additional discussion of performance metrics is included in Section VII.

Table ES-3. Cumulative SAFER Program Performance (1/1/2019-6/30/2023)

Category	Cumulative Progress	No. of Connections /Households Benefiting	No. of People Benefiting	Total Assistance Provided
Interim Solutions	276 communities/schools and 4,591 households	20,783	112,638	$34 M
Technical Assistance Projects	383 (63 planning via TA)	93,013	325,503	$50.4 M
Planning Projects	50	143,678	403,710	$26.7 M
Construction Projects[1]	149 (116)	1.7 M (175,402)	9.75 M (394,964)	$1.4 B ($510.8 M)

[1] Numbers in parentheses for construction projects reflect projects in the Office of Sustainable Water Solutions benefiting primarily small DACs or low-income households. The work in other categories is solely through the Office of Sustainable Water Solutions and benefiting primarily small DACs or low-income households.

II. INTRODUCTION

This FY 2023-24 FEP for the SADW Fund is part of the State Water Board's broader 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 broader SAFER Program are included in Section I of the SADW Fund Policy, adopted by the State Water Board on May 5, 2020, and amended on October 19, 2021.

The SADW Fund complements the State Water Board's suite of drinking water 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 SADW Fund 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 1/68/84 Drinking Water, the State Water Pollution Cleanup and Abatement Account (CAA), GF appropriations, and the DWSRF, which offers repayable, low-interest financing and loans with partial or complete principal forgiveness. The SADW Fund, and these other complementary funding sources (further discussed in Section II.B), constitute the broader SAFER Program.

Additionally, DFA has a dedicated branch, the Office of Sustainable Water Solutions (OSWS)[5], which was created to promote permanent and sustainable drinking water and wastewater treatment solutions to ensure effective and efficient provision of safe, clean, affordable, and reliable drinking water and wastewater treatment services. In the context of the broader SAFER Program and this FEP, OSWS focuses primarily on funding and TA benefiting small DACs and low-income households.

Any expenditures from the SADW Fund in FY 2023-24 must be consistent with this FEP. Complementary funding sources administered by the State Water Board will be used to address the needs and priorities identified in this FEP to the extent allowed by law and applicable policies and plans.

[5] The OSWS was initially established in March 2015 by Assembly Bill (AB) 92.

Supporting the Water Boards' Mission

Per SADW Fund Policy Section II, projects funded by the broader SAFER Program help further the Water Boards' mission, as well as the statutory human right to water and improving climate change resiliency and adaptation.

In November 2021, the State Water Board adopted Resolution No. 2021-0050 (Racial Equity Resolution)[6], which provides goals and direction to ensure racial equity issues and concerns are integrated into decisions made by the State Water Board, including funding decisions. In January 2023, the State Water Board's 2023-2025 Racial Equity Action Plan (RE Action Plan)[7] was finalized and is a compilation of goals, actions, and metrics intended to advance efforts to create a future where we equitably preserve, enhance, and restore California's water resources and drinking water for all Californians, regardless of race, and where Water Board employees reflect the racial and ethnic diversity of California.

The RE Action Plan, under Strategic Direction #1, Goal 1a, DFA will assess race/ethnicity data and other relevant demographic data associated with the communities that benefit from funding administered by DFA and report that data via existing annual funding reports and plans. Appendix H of this FY 2023-24 FEP includes similar demographic information as the 2023 Needs Assessment[8] for each project with funding committed in FY 2022-23 across the broader SAFER Program. The Racial Equity and Environmental Justice performance metric category is further discussed in Section VII.F of this FEP.

In early 2023, State Water Board staff facilitated discussions on racial equity with SAFER Advisory Group members at both the Advisory Group onboarding session and March meeting. In FY 2023-24, State Water Board staff will continue to work with the Advisory Group and other stakeholders to evaluate potential changes to the SADW Fund Policy to ensure that the appropriate racial equity lens is being applied to each annual FEP, in alignment with the RE Action Plan.

[6] Racial Equity Resolution
https://www.waterboards.ca.gov/board_decisions/adopted_orders/resolutions/2021/rs2021_0050.pdf

[7] State Water Board's 2023-2025 Racial Equity Action Plan
https://www.waterboards.ca.gov/racial_equity/docs/racial-equity-action-plan-final-en.pdf

[8] The 2023 Needs Assessment included socioeconomic analyses for the risk and affordability assessments and included demographic information such as household size, linguistic isolation, poverty, median household income, and race/ethnicity, as well as CalEnviroscreen for pollution burden.

II.A. Plan Purpose and Objective

Per Health and Safety Code section 116768, the purposes of the FEP 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 FEP supports the short- and long-term goals for the SAFER Program (see SADW Fund Policy Section I.A) and discusses FY 2023-24 SADW Fund targets and solution lists; funding priorities by solution type; funding strategy for state smalls and domestic well communities; FY 2022-23 fund distribution; the 2023 Needs Assessment; the funding process and associated improvements; financing and programmatic requirements; goals and metrics; and a schedule for public comment and adoption of this FEP.

The State Water Board convened the SAFER Advisory Group in December 2019 to provide input into the development of the annual FEPs, the SADW Fund Policy, and overall implementation of the Fund. More information on activities of the Advisory Group in FY 2022-23 is presented in Section VI.D.

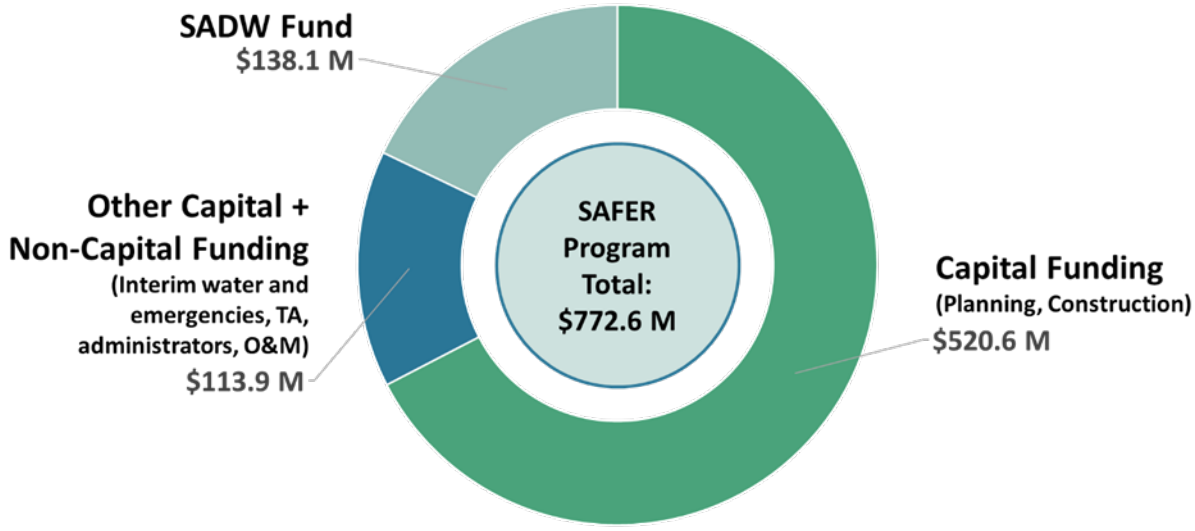
II.B. SAFER Program Complementary Funding

Figure 1 provides a visual of anticipated funding available for FY 2023-24 across the broader SAFER Program, which includes the SADW Fund plus complementary funding which includes GF appropriations[9], general obligation bond funds, and funding available through annual DWSRF capitalization grants.

Overall, it is anticipated that in FY 2023-24, around $773 million, at least $635 million of which is available for capital projects, is anticipated to be available for use in FY 2023-24 from the SADW Fund and complementary funding sources that make up the broader SAFER Program (see Table 1). Table 1 also shows solution types that may be funded by each funding source. Additional information on complementary funding sources by solution type is included in Section III.B.1.

[9] Additional information on the GF appropriations is provided in Appendix B, although the DWSRF IUP serves as the Implementation Plan for some appropriations and contains limitations on eligible recipients, project types, and funding caps.

Figure 1. FY 2023-24 SAFER Program Anticipated Funding Availability for Projects (SADW Fund plus complementary funding)



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	FY 2022-23	Y	Y	Y	Y	Y	$23.5
GF[1]	Infrastructure[3]					Y	$165.6
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General Obligation Bond Funding	Prop 1 DW		Y			Y	$13
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DWSRF Principal Forgiveness[4]	DWSRF[5]					Y	$200.5
Other DWSRF	Emerging Contaminants					Y	$48
						TOTAL	**$772.6**

[1] SADW Fund and GF allocations may be used for projects for state smalls and domestic wells implemented by an eligible recipient. The DWSRF may also be used to consolidate state smalls and domestic wells, if funding is provided to an eligible water system.
[2] The FY 2023-24 allocation of the SADW Fund is $130 million minus estimated staff and other program need costs.
[3] Amounts shown for Infrastructure and PFAS are the allocations minus 5% for state operations/administrative costs.
[4] DWSRF amount includes unencumbered funds from prior FYs. Repayable loan financing through the DWSRF is also available for projects that address compliance issues and/or other risk factors for larger systems that otherwise would not qualify for grant funding. The total amount of anticipated repayable loan financing that is expected to be committed in FY 2023-24 can be found in the DWSRF Intended Use Plan (IUP).
[5] Includes DWSRF Base Program and General Supplemental capitalization grants for Federal FY 2023 and prior years.

II.C. Updates to the FEP

The FEP will be updated annually as required by statute. The Deputy Director of DFA may make clarifying, non-substantive amendments to this FEP. The Deputy Director of DFA may also substantively update and amend the appendices included in this FEP.

This FEP will remain in effect until the State Water Board adopts a new FEP. Decisions made under this FEP may still be valid under a later FEP at the discretion of the Deputy Director of DFA.

II.D. Report to the Joint Legislative Budget Committee

Per Health and Safety Code section 116768.5, subdivision (c), on or before March 1st of each year, the State Water Board shall provide to the Joint Legislative Budget Committee and the chairpersons of the fiscal committees in each house of the Legislature the most recently adopted FEP, either in the Governor's Budget documents or as a separate report.

The FY 2022-23 FEP was submitted on February 23, 2023. This FY 2023-24 FEP will be submitted on or before March 1, 2024.

II.E. Supplementary Definitions

Unless otherwise defined below, the definitions in the SADW Fund Policy shall apply to funding under this FEP.

"Failing water systems", or "systems on the Failing list", do not meet one or more key Human Right to Water goals for providing safe, accessible, or affordable drinking water

and/or maintaining a sustainable water system. See State Water Board Failing Criteria https://www.waterboards.ca.gov/water_issues/programs/hr2w/docs/hr2w_expanded_criteria.pdf

“Medium community water system” or “Medium CWS” means a community water system that serves up to 30,000 service connections or a 100,000 population.

“Nonprofit organization” means an organization qualified to do business in California and qualified under Section 501(c)(3) of Title 26 of the United States Code.

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

“Small disadvantaged community” or “Small DAC” means a community of no more than 10,000 persons in which the MHI is less than 80% of the statewide annual MHI.

“Small water supplier” means a community water system serving 15 to 2,999 service connections, inclusive, and that provides less than 3,000 acre-feet of water annually.

“Sustainable solution” means a long-term solution that helps ensure the ongoing provision of drinking water that is safe, reliable, and affordable.

III.FY 2023-24 TARGETS AND SOLUTION LISTS

III.A. General Funding Approach and Prioritization

DFA will manage the SADW Fund in concert with the other complementary drinking water funding, including the Small Community Grants Drinking Water (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 broader SAFER Program. In general, the 2021 GF Infrastructure funding, SCG DW, and DWSRF will be used to support priority capital infrastructure projects. The SADW Fund will be used to address funding gaps for capital and non-capital projects that otherwise cannot be funded with other funding sources. On a case-by-case basis for good cause, the Deputy Director may use the SADW Fund 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 SADW Fund does not have funding amount limits per project or applicant, and DFA will not necessarily apply funding limits identified in the current DWSRF IUP to SADW-funded projects. Non-routine or controversial projects must be taken to the State Water Board for approval.

The expenditures from the SADW Fund for FY 2023-24 will focus on solutions for small DACs and low-income households, as shown in Figure 2.

Figure 2. FY 2023-24 SADW Fund Expenditure Priorities[10]

These needs are not necessarily listed in ranked order, and the needs of failing systems will generally be prioritized above the needs of at-risk systems.

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 actions are required to ensure a water system is making a

[10] The FY 2023-24 SADW Fund expenditure priorities will focus on solutions for small DACs and low-income households.

good faith effort to seek financing and timely complete any funded project. DDW may also appoint an administrator for designated water systems that: are DAC and fail to consistently provide an adequate supply of safe drinking water, have been ordered to consolidate, or are At-Risk. DDW may impose mandatory consolidation for systems that are not making adequate progress towards a voluntary consolidation. DFA will coordinate with DDW on consolidation and administrator orders to provide related funding, where eligible and appropriate.

III.B. FY 2023-24 SADW Fund Target Allocations

The target allocations from the SADW Fund for FY 2023-24 are provided below in Table 2. The projected distribution is described for different water system categories (Failing or At-Risk Systems, or consolidations; State Smalls/Domestic Wells) and Other Program Needs (Pilot Projects, Contracts, Staff Costs). Within each water system category, the projected distribution among solution types is also provided. The FY 2023-24 target allocations are in addition to projects already funded in FY 2022-23 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 2023-24 committed expenditures 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 2023-24 are based on the priorities described above in Section III.A and shown in Table 2 broken out by water system category and solution type. These target allocations are discussed below in Section III.B.2.

III.B.1.Other Complementary Funding and Solution Types

Other SAFER Program complementary funding (shown in Figure 1 and Table 1) may be used to fund some of the solution types included in Table 2, and thus affect targets for the SADW Fund in particular. These solution types include:

- **Interim Water Supplies and Emergencies** – a recent augmentation of the Budget Act of 2022 appropriated $55 million to provide hauled water and well repair and replacement, primarily for domestic well owners with dry wells. Additionally, the CAA may be used to fund eligible urgent drinking water needs that would fall into this solution type category.
- **TA** – a portion of the 2021 GF drinking water infrastructure appropriation and federal grant for emerging contaminants for small DACs is or will be available to be used for TA.
- **Planning and Construction** – funding is still available from the 2021 GF drinking water infrastructure appropriation and the DWSRF to fund planning and construction projects.

Table 2. FY 2023-24 SADW Fund Target Allocations (in millions)

Water System Category	Interim Water Supplies and Emergencies	Technical Assistance (includes Planning)[1]	Administrator[1]	Planning[1,2]	Direct O&M Support[1]	Construction[2]
Failing or At-Risk Systems, or Consolidations	$5	$15	$30	$3	$20	$20
State Smalls/ Domestic Wells	$10.9		$0	$0	$0	$10
Uncommitted from Prior FYs	$23.5	$0	$0	$0	$0	$0
SUBTOTAL BY SOLUTION TYPE[3]	**$15.9 ($39.4)**	**$15**	**$30**	**$3[2]**	**$20**	**$30[2]**
TOTAL					**PROJECT TOTAL[3]**	**$113.9 ($137.4)**
Other Program Needs	**Pilot Projects**	**Contracts**	**Staff Costs**			
	$0	$1.5	$14.6			
					GRAND TOTAL[3]	**$130 ($153.5)**

[1] Solution type provides direct and/or indirect O&M support.
[2] Approximately $635 million will be available from the broader SAFER Program (i.e., non-SADW funding sources) for capital planning and construction projects.
[3] Totals in parentheses include target allocations from FY 2023-24 and uncommitted amounts from prior FYs.

III.B.2. FY 2023-24 SADW Fund Target Allocation Details

The projected target allocations for FY 2023-24, shown above in Table 2, are discussed below. Reserved amounts from the FY 2022-23 SADW Fund appropriation are discussed in Section VI.A.1.

