



State of California

# FY 2022-23 Fund Expenditure Plan

Safe and Affordable Drinking Water Fund



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THE DIVISION OF FINANCIAL ASSISTANCE

STATE WATER RESOURCES CONTROL BOARD  
STATE OF CALIFORNIA

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# **FY 2022-23 Fund Expenditure Plan**

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# FY 2022-23 Fund Expenditure Plan

## Safe and Affordable Drinking Water Fund

### 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). 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.

#### **2022 Needs Assessment Results**

The 2022 Statewide Safe and Affordable Drinking Water Needs Assessment<sup>1</sup> (2022 Needs Assessment, included as Appendix A), released in May 2022, included a risk assessment, cost assessment, and affordability assessment for public water systems (PWSs)<sup>2</sup>, state small water systems (state smalls)<sup>3</sup>, and domestic wells<sup>4</sup>. The results of the Needs Assessments inform each Fund Expenditure Plan as it is updated each year.

Key enhancements to the 2022 Needs Assessment included drought-related items (additions to the Risk Assessments for PWSs and the Risk Assessment for state smalls and domestic wells, and a targeted drought infrastructure cost assessment for implementation of SB 552 requirements for small water systems), the expansion of the

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<sup>1</sup> [2022 Needs Assessment](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2022needsassessment.pdf)

[https://www.waterboards.ca.gov/drinking\\_water/certlic/drinkingwater/documents/needs/2022needsassessment.pdf](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2022needsassessment.pdf)

<sup>2</sup> "Public water system" means a system for the provision to the public of water for human consumption through pipes or other constructed conveyances that has 15 or more service connections or regularly serves at least 25 individuals daily at least 60 days out of the year.

<sup>3</sup> "State small water system" means a system for the provision of piped water to the public for human consumption that serves at least five, but not more than 14, service connections and does not regularly serve drinking water to more than an average of 25 individuals daily for more than 60 days out of the year. For the purposes of this document, state smalls are limited to those serving primarily residential connections.

<sup>4</sup> "Domestic well" means a groundwater well used to supply water for the domestic needs of an individual residence or a water system that is not a public water system and that has no more than four service connections. For the purposes of this document, domestic wells are limited to those serving primarily residential connections.

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### Safe and Affordable Drinking Water Fund

Risk Assessment for PWSs to include medium-size<sup>5</sup> community water systems (CWSs)<sup>6</sup>, and new socio-economic analyses related to the Risk and Affordability Assessments to better understand the communities most in need.

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

- 396 small CWSs<sup>7</sup> were on the 2021 Human Right to Water (HR2W) list, (i.e., a list of systems that “consistently fail” or are considered out of compliance with primary drinking water standards). 22 medium CWSs were on the 2021 HR2W list.
- 508 PWSs (19 percent [%] of those assessed<sup>8</sup>) were determined to be at-risk of failing to sustainably provide a sufficient amount of safe and affordable drinking water.
- 631 (50%) of state smalls were At-Risk for water quality and 321 (25%) At-Risk for drought, respectively. 378 state smalls were At-Risk for both water quality and drought.
- Approximately 92,635 (30%) domestic wells were At-Risk for water quality and 90,974 (29%) At-Risk for drought, respectively. Approximately 64,176 domestic wells were At-Risk for both water quality and drought.
- Results of the targeted Drought Infrastructure Cost Assessment for small CWSs indicated that a point estimate total to implement SB 552 requirements is approximately \$2.4 billion.
- Socio-economic analyses of the Risk and Affordability Assessments indicated:
  - HR2W systems 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-disadvantaged community (DAC)<sup>9</sup> water systems/severely disadvantaged community (SDAC)<sup>10</sup> water system service areas tend to have higher pollution burdens, a higher percentage of households

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<sup>5</sup> For the purposes of the Needs Assessment, a “medium community water system” means a CWS that serves up to 30,000 service connections or a 100,000 population.

<sup>6</sup> “Community water system” means a public water system that serves at least 15 service connections used by yearlong residents or regularly serves at least 25 yearlong residents of the area served by the system.

<sup>7</sup> “Small community water system” means a CWS that serves no more than 3,300 service connections or a yearlong population of no more than 10,000 persons.

<sup>8</sup> The Risk Assessment for PWSs was conducted for 3,066 CWSs with up to 30,000 service connections or 100,000 population served, and K-12 schools.

<sup>9</sup> “Disadvantaged community” means a community in which the MHI is less than 80% of the statewide annual MHI.

<sup>10</sup> “Severely disadvantaged community” means a community in which the MHI is less than 60% of the statewide annual MHI.



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### Safe and Affordable Drinking Water Fund

in poverty, a higher percentage of limited English-speaking households, and are likely to serve a greater proportion of non-white communities.

- Systems with a high affordability burden have higher pollution burdens, percentages of households that are less than two times the federal poverty level, and greater linguistic isolation than medium and low affordability burden systems.

#### **Fiscal Year (FY) 2022-23 Priorities**

Based on the 2022 Needs Assessment and SAFER Advisory Group input, the expenditures from the SADW Fund for FY 2022-23 will continue to focus on solutions for small DACs<sup>11</sup> and low-income households<sup>12</sup>, 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;
- (3) Accelerate consolidations for consistently out of compliance or at-risk systems, as well as state smalls and domestic wells, and promote opportunities for regional-scale consolidations;
- (4) Expedite planning through use of technical assistance (TA) for systems consistently out of compliance, at-risk systems, as well as state smalls and domestic wells;
- (5) Provide interim solutions, initiate planning efforts for long-term solutions, and fund capital projects for state smalls and domestic wells with source water above a primary maximum contaminant level (MCL) or at risk of running dry due to drought;
- (6) Provide direct operation and maintenance (O&M) support to assist CWSs facing the highest affordability burdens while promoting sustainability and technical, managerial, and financial (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 priorities expand on those established in the previously adopted FEPs to further clarify that expenditures from the Fund will focus on solutions for small DACs and low-income households, address emergency or urgent funding needs expeditiously only when no other emergency funding source is available and add a priority related to providing direct O&M assistance to CWSs with high affordability burdens. These needs are not necessarily listed in ranked order, and the needs of out of compliance systems will generally be prioritized above the needs of at-risk systems.

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<sup>11</sup> "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.

<sup>12</sup> "Low-income household" means a household within the service area of a community water system, in which the MHI is less than 80% of the statewide annual MHI level or a household with an income that is less than 200% of the federal poverty level.

## **FY 2022-23 Fund Expenditure Plan**

### **Safe and Affordable Drinking Water Fund**

#### **FY 2022-23 Target Allocations**

Up to \$130 million will be available from the SADW Fund for local assistance and state operations, plus an uncommitted balance of \$47.4 million from prior FYs (see Section VI.A for discussion on FY 2021-22 funding commitments). The target allocations of the Fund for FY 2022-23 (Table ES-1) are consistent with the priorities and will be used in conjunction with other available complementary funding from the broader SAFER Program. 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 2022-23 target allocations are in addition to projects already funded in FY 2021-22 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 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.
- Significant investments are proposed for TA to develop and execute master TA agreements with newly qualified drinking water TA providers. Establishment of new TA agreements will increase capacity statewide and help support accelerated planning efforts for systems out of compliance and consolidations; provide enhanced assistance to water systems to address TMF capacity deficiencies and promote local community capacity building.
- Some funds are targeted to establish additional administrator agreements, either as master agreements or system-specific agreements.
- Some funds are also targeted to further develop the direct O&M funding program (O&M Program) and establish a streamlined approach to distribute O&M funding based on certain affordability criteria to be established. Applications for direct O&M support will also continue to be considered on a case-by-case basis.
- Targets for planning and construction projects are relatively low given the large amount of funding still available from the GF infrastructure appropriation, and significant additional federal funding. SADW funding may be suitable for specific needs, 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.

## **FY 2022-23 Fund Expenditure Plan Safe and Affordable Drinking Water Fund**

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

Overall, it is anticipated that in FY 2022-23, around \$1.15 billion, at least \$828 million of which is available for capital projects, is anticipated to be available for use in FY-2022-23 from 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. The Budget Act of 2021 recently appropriated an additional \$50 million to respond to drinking water emergencies exacerbated by the drought, from the new California Emergency Relief Fund.

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

In addition to administering the Fund, resources for staff will be used for implementation of SB 200 to engage communities to support community-based solutions, accelerate consolidation (including regional-scale consolidation) efforts, expedite planning through use of TA, appoint administrators to failing water systems, assess overall funding needs, identify state smalls and domestic wells in aquifers at high risk of having contaminants over MCLs, 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)<sup>13</sup>, and this FEP that are consistent with any Racial Equity Action Plan adopted by the State Water Board.

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<sup>13</sup> [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)

[https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/docs/2021/final\\_policy\\_for\\_dev\\_fep\\_sadwf\\_1221.pdf](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2021/final_policy_for_dev_fep_sadwf_1221.pdf)

**FY 2022-23 Fund Expenditure Plan  
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**Table ES-1. FY 2022-23 SADW Fund Target Allocations (in millions)**

<b>Water System Category</b>	<b>Interim Water Supplies and Emergencies</b>	<b>Technical Assistance (includes Planning)<sup>1</sup></b>	<b>Administrator<sup>1</sup></b>	<b>Planning<sup>1</sup></b>	<b>Direct O&amp;M Support<sup>1</sup></b>	<b>Construction</b>
<b>Systems Out of Compliance or At-Risk, or Consolidations</b>	\$5	\$70	\$5	\$3	\$5	\$5
<b>State Smalls/ Domestic Wells</b>	\$13.3		\$0	\$0	\$0	\$5
<b>Reserved from FY 2021-22</b>	\$47.4	\$0	\$0	\$0	\$0	\$0
<b><i>SUBTOTAL BY SOLUTION TYPE<sup>2</sup></i></b>	<b>\$18.3 (\$65.7)</b>	<b>\$70</b>	<b>\$5</b>	<b>\$3</b>	<b>\$5</b>	<b>\$10</b>
<b>TOTAL</b>					<b>PROJECT TOTAL<sup>2</sup></b>	<b>\$111.3 (\$158.7)</b>
<b>Other Program Needs</b>	<b>Pilot Projects<sup>3</sup></b>	<b>Contracts<sup>3</sup></b>	<b>Staff Costs</b>			
	\$3.2	\$1.5	\$14			
					<b>GRAND TOTAL<sup>2</sup></b>	<b>\$130 (\$177.4)</b>

<sup>1</sup> Provides Direct and/or Indirect O&M Support

<sup>2</sup> Totals in parentheses include target allocations from FY 2022-23 and reserved amounts from prior FY FEPs

<sup>3</sup> Amounts reserved from the FY 2020-21 and FY 2021-22 FEPs for Pilot Projects and Contracts, respectively

## FY 2022-23 Fund Expenditure Plan

### Safe and Affordable Drinking Water Fund

**Table ES-2. FY 2022-23 SAFER Program Anticipated Funding Availability for Projects (SADW Fund plus complementary funding) (as of June 30, 2022)**

Funding Category	Funding Source	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Direct O&M Support	Planning/Construction	FY 2022-23 Available Funds (in millions, excluding loan funds <sup>5</sup> )
<b>SADW Fund<sup>1</sup></b>	FY 2022-23 <sup>2</sup>	Y	Y	Y	Y	Y	\$109.3
	FY 2021-22	Y	Y	Y	Y	Y	\$47.4
<b>GF<sup>1</sup></b>	Infrastructure <sup>3,4</sup>					Y	\$397.5
	Drought/California Emergency Relief Fund <sup>3,4</sup>	Y				Y	\$47.5
	PFAS <sup>3,4</sup>		Y			Y	\$76
<b>General Obligation Bond Funding</b>	Prop 1 DW		Y			Y	\$14.4
	Prop 1 GW					Y	\$30
	Prop 68 DW					Y	\$121.2
	Prop 68 GW				Y	Y	\$29
	Prop 84	Y				Y	\$4.7
<b>DWSRF Principal Forgiveness<sup>5</sup></b>	DWSRF					Y	\$108
	Lead Service Line Replacement					Y	\$122.5
	Emerging Contaminants					Y	\$49.3
						<b>TOTAL</b>	<b>\$1,156.8</b>

<sup>1</sup> SADW Fund and GF allocations may be used for projects for state smalls and domestic wells implemented by an eligible recipient.