By Solution Type

- **Interim Water Supplies and Emergencies** –The $5 million for Failing or At-Risk systems will be focused on interim water supplies like bottled water, hauled water or emergency repairs, with priority to small DAC systems. The $10.9 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. An additional $23.5 million is uncommitted from prior FY appropriations of the SADW Fund to help respond to urgent needs through provision of interim water supplies, including towards supplementing existing county-wide or regional programs or initiating additional county-wide or regional programs for state smalls and/or domestic well communities. These programs can include interim measures to address both drought and contamination, as well as longer-term solutions such as consolidations, PWS connections, or well repair/replacement. Use of the SADW Fund for drought emergencies will occur only if no other funding source is available.
- **TA** – Significant investments in TA occurred in FY 2022-23 to develop and execute master TA agreements with five newly qualified drinking water TA providers and expand scope or extend work completion dates for some existing agreements, which will continue to be implemented over the next two to four years. Establishment of new TA agreements will increase capacity statewide and help support accelerated planning efforts for Failing systems; to support consolidations; to provide enhanced assistance to water systems to address TMF capacity deficiencies, and to promote local community capacity building. The proposed FY 2023-24 TA investments of $15 million will be utilized to potentially add funding and scope to one or more existing TA agreements to cover the following needs: focused TA needs for tribal water systems, POU/POE Pilot related items, Funding Partner community outreach related items, and potential TA needs of PWSs associated with implementation of the Direct O&M Program.
- **Administrator** – The appointment of administrators will continue in FY 2023-24 as the program further matures. For FY 2023-24, $30 million is targeted from the SADW Fund to fund administrator costs for at least 20 additional water systems, either via expansion of existing master agreements or through system-specific administrator funding agreements.
- **Planning and Construction** – Due to the large amount of funding still available from the 2021 GF Infrastructure appropriation and significant additional federal funding, it is not anticipated that the SADW Fund will be utilized for a significant amount of planning or construction projects in FY 2023-24. A portion of the

$20 million in construction funding for Failing or At-Risk systems will be utilized to fund backup generators for up to 30 additional priority systems either through existing master agreements with TA providers or as system-specific agreements. A portion of the $20 million is expected to fund known potential construction needs for tribal water systems. Additional anticipated planning and construction funding for water systems via the SADW Fund may include projects such as: planning for regional-scale consolidation efforts via a larger water system with significant capacity, consolidation incentive projects, or construction projects which incorporate significant greenhouse gas (GHG) emission reduction elements. It is anticipated that the $10 million in 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** – A streamlined approach to funding direct O&M assistance is expected to be implemented in FY 2023-24, initially targeting small DAC water systems with water rates higher than 2.5% of the community's MHI that are also considered to have a high affordability burden based on the 2023 Affordability Assessment. The proposed $20 million is expected to be sufficient to provide O&M assistance to approximately 30 eligible water systems. More information on the Direct O&M Program is included in Section IV.D.

Other Program Needs

- **Pilot Projects** – No funding is reserved for pilot projects in FY 2023-24. Tasks associated with the POU/POE Pilot will be incorporated into an existing TA master agreement and the previously envisioned O&M Pilot is now superseded by the Direct O&M Program. More information on the POU/POE Pilot and Direct O&M Program is included in Sections VI.C and IV.D, respectively.
- **Contracts** – $1.5 million continues to be reserved for contracts that may be executed in FY 2023-24 for items such as data management improvements and/or a program performance audit (discussed in Section IX.B) to more closely evaluate the funding process and identify areas to improve administrative efficiency.
- **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 SADW Program staff costs for FY 2023-24 are approximately $14.6 million. Staff cost obligations associated with existing program positions must be met. More information on the SADW Program Resources and workload is included in Section VI.B.

III.C. Funding Solution List for Failing Systems

Per Health and Safety Code section 116769, subdivision (a)(2), the FEP 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, 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 included in the Failing list and is presented with funding information in Appendix C. A list of CWSs that serve DACs that charge direct or indirect fees that exceed affordability threshold(s) is available from the Affordability Assessment (see Affordability Assessment results spreadsheet) of the 2023 Needs Assessment. A comprehensive list of state smalls that do not meet primary drinking water standards is not currently available[11]. Counties are required to provide water quality data to the State Water Board for state smalls; however, they are not required to in turn require state smalls to collect and analyze water quality samples at the same frequency or for the same list of contaminants that PWSs are required to test for.

Priority for funding projects for Failing systems will be consistent with SADW Fund expenditure priorities discussed in Section III.A. Funding is also dependent on whether the applicant (or TA provider working on behalf of an eligible entity) has submitted a complete application and is ready to proceed with entering into a funding agreement.

The FY 2023-24 Funding Solution List for Failing Systems identifies existing and potential solutions that are approved for funding, have requested funding, or may request funding from the State Water Board as of March 2023 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)

[11] A list of At-Risk state smalls is available at: https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2023sswsrisk.xlsx

- Costs (existing funding with approved costs and potential funding with requested costs)

The Funding Solution List for Failing Systems 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 coming off the Failing list. The order by which water systems are listed on the Funding Solution List for Failing Systems 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 long-term solution.

Table 3 is a summary of the FY 2023-24 Funding Solution List for Failing Systems (Appendix C), which includes a total of 381 Failing systems, serving 786,324 people for a total of approximately $478.9 million (approved and requested funding only). Currently 236 distinct Failing systems are receiving assistance.

Table 3. Summary of FY 2023-24 Funding Solution List for Failing Systems (as of June 30, 2023)

Solution Category	Projected Number of Solutions	Existing Funding Being Provided (in millions)	Funding Being Requested (in millions)
Technical Assistance	163	$24.8	--
Interim Solutions	49	$3.3	--
Administrator	6	$3.5	--
Planning	47	$17.9	$3
Construction	88	$272.4	$154
TOTAL	**353**	**$321.9**	**$157**

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

Per Health and Safety Code section 116769, subdivision (a)(3), the FEP 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 512 PWSs (including CWSs) considered to be At-Risk based on the 2023 Needs Assessment. 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 2023 Needs Assessment is available at: https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2023sswsrisk.xlsx.

Priority for funding projects for At-Risk systems will be consistent with SADW Fund expenditure priorities discussed in Section III.A.

The FY 2023-24 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 county. 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 2023-24 Funding Solution List for At-Risk Systems (Appendix D), which includes a total of 512 At-Risk systems, serving 1,321,307 people for a total of approximately $284 million (approved and requested funding only). Currently 130 distinct systems are receiving assistance.

Table 4. Summary of FY 2023-24 Funding Solution List for At-Risk Systems (as of June 30, 2023)

Solution Category	Projected Number of Solutions	Existing Funding Being Provided (in millions)	Funding Being Requested (in millions)
Technical Assistance	85	$10.6	--
Interim Solutions	14	$1.6	--
Planning[1]	37	$15.6	$8.8
Construction[1]	53	$141.8	$105.7
TOTAL	**189**	**$169.6**	**$114.5**

[1] Consolidation costs are counted within the planning and construction line items. Much of these costs will be covered with complementary funding sources rather than the SADW Fund.

III.E. Consideration of Greenhouse Gas Reduction Fund Requirements

The expenditures from the SADW 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 Priority Populations (i.e., 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 SADW Fund Policy Section VI.B, projects and services may be funded for non-DACs if there is a reduction in GHG emissions. Such determination will be made by the Deputy Director of DFA or designee.

GGRF expenditures from the SADW Fund will be administered in compliance with the Funding Guidelines for Agencies that Administer California Climate Investments (CCI).[12] Key items from the August 2018 CCI Funding Guidelines for Program Administration (Section IV.A. of the CCI Funding Guidelines) are included as Appendix E.

III.F. Tribal Considerations

According to the data managed by United States Environmental Protection Agency (U.S. EPA) of federally recognized tribes[13], in California, there are approximately 143 tribal water systems, comprised of 107 tribal CWSs, 24 non-transient non-community water systems (NTNCs), and 12 transient water systems that are regulated by U.S. EPA. State Water Board staff worked with U.S. EPA tribal drinking water staff to apply the expanded Human Right to Water criteria to the 143 tribal water systems that U.S. EPA regulates. U.S. EPA assessed those 143 tribal water systems for the same indicators that were applied to state regulated public water systems. Per this assessment, 17 tribal CWSs met the criteria for a failing system, representing a population of approximately 15,345 people. Two of the 17 tribal CWSs had primary MCL enforcement actions for arsenic contamination. Two of the 17 tribal CWSs have projects in progress and an additional two are receiving TA.

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 (either directly or via Indian Health Service [IHS]), in addition to being available from the State[14]. SAFER Program funding may be able to

[12] 2018 CCI Funding Guidelines
https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/2018-funding-guidelines.pdf
[13] U.S. EPA's Envirofacts Safe Drinking Water Search for Tribes
https://enviro.epa.gov/enviro/sdw_form_v3.create_page?state_abbr=09
[14] In association with projects implemented by tribes or others, reasonable project costs associated with the implementation of necessary environmental monitoring or mitigation (i.e., biological, cultural etc.), as required by DFA and state and/or federal agencies, can typically be included in the project budget and reimbursed with State Water Board funds.

assist tribal communities to address funding gaps for items such as funding shortfall for construction projects, funding projects that serve communities with both tribal and non-tribal households, funding urgent needs (e.g., interim water supplies and emergency repairs), eligible O&M costs, and providing TA.

In FY 2022-23, O&M funding was committed to one tribal water system, the Utu Utu Gwaitu Tribe, to operate and maintain existing POU devices while a new well is drilled. Organizations that focus on serving tribal communities may also be eligible to serve as TA providers. As noted in Section III.B, the State Water Board plans to expand the scope and budget of the existing TA program through Rural Community Assistance Corporation (RCAC) to provide focused services to tribal water systems.

More information on outreach to tribes is included in Section VI.D of this FEP. Appendix A.1 of this FEP includes information on the Tribal Needs Assessment.

III.F.1. Assembly Bill 2877

This newly enacted legislation (Chapter 481, Statutes of 2022) requires that the State Water Board collaborate with California Native American tribes to:

- Eliminate obstacles hindering their access to funding from the SADW Fund.
- Ensure that any waiver of tribal sovereignty necessary for tribes to obtain funding is narrowly and specifically tailored to address the unique needs of each tribe and that the funding agreement is enforceable.
- Publish all data regarding funding for tribes.

Additionally, the law requires the State Water Board's tribal liaison, or a designee of the liaison, to participate in all discussions with tribes regarding SADW Fund disbursement, including negotiations concerning waivers of tribal sovereignty.

As of January 2023, new requirements around tracking tribal coordination on drinking water funding and/or projects went into effect. This includes posting on the State Water Board website and updating annually, the following:

- The number of inquiries for funding received from tribes
- The number of applications for drinking water funding received from tribes, and
- The total amount of funding granted to tribes each year.

Additionally, if the State Water Board is not able to consistently approve funding applications from eligible tribes in a timely manner, the State Water Board shall identify barriers to the tribes receiving funding and propose possible solutions in the annual FEPs. Tribal coordination on drinking water projects is included in this FEP as a new metric category and discussed in Section VII.G.

IV. FUNDING PRIORITIZATION BY SOLUTION TYPE

IV.A. Interim Water Supplies 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. Interim Water Supplies

Interim solutions will be prioritized for CWSs, state smalls, 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 may 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[15], 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

[15] 2021 Needs Assessment
https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2021_needs_assessment.pdf

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; county-wide or regional programs for bottled water, tanks, and hauled water.

IV.A.2. Emergency Funding

Emergency funding will be prioritized for 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 SADW Fund Policy Section VIII.E). 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 Self-Help Enterprises' (SHE) emergency program (via their TA agreement).

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) may be evaluated as candidates for appointment of an administrator or potential consolidation.

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

IV.A.3. Urgent Response Strategy

Urgent Requests

All emergencies (e.g., drought, flooding, fire) begin at the local level and the Local Government is best positioned to provide immediate emergency relief such as bottled and hauled water, equipment, etc. Under the State's Standardized Emergency Management System (SEMS), the Local Government should request assistance and resources from progressive levels of the state's emergency management organization as they exhaust their resources. The California Governor's Office of Emergency Services (CalOES) 2016 Administrative Order with the Water Boards instructs the Water Boards to follow the SEMS process during emergency and disaster operations. This allows the Regional and State organizational levels to respond and provide the required support. PWSs can and should still go directly to their regulatory authority for any water quality concerns.

When a PWS sends a request for assistance, whether monetary or otherwise, to their Local Government's Office of Emergency Services, the PWS should simultaneously notify the Water Board's DDW of this request. This allows the request for funding assistance to follow the SEMS organizational levels for effective and timely management of the request while providing the Water Boards with situational awareness to assist where necessary.

Funding through the State Water Board and Department of Water Resources (DWR) may be available for eligible urgent projects for impacted state smalls and/or communities served by domestic wells in the intermediate time frame (i.e., on the order of months). 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).

Additionally, funding for urgent response will generally come from the broader SAFER Program or via funding from DWR, as appropriate, before utilizing monies from the SADW Fund. The broader SAFER Program also supports projects that promote long-term resiliency such as new or rehabilitated wells, treatment, consolidation, recycled water, groundwater recharge, and improvements such as pipelines, pump stations, storage, and meters.

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 a UDWN 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. A recipient may start incurring costs once funding approval has been obtained; however, this is at the recipient's risk

as funding approval does not make cost eligibility determinations – this would occur during the typical reimbursement review process, which occurs in arrears and only once a funding agreement has been executed. Depending on the nature of the project and the funding source, advance approval authority may be allowed.

Another avenue for receiving emergency assistance in SHE's service area is through the TA agreement with that provider. These requests are coordinated directly with SHE and then provided to DFA staff for DFA Deputy Director review and approval. If approved, this emergency work is administered through SHE.

Inter-agency Coordination
State Water Board staff continue to participate in recurring calls with inter-agency partners such as DWR and the CalOES at various levels to coordinate on funding and the roles of the various agencies in drought response.

Additionally, a new tool has been developed in coordination with CalOES and DWR to field drought funding requests and determine which agency is the best fit to take on funding a solution(s). The tool will also facilitate identifying any unmet needs.

IV.A.4. Other Considerations

Funding for Interim Water Supplies and Emergency projects may come from various funding sources including, but not limited to, the SADW Fund and the CAA, and eligibility and funding agreement requirements may vary by funding source. DFA may direct an applicant, or project type to either SADW or CAA funding, but will ensure that the State Water Board does not run afoul of the statutory bases for CAA funding by eligible entities and project types, or the existing CAA Funding Program Guidelines[16] which implement those requirements.

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 Failing and At-Risk systems. TA provided to small non-DACs will be for long-term solutions that

[16] CAA Funding Program Guidelines
https://www.waterboards.ca.gov/water_issues/programs/grants_loans/caa/docs/121118_6_final_caa_guidelines_clean_version.pdf

when implemented will reduce GHG emissions directly or indirectly through water system improvements that reduce water and energy demand and increase sustainability to mitigate potential for emergency response needs.

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 was expanded to include "technical assistance providers", 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. In December 2021, the Drinking Water TA Provider Request for Qualifications (RFQ) Guidelines were added to the SADW Fund Policy as Appendix C[17]. TA providers must submit a Statement of Qualifications (SOQ) to be evaluated and added to the qualified TA provider pool to receive funding from the State Water Board to provide TA.

IV.B.1. Expanded Technical Assistance Services

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 facing challenges in making 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. State Water Board staff will also work on establishing master TA agreements with qualified TA providers to expand types of services and coverage as well as distribute workload better as needed to continue to provide high-quality TA services.

Additional types of services and pilot programs are being provided through recent TA agreements or amendments. Some recent examples include providing 0% interest revolving bridge loans (via a third-party provider) for interim construction financing and emergency fund grants. 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. On a limited basis, and through coordination with DFA and DDW, TA providers will also implement POU/POE system pilot studies that will close knowledge gaps related to using these systems as a drinking water solution in rural

[17] Drinking Water TA Provider RFQ Guidelines
https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2022/rfq-guidelines.pdf

homes. 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 Failing systems and consolidation projects. TA can also be utilized to accelerate planning for At-Risk systems identified in the Needs Assessment. 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 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[18] 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, nonprofit 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. In March 2023, the State Water Board adopted a revision to the Administrator Policy Handbook to allow the award of funds to an administrator 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

[18] Administrator Policy Handbook
https://www.waterboards.ca.gov/board_info/agendas/2019/sept/091719_6_cs1_cleanversion.pdf

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 Failing and At-Risk water systems to evaluate the appropriateness of appointing an administrator. In FY 2022-23, DDW initiated and/or completed public meetings for three administrator projects. Four new administrators were appointed in FY 2022-23 and assistance requests have been assigned for eight designated water systems to administrators with executed master agreements. In FY 2023-24, the State Water Board anticipates completion of orders for 17 designated water systems. The State Water Board also plans to initiate the administrator process for two new water systems in FY 2023-24. More information is available at the SAFER Program Water System Administrator webpage.