<sup>2</sup> The FY 2022-23 allocation of the SADW Fund is \$130 million minus estimated staff and other program need costs.

<sup>3</sup> GF allocations for Infrastructure, Drought/California Emergency Relief Fund, and PFAS are from the Budget Act of 2021 and subsequent amendments by SB 129, SB 170, and AB 180.

<sup>4</sup> Amounts shown for Infrastructure, Drought, and PFAS are the allocations minus 5% for state operations/administrative costs.

<sup>5</sup> DWSRF amount does not include unencumbered funds from prior FYs. Emerging Contaminants allocation is likely to increase to \$55 million if Clean Water State

## FY 2022-23 Fund Expenditure Plan Safe and Affordable Drinking Water Fund

Revolving Fund (CWSRF) Emerging Contaminants funds are transferred for use on drinking water projects [this is the proposed approach in the draft FY 2022-23 DWSRF/CWSRF Intended Use Plans (IUPs)]. 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 2022-23 can be found in the DWSRF IUP.

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) Technical Assistance 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 July 1, 2020, to show SAFER Program performance over time since the adoption of the first FEP, i.e., the start of FY 2020-21. Additional discussion of performance metrics is included in Section VII.

**Table ES-3. Cumulative SAFER Program Performance (7/1/2020-6/30/2022)**

<b>Category</b>	<b>Cumulative Progress</b>	<b>No. of Connections /Households Benefiting</b>	<b>No. of People Benefiting</b>	<b>Total Assistance Provided</b>
<b>Interim Solutions</b>	117 communities/schools and 1,629 households	12,850	67,862	\$17.8 M
<b>Technical Assistance Projects</b>	154 (45 planning via TA)	45,236	163,513	\$25.7 M
<b>Planning Projects</b>	24	130,166	358,676	\$10.5 M
<b>Construction Projects*</b>	75 (52)	1.3 M (71,583)	8 M (156,376)	\$1 B (\$174 M)

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

# FY 2022-23 Fund Expenditure Plan

## Safe and Affordable Drinking Water Fund

### II. INTRODUCTION

This FY 2022-23 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)<sup>14</sup>, 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 technical assistance benefitting small DACs and low-income households.

Any expenditures from the SADW Fund in FY 2022-23 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.

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<sup>14</sup> The OSWS was initially established in March 2015 by Assembly Bill (AB) 92.



## **FY 2022-23 Fund Expenditure Plan**

### **Safe and Affordable Drinking Water Fund**

#### **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), 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.

The FY 2021-22 FEP<sup>15</sup> introduced a new performance metric category for Racial Equity and Environmental Justice to collect the information needed to evaluate whether assistance is being provided in a manner consistent with the Racial Equity Resolution and presented some demographic information for each project with funding committed from the broader SAFER Program in the previous FY 2020-21<sup>16</sup>. The 2022 Needs Assessment introduced 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. The 2022 Needs Assessment is further discussed in Section VIII.

Appendix H of this FY 2022-23 FEP includes similar demographic information as the 2022 Needs Assessment for each project with funding committed in FY 2021-22 across the broader SAFER Program. The Racial Equity and Environmental Justice performance metric category is further discussed in Section VII of this FEP.

In FY 2022-23, State Water Board staff will continue to work with the SAFER 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 State Water Board's Racial Equity Action Plan once adopted (expected Fall 2022).

#### **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

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<sup>15</sup> [FY 2021-22 FEP](#)

[https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/sustainable\\_water\\_solutions/docs/2021/final\\_2021-22\\_sadwfep.pdf](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/sustainable_water_solutions/docs/2021/final_2021-22_sadwfep.pdf)

<sup>16</sup> See Appendix H of the FY 2021-22 FEP.



## **FY 2022-23 Fund Expenditure Plan**

### **Safe and Affordable Drinking Water Fund**

(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 2022-23 SADW Fund targets and solution lists; funding priorities by solution type; funding strategy for state smalls and domestic well communities; FY 2021-22 fund distribution; the 2022 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 an 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 2021-22 is presented in Section VI.D.

#### **II.B. SAFER Program Complementary Funding**

Figure 1 provides a visual of anticipated funding available for FY 2022-23 across the broader SAFER Program, which includes the SADW Fund plus complementary funding which includes GF appropriations<sup>17</sup>, general obligation bond funds, and funding available through annual DWSRF capitalization grants.

Overall, it is anticipated that in FY 2022-23, around \$1.15 billion, at least \$828 million of which is available for capital projects, is anticipated to be available for use in FY 2022-23 from 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. The Budget Act of 2021 recently appropriated an additional \$50 million to respond to drinking water emergencies exacerbated by drought, from the new California Emergency Relief Fund.

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<sup>17</sup> 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.

## FY 2022-23 Fund Expenditure Plan Safe and Affordable Drinking Water Fund

Figure 1. FY 2022-23 SAFER Program Anticipated Funding Availability for Projects (SADW Fund plus complementary funding)

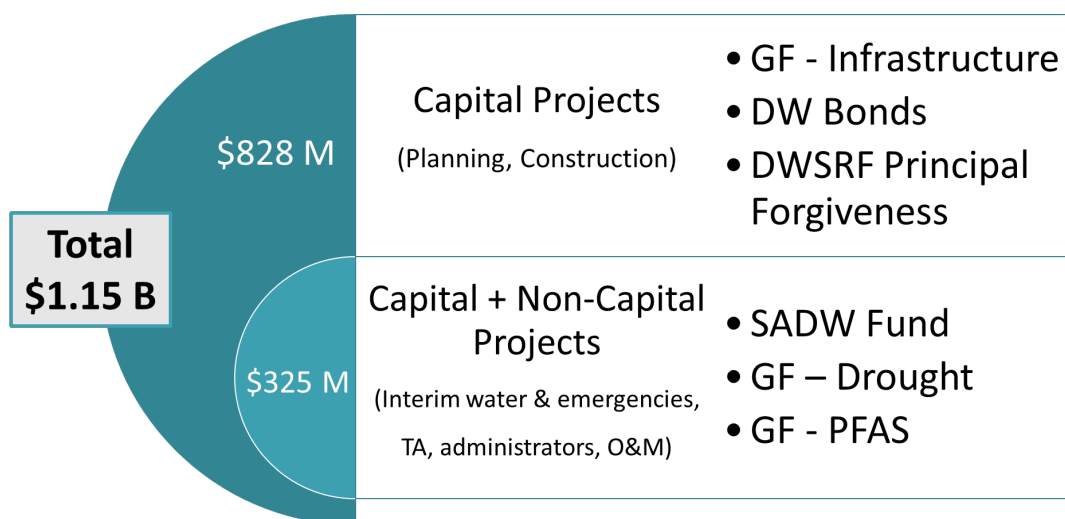


Table 1. FY 2022-23 SAFER Program Anticipated Funding Availability for Projects (SADW Fund plus complementary funding) (as of June 30, 2021)

Funding Category	Funding Source	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Direct O&M Support	Planning/ Construction	FY 2022-23 Available Funds (in millions, excluding loan funds <sup>5</sup> )
SADW Fund <sup>1</sup>	FY 2022-23 <sup>2</sup>	Y	Y	Y	Y	Y	\$109.3
	FY 2021-22	Y	Y	Y	Y	Y	\$47.4
GF <sup>1</sup>	Infrastructure <sup>3,4</sup>					Y	\$397.5
	Drought/ California Emergency Relief Fund <sup>3,4</sup>	Y				Y	\$47.5
	PFAS <sup>3,4</sup>		Y			Y	\$76
General Obligation Bond Funding	Prop 1 DW		Y			Y	\$14.4
	Prop 1 GW					Y	\$30
	Prop 68 DW					Y	\$121.2
	Prop 68 GW				Y	Y	\$29
	Prop 84	Y				Y	\$4.7
DWSRF Principal Forgiveness <sup>5</sup>	DWSRF					Y	\$108

## FY 2022-23 Fund Expenditure Plan

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Funding Category	Funding Source	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Direct O&M Support	Planning/ Construction	FY 2022-23 Available Funds (in millions, excluding loan funds <sup>5</sup> )
	Lead Service Line Replacement					Y	\$122.5
	Emerging Contaminants					Y	\$49.3
						<b>TOTAL</b>	<b>\$1,156.8</b>

<sup>1</sup> SADW Fund and GF allocations may be used for projects for state smalls and domestic wells implemented by an eligible recipient.

<sup>2</sup> The FY 2022-23 allocation of the SADW Fund is \$130 million minus estimated staff and other program need costs.

<sup>3</sup> GF allocations for Infrastructure, Drought/California Emergency Relief Fund, and PFAS are from the Budget Act of 2021 and subsequent amendments by SB 129, SB 170, and AB 180.

<sup>4</sup> Amounts shown for Infrastructure, Drought, and PFAS are the allocations minus 5% for state operations/administrative costs.

<sup>5</sup> DWSRF amount does not include unencumbered funds from prior FYs. Emerging Contaminants allocation is likely to increase to \$55 million if CWSRF Emerging Contaminants funds are transferred for use on drinking water projects (this is the proposed approach in the draft FY 2022-23 DWSRF/CWSRF IUPs). 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 2022-23 can be found in the DWSRF IUP.

### 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.

## **FY 2022-23 Fund Expenditure Plan Safe and Affordable Drinking Water Fund**

### **II.D. Report to the Joint Legislative Budget Committee**

Per Health and Safety Code section 116768.5, subdivision (c), on or before March 1<sup>st</sup> 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 2021-22 FEP was submitted on January 31, 2022. This FY 2022-23 FEP will be submitted on or before March 1, 2023.

### **II.E. Drinking Water Program Audit**

On June 30, 2021, the Joint Legislative Audit Committee approved an audit request 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<sup>18</sup>. More information on the status of implementing recommendations from the audit will be provided at future Advisory Group meetings and in the next FEP.

## **III.FY 2022-23 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<sup>19</sup> (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 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. The SADW Fund may be used to fund or supplement priority capital projects when statutory or other restrictions (e.g., funding caps) of other funding sources would otherwise prevent the priority project from being implemented. The SADW Fund does not have funding amount limits per project or applicant. Non-routine or controversial projects must be taken to the State Water Board for approval.

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<sup>18</sup> [2022 Audit Report](#)

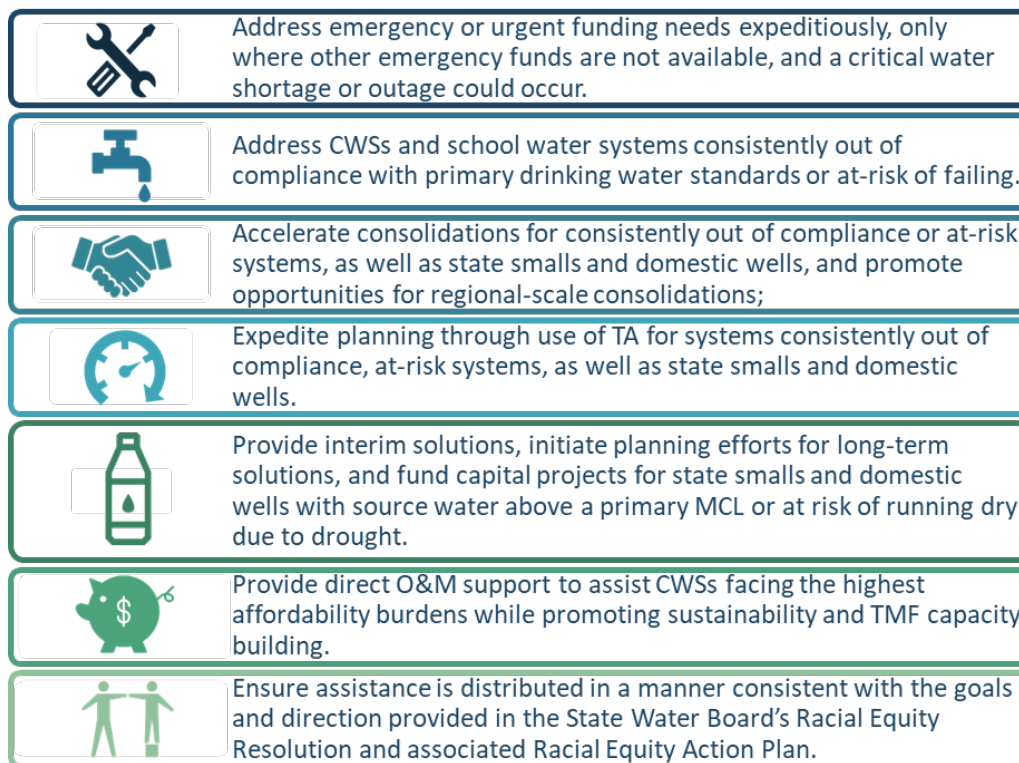
<https://www.auditor.ca.gov/reports/2021-118/index.html>

<sup>19</sup> “Small Community Grants Drinking Water Programs” means small community grant funds available for drinking water projects from various sources.