Appointed administrators must be an eligible entity qualified to be an administrator through DDW's Administrator Request for Qualifications process[19]. Administrators appointed to provide services to designated water systems can be funded via the SADW Fund either through a singular system-specific funding agreement or through a master agreement that will assist multiple designated water systems. For administrators funded through a master agreement, system-specific administrator work plans are executed to outline the scope, budget, and schedule for administrator work in a given community (similar to the 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 under the administrator agreement is not used for direct O&M activities or to fund capital projects. A water system managed by an administrator 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. The State Water Board may also provide separate funding for O&M support or capital projects, to an administrator, including an administrator's subsidiary company or designee as approved by the State Water Board, consistent with the Administrator Policy Handbook. Limited funding may also be provided to an administrator, consistent with the Administrator Policy Handbook, to address emergency repairs or maintenance activities for those systems that have inadequate reserves.

[19] Administrator Request For Qualifications Guidelines
https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/docs/rfq_admin-(002).pdf

IV.D. Operation and Maintenance

IV.D.1. Direct O&M Support

The FY 2022-23 FEP targeted $5 million towards direct O&M support for Failing or At-Risk PWSs or consolidations. Additionally, the FY 2022-23 FEP identified a few high-level priorities for the Direct O&M Funding Program, including consideration of results of the most recent Statewide Drinking Water Needs Assessment (Needs Assessment), particularly the Affordability Assessment.

The goal of the Direct O&M Program is to provide assistance in cases where there is a direct correlation to supporting the affordability of water (as part of the human right to water) while also improving system sustainability. O&M funding has also continued to be utilized to facilitate voluntary consolidations and provide interim O&M funding for water systems that will be or have been appointed an administrator.

One key aspect of ensuring feasibility of broader program implementation is developing a standardized administrative approach to distribute funds efficiently. In 2023, DFA staff focused their efforts on developing a streamlined approach to committing O&M assistance based on a tiered system, as follows.

Group 1 – Statewide Prioritization: Small, DAC or SDAC water systems that have water rates that are above 2.5% of the community's MHI[20] meeting criteria established in the Direct O&M Program Guidelines will be considered for a streamlined solicitation and approval process with template funding agreements.

To maximize resources available, a prioritization scheme will be utilized to ensure O&M funding is distributed to communities most in need, which may consider a system's affordability burden and risk assessment according to the 2023 Needs Assessment results. The purpose of the funding provided to qualifying Group 1 systems will be to lower the water rates down to 2.5% of the community's MHI and to assist the system in establishing an operating reserve account. Specific system requirements to receive funding (e.g., lowering water rates, TMF assessment, conducting a feasibility study on how to improve system sustainability, etc.) will be included in the Direct O&M Program Guidelines and as special conditions in each funding agreement. TA may be considered to assist systems in meeting these requirements.

Group 2 – Case-by-Case: Projects may also be considered for O&M funding on a case-by-case basis for circumstances including, but not limited to:

- Small DAC/SDAC water systems with existing debt burdens.
- NTNCs owned by a K-12 public school district.
- Small DAC/SDAC water systems owned by California Native American Tribes that can demonstrate an O&M assistance need.

[20] The community's MHI is the annual system-wide average residential water bill per month relative to the annual MHI within a water system's service area.

- Small DAC/SDAC water systems on the Failing list or otherwise not part of the initial Group 1 prioritization.

The Deputy Director of DFA has discretion to approve projects that do not fall into the scenarios outlined above on a case-by-case basis.

The Direct O&M Program Guidelines will be added to this FY 2023-24 FEP as Appendix L, with the first round of Group 1 agreements executed during FY 2023-24. Per Section III.B, $20 million is targeted in FY 2023-24 towards direct O&M projects in either Group 1 or 2,

As the Direct O&M Program develops, it will be focused on water system level affordability data, but funding awards may also incorporate requirements for water systems to set up household level assistance programs when O&M funding is awarded.

The State Water Board will continue to prioritize direct O&M funding to facilitate voluntary consolidations and provide interim O&M funding for water systems that will be or have been appointed an administrator.

IV.D.2. Indirect O&M Support

Current efforts have included indirect O&M support by providing TA, planning funding, and by 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.

IV.E. Construction

As outlined in the DWSRF Policy and IUP, multiple funding sources may be used to fund construction projects, including SADW funds. Other more unique approaches to funding construction projects with SADW funds are outlined below.

IV.E.1. Expedited Drinking Water Grant Funding Program

Certain types of eligible construction projects may be funded with SADW funds, and other state grants, via the Expedited Drinking Water Grant (EDWG) Funding Program[21], which is a more streamlined application compared with the DWSRF application.

- Eligible applicants include:
  - CWSs owned by public agencies.
  - CWSs owned by public utilities incorporated in California and in good standing with the Secretary of State that are subject to regulation by the California Public Utilities Commission (CPUC).
  - NTNC water systems owned by public school districts.
- Eligible projects include:
  - Must be eligible project types under the DWSRF Policy and the DWSRF IUP;
  - Must benefit a small SDAC, a small DAC, a small non-DAC, or an expanded small DAC/SDAC, as defined in the DWSRF Policy and DWSRF IUP;
  - Must consist of the construction of capital assets, as defined in Government Code §16727(a);
  - Must not be comprised solely of the planning activities associated with an eventual construction project;
  - Must be a Category A-D project and/or be a consolidation project, as defined in the DWSRF Policy and DWSRF IUP;
  - Projects proposed by a public utility shall have a clear and definite public purpose and shall benefit the customers of the water system and not the investors.

The grant limits shall be the same as set forth in the DWSRF IUP, except that the maximum amount per project is $15 million, unless the Deputy Director of DFA or designee approves a grant limit above $15 million for a project for good cause, on a case-by-case basis.

IV.E.2. Urgent Drinking Water Needs

Certain types of eligible construction projects may be funded with SADW funds via the Urgent Drinking Water Needs (UDWN) application process rather than the traditional DWSRF application and approval process, for projects that meet all of the following criteria:

- Project cost is less than $500,000.
- Project will serve a small DAC, primarily low-income households, or a school.

[21] Expedited Drinking Water Grant Funding Program Guidelines https://www.waterboards.ca.gov/board_info/agendas/2023/mar/030823_7_guidelines.pdf

- Water system is Failing or At-Risk and project is urgent in nature (i.e., DWSRF Category A-C[22], a system [or household(s)] is experiencing or is expected to experience a water shortage or supports consolidation goals).
- The project does not include an extensive planning component or legal complexities and is ready-to-proceed.
- Environmental work (California Environmental Quality Act [CEQA]) has been completed or the project has been deemed CEQA-exempt.

Projects to support backup generators[23] for small DAC systems may also be funded via the UDWN application process, including utilizing the GF Infrastructure allocation for this purpose.

The Deputy Director of DFA has discretion to approve projects that do not meet the criteria outlined above on a case-by-case basis to streamline the funding application and approval process where funding source rules do not preclude such an approach.

IV.F. Consolidations

IV.F.1. Low-Cost Consolidations

In some cases, considerable State Water Board staff time and resources are spent on low-cost consolidations. For grant eligible low-cost consolidations, the Deputy Director of DFA may elect to streamline the funding application and approval process where funding source rules do not preclude such an approach (e.g., via the UDWN application process as noted above in Section IV.E.2).

IV.F.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. Table C5.5 in Appendix C5 of the 2021 Needs Assessment provides a list of counties in the state where regional-scale consolidations are most likely to be successful.

In FY 2022-23, DDW reached out to communities and schools a total of 2,590 times to address these water systems' failing and At-Risk conditions. The outreach highlighted resources available to address the needs of these communities and schools including access to TA, financial resources for planning and infrastructure improvement,

[22] Per the DWSRF Policy, Category A-C projects include those addressing an immediate health risk, untreated or At-risk water sources, or chronic compliance or water shortage problems.

[23] In general, systems working on a broader construction funding application are encouraged to incorporate generator needs into the scope of the larger construction project. Therefore, UDWN funding for generators will be targeted toward systems with high priority needs that are not already pursuing funding for a larger capital project or receiving assistance under other generator programs.

information on partnerships and managerial training resources. These efforts will continue in FY 2023-24.

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 non-failing or At-Risk, but 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 may allow funding consideration of costs per connection to be done based on the entire project scope rather than individual water system projects depending on the funding source. Consolidation opportunities for non-CWSs 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-CWSs from eligible sources may include the nominal costs associated with installation of stub-outs and portions of laterals in public right-of-way to allow for connection of private properties. The purpose of this work would be to decrease barriers to consolidation in the future for these non-CWSs, 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-CWSs typically must still pay service connection fees and the costs for laterals on their private properties. On a case-by-case basis for good cause, CWSs 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 larger water system project, even if consolidation for that individual water system is not completed at that time, with a binding agreement to consolidate the system within a specified period. This would reserve capacity for the DAC, prevent barriers to future consolidations, and potentially forgo the need for financial assistance in the future.

IV.F.3. Consolidation Incentives

As authorized in the DWSRF IUP, and to encourage the consolidation of PWSs, the State Water Board will continue to offer incentives to Receiving Water Systems in exchange for completing a voluntary consolidation (i.e., a Consolidation Incentive). These Receiving Water Systems may be eligible for an Incentive Project via grant or 0% financing up to various amounts depending on the type of consolidation (i.e., physical, managerial, providing water via an interconnection or master meter), type of community being consolidated (i.e., DAC or SDAC), and number of connections.

The Consolidation Incentive may be applied to one or more eligible projects chosen by a Receiving Water System and approved by DFA. Incentive Project financing may be combined with other financing options, including the SADW Fund, to fully fund an Incentive Project. Consolidation Incentives may include, but are not limited to, infrastructure improvements to mitigate drinking water risks and address issues that

have place the system on the Failing list, O&M support, refinancing existing loans, and/or loan forgiveness to the extent allowed by applicable statutes. The subsidized financing for the Incentive Project is in addition to any subsidized financing for the associated Consolidation Project. More details are available in the current DWSRF IUP.

IV.F.4. Funding for Work on Private Property

Eligible costs for consolidation projects, including work on private property, are outlined in the DWSRF IUP. There may be additional diligence steps for private entity applicants, which will also be included in future DWSRF IUPs.

IV.G. PFAS and other Emerging Contaminants

The Budget Acts of 2021, 2022, and 2023 included approximately $125 million for technical and financial assistance to drinking water systems to address per- and polyfluoroalkyl substances (PFAS). Additional federal funding will also be available to address emerging contaminants with a focus on PFAS. For Federal FY 2023, this includes approximately $82 million as DWSRF principal forgiveness for Emerging Contaminants, which will be administered through the DWSRF IUP, plus an additional $169 million (Federal FY 2022 and 2023 combined) in additional funds that were awarded to the State Water Board in 2023, as part of the Emerging Contaminants in Small or Disadvantaged Communities Grant Program. Similar federal allocations for Emerging Contaminants are also expected over the following three fiscal years.

A portion of the state funds may be utilized consistent with this FEP to meet the needs of small DACs, to the extent consistent with the funding source, including for example:

- Support of statewide testing for small or DAC CWSs for PFAS. This work is anticipated to be implemented via an agreement with an eligible third-party TA provider.
- Discussions with consultants, non-governmental organizations and subject matter experts to identify potentially interested parties to conduct treatment pilots and/or demonstration projects for small DACs. The scope could include development of design templates for small and medium systems.
- Support of development and planning for projects benefiting small DACs where regional-scale consolidation approaches may be the most cost-effective approach to addressing PFAS contamination.

It is anticipated that a minimum of approximately $25 million will be administered consistent with this FEP. The Deputy Director has authority to approve more if additional eligible needs consistent with this FEP are identified. The remainder is available to be utilized for eligible PFAS construction projects, which will be implemented and funded consistent with the process outlined in the DWSRF application process and IUP, including the Supplemental IUP for Emerging Contaminants.

Information on PFAS and other contaminants of emerging concern as they relate to state smalls and domestic wells is discussed in Section V.B.4 of this FEP.

DFA staff will continue to work in close coordination with staff from the State Water Board's PFAS Team, which consists of staff from DDW, DWQ, and the Regional Water Quality Control Boards (Regional Water Boards).

More information will also be available on the PFAS Funding Program webpage.

IV.H. Drought Infrastructure (SB 552)

In September 2021, SB 552 was chaptered which included new requirements around drought planning. These new requirements are expected to improve the ability of Californians to manage future droughts and help prevent catastrophic impacts on drinking water for communities vulnerable to impacts of climate change.

For small water suppliers, new requirements include developing an abridged water shortage contingency plan by July 1, 2023 and reporting annually on water supply condition information to the State Water Board. Additionally, small water suppliers are required to implement the following:

- Monitoring systems to detect production well groundwater levels (Jan 1, 2023)
- Become members of a mutual aid organization (Jan 1, 2023)
- Provide adequate backup power supply (by Jan 1, 2024)
- Have at least one backup source of water supply or a water system intertie (by Jan 1, 2027)
- Meter each service connection (by Jan 1, 2032)
- Have capacity to meet fire flow requirements (by Jan 1, 2032)

The 2022 Needs Assessment includes a targeted drought infrastructure cost assessment and estimates the total cost for all applicable small water suppliers to implement the first five requirements above to be $2.4 billion. The Needs Assessment is discussed in Section VIII.

Moving forward, it is anticipated that TA will be provided to small water suppliers, particularly those serving NTNCs that are schools, to assist with these new drought planning requirements. TA services to assist with SB 552 compliance may be funded via the SADW Fund. Additionally, water systems will be strongly encouraged to incorporate infrastructure requirements such as backup electrical supply, backup source of water supply, and water system metering into their construction funding applications. These elements may be funded by the SADW Fund or other eligible complementary funding sources in the broader SAFER Program. The existing Backup Generator Funding Program[24] has been expanded to help address the need associated with SB 552 requirements. A recent amendment added $4.7 million to RCAC's Backup Generator Program and will allow funding an additional 15 priority systems. A future planned expansion to SHE's program is also pending. Eligible systems that do not need

[24] To the extent possible, the existing Backup Generator Funding Program will evaluate the potential to use the lowest emission power sources when feasible.

TA may also apply for funding for backup generators on a case-by-case basis via the UDWN application process.

For counties, new requirements in SB 552 include establishing a standing drought task force and developing a drought and water shortage plan for those served by state smalls and domestic wells. The plan must consider at a minimum, the following elements:

(1) Consolidations for existing water systems and domestic wells
(2) Domestic well drinking water mitigation programs
(3) Provision of emergency and interim drinking water solutions
(4) An analysis of the steps necessary to implement the plan
(5) An analysis of local, state, and federal funding sources available for implementation

DWR funding is available to help counties meet these new planning requirements in the form of a grant or direct TA to help develop their plans and provide logistical support for their local drought task force. Longer-term implementation may be funded through a combination of funding programs, including the county-wide and regional programs.

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 FEP 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 VIII.B.2, based on the Aquifer Risk Map and the results of the 2023 Needs Assessment, over 99,000 of the domestic wells and over 699 of the state smalls with available data were assessed as high risk. Fresno, Sonoma, and Stanislaus counties have the highest estimates of domestic wells located in high-risk aquifers. Kern, Monterey, and Riverside counties have the highest estimates of state smalls located in high-risk aquifers.

Since the water supply accessed by domestic wells is not regulated by the state, accurate locations and groundwater quality data are 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 helps 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. In 2022, water quality data from cleanup monitoring sites (GeoTracker data) was incorporated into the Aquifer Risk Map.

With the development and continuation of these 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. DFA continues to facilitate the process of uploading water quality data with our funding recipients into the appropriate statewide databases. This process has already begun with the SHE Regional Programs and CV-SALTS Management Zone Co-Funding Programs being implemented.

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 supplies 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 regional program.

As programs are developed, DFA will consider the needs of the area, addressing water quality and/or water quantity issues. State Water Board staff will conduct community

outreach and assist 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.