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The expenditures from the SADW Fund for FY 2022-23 will focus on solutions for small DACs and low-income households, as shown in Figure 2.

**Figure 2. FY 2022-23 SADW Fund Expenditure Priorities<sup>20</sup>**



These priorities expand on those established in the previously adopted FEPs to further clarify that expenditures from the Fund will focus on solutions for small DACs and low-income households, and address emergency or urgent funding needs expeditiously only when no other funding source is available. In addition, a new priority has been included related to providing direct O&M assistance to CWSs with high affordability burdens. These needs are not necessarily listed in ranked order, and the needs of out of compliance 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 will provide TA support for those water systems that require help to complete an application or manage a project, as assistance is requested and as resources allow. In addition, DFA will work with DDW staff and Local Primacy Agencies (LPAs) where enforcement or compliance actions are

<sup>20</sup> The FY 2022-23 SADW Fund expenditure priorities will focus on solutions for small DACs and low-income households.

## **FY 2022-23 Fund Expenditure Plan**

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required to ensure a water system is making a good faith effort to seek financing and timely complete any funded project. For example, DDW or an LPA may need to issue or propose to issue fines to water systems that are not making adequate progress in completing a planning project to address a contaminant that exceeds a primary MCL.

#### **III.B. FY 2022-23 SADW Fund Target Allocations**

The target allocations from the SADW Fund for FY 2022-23 are provided below in Table 2. The projected distribution is described for different water system categories (Systems Out of Compliance; Systems at Risk; State Small Systems/Domestic Wells) and Other Program Needs (Contracts; Staff Costs). Within each water system category, the projected distribution among solution types is also provided. The FY 2022-23 target allocations are in addition to projects already funded in FY 2021-22 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 2022-23 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 2022-23 are based on the six 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.1.

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**Table 2. FY 2022-23 SADW Fund Target Allocations (in millions)**

<b>Water System Category</b>	<b>Interim Water Supplies and Emergencies</b>	<b>Technical Assistance (includes Planning)<sup>1</sup></b>	<b>Administrator<sup>1</sup></b>	<b>Planning<sup>1</sup></b>	<b>Direct O&amp;M Support<sup>1</sup></b>	<b>Construction</b>
<b>Systems Out of Compliance or At-Risk, or Consolidations</b>	\$5	\$70	\$5	\$3	\$5	\$5
<b>State Smalls/ Domestic Wells</b>	\$13.3		\$0	\$0	\$0	\$5
<b>Reserved from FY 2021-22</b>	\$47.4	\$0	\$0	\$0	\$0	\$0
<b>SUBTOTAL BY SOLUTION TYPE<sup>2</sup></b>	<b>\$18.3 (\$65.7)</b>	<b>\$70</b>	<b>\$5</b>	<b>\$3</b>	<b>\$5</b>	<b>\$10</b>
<b>TOTAL</b>					<b>PROJECT TOTAL<sup>2</sup></b>	<b>\$111.3 (\$158.7)</b>
<b>Other Program Needs</b>	<b>Pilot Projects<sup>3</sup></b>	<b>Contracts<sup>3</sup></b>	<b>Staff Costs</b>			
	\$3.2	\$1.5	\$14			
					<b>GRAND TOTAL<sup>2</sup></b>	<b>\$130 (\$177.4)</b>

<sup>1</sup> Provides Direct and/or Indirect O&M Support

<sup>2</sup> Totals in parentheses include target allocations from FY 2022-23 and reserved amounts from prior FY FEPs

<sup>3</sup> Amounts reserved from the FY 2020-21 and FY 2021-22 FEPs for Pilot Projects and Contracts, respectively



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#### III.B.1.FY 2022-23 SADW Fund Target Allocation Details

The projected target allocations for FY 2022-23, shown above in Table 2, are discussed below. Reserved amounts from FY 2021-22 SADW Fund appropriation are discussed in Section VI.A.1.

#### By Solution Type

- **Interim Water Supplies and Emergencies** –The \$5 million for systems out of compliance or at-risk will be focused on interim water supplies like bottled water, hauled water or emergency repairs, with priority to small DAC systems. The \$13.3 million for state smalls and domestic wells will be invested in developing regional bottled water, well testing, and/or Point of Use (POU)/Point of Entry (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 \$47.4 million is reserved from the FY 2021-22 SADW Fund appropriation to help respond to urgent drought 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 or well replacement/repair. Use of the SADW Fund for drought emergencies will occur only if no other funding source is available.
- **TA** – Significant investments in TA are expected for FY 2022-23 to develop and execute master TA agreements with newly qualified drinking water TA providers. Establishment of new TA agreements will increase capacity statewide and help support accelerated planning efforts for systems out of compliance; 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 2022-23 TA investments of \$70 million would provide sufficient funding for approximately 10-20 new TA master agreements to complete approximately 180 planning projects. Additionally, the State Water Board will pursue development of a TA program which focuses on tribal water systems, either as a breakout program through an existing TA provider or as a separate agreement with a new TA provider.
- **Administrator** – The appointment of administrators is expected to continue in FY 2022-23 as the program matures. DFA will also continue to develop master agreements with entities qualified to act as administrators which should increase the administrative efficiency of the program. The prior GF (Assembly Bill [AB] 72) appropriation is no longer available for use, so \$5 million is targeted from the SADW Fund. This amount could fund an additional approximately two to three master administrator agreements for FY 2022-23.
- **Planning and Construction** – Due to the large amount of funding still available from the 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 2022-23. Anticipated planning and



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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 GHG emission reduction elements. It is anticipated that construction funding for state smalls and domestic wells will be used to supplement existing State Water Board grant programs that finance extension of service or well repair/replacement in areas with contamination or wells that have gone dry.

- **Direct O&M Support** – It is expected that in FY 2022-23, with the refinement of the affordability threshold, the State Water Board can further develop and begin implementing the direct O&M funding program (O&M Program). Applications for O&M support will also continue to be considered on a case-by-case basis. The State Water Board will continue to fund O&M associated with systems designated by DDW to accept administrators. More information on the O&M Program is included in Section IV.D.

#### Other Program Needs

- **Pilot Projects** – \$3.2 million continues to be reserved for the POU/POE Pilot. Staff will no longer be pursuing an O&M Pilot but will be further developing a direct O&M assistance program. More information on the POU/POE Pilot is included in Section VI.C.
- **Contracts** – \$1.5 million continues to be reserved for contracts that may be executed in FY 2022-23 for items such as data management improvements and/or a program performance audit (discussed in Section II.E) 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 2022-23 are approximately \$14 million. Staff cost obligations associated with existing program positions must be met. More information on the SADW Program Resources is included in Section VI.B.

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

Per Health and Safety Code section 116769, subdivision (a)(2), the 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.

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- Any state small that consistently fails to provide an adequate supply of safe drinking water.

The list of PWSs that fail to provide an adequate supply of safe drinking water is the same as the HR2W list and is presented with funding information in Appendix C. A list of CWSs that serve DACs that charge fees that exceed affordability threshold(s) is available from the [Affordability Assessment](#) (see Affordability Assessment results spreadsheet) of the 2022 Needs Assessment. This list will be updated following further refinement of the affordability threshold. A list of state smalls that consistently fail to provide an adequate supply of safe drinking water is not currently available<sup>21</sup>. Counties are required to provide water quality data to the State Water Board and it is expected that a list of state smalls that have water quality results at or above the MCL will be available by the end of 2022.

Priority for funding projects for systems out of compliance 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 2022-23 Funding Solution List for Systems Out of Compliance identifies existing and potential solutions that are approved for funding, have requested funding, or may request funding from the State Water Board as of May 2022 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)
- Costs (existing funding with approved costs and potential funding with requested costs)

The Funding Solution List for Systems Out of Compliance is ordered by systems under review for next steps, then systems with projects that are delayed or require further action, followed by systems that are on schedule to compliance. The order by which water systems are listed on the Funding Solution List for Systems Out of Compliance does not reflect priority for funding. It is also important to note that some water systems

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<sup>21</sup> A list of at-risk state smalls is available at:

[https://www.waterboards.ca.gov/drinking\\_water/certlic/drinkingwater/documents/needs/2022sswsrisk.xlsx](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2022sswsrisk.xlsx)

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will self-fund projects or receive funding from sources other than the State Water Board to fund their compliance project.

Table 3 is a summary of the FY 2022-23 Funding Solution List for Systems Out of Compliance (Appendix C), which includes a total of 368 systems out of compliance, serving 722,478 people for a total of approximately of \$552.4 million (approved and requested funding only). Currently 257 distinct systems are receiving assistance.

**Table 3. Summary of FY 2022-23 Funding Solution List for Systems Out of Compliance (as of June 30, 2022)**

<b>Solution Category</b>	<b>Projected Number of Solutions</b>	<b>Existing Funding Being Provided</b>	<b>Funding Being Requested</b>
Technical Assistance	142	\$17.7M	--
Interim Solutions	30	\$3.9M	--
Administrator	3	\$.03M	\$1.3M
Planning <sup>1</sup>	53	\$19.4M	\$3.6M
Construction <sup>1</sup>	78	\$164.1M	\$127.3M
<b>TOTAL</b>	<b>306</b>	<b>\$205.1M</b>	<b>\$132.2M</b>

<sup>1</sup> 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.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 432 PWSs (including CWSs) considered to be At-Risk based on the 2022 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 2022 Needs Assessment is available at:

[https://www.waterboards.ca.gov/drinking\\_water/certlic/drinkingwater/documents/needs/2022sswsrisk.xlsx](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2022sswsrisk.xlsx).

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

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The FY 2022-23 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 2022-23 Funding Solution List for At-Risk Systems (Appendix D), which includes a total of 432 at-risk systems, serving 1,088,525 people for a total of approximately of \$226.6 million (approved and requested funding only). Currently 131 distinct systems are receiving assistance.

**Table 4. Summary of FY 2022-23 Funding Solution List for At-Risk Systems  
(as of June 30, 2022)**

<b>Solution Category</b>	<b>Projected Number of Solutions</b>	<b>Existing Funding Being Provided</b>	<b>Funding Being Requested</b>
Technical Assistance	68	\$6.4 M	--
Interim Solutions	16	\$1.3 M	--
Planning <sup>1</sup>	25	\$8.8 M	\$2.8 M
Construction <sup>1</sup>	42	\$147.1 M	\$60.2 M
<b>TOTAL</b>	<b>151</b>	<b>\$163.6 M</b>	<b>\$63 M</b>

<sup>1</sup> 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

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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 the project reduces greenhouse gas emissions.

GGRF expenditures from the SADW Fund will be administered in compliance with the Funding Guidelines for Agencies that Administer California Climate Investments (CCI)<sup>22</sup>. 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**

There are approximately 90 federally recognized tribal CWSs, 23 tribal non-transient non-community water systems (NTNCs), and 15 tribal transient water systems in California. Information on the status of individual tribal PWSs can be found on the United States Environmental Protection Agency's (U.S. EPA's) Envirofacts Safe Drinking Water Search for Tribes webpage<sup>23</sup>.

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

Federally regulated tribal water systems are not required to sample contaminants regulated by California. Therefore, it is expected that there will be a comparatively lower percentage of public health violations and available chemical data compared with State regulated systems. Planning and construction funding for tribal water systems can be obtained from the U.S. EPA (either directly or via Indian Health Services), in addition to being available from the State. However, O&M funding is not available from federal sources and may be an area of potential need for tribes. Organizations that focus on serving tribal communities may also be eligible to serve as TA providers. As noted in Section III.B, the State Water Board will pursue development of a TA program which focuses on tribal water systems, either as a breakout program through an existing TA provider or as a separate agreement with a new TA provider.

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<sup>22</sup> [2018 CCI Funding Guidelines](https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/2018-funding-guidelines.pdf)

<https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/2018-funding-guidelines.pdf>

<sup>23</sup> [U.S. EPA's Envirofacts Safe Drinking Water Search for Tribes](https://enviro.epa.gov/enviro/sdw_form_v3.create_page?state_abbr=09)

[https://enviro.epa.gov/enviro/sdw\\_form\\_v3.create\\_page?state\\_abbr=09](https://enviro.epa.gov/enviro/sdw_form_v3.create_page?state_abbr=09)

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### 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<sup>24</sup>, the cost of providing interim solutions for all impacted households exceeds the available funding. Therefore, the provision of an interim solution will be evaluated based on the following criteria: a) whether the contaminant has an acute or chronic health impact; whether there are multiple contaminants; and the levels of contaminants; b) whether another entity has responsibility; c) cost-effectiveness; d) technical feasibility; and e) size of community (smaller communities will be given preference over larger communities), with a focus on communities with a population of under 1,000.

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

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<sup>24</sup> [2021 Needs Assessment](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2021_needs_assessment.pdf)

[https://www.waterboards.ca.gov/drinking\\_water/certlic/drinkingwater/documents/needs/2021\\_needs\\_assessment.pdf](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/needs/2021_needs_assessment.pdf)



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

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

#### **IV.A.2. Emergency Funding**

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

Emergency funding generally refers to system-level emergency improvements or repairs (e.g., well replacement or emergency interties) to address unforeseen needs experienced by individual water systems (see 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' 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.

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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.B. Technical Assistance**

The State Water Board will provide grant funding to TA providers to provide a variety of services geared toward accelerating the implementation of solutions. Some examples include, but are not limited to, preliminary planning, engineering and environmental studies, funding application assistance, TMF assessments, rate studies, income surveys, financial audits and accounting services, negotiating consolidation agreements, and resolving entity formation or ownership issues. Funding will also be provided to community outreach organizations to engage with the community for input into the assessment and determination of solutions. The State Water Board has historically provided TA to small DACs through funded TA providers and will continue to expand those efforts under the SAFER Program using the SADW Fund. Small, non-DACs may also receive TA, with a focus on consolidations and addressing out-of-compliance and At-Risk systems. TA provided to small non-DACs will be for long-term solutions that 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<sup>25</sup>. 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.

Criteria used to evaluate the competency of an entity or person interested in being recognized as a TA provider include:

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<sup>25</sup> [Drinking Water TA Provider RFQ Guidelines](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2022/rfq-guidelines.pdf)

[https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/docs/2022/rfq-guidelines.pdf](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2022/rfq-guidelines.pdf)



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- (1) Demonstrated knowledge and experience in successfully providing any combination of administrative, technical, operational, legal, managerial, or community engagement services to drinking water systems in California;
- (2) Number of systems assisted;
- (3) Demonstrated successful outcomes in bringing a water system into compliance; completing a consolidation; reducing or eliminating factors that put the system at risk of not providing safe water; and/or demonstratable enhancement of the technical, managerial, and administrative capacity of the water system;
- (4) Demonstrated ability to provide TA to multiple water systems concurrently in a defined region of California or statewide;
- (5) Demonstrated success in outreach and engagement with community members, including working in coordination with community-based organizations;
- (6) Demonstrated experience working with DACs; multilingual communities; Black, Indigenous, and communities of color; and under-resourced communities; and
- (7) Demonstrated ability to establish equitable and inclusive community engagement approaches that consider cultural differences, provide support for equitable access, and identify and address any implicit/explicit biases.

The Deputy Director of DFA is delegated the authority to identify other criteria and evaluation factors, as necessary, to conduct the RFQ, or otherwise identify qualified TA providers.

#### **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 struggling to make timely progress toward the implementation of long-term solutions. TA funded by the State Water Board may also be used to assist water systems in applying for funding from other state or federal funding programs (e.g., Department of Water Resources' (DWR's) Small Community Drought Funding Program, etc.) State Water Board staff will also work on establishing programs with new TA providers to expand types of services and coverage as well as distribute workload better as existing TA providers become more strained with resources and capacity to continue to provide high-quality TA services.

New 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, O&M bridge loans for eligible water systems that are experiencing shortfalls due to COVID-19, 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

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consolidation efforts with larger entities when feasible. These services will be provided consistent with the scope of work that is developed for each program, and the capabilities of the current TA providers, and may not be available at the statewide level. DFA plans to expand access to these programs by continuing to work with and provide funding to new and existing TA providers.

In order to accelerate the implementation of long-term solutions, the State Water Board will use TA providers to accelerate the planning efforts for small systems prioritizing those serving small DACs or low-income households by providing planning through TA to support the submittal of a complete application for construction funding. Consistent with the priorities established in the DWSRF IUP, planning through TA may be provided for systems out of compliance and consolidation projects. TA will 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<sup>26</sup> to provide direction regarding the appointment of administrators by DDW of designated water systems, as authorized by Health and Safety Code section 116686.

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

The appointment of an administrator is an authority that the State Water Board will consider when necessary to provide an adequate supply of affordable, safe drinking water. Water systems in need of an administrator are identified based on the Needs Assessment, the prioritization process outlined in Section III, and the direct local knowledge and expertise of DDW District Office staff. The State Water Board

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<sup>26</sup> [Administrator Policy Handbook](https://www.waterboards.ca.gov/board_info/agendas/2019/sept/091719_6_cs1_cleanversion.pdf)

[https://www.waterboards.ca.gov/board\\_info/agendas/2019/sept/091719\\_6\\_cs1\\_cleanversion.pdf](https://www.waterboards.ca.gov/board_info/agendas/2019/sept/091719_6_cs1_cleanversion.pdf)

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recognizes the significance and potentially disruptive effect of ordering a designated water system to accept an administrator and therefore intends to use its authority carefully and will incorporate significant community engagement as outlined in the Administrator Policy Handbook.

DDW staff are continuously evaluating water systems that are out of compliance to determine the appropriateness of appointing an administrator. In FY 2021-22, DDW initiated and/or completed public meetings for 6 administrator projects. No new administrators were appointed in FY 2021-22, in part due to a lack of qualified administrators interested in performing the work, and due to relatively extensive negotiation on funding agreement provisions for potential new administrators. In FY 2022-23, the State Water Board anticipates completion of orders for 13 designated water systems. The State Water Board also plans to initiate the administrator process for two new water systems in FY 2022-23. More information is available at the [SAFER Program Water System Administrator webpage](#).

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 with an eligible entity qualified to be an administrator through DDW's [Administrator Request for Qualifications](#) process. Master agreements with the State Water Board can be amended through a system-specific administrator work plan (similar to the existing TA work plan process).

Administrator funding provided by the State Water Board is intended for the administrator's salary to conduct or oversee managerial, administrative, technical, operational, and legal services, as appropriate for the system, i.e., to take on the role of a general manager. The funding provided for the administrator is not used for direct O&M activities or to fund capital projects. A water system managed by an administrator may still receive separate funding from the State Water Board for direct O&M support or capital projects, typically in the form of the administrator applying for funding on behalf of the system. Limited funding may be provided to the administrator, consistent with the Administrator Policy Handbook, to address emergency repairs or maintenance activities for those systems that have inadequate reserves.

#### **IV.D. Operation and Maintenance**

##### **IV.D.1. 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

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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.D.2. Direct O&M Support**

Per the FY 2020-21 FEP, a Direct O&M Support Pilot (O&M Pilot) was identified with the goal of learning how different types of water systems benefit from receiving direct O&M assistance, for a limited time, with a focus on water systems that comply with drinking water standards but charge high rates.

In 2022, DFA staff focused their efforts on targeting water systems and scenarios that might be good candidates for direct O&M support. The goal of the broader direct O&M funding program (O&M Program) will be 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 sustainability. Water affordability and sustainability can be considered on three different levels – the individual household, community, and water system. The establishment of an affordability threshold as required by SB 200 is still in progress. As the O&M Program develops, it is likely to be focused on water system level affordability data.

Development of the O&M Program in FY 2022-23 will include:

- Affordability Threshold(s), anticipated by the end of 2022
- O&M Funding Guidelines including eligibility criteria for O&M funding during early 2023, which will be incorporated into the FEP as part of Appendix M
- Prioritize direct O&M funding for small DAC water systems identified in the 2022 Needs Assessment as having a high or medium affordability burden, and/or based on still-to-be-developed Affordability Thresholds
  - Focus on public agencies first
  - Calculate monthly subsidy provided based on specific key affordability criteria
  - Consider whether O&M funding is already being provided through other programs
  - As feasible, include a focus on repaying existing debt burdens first
- Some key conditions on funding that are likely to be included are:
  - Accept targeted technical assistance, or administrator services as deemed necessary, that would assist water systems with various tasks to address O&M shortfalls proactively
  - Pursue funding for and complete capital projects that can reduce ongoing costs, such as physical or managerial consolidation, and improvements to reduce

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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

One key aspect of ensuring feasibility of broader program implementation is developing a standardized administrative approach to distribute funds efficiently. Streamlined opportunities for direct funding to water systems will be evaluated, as well as approaches to provide funds to TA providers to implement a program to disburse O&M funding consistent with O&M Funding Guidelines.

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. The State Water Board may also consider funding O&M requests for smaller standalone systems when physical or managerial consolidation is not an option due to the remote location of the system, or when O&M funding will be necessary to make water rates affordable (e.g., long-term POU/POE for regionally isolated small and DAC water systems or domestic wells where consolidation may not be feasible).

Direct O&M support for eligible water systems that treat groundwater as a source of drinking water is also available through the Prop 68 Groundwater program<sup>27</sup>.

#### IV.E. Construction

Certain types of eligible construction projects may be funded with SADW funds via the Urgent Drinking Water Needs 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
- Water system is out of compliance or at-risk and project is urgent in nature (i.e., DWSRF Category A-C<sup>28</sup>, 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.

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<sup>27</sup> [Proposition 68 Groundwater Program](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/propositions/prop68.html)

[https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/propositions/prop68.html](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/propositions/prop68.html)

<sup>28</sup> 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.

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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. Other projects that do not meet the criteria above may still be funded via SADW Funds using the DWSRF application and approval process.

#### **IV.F. Consolidations**

Consolidations are included under the planning and construction solution types.

##### **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.

##### **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 2021-22, DDW hosted 17 water partnership outreach workshops and sent out over 1,850 letters to evaluate the level of interest in consolidations in areas that were identified in the Needs Assessment. These water partnership webinars are also intended to highlight consolidation incentive programs and develop additional knowledge base in communities about the benefits of consolidation and other types of water partnerships. These efforts will continue in FY 2022-23.

Planning of consolidations on a regional scale will require TA and planning efforts be done with a larger scope, including not just CWSs that are in compliance or at-risk, but 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-community water systems may be included, where eligible, in the planning phases to ensure a holistic approach when developing factors such as source capacity, pipeline alignment and pipeline sizing. Construction funding for entities such as private non-community water systems from eligible sources may include the nominal costs associated with installation of stub-outs and 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-community water systems, recognizing that during construction this work is relatively simple but becomes much



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more complex and expensive if roadways must be disturbed in the future. However, non-community water systems 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, the State Water Board will continue to offer incentives to encourage consolidation, especially of PWSs experiencing serious drinking water public health issues. Receiving water systems that are pursuing voluntary consolidation, 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. More details are available in the current DWSRF IUP.

#### **IV.F.4. Funding for Work on Private Property related to Domestic Wells**

As authorized in the DWSRF IUP, for projects that consist of consolidation of homes not currently served by a PWS, work on private property including items such as laterals, well destruction, or backflow prevention, can qualify for grant/principal forgiveness if the community being consolidated is a DAC. If available median household income (MHI) data for the community does not appear representative for some or all of the households served by the consolidation project, household income verification may be required. Exceptions to grant eligibility may apply if the total cost per connection for specific households is significantly higher than others in the community being consolidated.

#### **IV.G. PFAS**

The Budget Act of 2021 included \$30 million for technical and financial assistance to drinking water systems to address per- and polyfluoroalkyl substances (PFAS)<sup>29</sup>. Additional federal funding will also be available to address emerging contaminants with a focus on PFAS. For Federal FY 2022, this includes approximately \$56 million as DWSRF principal forgiveness for Emerging Contaminants, which will be administered through the DWSRF IUP, plus additional funds that may be awarded to the State Water Board as part of the [Emerging Contaminants in Small or Disadvantaged Communities](#)

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<sup>29</sup> The Budget Act of 2022 includes another \$50 million allocated for FY 2022-23. An additional \$20 million for FY 2023-24.