Staff will also work to evaluate the feasibility of implementing a statewide well sampling program for households supplied by state smalls and domestic wells. If implementation partners are identified, this approach could help ensure efficient provision of these services in areas where local or regional programs do not exist.

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, POU/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 generally 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

- **SHE** – administers several programs focused in the San Joaquin Valley (currently serving Kern, Kings, Tulare, Fresno, Madera, Merced, Mariposa, San Joaquin, 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 also available for households whose domestic wells have gone dry. Another program is available for long-term solutions including well repairs or replacements and connections to existing water systems. In 2022, the scope of the Bottled Water Program was updated to include pre-purchasing and storage of bottled water so that same-day deliveries can occur for small water systems that are experiencing a sudden loss of water service.
- **CV-SALTS Management Zones** – the State Water Board is currently working with various management zones to co-fund sampling and potential solutions for contaminants in addition to nitrate (which management zones are responsible for addressing without SADW funds).
    - **Valley Water Collaborative** (which covers the Modesto and Turlock groundwater basins) has an executed co-funding agreement for the implementation of the Expanded Constituent Well Sampling and Replacement Water Program. The Program will conduct outreach to prospective households served by private wells and will conduct well testing to identify potential applicants who, when qualified, would receive interim drinking water solutions including bottled water delivery and POU/POE filtration devices.
    - **Tule Basin Water Foundation**, which covers the Tule groundwater basin, has an approved co-funding application for the development and implementation of the Expanded Constituent Well Sampling and Replacement

Water Program. The Program will conduct outreach to prospective households served by private wells and will conduct well testing to identify potential applicants who, when qualified, would receive interim drinking water solutions including bottled water delivery and POU/POE filtration devices.

- **Greater Kaweah Groundwater Sustainability Agency** is finalizing their co-funding application which is expected to be considered for funding in Summer 2023. Other Management Zones are expected to follow.

Central Coast Programs

- **Community Water Center** – administers a program which 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 outreach, well testing, piloting of POE treatment to address 1,2,3-trichloropropane (1,2,3-TCP) contamination, and provisions of bottled water to income-qualifying households. Well testing is also conducted through the Central Coast Regional Water Board's domestic well testing program.
- **County of Santa Cruz** – will provide immediate short-term solutions to State Small Water Systems and domestic well users with well evaluation, well assessments, POU installations, and hauled water to income-qualified applicants.

Northern California Programs

- **County of Shasta** – administers a program to provide hauled water, bottled water, tank repairs and replacement, well assessments, and well repairs and replacement to income-qualified applicants in the County who are facing drinking water challenges.

Southern California Programs

- **Coachella Valley** – administered by Pueblo Unido Community Development, this program provides emergency repairs and replacement of drinking water infrastructure for DACs and POU/POE treatment devices for households located within Polanco Parks in unincorporated communities of the Eastern Coachella Valley.
- **Imperial County** – will administer a program to install fifty (50) POE devices to households, provide monthly monitoring services, and three years of filters changeouts for all installed units. The County will also provide training on the long-term operation and maintenance of these units.

Statewide Programs

- **RCAC** – administers a well replacement program administered to assist individual households and small water systems to replace failed drinking water wells for low-income households. RCAC also administers a well repair/replacement program for higher income households (in the range of 80% and 150% of the statewide

annual MHI) that offers a mix of grant and loans depending on the household's income (i.e., sliding scale).

V.B.2. County-wide and Regional Program Development

The State Water Board's DFA, DDW, and OPP continue to work collaboratively with DWR to outreach to counties to develop programs (i.e., at the county level, either directly with counties or with a local NGO partner) to address both water shortage and water quality issues (e.g., bottled water, hauled water, tanks), with a focus on small DACs and low-income households. At this time, with current available funding sources, neither the State Water Board nor DWR can directly fund individual domestic well owners. As such, 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[25].

DFA has approved funding for Imperial, Santa Cruz, and Shasta Counties to implement county-wide programs. Discussions are continuing with other counties interested in applying to develop their own county-wide program.

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 with priority toward in small DACs and/or low-income households.

In addition, in the longer term, State Water Board staff will build on existing relationships with counties, or conduct outreach in additional counties, to discuss and improve implementation of long-term solutions, including 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.

SB 552 requires every county to have a standing drought task force to facilitate drought and water shortage preparedness for state smalls, domestic wells, and other privately supplied homes within the county's jurisdiction. Each county must also develop a plan demonstrating the potential drought and water shortage risk and proposed interim and long-term solutions for state smalls and domestic wells within the county. To facilitate this, DWR offers two options for counties to apply for a grant or receive direct TA to help counties develop their plans and provide logistical support for their drought task force. The development of these plans can directly support the work proposed for county-wide and regional funding programs.

[25] Some individual households are served by untreated surface water (such as raw canal water). Public health and funding challenges encountered in these communities may parallel those in domestic well communities. Although these water sources are not made eligible in the SADW statute in the same way that state smalls and domestic wells are, needs for these communities may be eligible for funding within a Countywide or Regional Program. At this time, such cases should be discussed directly with DFA staff to evaluate eligibility before incorporating into funding proposals.

V.B.3. Income-related Funding Parameters

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

Due to drought and affordability issues, the State Water Board may continue to allow for higher income households impacted by dry wells to be eligible for interim water supplies such as bottled and hauled water on a short-term basis, as provided through County-wide and Regional Programs. Any long-term improvements related to household wells (e.g., repair or replacement) currently requires income verification for eligibility. The recent RCAC well repair/replacement grant/loan program for higher income households (in the range of 80% to 150% of the statewide MHI) is intended to provide some relief for households that do not meet low-income eligibility requirements to still pursue long-term solutions.

For new programs being developed to assist households or 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 funded by the SADW Fund, 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.

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.

Interim water supplies and pilot studies for treatment of these types of contaminants may also be considered for funding. Full-scale treatment may also be considered. Additional information related to funding for PFAS is included in Section IV.G.

V.C. Existing Funding Programs for Households

Per Health and Safety Code section 116769, subdivisions (a)(6) and (7), the FEP 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.

VI. DISTRIBUTION OF FY 2022-23 FUNDS

VI.A. Report of FY 2022-23 Committed Expenditures

Per Section XI.H of the SADW Fund Policy, the FEP 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 2022-23 was $130 million. The table below summarizes the amount of funding committed for FY 2022-23.

The FY 2022-23 target allocations were focused on the priorities adopted in the FY 2022-23 FEP. Table 5 is a summary of FY 2022-23 committed expenditures for the SADW Fund (as of June 30, 2023) broken out by water system category and solution type. Target allocations from the prior FEP (Table 2 of the FY 2022-23 FEP) are shown in parentheses. Differences between the former target allocations and the actual committed expenditures for FY 2022-23 are discussed below in Section VI.A.1. Table 6 is a summary of FY 2022-23 committed expenditures for the broader SAFER Program (as of March 31, 2023, to be updated through June 30, 2023 prior to adoption), which includes the SADW Fund plus complementary funding, broken out by funding category and solution type. A full list of FY 2022-23 Committed Expenditures for the broader SAFER Program by project is included as Appendix H. Table 7 is a summary of cumulative SADW Fund commitments across FYs since FY 2019-20 by solution type.

Table 5. FY 2022-23 SADW Fund Estimated Committed Expenditures (in millions)[1] (as of June 30, 2023)

Water System Category	Interim Water Supplies and Emergencies	Technical Assistance (includes Planning)	Administrator	Planning	Direct O&M Support	Construction
Failing or At-Risk[2] Systems or Consolidations	$2.8 *($5)*	$78.4 *($70)*	$19.1 *($5)*	$0 *($3)*	$1.9 *($5)*	$10.1 *($5)*
Other Systems	$1.4		$0	$0	$0.3	$2.1
State Smalls/ Domestic Wells	$14.2 *($13.3)*		$0	$0	$0	$0 *($5)*
Reserved for Needs Prior to FY 2023-24 FEP	$23.5	$0	$0	$0	$0	$0
SUBTOTAL BY SOLUTION TYPE	***$18.4*** *($18.3)*	***$78.4*** *($70)*	***$19.1*** *($5)*	***$0*** *($3)*	***$2.2*** *($5)*	***$12.2*** *($10)*
					PROJECT TOTAL	***$130.3*** *($111.3)*
Other Program Needs	**Pilot Projects (Reserved)**	**Contracts (Reserved)**	**Staff Costs[3]**			
	$0 *($3.2)*	$0 *($1.5)*	$14.1 *($14)*			
					GRAND TOTAL	**$167.9[4]**

[1] Target allocations from the prior FY 2022-23 FEP are shown in parentheses and gray text.
[2] Failing or At-Risk Systems include systems identified in the 2022 Needs Assessment.
[3] Staff costs are projected as year-end financials for FY 2022-23 and have not been finalized.
[4] Total available includes uncommitted funds from prior FYs.

Table 6. FY 2022-23 SAFER Program Committed Expenditures (SADW Fund plus complementary funding) (in millions, as of June 30, 2023)

Funding Category	Interim Water Supplies and Emergencies	Technical Assistance[2]	Administrator/ O&M	Planning/ Construction	TOTAL
SADW Fund	$29.5	$80.8	$19	$6.4	**$135.7**
General Obligation Bond Funding	$.5	$2	-	$36.3	**$38.8**
GF	-	-	-		**-**
DW Infrastructure		$19		$419.4	**$438.4**
DWSRF		-	-	$109	**$109**
TOTAL	**$30**	**$101.8**	**$19**	**$571.1**	**$722 (153)[1]**

[1] Parentheses shows number of agreements.
[2] Technical Assistance committed amounts reflective of the master agreements with the providers.

Table 7. Annual SADW Funding Commitment by Project Type (in millions, as of June 30, 2023)

Project Type	FY 2019-20[1]	FY 2020-21	FY 2021-22	FY 2022-23	TOTAL
Interim Solutions	$7.4	$39.7	$15.6	$18.4	**$81.1**
Technical Assistance	$67.2	$8.1	$52.8	$78.4	**$206.5**
Administrator	$0	$1.3	$0	$19.1	**$20.4**
Planning	$1.6	$0.1	$0	$0	**$1.7**
Operation & Maintenance	$0	$0	$0.2	$2.2	**$2.4**
Construction	$53.8	$65.3	$5.1	$12.2	**$136.4**
Other Program Needs[2]	$0	$12.3	$13.2	$14.1	**$39.6**
TOTAL	**$130**	**$126.8**	**$86.9**	**$167.9[3]**	**$511.6**

[1] The Budget Act of 2019 appropriated $100 million from the GGRF and $30 million from the State General Fund. In FY 2019-20, of the $100 million from the GGRF,

$1 million was committed to planning, $54 million to construction, $44 million to TA, and $1 million to interim solutions.

[2] Other program needs include program staff administration and implementation costs and may also include funding set aside for pilot projects, contracts, or SADW funds not spent but kept available to fund urgent projects.

[3] Total for FY 2022-23 includes $23.5 million reserved for needs prior to the FY 2023-24 FEP.

VI.A.1. Differences in FY 2022-23 Target Allocations versus Committed Expenditures

Differences between the former target allocations for the SADW Fund for FY 2022-23 and the actual committed expenditures (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 and emergencies ($18.4 million from the SADW Fund). The largest investments included a co-funding agreement with the Tule Basin Water Foundation to complement their work implemented under CV-SALTS, new county-wide programs in Imperial and Shasta Counties, and expanded scope for the Central Coast Regional Program to pilot POE treatment to address 1,2,3-TCP contamination. $840,000 was added to the Pueblo Unido Community Development Corporation agreement to add scope to address emergency repairs and replacement of drinking water infrastructure for DACs. $2.5 million was added to the SHE Emergency Fund (via their TA master agreement) and is available for use for eligible emergencies. $23.5 million is uncommitted from prior FYs and will be used towards interim water supplies and emergencies (in cases where no other funding sources are available), prior to adoption of this FY 2023-24 FEP, including development of additional county-wide or regional programs for state smalls and/or domestic well communities.
- **TA** – The largest investments from the SADW Fund in FY 2022-23 were made towards TA ($78.4 million). One amendment to SHE's existing TA master agreement was funded through the SADW Fund to extend services through February 2026. Funds were committed to five new TA providers, which will vastly increase TA capacity across the state, particularly in conducting planning via TA.
- **Administrator** – $15.2 million in SADW funding was added to the Provost & Pritchard Engineering Group, Inc. (Provost & Pritchard) master agreement in FY 2022-23 to assist an estimated additional 6 systems. Another $3.8 million established a master agreement with SRT Consultants, Inc. to assist an estimated 4 systems. Approximately $400,000 in SADW Funding was committed towards two system-specific administrator agreements. An additional $1.3 million from the GF went towards three more system-specific administrator agreements which were executed in FY 2022-23.

- **Planning** – With the large amount of funding available through the Budget Act of 2021 for drinking water infrastructure, no SADW funding was committed in FY 2022-23 towards planning projects. However, 16 TA work plans were executed in FY 2022-23 to conduct planning, which is 30% less than in FY 2021-22. This decrease was due to DFA working with 5 new TA providers to execute new funding agreements and increase DFA's capacity to provide TA. Per the proposed SAFER Program priorities, it is expected that more planning projects will be directed to go through TA, especially as new TA provider master agreements (particularly those with engineering consulting firms) are executed.
- **Direct O&M Support** – Four direct O&M projects were committed from SADW funding to support the daily operation costs of designated systems that have an appointed administrator. Two other direct O&M projects had funding committed to assist the Benton Paiute Tribe and El Porvenir water systems.
- **Construction** – Eleven construction projects, at a total of $7.6 million, were funded through the SADW Fund for Failing or At-Risk systems, consolidations, and other CWSs[26]. Six of these projects ($3.2 million) utilized the UDWN application process, per Section IV.E.2. An additional $4.7 million was added to the RCAC Backup Generator Program and will allow for funding of backup generators to an additional 15 priority systems. No additions were made in FY 2022-23 to existing domestic well repair/replacement programs using SADW Funding; however, the new RCAC well repair/replacement grant/loan program for higher income households (in the range of 80% to 150% of the statewide MHI) was committed in FY 2022-23 using drought funding.

By System Type

- **Failing or At-Risk Systems and Consolidations** – A majority of funding in FY 2022-23 via the SADW Fund benefiting Failing or At-Risk systems were via an amendment to the administrator master agreement with Provost & Pritchard ($15.2 million) and an amendment to the RCAC Backup Generator Program ($4.7 million). Failing and At-Risk systems also benefitted from interim water supplies and emergencies ($4.2 million), direct O&M support ($1.9 million), and construction ($10.1 million). Additional TA investments ($78.4 million) may benefit all types of systems.
- **State Smalls/Domestic Wells** – Significant investments were made towards interim solutions for communities served by state smalls and domestic wells ($14.1 million from the SADW Fund). Larger investments included a co-funding agreement with the Tule Basin Water Foundation to complement their work implemented under CV-SALTS, new county-wide programs in Imperial and Shasta Counties, and expanded scope for the Central Coast Regional Program to pilot POE treatment to address 1,2,3-TCP contamination. $840,000 was added to the Pueblo Unido

[26] One construction project was funded for a potentially At-risk system because of a DWSRF eligibility issue.

Community Development Corporation agreement to add scope to address emergency repairs and replacement of drinking water infrastructure for DACs. Additional TA investments ($78.4 million) may benefit all types of systems.

- **Other Systems** –Three construction projects ($2.1 million), three interim water supplies/ emergency projects ($1.4 million), one administrator project ($184,670), and three O&M projects ($266,365) were funded for other CWSs identified as either potentially At-Risk or not At-Risk. One of the direct O&M projects was funded to assist the Benton Paiute Tribe Water System ($158,315).
- **Reserved** – $23.5 million is uncommitted from previous FYs and available to respond to urgent situations (in cases where no other funding sources are available) including development of additional county-wide or regional programs for state smalls and/or domestic well communities.