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[Grant Program](#). Similar or higher federal allocations for Emerging Contaminants are also expected over the following four 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 DAC CWSs for PFAS.<sup>30</sup> This work could 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 benefitting 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 \$15 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.3 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<sup>31</sup>, new requirements include developing an abridged water shortage contingency plan by July 1, 2023 and reporting annually on water supply

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<sup>30</sup> 2022 Budget language dedicates up to \$15 million of the \$100 million PFAS GF allocation for this need and other statewide work to develop analytical methods and regulatory strategies that target total mass.

<sup>31</sup> "Small water supplier" means a CWS serving 15 to 2,999 service connections, inclusive, and that provides less than 3,000 acre-feet of water annually.



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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 (by Jan 1, 2023)
- Become members of a mutual aid organization (by 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.

During FY 2022-23, it is anticipated that TA will be provided to small water suppliers, particularly those serving fewer than 1,000 service connections and 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 program<sup>32</sup> will also be expanded to help address the need associated with SB 552 requirements. This will initially be a relatively modest expansion to serve a total of approximately 50 priority systems. Staff will look to further expand offerings as new TA providers are added and TA capacity is increased. This may include setting up a program to provide GF Infrastructure funding to eligible water systems for generators, with assistance from TA providers.

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 small water systems 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

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<sup>32</sup> To the extent possible, the existing backup generator program will evaluate the potential to use the lowest emission power sources when feasible.

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DWR funding is anticipated to be available to help counties meet these new planning requirements. 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 2022 Needs Assessment, over 92,000 of the domestic wells and over 600 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.

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(2) **Water Quality Data** – Using SAFER funds to support testing for additional contaminants in existing domestic well sampling programs such as through the Irrigated Lands Regulatory Program (ILRP) and CV-SALTS would help increase data coverage. Increased reporting requirements under SB 200 may yield additional water quality data for some counties. Once there is critical mass of domestic well water quality data, this data can be integrated into the Aquifer Risk Map and replace (not supplement) the existing water quality estimates. In 2022, water quality data from cleanup monitoring sites (GeoTracker data) was incorporated into the Aquifer Risk Map.

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

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

Funding for state smalls and domestic wells will be prioritized for provision of interim water 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 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.

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#### Central Valley Programs

- Self-Help Enterprises (SHE) administers several programs focused in the San Joaquin Valley (currently serving Kern, Kings, Tulare, Fresno, Madera, Merced, Mariposa and Stanislaus counties, with service being expanded to San Joaquin County), 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. Recently, 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.
- Tulare County has a bottled water program for income-qualifying households. Well testing is conducted through SHE's well testing program.
- 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 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.
  - The Greater Kaweah Groundwater Sustainability Agency is finalizing their co-funding application and will be considered for funding in Summer 2022. Other Management Zones are expected to follow.

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

**Coachella Valley** – administered by Pueblo Unido Community Development, this recently approved program will provide POU/POE treatment devices for households located within Polanco Parks in unincorporated communities of the Eastern Coachella Valley.

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**Statewide** – well replacement program administered by Rural Community Assistance Corporation to assist individual households and small water systems to replace failed drinking water wells for disadvantaged households.

#### **V.B.2. 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.

The Deputy Director of DFA has previously waived certain programmatic eligibility requirements for the programs providing regional interim solution programs authority due to the COVID-19 and drought emergencies. Use of waiver memos is being phased out. However, during the drought emergency and due to 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. State Water Board staff are working through approaches with potential implementation partners to help ensure support is available for these needs, which may come in the form of a loan program.

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.3. Contaminants of Emerging Concern**

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

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

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.B.4. Drought Response Strategy**

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

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

Note that funding for drought response will generally come from the 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.

#### **Inter-agency Coordination**

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

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.

#### **Urgent Drought Requests**

While emergency drought response should begin at the local level with the Local Government being best positioned to provide immediate emergency relief such as bottled and hauled water, funding through the State Water Board and DWR may be available to assist for eligible urgent projects in the intermediate time frame (i.e., on the order of months).

DFA will continue to receive emergency assistance requests related to drought via DDW, NGO partners, and the general email inbox. These requests will require submittal of an Urgent Drinking Water Needs Application. Once contact is made, a DFA



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project manager will be assigned and can work with the potential recipient to collect the required information needed to get approval for funding by the DFA Deputy Director. Funding approval allows the recipient to begin incurring costs while a funding agreement is prepared and executed. Depending on the nature of the project and the funding source, advance approval authority may be allowed.

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

#### **County-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 drought response programs (i.e., at the county level, either directly with counties or with a local NGO partner) to address water shortage issues (e.g., bottled water, hauled water, tanks), with a focus on small DACs and low-income households. Since neither the State Water Board nor DWR can directly fund individual domestic well owners, the intent of the county programs is to be more proactive and help counties with a high density of state smalls and/or domestic wells be more resilient in future drought<sup>33</sup>.

An initial outreach letter was distributed to all counties on August 18, 2021, followed by two public workshops with more information on the program intent, what is eligible for funding, and how to apply. In February 2022, DFA opened a targeted Countywide and Regional Funding Solicitation 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. 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.

Workshops for county staff/representatives were held in March 2022 to provide insight into programs that are currently being implemented and instructions on how to apply for funding. Follow up letters for Attendees and non-Attendees were sent to all counties in May 2022. In addition, Staff held an Informational Drought Meeting for County Executive Staff in May 2022. The presentation covered projected drought impacts, drought

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<sup>33</sup> 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 highlighted in the SADW statute in the same way that state small water systems and domestic wells are, needs for these communities may be eligible for funding within a Countywide or Regional Program (or some sort of pilot). At this time, such cases should be discussed directly with DFA staff to evaluate eligibility before incorporating into funding proposals.

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planning requirements, and funding opportunities available through the State Water Board, DWR, and CalOES.

DFA is in discussion with several counties that are interested in applying to develop their own countywide program, including the priority counties considered to be at highest risk of being impacted by drought.

As programs with counties are developed and implemented, State Water Board staff will work with the counties to ensure that assistance is being provided to residents with priority toward 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.

#### **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 2021-22 FUNDS**

### **VI.A. Report of FY 2021-22 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 2021-22 was \$130 million. The table below summarizes the amount of funding encumbered for FY 2021-22.

The FY 2021-22 target allocations were focused on the priorities adopted in the FY 2021-22 FEP. Table 5 is a summary of FY 2021-22 committed expenditures for the SADW Fund (as of June 30, 2022) broken out by water system category and solution type. Target allocations from the prior FEP (Table 1 of the FY 2021-22 FEP) are shown in parentheses. Differences between the former target allocations and the actual committed expenditures for FY 2021-22 are discussed below in Section VI.A.1. Table 6 is a summary of FY 2021-22 committed expenditures for the broader SAFER Program



## **FY 2022-23 Fund Expenditure Plan Safe and Affordable Drinking Water Fund**

(as of June 30, 2022), which includes the SADW Fund plus complementary funding, broken out by funding category and solution type. A full list of FY 2021-22 Committed Expenditures for the broader SAFER Program by project is included as Appendix H.

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**Table 5. FY 2021-22 SADW Fund Estimated Committed Expenditures (in millions)<sup>1</sup> (as of June 30, 2022)**

<b>Water System Category</b>	<b>Interim Water Supplies and Emergencies</b>	<b>Technical Assistance (includes Planning)<sup>2</sup></b>	<b>Administrator<sup>2</sup></b>	<b>Planning<sup>2</sup></b>	<b>Direct O&amp;M Support<sup>2</sup></b>	<b>Construction</b>
<b>Systems Out of Compliance or At-Risk<sup>3</sup></b>	<b>\$3</b> <i>(\$10)</i>	<b>\$46.5</b> <i>(\$40)</i>	<b>\$0</b> <i>(\$5)</i>	<b>\$0</b> <i>(\$3)</i>	<b>\$0.2</b> <i>(\$7)</i>	<b>\$0.3</b> <i>(\$15)</i>
<b>Other Systems</b>	<b>\$0.7</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0.5</b>
<b>State Smalls/ Domestic Wells</b>	<b>\$13.4</b> <i>(\$30.3)</i>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0.5</b> <i>(\$5)</i>
<b>Reserved for FY 2022-23</b>	<b>\$47.4</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><i>SUBTOTAL BY SOLUTION TYPE</i></b>	<b>\$64.5</b> <i>(\$40.3)</i>	<b>\$46.5</b> <i>(\$40)</i>	<b>\$0</b> <i>(\$5)</i>	<b>\$0</b> <i>(\$3)</i>	<b>\$0.2</b> <i>(\$7)</i>	<b>\$1.3</b> <i>(\$20)</i>
					<b>PROJECT TOTAL</b>	<b>\$112.5</b> <i>(\$115.3)</i>
<b>Other Program Needs</b>	<b>Pilot Projects (Reserved)</b>	<b>Contracts (Reserved)</b>	<b>Staff Costs<sup>4</sup></b>			
	<b>\$3.2</b> <i>(\$0)</i>	<b>\$1.5</b> <i>(\$1.5)</i>	<b>\$13.2</b> <i>(\$13.2)</i>			
					<b>GRAND TOTAL</b>	<b>\$130.4<sup>5</sup></b>

<sup>1</sup> Target allocations from the prior FY 2021-22 FEP are shown in parentheses.

<sup>2</sup> Direct/Indirect O&M Support.

<sup>3</sup> Subtotal by Water System Category does not include TA investments.

<sup>4</sup> "Systems At-Risk" include systems identified in the 2022 Needs Assessment.

<sup>5</sup> Staff costs are projected as year-end financials for FY 2021-22 and have not been finalized.

<sup>6</sup> Total available includes \$0.4 M disencumbered from a construction project committed in FY 2020-21 that will no longer be pursued.

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**Table 6. FY 2021-22 SAFER Program Committed Expenditures (SADW Fund plus complementary funding) (as of June 30, 2022)**

<b>Funding Category</b>	<b>Interim Water Supplies and Emergencies</b>	<b>Technical Assistance<sup>2</sup></b>	<b>Administrator /O&amp;M</b>	<b>Planning/ Construction</b>	<b>TOTAL</b>
<b>SADW Fund</b>	\$18 M	\$51.8 M	\$0.2 M	\$5.3 M	<b>\$75.3 M</b>
<b>General Obligation Bond Funding</b>	-	\$1.9 M	-	\$15.8 M	<b>\$17.7 M</b>
<b>GF</b>	\$10.9 M	\$3.6 M	\$6.1 M	\$120.3 M	<b>\$140.9 M</b>
<b>Principal Forgiveness</b>		-	-	\$55 M	<b>\$55 M</b>
<b>TOTAL</b>	<b>\$28.9 M</b>	<b>\$57.3 M</b>	<b>\$6.3 M</b>	<b>\$196.4 M</b>	<b>\$288.9 M (100)<sup>1</sup></b>

<sup>1</sup> Parentheses shows Number of Agreements.

<sup>2</sup> Technical Assistance committed amounts reflective of the master agreements with the providers.

### **VI.A.1. Differences in FY 2021-22 Target Allocations versus Committed Expenditures**

Differences between the former target allocations for the SADW Fund for FY 2021-22 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 (\$17.1 million from the SADW Fund). The largest investments included an amendment to the tanks and hauled water program in the Central Valley and a co-funding agreement with the Valley Water Collaborative (which represents two management zones) to complement their work implemented under CV-SALTS. \$1.1 million was expended on emergencies from the SHE Emergency Fund (via their TA master agreement). An additional \$11.7 million towards interim water supplies and emergencies was committed from various GF appropriations in FY 2021-22. \$47.4 million is reserved to be used towards interim water supplies and emergencies related to drought (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.
- **TA** – The largest investments from the SADW Fund in FY 2021-22 were made towards TA (\$46.5 million). Two amendments to existing TA master agreements were funded through the SADW Fund to extend services through 2025. Funds were

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committed to one new TA provider, California Urban Water Agencies, which will allow larger water systems to partner with smaller water systems to provide enhanced assistance to address TMF capacity deficiencies. Since the Drinking Water TA Provider RFQ posting, 16 SOQs (three existing and 13 potential new TA providers) have been received. The list of qualified drinking water TA providers will be available on the [TA Funding Program webpage](#).

- **Administrator** – No SADW funding was committed in FY 2021-22 towards administrators. The Budget Act of 2018 (AB 72) appropriated \$10 million from the GF to fund administrators. In FY 2021-22, \$5.7 million in AB 72 funding was committed towards administrators, including the development of two master agreements with Provost & Pritchard Engineering Group, Inc. and Stantec Consulting Services, Inc. These master agreements will help streamline the provision of funding as water systems are designated by DDW to accept an administrator.
- **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 2021-22 towards planning projects. However, 23 TA work plans were executed in FY 2021-22 to conduct planning, which is 28% higher than in FY 2020-21. 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** – One direct O&M project was committed from SADW funding to support the daily operation costs of the East Orsi Community Services District once an administrator is appointed. Similar direct O&M support was committed for the Cazadero Water Company via the GF (AB 74, Budget Act of 2019).
- **Construction** – Three construction projects, at a total of \$0.7 million, were funded through the SADW Fund for systems out of compliance, at-risk, and other CWSs<sup>34</sup>. This is an 82% decrease in number of construction projects funded compared to FY 2020-21, due to the large amount of funding available through other funding sources for drinking water infrastructure, including the GF allocations from the Budget Act of 2021. Additional funds from the SADW Fund were added to the existing domestic well program focused in the San Joaquin Valley for long-term solutions including well repairs, replacement, and connections to CWSs where possible.

#### By System Type

- **Systems Out of Compliance or At-Risk** – Systems out of compliance or at-risk were mostly funded via the SADW Fund in an interim solution and emergency repair capacity (\$2.6 million). Additional funds from the GF (\$1.7 million) went towards interim solutions and emergency repairs for water systems. A small amount of

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<sup>34</sup> One construction project was funded for a system not considered to be in violation or at-risk because of a DWSRF eligibility issue.

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SADW funding went towards construction projects for systems out of compliance or at-risk (\$0.3 million), again due to the availability of drinking water infrastructure funding. Systems out of compliance also benefitted from direct O&M support (\$0.2 million) and administrators (funded via the GF in FY 2021-22). Additional TA investments (\$46.5 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 (\$13.9 million from the SADW Fund). Larger investments included additional funding to existing regional programs for tanks/hailed water and well repair/replacement/connection. New funding programs included the co-funding agreement with the Valley Water Collaborative, a POU/POE program for households located within Polanco Parks in unincorporated communities of the Eastern Coachella Valley, and a county-wide program for Santa Cruz County to address both drought and water quality issues. Additional TA investments (\$46.5 million) may benefit all types of systems.
- **Other Systems** – Two construction projects were funded for other CWSs not out of compliance or At-Risk, one for a voluntary consolidation of a school with a nearby community services district, and another for water meter installation. A third project was funded in response to urgent drought needs, for the City of Fort Bragg to purchase and install a desalination system, as well as to purchase equipment to filter and disinfect shallow groundwater under the influence of surface water.
- **Reserved** – \$47.4 million from FY 2021-22 is reserved to respond to drought-related emergencies (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. These funds will be encumbered towards the FY 2021-22 SADW Fund appropriation in FY 2022-23 prior to the FY 2022-23 appropriation being used.

#### Other Program Needs

- **Pilot Projects** – \$3.2 million is still reserved for use by the POU/POE Pilot. Staff will no longer be pursuing an O&M Pilot but will be further developing a direct O&M assistance program. More information on the POU/POE Pilot is included in Section VI.C.1.
- **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 2021-22 are \$13.2 million, \$4.9 million towards administrative positions (approximately 3.8% of the \$130 million) and \$8.3 million towards implementation positions. More information on the SADW Program Resources is included in Section VI.B.

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

No new positions were added in FY 2021-22 or were proposed for FY 2022-23 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 2022-23 is approximately \$14 million, \$5.2 million for the administrative positions (approximately 4% of the \$130 million anticipated in the SADW Fund) and \$8.8 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 (O&M Pilot, led by DFA). Development of both pilots began in FY 2020-21 with more information 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 an implementation plan, report outline, and has collected information on the current state of POU/POE technologies. Additionally, DDW and OPP recently completed stakeholder outreach sessions with community groups, industry groups and other stakeholders identified in the FY 2020-21 FEP. These outreach efforts provided feedback on the challenges, needs and knowledge gaps related to POU/POE treatment devices as a drinking water solution. DDW will recommend a list of research projects to DFA that may fill in knowledge gaps identified over the course of the POU/POE Pilot for funding consideration. Lastly, the State Water Board is collaborating to write a white paper that reports the status of POU/POE technologies and the findings of the overall POU/POE Pilot. The white paper and other supporting communication materials will be added to the State Water Board's website to facilitate knowledge sharing across various stakeholder groups.

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

In 2022, DFA staff targeted water systems and scenarios that might be good candidates for direct O&M support (e.g., high affordability burden). More information on the O&M Program is included in Section IV.D.

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#### VI.D. Community Engagement

Proactive engagement with water systems and communities is a core aspect of the SAFER Drinking Water 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 Drinking Water program.

##### **SAFER Advisory Group**

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

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

Application for membership: Advisory Group members serve two-year terms. The State Water Board's Executive Director or designee reviews applications and appoints members in the Fall/Winter preceding the start of the appointment. New members are provided an orientation to the SAFER Drinking Water program which includes an overview of their role as an Advisory Group member, background on the SAFER Drinking Water program, and an overview of upcoming discussion topics. Application information for available appointments beginning in January 2023 will be posted on the SAFER website in Summer 2022 and applications will be reviewed in Fall 2022.

##### **Public Education and Outreach**

Building public awareness and education of the SAFER Drinking Water 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 Drinking Water program. The following goals and potential strategies are included in the communication and outreach plan:

- (1) Increase awareness of the SAFER Drinking Water program and SB 200 regulatory tools, funding, and approaches.



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

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

In addition to the Advisory Group, State Water Board staff will host community and tribal-focused meetings and workshops throughout the state (in person and virtually as appropriate) to raise awareness of the SAFER Drinking Water program and its components; solicit feedback on community drinking water needs; build relationships between staff and community members and leaders; and highlight opportunities for local water-related jobs, capacity building, and leadership positions. The SAFER Drinking Water program uses digital tools, including virtual stakeholder engagement sessions, webpages, email subscription lists, and more, to support outreach and engagement efforts, and hear feedback on ways to improve the SAFER Drinking Water program.

#### **Partnering to Expand Outreach and Engagement**

In 2022, the SAFER Drinking Water 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; 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 funds 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.

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- 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 who 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 to be solicited and incorporated throughout the development of projects from planning through construction. After a community has completed the construction phase, and throughout the timeframe of the provided solution (e.g., interim replacement water, administrator funding, O&M support, or TA), community input, feedback, and concerns will be solicited and incorporated as appropriate.

#### **Tribal Outreach**

The State Water Board understands that California tribes face unique challenges to providing clean, 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 Drinking Water program could support. The SAFER Drinking Water 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, Indian Health Services, 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 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 will be focused on job creation to support the long-term sustainability, which includes O&M and TMF capacity, of small DAC drinking water systems. The State Water Board will leverage existing efforts within the State Water Board, CalEPA, and other CCI programs to incorporate water sector needs. The State Water Board will support 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 this program, but these efforts were delayed due to the COVID-19 emergency. In 2022, State Water Board staff started discussions again with the CWDB and moving forward will look for synergies and intersections between programs being offered by the CDWB and the drinking water sector, particularly around drinking water operator training and retention.

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DFA is currently considering the opportunity to pilot an operator apprenticeship program for a cluster of small DAC water systems located in the San Joaquin Valley.

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

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

#### VI.E.2. Job Co-Benefits

The California Air Resources Board (CARB) Job Co-benefit Modeling Tool has been applied to SADW funded projects executed in FY 2019-20, FY 2020-21, FY 2021-22, and anticipated to be executed in FY 2022-23, as shown in Table 7. SADW-funded projects with executed agreements are reported on semi-annually to CARB.

Table 7 shows the total estimated full-time equivalent jobs (direct, indirect, and induced<sup>35</sup>) by solution type for executed projects supported by the SADW Fund.

**Table 7. Estimated Job Co-Benefits from Executed Agreements**

Item	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 (planned)
<b>Executed Planning Investment</b>	-	\$1.8 M	\$6.1 M	\$0.28 M

<sup>35</sup> Induced jobs are linked to the spending of income from directly and indirectly supported jobs. The personal consumption expenditures of workers in jobs directly and indirectly supported by CCI projects (i.e., increased household spending) stimulate demand for goods and services in the wider California economy.

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Item	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 (planned)
<b>Planning Full-Time Equivalent Jobs</b>	-	14 jobs	83 jobs	3 – 4 jobs
<b>Executed Construction Investment</b>	\$23.9 M	\$25.9 M	\$32.9 M	\$8 M
<b>Construction Full-Time Equivalent Jobs</b>	321 jobs	335 jobs	383 jobs	98 – 136 jobs
<b>Executed Interim Solution Investment</b>	-	\$1.0 M	\$9.3 M	\$7 M
<b>Interim Solution Full-Time Equivalent Jobs</b>	-	10 jobs	124 jobs	60 – 84 jobs
<b>Executed TA Investment</b>	-	\$9.8 M	\$28 M	\$23 M
<b>TA Full-Time Equivalent Jobs</b>	-	130 jobs	365 jobs	276 – 384 jobs

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 2021 calendar year, the average construction worker wage was \$58 per hour and the average professional/scientific/technical service worker wage was \$102 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

Section XI of the FY 2020-21 FEP identified both short- and long-term goals for the broader SAFER Program in these areas:

- Prioritizing Funds for Public Health Benefits
- Responsible Management
- Timely and Expeditious Use of Funds

Performance progress on these items is discussed further in Appendix I.

In future FEPs, SAFER Program performance will focus on metric categories identified in the SADW Fund Policy (e.g., Metric Categories 1 through 9 discussed below) as they are in alignment with the way the Program's metrics are currently being tracked. Annual FEPs will show progress cumulatively from a start date of July 1, 2020, to show SAFER Program performance over time since the adoption of the first FEP, i.e., the start of FY

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2020-21. Performance compared to goals shown in sections below is the performance of the broader SAFER Program, i.e., SADW Fund plus complementary funding sources.

#### **Performance Metrics**

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.

The number of communities<sup>36</sup>, 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).

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).

The subsections below describe metric category performance for either FY 2021-22 or cumulatively, from a start date of July 1, 2020, to show SAFER Program performance over time since the adoption of the first FEP, i.e., the start of FY 2020-21<sup>37</sup>. More details on the metrics tracking methodology are included in Appendix J.

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

Tables 8 and 9 show progress for Metric Categories 1, 2, and 3 for the SAFER Program (SADW Fund and complementary funding sources), shown both for FY 2021-22, as well as cumulatively from a start date of July 1, 2020. Table 8 also establishes numeric goals for FY 2022-23. In this and future FEPs, 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).

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<sup>36</sup> The term “communities” includes the area defined by a water system boundary, as well as areas served by state smalls and domestic wells.

<sup>37</sup> Progress for FY 2019-20 is included in Tables 10 and 11 of the FY 2021-22 FEP.

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**Table 8. FY 2021-22 Performance in Metric Categories 1, 2, and 3**  
**(7/1/2021-6/30/2022)**

<b>Category</b>	<b>FY 2021-22 Progress</b>	<b>No. of Connections Benefiting</b>	<b>No. of People Benefiting</b>	<b>Total Assistance Provided</b>	<b>FY 2022-23 Goal</b>
<b>Interim Solutions</b>	55 communities/schools (1,265 households)	6,451	35,244	\$13 M	50 communities
<b>Technical Assistance Projects</b>	94 (27 planning via TA)	35,515	128,283	\$14.6 M	100
<b>Planning Projects</b>	10	117,996	335,877	\$4.5 M	10
<b>Construction Projects*</b>	37 (26)	1 M (32,051)	7.3 M (56,293)	\$691 M (\$97 M)	30

\* Numbers in parentheses for construction projects reflect projects in OSWS benefitting primarily small DACs or low-income households. The work in other categories is solely through OSWS and benefitting primarily small DACs or low-income households.