Other Program Needs

- **Pilot Projects** – $3.2 million that was reserved for the POU/POE Pilot was incorporated into the scope of a new TA master agreement with Stantec Consulting Services, Inc. (Stantec). More information on the POU/POE Pilot is included in Section VI.C.
- **Contracts** - $1.5 million is still reserved for items such as data management improvements and/or a program performance audit to more closely evaluate the funding process and identify areas to improve administrative efficiency.
- **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 2022-23 are $14.1 million, $5.3 million towards administrative positions (approximately 4.1% of the $130 million) and $8.8 million towards implementation positions. More information on the SADW Program Resources and workload is included in Section VI.B.

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

No new positions were added in FY 2022-23 or were proposed for FY 2023-24 related to the SADW Fund. Refer to Section III.H of the FY 2020-21 FEP for details of the 71 positions.

Twenty-eight (28) positions are associated with administrative tasks and 43 positions are associated with implementation tasks related to the SADW Fund. The total projected annual staff costs for FY 2023-24 is approximately $14.6 million, $5.5 million for the administrative positions (approximately 4.2% of the $130 million anticipated in the SADW Fund) and $9.1 million for the implementation positions.

VI.C. Pilot Projects

Section IX.C of the FY 2020-21 FEP 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 (no longer being pursued)[27]. Updates to the POU/POE Pilot are provided below.

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, POU/POE as a drinking water solution for private domestic wells, performance certification and testing, installation challenges, and ensuring reliable O&M of the devices once installed.

The State Water Board has developed the 2022 Drinking Water Point-of-Use Point-of-Entry Report (POU/POE Report)[28] in coordination with stakeholders (community groups, industry groups, and other stakeholders identified in the FY 2020-21 FEP). The POU/POE Report includes numerous recommendations to improve implementation of POU/POE as a drinking water solution. The POU/POE Report also includes six recommended research projects, comprising a POU/POE Pilot, to fill specific knowledge gaps for funding consideration. Three of the six projects will be funded initially via a new TA master agreement with Stantec, and include:

(1) Educational Strategy and Materials
(2) Performance Certification
(3) POU/POE Operator Education Cohort and Workforce Development

Lastly, the State Water Board will collaborate to write a white paper that reports 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.D. Community Engagement

Proactive engagement with water systems and communities is a core aspect of the SAFER Program. 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 is a consultative body that advises the State Water Board on the FEP, SADW Policy, implementation of the Fund, and other related analyses and components of the SAFER Program.

[27] More information on the Direct O&M Program is included in Section IV.D.
[28] 2022 Drinking Water Point-of-Use Point-of-Entry Report
https://www.waterboards.ca.gov/safer/docs/2022/draft-2022-pou-poe-report.pdf

Structure: The Advisory Group is composed of appointed members that represent PWSs, TA providers, local agencies, non-governmental organizations, the public, California Native American Tribes, and residents served by CWSs in DACs, state smalls, and domestic wells. The Advisory Group meets four times a year to discuss and provide feedback on the SAFER Program. The meetings are also an opportunity for the public to participate and make comments. Feedback and recommendations received during the Advisory Group meetings from Advisory Group members and the public are shared with State Water Board members via meeting notes. Advisory Group meeting materials are available on the State Water Board website in English and Spanish, and the meetings are held with live interpretation services.

Application for membership: The Advisory Group application period typically opens every year in the summer. The State Water Board's Executive Director or designee reviews applications and appoints members in the fall/winter. Advisory Group members are provided with 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 of upcoming discussion topics. Newly appointed members started their two-year terms in January 2023. Information to apply to be on the SAFER Advisory Group for the 2024-2026 term will be posted on the SAFER website in summer 2023 and applications will be reviewed in fall 2023.

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 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.

Partnering to Expand Outreach and Engagement

In 2022, the SAFER Program launched an outreach and engagement strategy intended to increase early community engagement with SAFER; keep local drinking water

projects on track; identify potential risks, issues, or delays; and build local capacity and create a path towards equitable and resilient water governance. Partnering with and funding community experts to conduct local outreach and engagement activities may catalyze collaborative solutions in hard-to-reach communities. The strategy involves three types of Outreach and Engagement Partners:

- Funding Partner enters into a funding agreement with the State Water Board and fund Community Partners for outreach and engagement activities. The Funding Partner is a liaison between the State Water Board and Community Partners and helps address barriers to accessing funding for outreach.
- Community Partners receive funding from Funding Partners for outreach and engagement activities in selected communities with drinking water challenges. Community Partners foster inclusive cultures and are experts in grassroots organizing, community education, outreach and engagement, and community capacity building.
- TA Providers have separate funding agreements with the State Water Board to provide administrative, technical, operational, legal, managerial, and/or community engagement support to failing water systems. TA Providers oversee the subcontracting and management of various types of assistance for communities and assist water systems that may not have the technical capacity to address drinking water challenges on their own. As appropriate, Community Partners can be utilized in addition to TA Providers to enhance opportunities for community input on local projects from planning through construction.

The State Water Board has identified Stantec as the first Funding Partner and this scope has been included in their recently executed agreement to provide TA statewide. State Water Board staff are working with Stantec to identify specific communities for this focused engagement effort and will begin the process of identifying Community Partners in 2023.

Tribal Outreach

The State Water Board understands that California tribes face unique challenges to providing safe and affordable drinking water to their communities. Although federally regulated tribal water systems are regulated by U.S. EPA and not by the State Water Board, there are federal funding gaps that the SAFER Program could support. The SAFER Program engages with California tribal nations through a government-to-government relationship to collaboratively develop tribal-led drinking water solutions.

The State Water board, in coordination with the U.S. EPA, DWR, IHS, and other partners, have established regular and ongoing coordination meetings to share data, identify tribal water system funding gaps, and prioritize outreach efforts for tribal water systems. State Water Board staff in the OPP proactively reach out to tribal water systems and track progress on tribal drinking water solutions.

VI.E. Community Workforce Development and Capacity Building

The SAFER Program's workforce development efforts are 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 CCI programs to incorporate water sector needs. The State Water Board supports involvement of community leaders and residents through new and established TA programs.

In FY 2019-20, State Water Board staff began working with the California Workforce Development Board (CWDB) and University Enterprises, Inc. to develop a workforce development program, but these efforts were delayed due to the COVID-19 emergency. In 2022, State Water Board staff reinitiated discussions with the CWDB and began looking for synergies and intersections between workforce development programs being offered by the CWDB and those offered by the drinking water sector, with particular focus on drinking water operator training and retention.

In 2023, State Water Board staff began interviewing representatives from stakeholder groups involved in workforce development within the San Joaquin Valley to better understand what is needed at the local level to advance workforce development, what is already being done, and where challenges and opportunities may exist to leverage efforts and build partnerships. In a future phase, a small stakeholder working group will be convened to further identify and advance local workforce development initiatives through partnerships and collaboration. This effort will serve as a pilot project that can be replicated elsewhere in the state.

As this program evolves, State Water Board staff will continue to consider opportunities to implement racial equity measures, consistent with the State Water Board's Racial Equity Resolution and associated Racial Equity Action Plan.

VI.E.1. Existing Efforts

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 PWS 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.

DFA staff also manages the State Water Board's Drinking Water Operator Certification Program (DWOCP). The DWOCP ensures the protection of public health by ensuring drinking water is safe for public consumption through testing and certification, and the knowledge that accompanies it, provides certificate holders with employment opportunities throughout the State.

In February 2021, DWOCP transitioned to Computer-based Testing to allow greater testing accessibility and opportunities at more than 30 vendor hosted sites throughout

California. DFA staff expanded their program improvement efforts, in collaboration with stakeholders, to address the issues and concerns related to operator certification and workforce challenges. In July 2022, DFA staff, in coordination with the State Water Board's Division of Information Technology, initiated an online application submittal portal project. Using a phased approach, the online application submittal portal will be operational in Summer/Fall 2023 and it is anticipated that the full project will be completed in 2024.

VI.E.2. Job Co-Benefits

CARB's Job Co-benefit Modeling Tool has been applied to SADW-funded projects executed in FYs 2019-20 through 2022-23, and projects anticipated to be executed in FY 2023-24, as shown in Table 8. SADW-funded projects with executed agreements are reported semi-annually to CARB.

Table 8 shows the total estimated full-time equivalent jobs (direct, indirect, and induced[29]) by solution type for executed projects supported by the SADW Fund.

Table 8. Estimated Job Co-Benefits from Executed Agreements

Item	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24 (planned)
Executed Planning Investment	-	$1.8 M	$6.1 M	$0	$1 M
Planning Full-Time Equivalent Jobs	-	14 jobs	83 jobs	0	13 - 18 jobs
Executed Construction Investment	$23.9 M	$25.9 M	$32.9 M	$13.1 M	$8 M
Construction Full-Time Equivalent Jobs	321 jobs	335 jobs	383 jobs	163 jobs	99 - 137 jobs
Executed Interim Solution Investment	-	$1.0 M	$9.3 M	$8.7 M	$16 M
Interim Solution Full-Time Equivalent Jobs	-	10 jobs	124 jobs	102 jobs	133 - 185 jobs
Executed TA Investment	-	$9.8 M	$28 M	$138 M	$32 M
TA Full-Time Equivalent Jobs	-	130 jobs	365 jobs	1,839 jobs	389 - 540 jobs

[29] 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.

The State Water Board is also required to track actual jobs supported for projects that are funded with SADW funds and corresponding info. In the 2022 calendar year, the average construction worker wage was $57 per hour and the average professional/scientific/technical service worker wage was $147 per hour for SADW funded projects that exceeded $1 million in total grant funding.

More information on the Job Co-benefit Modeling Tool is available at the CCI Co-benefit Assessment Methodologies webpage.

VII. METRICS AND PERFORMANCE

The SADW Fund 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 SADW Fund Policy). The general categories of metrics are described below with details provided in the SADW Fund Policy.

Categories include, the number of communities[30], 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 planning assistance projects;
(3) Provided with long-term solutions; and
(4) Return to compliance and are out of compliance (and other regulatory measures) – renamed in this FY 2023-24 FEP as Failing Systems and Systems that have come off the Failing List[31].

Additional performance metric categories include:

(5) Climate change adaptation and resiliency;
(6) Cost-effectiveness of the Program;
(7) Administrative efficiency of the Program;
(8) Community engagement effectiveness of the Program (including capacity building); and
(9) Racial Equity and Environmental Justice (added in the FY 2021-22 FEP).

This FY 2023-24 FEP introduces new Metric Category 10 as an area to be tracked for the SAFER Program that will be reported on beginning with this FEP.

(10) Tribal Coordination on Drinking Water Projects.

The subsections below describe metric category performance for either FY 2022-23 or cumulatively, generally from a start date of July 1, 2020, to show SAFER Program

[30] The term “communities” includes the area defined by a water system boundary, as well as areas served by state smalls and domestic wells.
[31] Metric Category 4 was renamed to align with terminology used in the Needs Assessment.

performance over time since the adoption of the first FEP. Tables in Section VII will be updated through June 30, 2023. More details on the metrics tracking methodology are included in Appendix I.

VII.A. Metric Highlights and Trends

Figures 3 and 4 present key SAFER Program highlights since SB 200 was passed in 2019 and trends the past three fiscal years, respectively. For Figure 4, the chart of total funding by solution type (top right) reflects funding executed during FY 2022-23. The chart of total funding by system status reflects a summation of active funding projects approved and executed at the end of each fiscal year for systems included on each FY's FEP's Funding Solution Lists for both Failing and At-Risk Systems (e.g., Appendices C and D of this FEP).

Figure 3. SAFER Program Highlights (7/1/2019 – 6/30/2023)

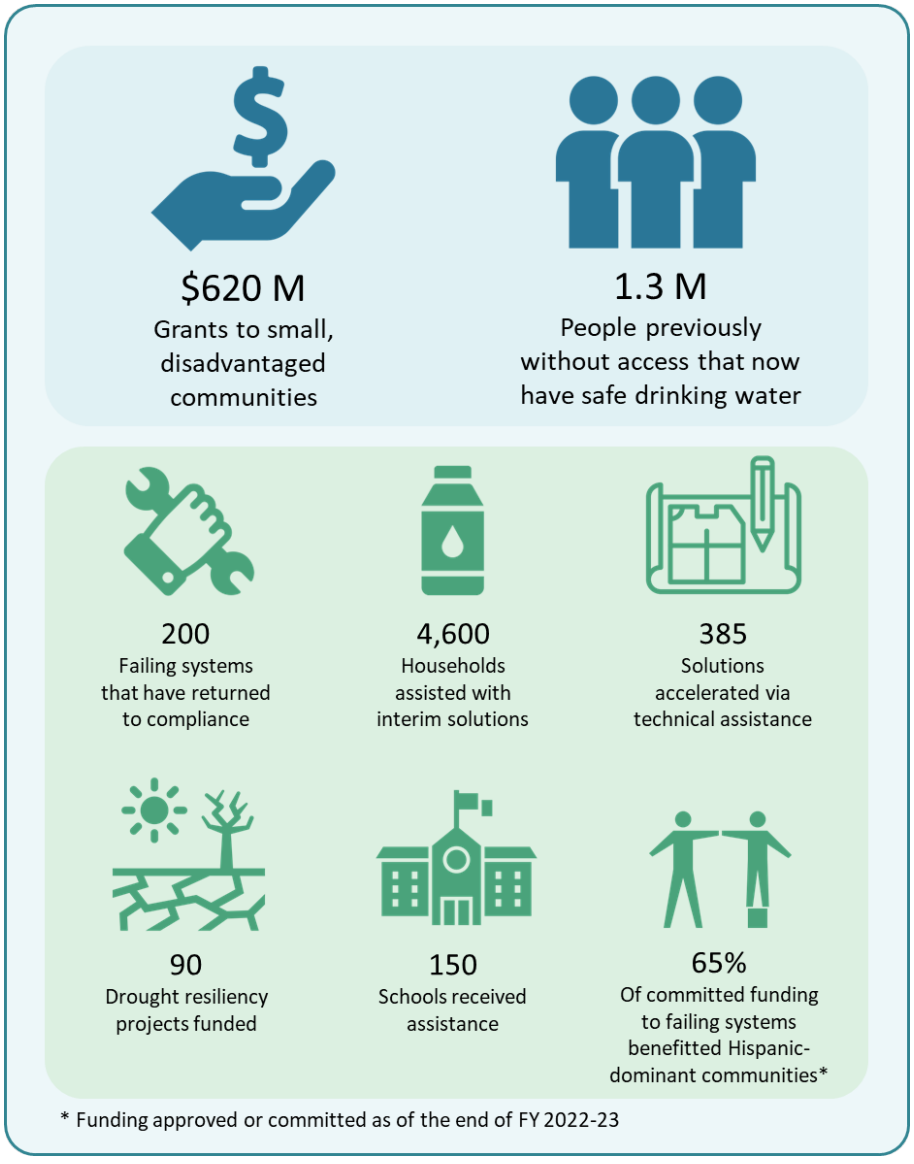
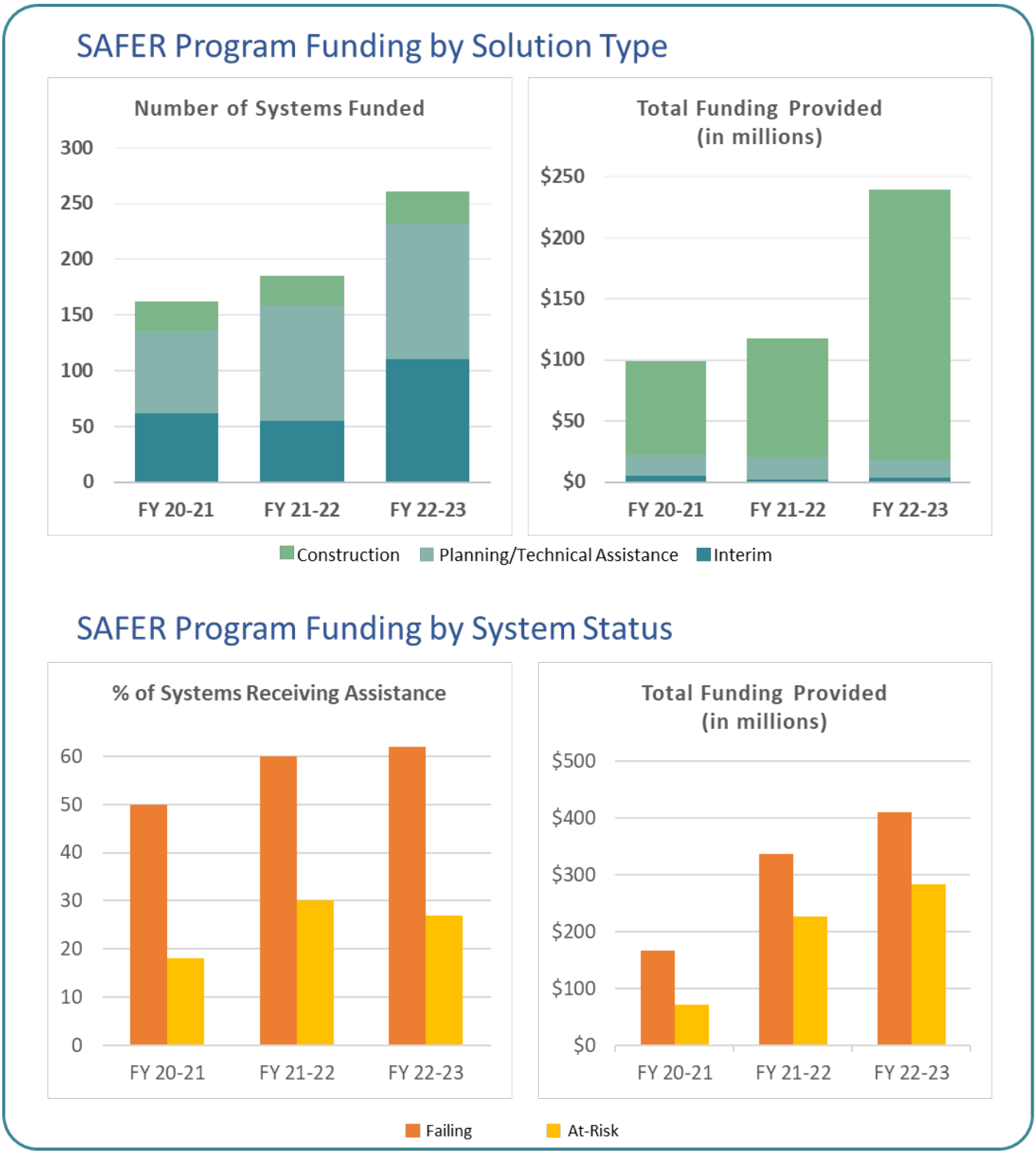