**Table 9. Cumulative Performance in Metric Categories 1, 2, and 3**  
**(7/1/2020-6/30/2022)**

<b>Category</b>	<b>Cumulative Progress</b>	<b>No. of Connections Benefiting</b>	<b>No. of People Benefiting</b>	<b>Total Assistance Provided</b>
<b>Interim Solutions</b>	117 communities/schools (1,629 households)	11,221	62,975	\$17.8 M
<b>Technical Assistance Projects</b>	154 (45 planning via TA)	45,236	163,513	\$25.7 M
<b>Planning Projects</b>	24	130,166	358,676	\$10.5 M
<b>Construction Projects*</b>	75 (52)	1.3 M (71,583)	8 M (156,376)	\$1 B (\$174 M)

\* Numbers in parentheses for construction projects reflect projects in OSWS benefitting primarily small DACs. The work in other categories is solely through OSWS and benefitting primarily small DACs or low-income households.

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### VII.B. Metric Category 4: Systems Out of Compliance, Returned to Compliance, and Other Regulatory Measures

Table 10 shows cumulative progress since July 1, 2020 for Metric Category 4 on systems out of compliance and those returned to compliance.

**Table 10. Performance in Metric Category 4 (7/1/2020 – 6/30/2022)**

Item	Number of Systems	Population
Systems returned to compliance (7/1/2020 – 6/30/2022)	92	338,136
Systems out of compliance (as of 7/1/2020)	316	929,894
Systems out of compliance (as of 6/30/2022)	467	1,168,766

For the 90 systems that returned to compliance since July 1, 2020, the average time it took for a system to return to compliance from the date that the system was placed on the HR2W list was two years.

Additional regulatory metric performance for consolidations and administrators are presented in Tables 11 and 12, respectively. These tables also establish numeric goals for FY 2022-23.

**Table 11. Consolidation Metrics (7/1/2020 – 6/30/2022)**

Item	Number	FY 2022-23 Goal
Consolidation Outreach Letters	2,208	1,700
Consolidation/Partnership Events	25	20
Active Consolidation Projects as of 6/30/22	207	50 (additional projects)
Mandatory Consolidation Projects Initiated	2	3
Mandatory Orders Issued	1	--
Executed Consolidation Funding Agreements	19	5
Number of Systems Impacted by Assistance <sup>1</sup>	49	15
Consolidations Completed	54 <sup>2</sup>	35

<sup>1</sup> Systems impacted by assistance means those systems involved in consolidation projects funded by the State Water Board.

<sup>2</sup> Fourteen consolidations were completed with State Water Board funding.



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**Table 12. Administrator Metrics (7/1/2020 –6/30/2022)**

Item	Number	FY 2022-23 Goal
New Water Systems Designated	14	2
Public Meetings Completed	13	2
Executed Funding Agreements/Work Plans	2	5
Executed O&M Funding Agreements for Systems with Administrators	0	5
Orders Executed	1	5
Administrators Completed	0	0

### VII.C. 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 semi-annually since 2020 to CARB required climate adaptation related information for all funding agreements executed within the calendar year or those that require continuous incremental reporting.

New to this FY 2022-23 FEP, Table 13 summarizes key information around climate change adaptation and resiliency already being captured through CCI required reporting for projects executed since July 1, 2020.

**Table 13. Performance in Metric Category 5 (7/1/2020 – 6/30/2022)**

Item	Number
Total Number of Executed SADW Projects (i.e., projects reported to CARB)	51
Number of SADW Projects with Additional Storage Adaptation (i.e, larger storage tanks)	8
Number of SADW Projects with New Source Adaptation (i.e., new well drilled or consolidation)	15
Number of SADW Projects with Water Quality Improvement Adaptation (i.e., added treatment or upgrades to address contamination)	10

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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 uses calculations to estimate 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 the SADW Fund Quantification Methodology and the types of SADW funded projects reported (as of May 31, 2022) the total amount of increased GHG emissions is 612 metric tons of carbon dioxide equivalent. The increase is largely attributed to the established methodology calculations used to estimate GHG emissions for hauled water and bottled water projects. The recently updated SADW 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.

CARB has recently recommended the inclusion of additional metrics which include water conservation through system upgrades (gallons of water conserved); renewable energy generation (kWh renewable energy production), addressing drought-induced contamination and dry wells (number of wells, number of people benefitting); and number of communities or households transitioned from interim water deliveries to long-term solutions. DFA staff will consider these additional metrics and begin tracking if appropriate and feasible.

#### **VII.C.1. Drought Resilience Projects**

As we enter a third year of drought, 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

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- Installation of new water system infrastructure (i.e., pipelines, pump stations, water intakes, storage tanks, meters)
- Groundwater recharge projects.

Table 14 summarizes key information related to drought resilience projects funded since July 1, 2021.

**Table 14. Drought Resilience Project Metrics (7/1/2021 – 6/30/2022)**

Item	Number
Number of drought resilience projects funded	56
Total amount funded	\$411.5 million
Total number of communities assisted	69
Total population assisted	2.1 million
Number of drought resilience projects benefitting DACs	40
Amount funded towards DACs	\$331.7 million
Number of DACs assisted	53
DAC population assisted	1 million

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

#### VII.D.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. New to this FY 2022 23 FEP, Table 15 summarizes average costs per connection or person across different project solution categories since July 1, 2020. Project costs listed in Appendix C for systems out of compliance were used for this analysis.

**Table 15. Performance in Metric Category 6 (7/1/2020 – 6/30/2022)**

Solution Category	Schools		Water Systems	
	Number of Existing and Potential Projects	Average Cost per person	Number of Existing and Potential Projects	Average Cost per connection
Interim Assistance	55	\$89	313	\$1,007
Technical Assistance	26	\$1,470	116	\$2,758
Planning	10	\$2,413	43	\$6,441
Construction	13	\$10,309	65	\$58,199

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### VII.D.2. Administrative Efficiency

New to this FY 2022-23 FEP, Table 16 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, 2019 and December 31, 2021).

**Table 16. Performance in Metric Category 7 (1/1/2019 – 12/31/2021)**

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	309 days (just over 10 months)
Time for a planning application to be complete after being started	13 months
Time for a construction application to be complete after being started	16 months
Time for a complete planning application to result in an executed funding agreement	10 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)	27 days

### VII.E. 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

New to this FY 2022-23 FEP, Table 17 summarizes key information around community engagement effectiveness since July 1, 2020.

**Table 17. Performance in Metric Category 8 (7/1/2020 – 6/30/2022)**

Item	Number	FY 2022-23 Goal
Engagement and Communications		
Public meetings or presentations	137	35
Meeting attendees	2,520	800
Email blast communications	32 <sup>1</sup>	10

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Item	Number	FY 2022-23 Goal
Number of people reached via email communications	10,264 <sup>2</sup>	15,000
Press releases or media advisories	20	4
Radio announcements or interviews	24	5
Social media posts	219	100
Engagement with Tribal Water Systems		
Meetings with tribal representatives	55 <sup>1</sup>	25
Tribal water systems receiving State Water Board funding or technical assistance	12	No goal established

<sup>1</sup> Data for this item reported for 1/1/2021 to 5/31/2022.

<sup>2</sup> Data for this item reported for 1/1/2022 to 5/31/2022.

### VII.F. Metric Category 9: Racial Equity and Environmental Justice

In support of the State Water Board's work towards racial equity, a new 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. Appendix H of the FY 2021-22 FEP included some demographic information for each project with funding committed from the broader SAFER Program. Demographic information included CalEnviroScreen score, average household size, % below poverty level, and majority race.

New to the 2022 Needs Assessment was socioeconomic analyses of the following:

- Risk assessment data for public water systems out of compliance and at-risk,
- Risk assessment data for at-risk state smalls and domestic wells, and
- Affordability assessment data for community water systems.

Demographic information used in the 2022 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 VII.F.

Appendix H of this FY 2022-23 FEP includes similar demographic information as the 2022 Needs Assessment for each project with funding committed in FY 2021-22 across the broader SAFER Program. New to this FY 2022-23 FEP, Tables 18 through 21 summarize analyses done on the systems listed in Appendices C, D, and the systems from the Needs Assessment that are receiving funding across the broader SAFER Program.

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**Table 18. Performance in Metric Category 9 – Majority Race**

	<b>White</b>	<b>Hispanic</b>	<b>African American</b>	<b>Asian American</b>	<b>Native American</b>	<b>Not Categorized</b>
<b>HR2W Systems (Appendix C)</b>						
No. of Systems (Percentage of Total)	196 (53%)	132 (36%)	--	--	2 (1%)	38 (10%)
Total Amount (Percentage of Total)	\$74.6 M (36%)	\$117.8 M (57%)	--	--	\$0.5 M (1%)	\$12.5 M (6%)
<b>At-Risk Systems (Appendix D)</b>						
No. of Systems (Percentage of Total)	227 (53%)	164 (38%)	1 (<1%)	15 (3%)	--	25 (6%)
Total Amount (Percentage of Total)	\$39.6 M (24%)	\$109.6 M (67%)	--	--	--	\$14.5 M (9%)
<b>Needs Assessment Systems</b>						
No. of Systems (Percentage of Total)	2,081 (66%)	755 (24%)	6 (<1%)	75 (2%)	2 (<1%)	237 (8%)
Total Amount (Percentage of Total)	\$1.25 B (62%)	\$734.5 M (37%)	--	\$3 M (<1%)	\$0.5 M (<1%)	\$24.5 M (1%)

**Table 19. Performance in Metric Category 9 – Average Household Size**

	<b>0-2</b>	<b>&gt;2-4</b>	<b>&gt;4</b>	<b>Not Available</b>
<b>HR2W Systems (Appendix C)</b>				
No. of Systems (Percentage of Total)	4 (1%)	310 (84%)	15 (4%)	39 (11%)
Total Amount (Percentage of Total)	\$4,428 (0%)	\$177 M (86%)	\$15.8 M (8%)	\$12.5 M (6%)

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	<b>0-2</b>	<b>&gt;2-4</b>	<b>&gt;4</b>	<b>Not Available</b>
<b>At-Risk Systems (Appendix D)</b>				
No. of Systems (Percentage of Total)	11 (3%)	368 (85%)	27 (6%)	26 (6%)
Total Amount (Percentage of Total)	\$27,405 (0%)	\$132.5 M (81%)	\$16.6 M (10%)	\$14.5 M (9%)
<b>Needs Assessment Systems</b>				
No. of Systems (Percentage of Total)	97 (3%)	2,697 (85%)	121 (4%)	241 (8%)
Total Amount (Percentage of Total)	\$14.5 M (1%)	\$1.92 B (95%)	\$53 M (3%)	\$24.5 M (1%)

**Table 20. Performance in Metric Category 9 – Average Percent of Households Less than Two Times the Federal Poverty Level**

	<b>0-25</b>	<b>&gt;25-50</b>	<b>&gt;50-75</b>	<b>&gt;75</b>	<b>Not Available</b>
<b>HR2W Systems (Appendix C)</b>					
No. of Systems (Percentage of Total)	80 (22%)	165 (45%)	79 (21%)	5 (1%)	39 (11%)
Total Amount (Percentage of Total)	\$11.8 M (6%)	\$99.8 M (49%)	\$68.9 M (33%)	\$12.4 M (6%)	\$12.5 M (6%)
<b>At-Risk Systems (Appendix D)</b>					
No. of Systems (Percentage of Total)	122 (28%)	204 (47%)	77 (18%)	3 (1%)	26 (6%)
Total Amount (Percentage of Total)	\$23.4 M (14%)	\$85 M (52%)	\$40.7 M (25%)	--	\$14.5 M (9%)
<b>Needs Assessment Systems</b>					
No. of Systems (Percentage of Total)	1,124 (36%)	1,410 (45%)	359 (11%)	17 (1%)	246 (8%)



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	<b>0-25</b>	<b>&gt;25-50</b>	<b>&gt;50-75</b>	<b>&gt;75</b>	<b>Not Available</b>
Total Amount (Percentage of Total)	\$603 M (30%)	\$1.19 B (59%)	\$183 M (9%)	\$15.7 M (1%)	\$24.5 M (1%)

**Table 21. Performance in Metric Category 9 – CalEnviroScreen Score (Percentile)**

	<b>&gt;0-25</b>	<b>&gt;25-50</b>	<b>&gt;50-75</b>	<b>&gt;75</b>	<b>Not Available</b>
<b>HR2W Systems (Appendix C)</b>					
No. of Systems (Percentage of Total)	60 (16%)	83 (23%)	81 (22%)	105 (28%)	39 (11%)
Total Amount (Percentage of Total)	\$16 M (8%)	\$18.5 M (9%)	\$73.9 M (36%)	\$84.4 M (41%)	\$12.5 M (6%)
<b>At-Risk Systems (Appendix D)</b>					
No. of Systems (Percentage of Total)	89 (21%)	108 (25%)	91 (21%)	117 (27%)	27 (6%)
Total Amount (Percentage of Total)	\$10.5 M (6%)	\$11.2 M (7%)	\$48.2 M (29%)	\$79.3 M (49%)	\$14.5 M (9%)
<b>Needs Assessment Systems</b>					
No. of Systems (Percentage of Total)	854 (27%)	916 (29%)	669 (21%)	456 (14%)	261 (8%)
Total Amount (Percentage of Total)	\$390.6 M (19%)	\$476.5 M (24%)	\$871.5 M (43%)	\$249 M (13%)	\$24.5 M (1%)

Based on the information in the tables above, while there are more predominantly white HR2W and At-Risk systems, much of the existing funding (62%) is benefitting Hispanic-dominant communities for HR2W and At-Risk systems. Most of these systems

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also have an average household size between two to four people with an average of 25-50% percent of households less than two times the Federal poverty level. In addition, the majority of the HR2W and At-Risk systems have a CalEnviroScreen Score (percentile) greater than 75%. DFA staff will continue to analyze demographic information in FY 2022-23 and incorporate additional analyses, such as demographic information on complete funding projects, in future FEPs.