Figure 4. SAFER Program Trends (FY 2020-21 through FY 2022-23)



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

Tables 9 and 10 show progress for Metric Categories 1, 2, and 3 for the SAFER Program (SADW Fund and complementary funding sources), shown for both FY 2022-23 as well as cumulatively from a start date of January 1, 2019. Table 9 also establishes numeric goals for FY 2023-24. TA is pulled out into its own category separate from traditional planning for tracking purposes; however, the TA category includes planning projects completed via TA (i.e., full planning).

Table 9. FY 2022-23 Performance in Metric Categories 1, 2, and 3 (7/1/2022-6/30/2023)

Category	FY 2022-23 Goal	FY 2022-23 Progress	No. of Connections Benefiting	No. of People Benefiting	Total Assistance Provided	FY 2023-24 Goal
Interim Solutions	50 communities	110 communities/ schools (2,210 households)	3,361	20,659	$3.6 M	50 communities
Technical Assistance Projects	100	112 (18 planning via TA)	50,684	161,990	$9.6 M	100
Planning Projects	10	10	4,638	17,307	$5.1 M	25
Construction Projects[1]	30	33 (29)	231,893 (69,830)	1.1M (117,509)	$241.2 M ($220.8 M)	45

[1] Numbers in parentheses for construction projects reflect projects in OSWS benefiting primarily small DACs or low-income households. The work in other categories is solely through OSWS and benefiting primarily small DACs or low-income households.

Table 10. Cumulative Performance in Metric Categories 1, 2, and 3 (1/1/2019-6/30/2023)

Category	Cumulative Progress	No. of Connections Benefiting	No. of People Benefiting	Total Assistance Provided
Interim Solutions	276 communities / schools (4,591 households)	20,783	112,638	$34 M
Technical Assistance Projects	383 (63 planning via TA)	93,013	325,503	$50.4 M
Planning	50	143,678	403,710	$26.7 M

Category	Cumulative Progress	No. of Connections Benefiting	No. of People Benefiting	Total Assistance Provided
Projects				
Construction Projects[1]	149 (116)	1.7 M (175,402)	9.75 M (394,964)	$1.4 B ($510.8 M)

[1] Numbers in parentheses for construction projects reflect projects in OSWS benefiting primarily small DACs. The work in other categories is solely through OSWS and benefiting primarily small DACs or low-income households.

VII.C. Metric Category 4: Failing Systems, Systems that have come off the Failing List, and Other Regulatory Measures

Table 11 shows cumulative progress since July 1, 2020 for Metric Category 4 on failing systems and those that have come off the Failing list.

Table 11. Performance in Metric Category 4 (7/1/2020 – 6/30/2023)

Item	Number of Systems	Population
Systems that came off the Failing List (7/1/2020 – 6/30/2023)	145	758,163
Systems on the Failing List (as of 7/1/2020)	301	922,978
Systems on the Failing List (as of 6/30/2023)	394	2,025,283

For the 145 systems that are off the Failing list since July 1, 2020, the average time it took for a system to come off the Failing list from the date that the system was placed on the Failing list was two years.

Additional regulatory metric performance for consolidations and administrators are presented in Tables 12 and 13, respectively. These tables also establish numeric goals for FY 2023-24.

Table 12. Consolidation Metrics (7/1/2020 – 6/30/2023)

Item	Cumulative Progress	FY 2022-23 Goal	FY 2022-23 Progress	FY 2023-24 Goal
Consolidation Outreach Letters	5,244	1,700	2,590	2,000
Consolidation/Partnership Events	26	20	3	5
Active Consolidation Projects as of 6/30/22	207	50 (additional projects)	253	50 (additional projects)
Mandatory Consolidation Projects Initiated	13	3	10	3

Item	Cumulative Progress	FY 2022-23 Goal	FY 2022-23 Progress	FY 2023-24 Goal
Mandatory Orders Issued	0	--	0	
Executed Consolidation Funding Agreements	26	5	8	5
Number of Systems Impacted by Assistance[1]	61	15	20	15
Consolidations Completed	81 All[2] 76 Physical	35	25 All 24 Physical	35

[1] Systems impacted by assistance means those systems involved in consolidation projects funded by the State Water Board.
[2] Twenty-one consolidations were completed with State Water Board funding.

Table 13. Administrator Metrics (7/1/2020 –6/30/2023)

Item	Cumulative Progress	FY 2022-23 Goal	FY 2022-23 Progress	FY 2023-24 Goal
New Water Systems Designated	18	2	4	2
Public Meetings Completed	16	2	3	2
Executed Funding Agreements/Work Plans	7	5	5	17
Executed O&M Funding Agreements for Systems with Administrators	4	5	4	19
Orders Executed	6	5	5	17
Administrators Completed	0	0	0	0

VII.D. Metric Category 5: Climate Change Adaptation and Resiliency

Section XI.I of the SADW Fund Policy lists the following metrics for climate change adaptation:

(1) Pounds of carbon dioxide saved per project, and
(2) Number of communities, including state small system and domestic well communities, and schools and associated population with a long-term solution being implemented.

As part of the CCI Program, the State Water Board has been reporting to CARB, semi-annually since 2020, required climate adaptation related information for all funding agreements executed within the calendar year or those that require continuous incremental reporting.

Table 14 summarizes key information around climate change adaptation and resiliency already being captured through CCI required reporting for projects executed since

July 1, 2019. Additional items have been added to Metric Category 5 which include the number of households benefiting from solutions addressing drought-induced contamination or dry wells and the number of communities transitioned from interim water deliveries to long-term solutions. DFA staff are also tracking any SADW-funded projects where gallons of water conserved and renewable energy production can be quantified. At this time, there is no project data to report on these metrics.

Table 14. Performance in Metric Category 5 (7/1/2019 – 5/31/2023)

Item	Cumulative Progress	FY 2022-23 Progress
Total Number of Executed SADW Projects (i.e., projects reported to CARB)	73	21
Number of SADW Projects with Additional Storage Adaptation (i.e., larger storage tanks)	10	2
Number of SADW Projects with New Source Adaptation (i.e., new well drilled or consolidation)	19	4
Number of SADW Projects with Water Quality Improvement Adaptation (i.e., added treatment or upgrades to address contamination)	13	3
Number of Households benefiting from Solutions addressing drought-induced contamination and dry wells	136	85
Number of Communities Transitioned from Interim Water Deliveries to Long-term Solutions	5	1
Estimated Greenhouse Gas Emission Reductions associated with SADW-funded Projects[1]	+3,694	+2,854
Gallons of Water Conserved from SADW-funded Projects	-	-
Number of SADW-funded Projects with Renewable Energy Generation	-	-

[1] Metric tons of carbon dioxide equivalent

CARB is responsible for providing guidance on estimating the GHG emission reductions and co-benefits from projects receiving monies from the SADW Fund. This guidance includes quantification methodologies, co-benefit assessment methodologies, and benefits calculator tools. DFA staff have been coordinating with CARB on appropriate methodology updates to better capture the benefits from SADW-funded projects. Currently, the SADW Fund Quantification Methodology[32] uses calculations to estimate

[32] SADW Fund Quantification Methodology

avoided GHG emissions from pump motor replacement, solar photovoltaic electricity generation, energy efficiency retrofits, and GHG emission reductions associated with the implementation of SADW-funded projects. Based on the SADW Fund Quantification Methodology and the types of SADW funded projects reported (since July 1, 2019) the total amount of increased GHG emissions is 3,537 metric tons of carbon dioxide equivalent. This year's increase of GHG emissions is largely attributed to $6.4 million of SADW funds implemented[33] for hauled water. The recently updated SADW Fund Quantification Methodology now includes a new electric pump replacement tool and variable frequency pump drive options. DFA staff continue to work with CARB on potential ways to quantify reduced GHG emissions from avoided miles traveled related to centralized bottled and hauled water delivery projects, as well as energy savings associated with projects that include direct water savings and/or conservation measures.

VII.D.1. Drought Resilience Projects

State Water Board staff are also tracking projects funded by the broader SAFER Program (since July 1, 2021) that increase drought resiliency for the water systems and communities they serve. Drought resilience projects are projects that allow communities to cope with and respond to drought conditions, both in the near and long term. These projects would typically provide reliable water supply sources, improve water system storage, improve water conservation (meters), replace aging water system infrastructure for reliability or to reduce water loss, increase reuse or groundwater recharge, etc. Some examples of drought resilience projects may include, but not limited to:

- Drilling and equipping of new wells
- Rehabilitation and equipping of existing wells
- Installation of well head treatment or source water treatment
- Consolidations or connections to adjacent water systems
- Recycled water projects that benefit potable water supplies
- Installation of new water system infrastructure (i.e., pipelines, pump stations, water intakes, storage tanks, meters)
- Groundwater recharge projects

Table 15 summarizes key information related to drought resilience projects funded since July 1, 2021.

Table 15. Drought Resilience Project Metrics (7/1/2021 – 6/30/2023)

https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/swrcb_sadwfund_qm_060122.pdf

[33] For TA agreements and regional programs, funds are considered implemented once the funds are disbursed to the recipient and the project has quantifiable benefits.

Item	Cumulative Progress	FY 2022-23 Progress
Number of drought resilience projects funded	89	35
Total amount funded	$647 million	$227 M
Total number of communities assisted	112	46
Total population assisted	3.3 million	1,074,403
Number of drought resilience projects benefiting DACs	61	24
Amount funded towards DACs	$498 million	$183 million
Number of DACs assisted	84	35
DAC population assisted	1 million	52,645

VII.E. Metric Categories 6 and 7: Program Cost-Effectiveness and Administrative Efficiency

VII.E.1. Program Cost-Effectiveness

Section XI.I of the SADW Fund Policy states the cost of solution per connection or per person served as a consideration for program cost-effectiveness. Table 16 summarizes average costs per connection or person across different project solution categories since July 1, 2020. Project costs listed in Appendix C for Failing systems were used for this analysis.

Table 16. Performance in Metric Category 6 (7/1/2020 – 6/30/2023)

	Schools		Water Systems	
Solution Category	Number of Existing and Potential Projects	Average Cost per person	Number of Existing and Pending Projects	Average Cost per connection
Interim Assistance	29	$414	20	$1,760
Technical Assistance	29	$2,861	134	$5,722
Planning	10	$2,727	37	$6,567
Construction	17	$13,457	71	$68,602

VII.E.2. Administrative Efficiency

Table 17 summarizes average timing for metrics stated in Section XI.I of the SADW Fund Policy for administrative efficiency for planning and construction projects funded in the last three years (i.e., between January 1, 2020 and December 31, 2022).

Table 17. Performance Averages in Metric Category 7 (1/1/2020 – 12/31/2022)

Item	Average Time
Time between interim replacement water being requested and provided	95 days (just over 3 months)
Time between a TA request being made and the start of the TA being provided	320 days (just over 10 months)
Time for a planning application to be complete after being started	26 months
Time for a construction application to be complete after being started	27 months
Time for a complete planning application to result in an executed funding agreement	9 months
Time for a complete construction application to result in an executed funding agreement	8 months
Time for a complete request for reimbursement to completed review (passed on to Accounting)	51 days

Additional performance metrics around administrative efficiency related to application processing and review time for both planning/construction and TA projects are starting to be tracked in response to recommendations in the 2022 Drinking Water Program Audit[34] and related data will be reported on starting next year with the FY 2024-25 FEP. More information on the audit is included in Section IX.B.

VII.F. Metric Category 8: Community Engagement

Section XI.I of the SADW Fund Policy lists the following metrics for community engagement effectiveness:

(1) Number of Advisory Group meetings
(2) Number of community meetings
(3) Estimated number of meeting attendees
(4) Website and social media analytics
(5) Diversity of communication strategies, platforms, and materials

Table 18 summarizes key information around community engagement effectiveness since January 1, 2020.

[34] 2022 Drinking Water Program Audit Report
https://www.auditor.ca.gov/reports/2021-118/index.html

Table 18. Performance in Metric Category 8 (1/1/2020 – 3/31/2023)

Item	Cumulative Progress (1/1/2020 – 3/31/2023)	FY 2022-23 Goal	FY 2022-23 Progress
Public meetings or presentations led by State Water Board staff or TA Provider	113	35	16
SAFER Advisory Group Meetings	18	--	6
Emails sent via listservs	63	10	36
People reached via listservs (# subscribers)	13,529	2,200	13,529
Total social media posts	56	100	46
Press releases or media advisories	10	4	10
Radio announcements or interviews	0	5	0

VII.G. Metric Category 9: Racial Equity and Environmental Justice

In support of the State Water Board's work towards racial equity, a performance metric category for Racial Equity and Environmental Justice was added in the FY 2021-22 FEP to track demographic information of communities receiving various forms of assistance through the SAFER Program.

The 2023 Needs Assessment included socioeconomic analyses of the following:

- Risk assessment data for failing and At-Risk PWSs,
- Risk assessment data for At-Risk state smalls and domestic wells, and
- Affordability assessment data for CWSs.

Demographic information used in the 2023 Needs Assessment included household size, linguistic isolation, poverty, median household income, and race/ethnicity, as well as CalEnviroscreen for pollution burden. These analyses help show the universe of water systems, state smalls, and domestic wells potentially eligible for funding through the broader SAFER Program. A summary of these results is included in Section VIII.E.

Aligned with the RE Action Plan's Strategic Direction #1, Goal 1a, this FEP reports on race/ethnicity and other relevant demographic data, associated with the communities that benefit from funding administered by DFA via the SAFER Program. Appendix H of this FY 2023-24 FEP includes similar demographic information as the 2023 Needs Assessment for each project with funding committed in FY 2022-23 across the broader SAFER Program. Tables 19 through 22[35] summarize analyses done on the systems

[35] Demographic data for Tables 19 through 22 and Appendix H is based on the census tract that the benefitting community resides in and consistent with data used in the DDW Needs Assessment.

listed in Appendices C, D, and the systems from the 2023 Needs Assessment that have either approved or executed funding across the broader SAFER Program.

Table 19. Performance in Metric Category 9 – Predominant Identity Characteristics

	White	Hispanic	African American	Asian American	Native American	Not Categorized
Failing Systems (Appendix C)						
No. of Systems	228	151	--	--	2	
Total Amount (Percentage of Total)	$104.9 M (34.7%)	$196 M (64.9%)	--	--	$1.3 M (.4%)	
At-Risk Systems (Appendix D)						
No. of Systems	294	202	--	16	--	--
Total Amount (Percentage of Total)	$86.2 M (50.8%)	$83.45 M (49.2%)	--	$0 (0%)	--	--
Needs Assessment Systems						
No. of Systems	2,206	763	6	69	2	7
Total Amount (Percentage of Total)	$746 M (63.2%)	$430.8 M (36.5%)	--	$3 M (.2%)	$1.3 M (.1%)	--

Table 20. Performance in Metric Category 9 – Average Household Size

	0-2	2-4	>4	Not Available
Failing Systems (Appendix C)				
No. of Systems	6	355	18	2
Total Amount (Percentage of Total)	$.5 M (.2%)	$268.76 M (88.9%)	$32.9 M (10.9%)	$0 (0%)

CalEnviroscreen data source: OEHHA.ca.gov; Census data source: data.census.gov

	0-2	2-4	>4	Not Available
At-Risk Systems (Appendix D)				
No. of Systems	12	463	31	6
Total Amount (Percentage of Total)	$1.6 M (.9%)	$145 M (85.4%)	$19.6 M (11.6%)	$3.5 M (2.1%)
Needs Assessment Systems				
No. of Systems	107	2,770	124	241
Total Amount (Percentage of Total)	$17.2 M (1.5%)	$1.04 B (88%)	$72 M (6.1%)	$52.3 M (4.4%)

Table 21. Performance in Metric Category 9 – Average Percent of Households Below 2x Federal Poverty Level

	0-25	25-50	50-75	>75	Not Available
Failing Systems (Appendix C)					
No. of Systems	29	104	127	121	--
Total Amount (Percentage of Total)	$.45 M (.2%)	$38.5 M (12.7%)	$74.6 M (24.7%)	$188.5 M (62.4%)	--
At-Risk Systems (Appendix D)					
No. of Systems	37	123	188	164	--
Total Amount (Percentage of Total)	$2 M (1.2%)	$41.1 M (24.2%)	$34.2 M (20.1%)	$92.5 (54.5%)	--
Needs Assessment Systems					
No. of Systems	432	946	1,066	602	7
Total Amount (Percentage of Total)	$16.45 M (1.4%)	$437 B (37%)	$321.4 M (27.2%)	$406 M (34.4%)	--

Table 22. Performance in Metric Category 9 – CalEnviroscreen Score (Percentile)

	0-25	25-50	50-75	>75	Not Available
Failing Systems (Appendix C)					
No. of Systems	79	89	96	117	--
Total Amount (Percentage of Total)	$10.4 M (3.4%)	$25.6 M (8.5%)	$113 M (37.4%)	$153 M (50.6%)	--
At-Risk Systems (Appendix D)					
No. of Systems	103	133	137	139	--
Total Amount (Percentage of Total)	$21.7 M (12.8%)	$30 M (17.7%)	$53.7 M (31.6%)	$64.3 M (37.9%)	--
Needs Assessment Systems					
No. of Systems	936	934	695	481	7
Total Amount (Percentage of Total)	$409.7 M (34.7%)	$175.6 M (14.9%)	$260.8 M (22%)	$334.9 M (28.4%)	--

Based on the information in the tables above, while there are more predominantly white Failing and At-Risk systems, much of the existing funding (59%) is benefiting Hispanic-dominant communities. Most of these systems also have an average household size between two to four people with an average of 50 to 75% of households below two times Federal poverty level. In addition, the majority of the Failing and At-Risk systems have a CalEnviroscreen Score (percentile) greater than 75%. DFA staff will continue to analyze demographic information in FY 2023-24 and incorporate additional analyses, such as demographic information on complete funding projects, in future FEPs.

VII.H. Metric Category 10: Tribal Coordination on Drinking Water Projects

In support of ensuring equitable access to funding available through the SAFER Program, improved tracking is being implemented with respect to tribal coordination on drinking water projects and potential pathways for funding, summarized below in Table 23. More information on AB 2877 is included in Section III.F.

Table 23. Performance in Metric Category 10 (7/1/2020 – 6/30/2023)

Item	Cumulative Progress (7/1/2020 – 6/30/2023)	FY 2022-23 Progress
Meetings with tribal representatives[1]	35	35
Number of inquiries for funding received from tribes[1]	3	3
Number of drinking water funding requests received from tribes	10	3
Total amount of funding granted to tribes	$780,244	$302,591
Number of tribal water systems receiving State Water Board funding or TA	7	2

[1] Data for these items reported for 1/1/2023 to 3/31/2023.

VIII. 2023 DRINKING WATER NEEDS ASSESSMENT RESULTS

The third iteration of the annual Drinking Water Needs Assessment was released in May 2023 (included as Appendix A of this FEP). The Needs Assessment is updated annually and its results are used by State Water Board staff and the SAFER Advisory Group to inform prioritization of PWSs, tribal water systems, state smalls, and domestic wells for funding in the annual FEPs; inform direction for State Water Board funded TA; and to develop strategies for implementing interim and long-term solutions.

VIII.A. Enhancements to the 2023 Needs Assessment

VIII.A.1. Affordability-Related Enhancements

In response to stakeholder feedback after the release of the 2021 and 2022 Needs Assessments, the State Water Board in partnership with the Office of Environmental Health Hazard Assessment (OEHHA), hosted three public Affordability Workshops in 2022 to re-evaluate previously utilized affordability indicators, research new affordability indicators, and explore how to incorporate a new affordability indicator that measures disposable income limitations into the 2023 Needs Assessment and beyond. These workshops also analyzed different approaches for determining DACs and establishing an “affordability threshold.” Based on feedback from the public workshops, the State Water Board revised its affordability indicators as follows:

- Removed two affordability indicators from the Affordability Assessment: ‘Percent of Residential Arrearages’ and ‘Residential Arrearage Burden.

- Developed a new affordability indicator, incorporating stakeholder feedback, "Household Socioeconomic Burden," a composite indicator that is a combined measure of Housing Burden and Poverty Prevalence that measures the extent to which low-income customers may have affordability challenges now or in the future because their disposable income is constrained by high housing costs. This allows for the first time, the inclusion of approximately 680 CWSs (i.e., mobile home parks. etc.) that do not charge customers directly for water in the assessment.

VIII.A.2. Enhancements to the Risk Assessment for State Smalls and Domestic Wells

The 2022 Risk Assessment included two categories: Water Quality and Water Shortage. In 2022, the State Water Board partnered with OEHHA to develop a third category of risk for state smalls and domestic wells that analyzed socioeconomic risk. The purpose of the new Socioeconomic risk category is to:

(1) Assess a counties' overall administrative, technical, and managerial capacity to assist communities served by state smalls and domestic wells, and
(2) Assess the ability of communities served by these systems to access and pay for water at a neighborhood level, especially when faced with a well experiencing water quality or water shortage issues.

VIII.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 up to 30,000 service connections or 100,000 population served and K-12 schools. The second methodology identifies state smalls and domestic wells that are at a high risk of water shortage, accessing source water that may contain contaminants that exceed primary drinking water standards, and/or socioeconomic constraints in addressing challenges with accessing safe drinking water. More information on the Risk Assessment methodologies and results are available in the two risk assessment results sections of the 2023 Needs Assessment.

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

The 2023 Risk Assessment was conducted for 3,053 PWSs and evaluated their performance across 21 risk indicators within the following four categories: Water Quality, Accessibility, Affordability, and TMF Capacity. On January 1, 2023 there were 381 water systems included in the analyses that were on the Failing list. The Risk Assessment results, after excluding Failing list systems, identified 512 (17%) At-Risk water systems, 453 (15%) Potentially At-Risk water systems, and 1,707 (56%) Not At--Risk water systems.

Compared to the 2022 Risk Assessment results, the 2023 Risk Assessment identifies 113 more At-Risk water systems and a statewide increase in total average risk scores, mostly attributed to the addition of the new Affordability Category risk indicator 'Household Socioeconomic Burden'. Furthermore, 119 (4%) of At-Risk systems were automatically At-Risk, regardless of their performance across all risk indicators because they have relied on bottled and/or hauled water to meet customer demand within the last three years. This is 30 more systems when compared to the 2022 Risk Assessment results, which had 89 (3%) of systems automatically At-Risk.

VIII.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, is at high-risk of water shortage, and where there is high socioeconomic risk. This information is presented as an online map tool called the Aquifer Risk Map.

Statewide, the top contaminants that contributed to higher risk designations in state smalls and domestic wells are nitrate, arsenic, 1,2,3-TCP, gross alpha, uranium, and hexavalent chromium. The analysis found high water shortage risk areas are highly correlated with reported dry wells. Of the dry well reports made to DWR within the past year, 85% are located within an area with high water shortage risk. The 2023 results for state smalls identified 245 (19%) At-Risk, 620 (48%) Potentially At-Risk, and 432 (33%) Not At-Risk. For domestic wells, 81,588 (28%) were identified as At-Risk, 103,986 (36%) Potentially At-Risk, and 105,827 (36%) Not At-Risk.

Proximity to a nearby CWS is important information for Counties and communities served by state smalls and domestic wells in case of emergencies and potential codependences. New in 2023, the State Water Board included an analysis of this information:

- Approximately 14,675 domestic wells (18% At-Risk domestic wells) and 81 state smalls (33% of At-Risk state smalls) are located within the boundary of a CWS.
- Approximately 26,579 domestic wells and 99 state smalls are located within one mile of a CWS boundary.

VIII.C. Cost Assessment

The 2023 Needs Assessment did not include an updated Cost Assessment. However, the State Water Board is currently updating the full Cost Assessment Model for Failing and At-Risk PWSs, state smalls, and domestic wells for the 2024 Needs Assessment. This 2-year enhancement effort includes:

- Updating how the Cost Assessment Model identifies and selects interim and long-term solutions for Failing and At-Risk systems.
- Updating and enhancing the cost assumptions and formulas used in the Model to estimate costs – both capital and non-capital.

- Improving the analysis of the Cost Assessment results.
- Improving transparency by making the underlying data, formulas, etc. more accessible.

VIII.D. Affordability Assessment

The State Water Board must establish an affordability threshold in the FEP. 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 FEPs, the affordability threshold generally refers to a water system- or community- level affordability as opposed to an individual household affordability.

The FY 2023-24 FEP relies on the results of the 2023 Affordability Assessment which identifies CWSs that serve DACs that must charge their customers' fees which exceed the affordability threshold established by the State Water Board to provide adequate safe drinking water. The 2023 Affordability indicators included are the same that are utilized in the Risk Assessment, which also includes indicators in three additional categories: water quality, accessibility, and TMF capacity. In the Affordability Assessment, Affordability indicators are analyzed independently from the other category indicators in the Risk Assessment, and include:

- **Percent Median Household Income**: average residential customer charges for 6 hundred cubic feet (HCF) per month that meet or exceed 1.5% of the annual MHI within a water system's service area.
- **Extreme Water Bill**: customer charges that meet or exceed 150% and 200% of statewide average drinking water customer charges at the 6 HCF level.
- **Household Socioeconomic Burden**: measures the percent of households in a census tract that are both low-income (making less than 80% of the Housing and Urban Development (HUD) Area Median Family Income) and severely burdened by housing costs (paying greater than 50% of their income to housing costs).

To assess which systems may be facing the greatest affordability burden, State Water Board staff analyzed how many water systems exceeded thresholds for multiple affordability indicators. Affordability burden is ranked from low (only one affordability indicator threshold exceeded), medium, (two affordability indicator thresholds exceeded), or high (three affordability indicator thresholds exceeded). Of the 2,845 CWSs analyzed, most resulted in a low affordability burden (45%) followed by a medium affordability burden (12%) and a high affordability burden (3%).

The State Water Board identified 75 (5%) DAC/SDAC water systems that have a high affordability burden, 246 (17%) with a medium affordability burden, and 889 (60%) with a low affordability burden.

More information on the Affordability Assessment methodology and results are available in the Affordability Assessment Results section of the 2023 Needs Assessment. A list of systems exceeding the affordability threshold is available as the Affordability Assessment Data and Results (see Affordability Assessment tab).

VIII.E. Socioeconomic Analysis of Needs Assessment Results

The 2023 Needs Assessment compared the results of the Risk and Affordability Assessments to socioeconomic data to better understand the communities most in need. Data analyzed included CalEnviroscreen 4.0 for pollution burden and demographic data such as: household size, linguistic isolation, poverty, MHI, and race/ethnicity.

Risk Assessment

When compared with not At-Risk water systems, Failing and At-Risk PWSs areas tend to have higher CalEnviroScreen scores, a higher percentage of households in poverty, a higher percentage of limited English-speaking households, a larger household size, non-white communities, and are equally likely to be in a DAC or SDAC area.

When compared with not at-risk state small system areas, At-Risk state small water system areas tend to have slightly higher CalEnviroScreen 4.0 scores, a slightly higher percentage of households in poverty, a lower percentage of limited English-speaking households, a similar household size, and are more likely to be in a DAC or SDAC area. State smalls that are potentially At-Risk are the most likely to be in a majority non-white census area.

Affordability Assessment

When compared with Non-DAC/SDAC water systems, DAC/SDAC water system service areas tend to have higher CalEnviroScreen scores, a higher percentage of households in poverty, a higher percentage of limited English-speaking households, non-white communities. Systems with high affordability burden have higher CalEnviroScreen scores, percentages of households that are less than two times the federal poverty level, and greater linguistic isolation than medium and low affordability burden systems.

More information on the socioeconomic analyses is included within the risk and affordability assessment sections of the 2023 Needs Assessment.

VIII.F. Tribal Needs Assessment

The State Water Board recognizes the sovereignty of California Native American tribes and understands that tribes face unique challenges to providing clean, safe, and affordable drinking water to their communities. Although tribal water systems located on federal land are regulated by U.S. EPA and not by the State Water Board, the State Water Board recognizes that there are federal funding gaps that the SAFER Program could support. Over the last several years, the State Water Board has been working collaboratively with the U.S. EPA, IHS, and DWR to better understand what gaps exist

and what role the SAFER Program could uniquely play in advancing comprehensive tribal drinking water solutions.

Tribal water systems regulated by U.S. EPA are uniquely different than PWSs that the State Water Board regulates; therefore, data on tribal water systems was not included as part of DDW's Drinking Water Needs Assessment. Instead, in the 2021 Needs Assessment, the State Water Board and U.S. EPA developed an alternative approach for conducting a tribal water system Needs Assessment which relied upon approximating the Failing list equivalent and At-Risk- equivalent water systems[36]. However, the State Water Board recognized the limitations in continued use of this approach.

A concerted outreach effort was conducted in 2021 by the State Water Board and DWR to tribal water systems and tribal leaders to explore interest in data sharing and to receive feedback about approaches to better understand tribal drinking water needs. The recommendation received from many tribal representatives was to address and understand each tribe's drinking water needs individually, rather than developing a standard, statewide analysis as was done for public water systems.

Since 2021, SAFER Program staff began implementing the SAFER Tribal Drinking Water Outreach Plan[37] and continues to work with individual tribes, as requested by tribal governments or in response to drinking water needs identified through coordination with the U.S. EPA, IHS, and DWR. In 2023, the State Water Board worked with U.S. EPA to apply the Needs Assessment Failing criteria to tribal water systems regulated by U.S. EPA. In addition, the State Water Board worked with U.S. EPA, IHS, and DWR to capture funding gaps and opportunities that were learned from the past three years of our collaboration on tribal drinking water solutions. More information on tribal drinking water needs is available in Appendix A.1.

IX. FUNDING PROCESS

IX.A. FY 2023-24 Priority Funding Process Improvements

DFA recognizes that an ongoing effort is necessary to further improve its service, particularly in increasing the efficiency of the funding process. A funding process overview is included in Appendix J which provides information on the five phases of a project, from the submittal of a complete application to project closeout, shown in Figure 5 below.

[36] More information on the Needs Assessment for Tribal Water Systems is available in Appendix F of the 2021 Needs Assessment.
[37] SAFER 2022 Tribal Outreach Plan
https://www.waterboards.ca.gov/safer/docs/2022/SAFER-Tribal-Outreach-Plan-ENG-03242022.pdf

Figure 5. Funding Process Overview

Starting in June 2021, DFA diverted some staff resources towards a strategic, dedicated effort to evaluate several items to improve administrative efficiencies of the funding process. A summary of process improvements since 2019 is included in Appendix J relative to the funding process phases in Figure 5 above and will have an overall impact on the time it takes to execute funding agreements and amendments and enables DFA staff to shorten the process time in other process phases. This effort will continue in FY 2023-24 focusing on the select improvements identified in Table 24 below which are expected to provide the greatest benefit to applicants. See Appendix J for a full list of improvements in process and their status.

Table 24. FY 2023-24 Priority Funding Process Improvements

Funding Process Phase	Improvement	Description
Prepare Application	Application Package Update	Align application with current procedures and DWSRF IUP. Revise application templates and guidance accordingly. Survey stakeholders for comments and establish a routine application update cycle.
Review Application	Update Planning Agreement to Ensure Critical Deliverables are Identified	Revise planning agreement templates and clearances to ensure necessary milestones are included and clearly described to help projects meet the environmental package requirements.
Review Application	Provide Guidance for Alternatives Analysis	Develop guidance for applicants and TA providers addressing the alternatives analysis that is required.
Post-Execution Project Management	Advance Payment Guidelines	Develop comprehensive advance payment guidelines and procedures that can be generally applied to eligible programs.
Post-Execution Project Management	Streamline the Final Budget	Develop FBA procedures to streamline review of cost

Funding Process Phase	Improvement	Description
	Approval (FBA) Process	increases requests because bids exceed initial cost estimate.
General Program Policy and Procedures	Comprehensive SRF Policy Review for Streamlining Opportunities	Holistic review of the DWSRF and CWSRF Policies to identify opportunities to streamline both funding programs.
General Program Policy and Procedures	Guidelines for Consolidation Projects Update	Update the Guidelines for Consolidation Projects (Appendix A of the DWSRF Policy).
General Program Policy and Procedures	Earlier Engagement with Environmental Review Staff Procedures	Coordinate to incorporate participation of Environmental Review staff into appropriate project planning meetings to assure adequate development of the environmental package.
General Program Policy and Procedures	Update Project Manager Expectations	Update Project Manager Expectations with existing and new Key Performance Indicators (KPIs) for communication with internal and external stakeholders and provide internal training.
General Program Policy and Procedures	Uniform Digital Workspace for "Working" Eligibility File	Determine most appropriate file location and format of a project's working eligibility file.
General Program Policy and Procedures	Review and Revise Current Delegation Authorities	Evaluate current delegation authorities and expand as deemed appropriate.
General Program Policy and Procedures	Establish a Uniform Procedural Manual	Establish and implement a uniform procedural manual on SharePoint that is updated regularly.

IX.B. Drinking Water Program Audit

On June 30, 2021, the Joint Legislative Audit Committee initiated an audit of the State Water Board's efforts to ensure that all Californians have access to clean water. The requested audit scope focused primarily on financial assistance programs for safe drinking water (i.e., the broader SAFER Program) and also included elements that crossed with DDW's SAFER efforts, Division of Administrative Services (DAS)

contracting, and OPP's public outreach. The audit report was released July 26, 2022[38] and included several recommendations around administrative efficiency, updates to the State Water Board's online application status search tool, and the TA program. The recommendations have been implemented and incorporated as appropriate into process improvement and metrics tracking.

IX.C. Applying for SAFER Program Funding

Funding is available under the SAFER Program for various types of solutions (described in more detail in Section IV). 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 broader 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. 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 broader SAFER Program is most appropriate.

EDWG Funding Program Projects

For the initial round(s) of funding, DFA staff should identify projects for which partial or complete DWSRF Program applications have already been received, or those that are receiving TA, that qualify under the EDWG Funding Program Guidelines, and select preliminary funding award recipients from these existing applicants. Thereafter, applicants will be directed to submit project proposals and other application materials via FAAST.

Deadlines to submit project proposals for consideration will be announced as long as funding is available and doing so is consistent with the purposes of the DWSRF and EDWG funding programs. DFA staff may continue to direct applicants with partial or complete DWSRF Program applications into the EDWG Funding Program. DFA staff will conduct workshops to address questions and provide general assistance to applicants. Project proposals will be evaluated based on the eligibility requirements and criteria discussed in the EDWG Funding Program Guidelines. Applicants and/or projects that are not selected for funding under the EDWG Funding Program Guidelines may be directed to other funding programs, as appropriate.

[38] 2022 Audit Report
https://www.auditor.ca.gov/reports/2021-118/index.html

Interim Water Supplies, Emergencies, and O&M
Funding for interim water supplies (e.g., bottled water, hauled water), emergencies (e.g., emergency system repairs), and direct O&M funding (Group 2 Case-by-Case) is available through the SADW Fund, CAA, and various GF appropriations. Interested parties may apply for funding for interim water supplies and emergency repairs through the UDWN application which can be found in the 'How to Apply' section of the CAA Urgent Drinking Water Needs webpage.

At the direction of DFA staff, the UDWN application in conjunction with eligible construction funding sources may also be utilized to streamline funding for specific low-cost construction projects, as outlined in Section IV.E.2.

County-wide and Regional Funding Program
A County-wide and Regional Funding Solicitation is open for counties or eligible partner entities to receive funding to implement regional programs that address drought-related and/or contamination issues for state smalls and domestic wells serving DACs and low--income households. Applications are submitted through FAAST and are being accepted continuously based on funding availability. Eligible activities may include outreach, interim solutions like bottled and hauled water, kiosk filling stations, domestic well testing, POU/POE treatment, and long-term solutions, like well repair or replacement. Additional information pertaining to eligible entities, project types, funding limitations, and how to apply can be found on the County-wide and Regional Funding Program 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.

The State Water Board is accepting SOQs for prospective drinking water TA providers on an ongoing basis. Parties that are interested in being considered for inclusion in the eligible TA Provider pool should review the Drinking Water TA Provider RFQ Guidelines.[39] TA providers must submit a SOQ to be evaluated and added to the qualified TA provider pool to receive funding from the State Water Board to provide TA. The TA Provider RFQ is a continuous advertisement and may be completed at any time. Once a potential TA Provider has submitted a SOQ, State Water Board staff will

[39] Drinking Water TA RFQ Guidelines (also included as Appendix C of the SADW Fund Policy)
https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2022/rfq-guidelines.pdf

review the application materials and evaluate the prospective TA provider on their ability to provide TA in one or more of six service categories (administrative, technical, operational, legal, managerial, or community engagement). State Water Board staff will provide the applicant with notification of Acceptance or Denial and if the SOQ is satisfactory the applicant will be placed into the pool of eligible TA Providers. DFA currently does not plan to fund any new TA providers in FY 2023-24 but will continue to monitor the demand for TA and enter into agreements with new TA providers if it is necessary to meet demand.

X. FINANCING AND PROGRAMMATIC REQUIREMENTS

Per Section IX of the SADW Fund Policy, general program requirements and conditions that must be met to obtain funding are outlined as General Terms and Conditions.

X.A. Policy Requirements

Programmatic requirements identified in the SADW Fund Policy include:

System Sustainability: Per Section VIII.D of the SADW Fund 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.E.2 of the SADW Fund 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.

X.B. GGRF Requirements

Additional terms and conditions specific to GGRF expenditures are outlined in the CCI 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 SADW Fund Policy). For FY 2022-23, 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 2023-24.

Since July 1, 2019, $185.8 million in SADW funding has been executed in grant agreements. Of that total funding, $105.9 million has been implemented (i.e., actual project locations and priority populations have been identified). The remaining funding will go towards projects or programs with unknow locations at this time (e.g., regional programs, TA agreements, administrator master agreements). Cumulatively, for the $105.9 million in implemented projects, 35% went towards GGRF Disadvantaged Communities and 64% went towards GGRF Low-Income Communities and Households.

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 CCI Funding Guidelines Section V.A. Investment for Priority Population and V.B. Implementing Programs to Benefit Priority Populations.

Accountability Tools: The CCI 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 CCI 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[40] and SADW Fund Benefits Calculator Tool to estimate the GHG emission reductions, available at www.arb.ca.gov/cci-resources. CARB has also established the Jobs Co-benefit Modeling Tool and other applicable co--benefit Assessment Methodologies (e.g., Community Engagement Questionnaire). DFA staff continue efforts with CARB to further develop quantification methodology that better captures the climate change and resiliency benefits associated with the implementation of SADW-funded projects.

[40] SADW Fund Quantification Methodology
https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/swrcb_sadwfund_qm_060122.pdf

Each funding agreement with the State Water Board will define the reporting requirements and frequency which would fulfill the CCI Funding Guidelines Section VI Reporting Requirements. This reporting is compiled by the State Water Board and reported to CARB semi-annually each June (for funding agreements executed within the preceding Dec 1 – May 31) and in December (for funding agreements executed within the preceding Jun 1 – Nov 30). A subset of agreements requires continuous incremental reporting each June and December.

X.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 conducted under funding programs with the State Water Board are not considered confidential and will be made publicly available. Personal information will be kept confidential.

Indirect Costs and Other Budget/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% may be approved. When indirect is approved, no costs invoiced as part of indirect costs should be included elsewhere as a direct cost, fringe benefits should be included only in personnel services, and the recipient's claimed personnel expenses shall include only salary and fringe benefits. Indirect may be applied 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 or designee. Indirect 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.

For good cause, the Deputy Director of DFA or designee may waive the aforementioned indirect cost limitations and accept another negotiated indirect cost methodology within statutory limitations or waive indirect cost limitations from prior FEPs and accept another negotiated indirect cost methodology within statutory limitations which may be applied retroactively to agreements executed in prior fiscal years.

The rate of reimbursement of indirect costs must be commensurate with the rate of reimbursement of direct costs. 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 to exceed budgeted amounts, not for budgeted costs.

The Division may allow for-profit entities to claim reasonable standard hourly rates for personnel services that may include costs such as salary, fringe benefits, overhead and profit markup consistent with the approved budget for the project and in lieu of an indirect cost rate. If grant reimbursement for personnel services is requested at standard hourly rates, an additional indirect cost rate will not be approved. Approval of profit markup over and above what may be included in the standard hourly rates, such as a markup added to charges from each subaward or subcontract may be approved by the Deputy Director of DFA or designee, at not to exceed the standard markup rate used by the business. Finally, consistent with the approved budget, reasonable individually itemized costs directly applicable to the project such as operating expenses or travel, that are not otherwise accounted for in the budget, may be allowed.

The State Water Board does not approve an individual recipient's methodology for calculating its standard hourly rates. It is the recipient's responsibility to ensure consistency in its methodology and to maintain backup documentation and source documents to support accurate application of the standard cost accounting. All such documentation must be available in the case of an audit. No costs related to personnel services and invoiced using standard hourly rates should be included elsewhere as a direct cost. Recipients should request reimbursement only for actual costs not to exceed budgeted amounts, not for budgeted costs.

Advance Pay: As noted in the SADW Fund Policy, effective September 23, 2021, the State Water Board is authorized to provide necessary advance payment for projects funded by the SADW Fund, with advance payments for construction projects not to exceed 25% of the total amount of construction funding provided by the State Water Board for a project. DFA has added advance pay provisions to at least four existing OSWS agreements on a pilot basis. DFA staff are utilizing experience and knowledge gained from this pilot in developing a more comprehensive advance pay process which will be incorporated into an appendix to the SADW Fund Policy. The appendix is intended to outline a process that will apply not just to advances from the SADW Fund,

but also other drinking water funding sources with provided authority for advance pay, with an initial focus on construction and implementation projects, where cash flow problems are most common.

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:

- Water quality sampling results from domestic wells, state smalls, and PWSs must be submitted to the State Water Board through appropriate, publicly facing, statewide databases.
- Groundwater monitoring data may be integrated into the Groundwater Ambient Monitoring and Assessment (GAMA) database. Please see the GAMA website for additional information.
- Drinking water quality data from public water supply sources may also 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 K.

XI. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the FY 2023-24 FEP for the SADW Fund is shown below in Table 25.

Table 25. Schedule for FY 2023-24 Fund Expenditure Plan

Date	Milestone
April to July 2023	Draft FY 2023-24 FEP Preparation and Internal Review
May 2, 2023	2022 Needs Assessment Results Webinar
May 24, 2023	Advisory Group Meeting: 2023 Needs Assessment Results and FEP Discussion
July 31, 2023	Release Draft FY 2023-24 FEP for Public Comment
August 11, 2023	Advisory Group Meeting: Review Draft FY 2023-24 FEP
August 15, 2023	Board Workshop on FY 2023-24 FEP
August 30, 2023	End of 30-Day Public Comment Period for Draft FY 2023-24 FEP
October 3, 2023	Board Meeting to Consider Adoption of FY 2023-24 FEP

XII. ACRONYMS AND ABBREVIATIONS

%	percent
1,2,3-TCP	1,2,3-trichloropropane
AB	Assembly Bill
Advisory Group	SAFER Advisory Group
ATP	Ability to Pay
CAA	State Water Pollution Cleanup and Abatement Account
CalOES	California Office of Emergency Services
CARB	California Air Resources Board
CCI	California Climate Investments
CCI Funding Guidelines	Funding Guidelines for Agencies that Administer California Climate Investments
CEQA	California Environmental Quality Act
CPUC	California Public Utilities Commission
CV-SALTS	Central Valley Salinity Alternatives for Long-Term Sustainability
CWDB	California Workforce Development Board
CWS	Community Water System
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DAS	Division of Administrative Services
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
Direct O&M Program	Direct Operation & Maintenance Funding Program
DWOCP	Drinking Water Operator Certification Program
DWR	Department of Water Resources
DWSRF	Drinking Water State Revolving Fund
EDWG	Expedited Drinking Water Grant (Funding Program)
FAAST	Financial Assistance Application Submittal Tool
FBA	Final Budget Approval
FEP	Fund Expenditure Plan
Fund	Safe and Affordable Drinking Water Fund
FY	Fiscal Year
GAMA	Groundwater Ambient Monitoring and Assessment
GF	General Fund
GGRF	Greenhouse Gas Reduction Fund
GHG	Greenhouse Gas
GPS	Global Positioning System
HCF	hundred cubic feet
ILRP	Irrigated Lands Regulatory Program
IUP	Intended Use Plan (for the Drinking Water State Revolving Fund)
LGTS	Loans and Grants Tracking System
LPA	Local Primacy Agency
MCL	Maximum Contaminant Level

MHI	Median Household Income
NDMA	N-nitrodimethylamine
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
OSWS	Office of Sustainable Water Solutions
PF	(Drinking Water State Revolving Fund) Principal Forgiveness
PFAS	Per- and Polyfluoroalkyl Substances
POU/POE	Point of Use/Point of Entry
Ppb	Parts per billion
Program	Safe and Affordable Funding for Equity and Resilience Drinking Water Program
Prop 1	Proposition 1
Prop 68	Proposition 68
Provost & Pritchard	Provost & Pritchard Engineering Group, Inc.
PWS	Public Water System
RCAC	Rural Community Assistance Corporation
RE Action Plan	State Water Board's 2023-2025 Racial Equity Action Plan
Regional Water Board	Regional Water Quality Control Board
RFQ	Request for Qualifications
SADW Fund	Safe and Affordable Drinking Water Fund
SADW Fund Policy	Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund
SAFER	Safe and Affordable Funding for Equity and Resilience
SAFER Program	Safe and Affordable Funding for Equity and Resilience Drinking Water Program
SB	Senate Bill
SCG DW	Small Community Grants Drinking Water
SDAC	Severely Disadvantaged Community
SEMS	Standardized Emergency Management System
SHE	Self-Help Enterprises
SOQ	Statement of Qualifications
Stantec	Stantec Consulting Services, Inc.
State Smalls	State Small Water Systems
State Water Board	State Water Resources Control Board
TA	Technical Assistance
TMF	Technical, Managerial, and Financial (Capacity)
UDWN	Urgent Drinking Water Needs
U.S. EPA	United States Environmental Protection Agency