Additionally, Appendix H also includes information on system size and disadvantaged status for all projects with funding committed from the broader SAFER Program in FY 2021-22.

## **VIII. 2022 DRINKING WATER NEEDS ASSESSMENT RESULTS**

In 2018, the Legislature appropriated \$3 million to the State Water Board to perform a statewide safe and affordable drinking water needs assessment. The inaugural Needs Assessment, released in April 2021, included a Risk Assessment, Cost Assessment, and Affordability Assessment. Enhancements for 2022 consisted of internal workgroup recommendations and a public workshop in February 2022, with feedback incorporated into the final methodology and results of the 2022 Needs Assessment (also included as Appendix A). More information is available at the State Water Board's [Drinking Water Needs Assessment webpage](#).

The State Water Board will continue to update the Needs Assessment annually to inform the annual FEP and support implementation of the SAFER Program. The results of the Needs Assessment will be used by the State Water Board and the SAFER Advisory Group to inform prioritization of PWSs, tribal water systems, state smalls, and domestic wells for funding in the annual 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 2022 Needs Assessment**

#### **VIII.A.1. Drought-Related Enhancements**

In response to stakeholder feedback after the release of the 2021 Needs Assessment, the State Water Board focused its refinement efforts on better identifying challenges and needs associated with drought, which included:

- Adding a new source capacity risk indicators to the Risk Assessment for public water systems: 'Source Capacity Violations' and 'Bottled or Hauled Water Reliance.'
- Working in partnership with DWR to develop a new combined Risk Assessment for state small water systems and domestic wells that utilizes both the [Aquifer Risk Map](#) (water quality risk) and DWR's Drought Risk Vulnerability Tool.
- Conducting a targeted drought infrastructure cost assessment for implementation of SB 552 requirements for small water systems.

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#### **VIII.A.2. Additional Enhancements**

The State Water Board made several other enhancements to all three components of the 2022 Needs Assessment:

- The Risk Assessment for PWSs was expanded to include medium-size CWSs with service connections between 3,300 and 30,000 or a population served of up to 100,000 people. This expanded inventory aligns with the expanded State Water Board funding eligibilities for medium-size systems.
- The Risk Assessment for PWSs removed five risk indicators and added new indicators, including: 'Constituents of Emerging Concern,' 'Income,' 'Operating Ratio,' and 'Days Cash on Hand'.
- New Affordability indicators were added for the Risk Assessment and Affordability Assessment utilizing data from the 2021 Drinking Water Arrearage Payment Program: 'Percent Residential Arrearages' and 'Residential Arrearage Burden.'
- Socio-economic analyses related to the Risk and Affordability Assessments were performed. The State Water Board identified where Failing: HR2W list and At-Risk communities are experiencing high pollution burden or poverty and quantified the percent of non-white customers served.

#### **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<sup>38</sup> 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 drought and/or accessing source water that may contain contaminants that exceed primary drinking water standards. More information on the Risk Assessment methodologies and results are available in the two risk assessment results sections of the 2022 Needs Assessment.

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

The 2022 Risk Assessment was conducted for 3,066 PWSs and evaluated their performance across 22 risk indicators within the following four categories: Water Quality, Accessibility, Affordability, and TMF Capacity. The 2022 results identified 508 (19%) At-Risk water systems, 453 (17%) Potentially At-Risk water systems, and 1,759 (65%) Not At-Risk water systems. Compared to the 2021 Risk Assessment results, the 2022 Risk Assessment identifies fewer At-Risk water systems, but maintains the same predictive power of identifying HR2W systems as the 2021 Assessment.

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<sup>38</sup> The 2022 Risk Assessment was expanded to include medium-size CWSs.

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#### **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 likely to be at high risk of drought and/or containing contaminants that exceed safe drinking water standards. 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-trichloropropane, gross alpha, uranium, and hexavalent chromium. The 2022 results identified 92,635 (30%) domestic wells At-Risk for water quality and 90,974 (29%) At-Risk for drought, respectively. Additionally, there are 631 (50%) state smalls At-Risk for water quality and 321 (25%) At-Risk for drought, respectively.

#### **VIII.C. Drought Infrastructure Cost Assessment**

The State Water Board conducted a targeted Drought Infrastructure Cost Assessment, which estimated the costs associated with drought infrastructure requirements for small CWSs (15 – 2,999 service connections) in accordance with SB 552. The Drought Cost Assessment utilizes some cost assumptions from the 2021 Cost Assessment Model as well as new cost data derived from internal and external discussions, public feedback and vendor pricing. The following solutions were costed based on SB 552 requirements: monitoring static well levels, mutual aid membership, back-up electrical supply, back-up water source (either a new well or intertie) and metering all service connections. A point estimate total to implement all solutions listed is approximately \$2.4 billion. More information on the Drought Infrastructure Cost Assessment methodology and results are available in the 2022 Needs Assessment.

#### **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 2022-23 FEP relies on the results of the 2022 Affordability Assessment to identify disadvantaged CWSs that have instituted customer charges that exceed affordability indicators established by the State Water Board. The 2022 Affordability Assessment was conducted for 2,868 California CWSs. The Affordability Assessment included large and small CWSs but excluded NTNCs, like schools. It also excluded tribal water systems, state smalls, and households supplied by domestic wells.

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The 2022 Affordability Assessment indicators include:

- (1) **Median Household Income:** average residential customer charges for 6 hundred cubic feet (HCF) per month meet or exceed 1.5% of the annual Median Household Income within a water system's service area.
- (2) **Extreme Water Bill:** customer charges that meet or exceed 150% and 200% of statewide average drinking water customer charges at the 6 HCF level.
- (3) **Percent of Residential Arrearages:** high percentage of their residential customers that have not paid their water bill and are at least 60 days or more past due.
- (4) **Residential Arrearage Burden:** measures how high the residential arrearage is if it were distributed across the total residential rate base.

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 or four affordability indicator thresholds exceeded). Of the 2,868 community water systems analyzed, most resulted in a low affordability burden (21%) followed by a medium affordability burden (11%) and a high affordability burden (3%).

The State Water Board identified 69 (5%) DAC/SDAC water systems that have a high affordability burden, 175 (12%) with a medium affordability burden, and 311 (22%) with a low affordability burden.

More information on the Affordability Assessment methodology and results are available in the Affordability Assessment Results section of the 2022 Needs Assessment. A list of systems exceeding the affordability threshold is available as the [Affordability Assessment Data Spreadsheet](#) (see Affordability Assessment tab).

State Water Board staff, in consultation with the SAFER Advisory Group, will continue discussions in FY 2022-23 towards developing an enhanced methodology to better develop appropriate water system- or community-level affordability thresholds to be considered by the State Water Board in future updates of the SADW Fund Policy or annual FEPs, per Section VI.B.5 of the SADW Fund Policy.

#### VIII.E. Socioeconomic Analysis of Needs Assessment Results

For the first time, the 2022 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.

HR2W systems 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

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domestic well locations that are Not At-Risk. When compared with Non-DAC water systems, 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. Systems with a high affordability burden have higher pollution burdens, 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 assessment and affordability sections of the 2022 Needs Assessment.

#### **VIII.F. Tribal Needs Assessment**

Due to data limitations, the State Water Board was unable to assess the needs of water systems serving federally recognized California Native American tribes and non-federally recognized Native American tribes on the contact list maintained by the Native American Heritage Commission (tribal water systems) in the 2021 or 2022 Needs Assessment using the same methodology employed for evaluation of PWSs, state smalls, and domestic wells. Therefore, in the 2021 Needs Assessment, the State Water Board developed an alternative approach for conducting a tribal water system Needs Assessment which relies upon approximating the HR2W list equivalent and At-Risk equivalent water systems to conduct a Risk Assessment and Cost Assessment for tribal water systems. However, the State Water Board did not have access to the data necessary to conduct an Affordability Assessment or Gap Analysis for tribal water systems. The State Water Board, in coordination with Indian Health Services, U.S. EPA, and other partners, will be reaching out to tribal water systems and tribal leaders to explore interest in data sharing which may enable a tribal water system Affordability Assessment and more comprehensive Risk and Cost Assessments in the future.

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

## **IX. FUNDING PROCESS**

### **IX.A. FY 2022-23 Priority Funding Process Improvements**

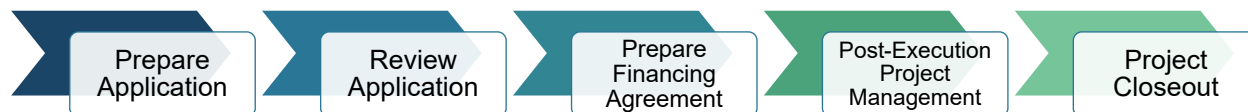
DFA recognizes that an ongoing effort is necessary to further improve its service, particularly in increasing the efficiency of the funding process. A funding process overview is included in Appendix K which provides information on the five phases of a



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project, from the submittal of a complete application to project closeout, shown in Figure 3 below.

**Figure 3. Funding Process Overview**



Starting in June 2021, DFA staff 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 K relative to the funding process phases in Figure 3 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 2022-23 focusing on the select improvements identified in Table 22 below which are expected to provide the greatest benefit to applicants.

**Table 22. FY 2022-23 Priority Funding Process Improvements**

Funding Process Phase	Improvement	Description
Review Application	Alternative Financial Capacity Review	Checklist and procedures for certain 100% grant / principal forgiveness funded clean water and drinking water projects.
Review Application	Ability to Pay	Procedures for determining the grant eligibility of project components benefitting private for-profit systems where an ability to pay (ATP) analysis is applicable.
Prepare Financing Agreement	Emergency Grant Agreement Template/Process	Streamlined grant agreement template and process to expeditiously award emergency drinking water funding and other relatively straight forward, short duration projects.
Prepare Financing Agreement	Adobe Sign to Electronic Signatures to Execute Agreements	Implement digital signing of agreements/amendments by recipients and DFA.
Prepare Financing Agreement	Electronic Signature Process for TA Work Plans	Amend TA funding agreements to include language that allows for electronic signatures to execute amendments to the agreement such as work plans.
Prepare Financing Agreement	Adobe Sign Agreement Routing	Implement Adobe Sign for the full internal routing and review of agreements/amendments.



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Funding Process Phase	Improvement	Description
Post-Execution Project Management	Streamline the Final Budget Approval (FBA) Process	Develop FBA procedures to streamline review of cost increases requests because bids exceed initial cost estimate.
Post-Execution Project Management	Advance Payment Guidelines	Develop comprehensive advance payment guidelines and procedures that can be generally applied to eligible programs.
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).

See Appendix K for a full list of improvements in process and their status.

### IX.B. Completed Funding Process Improvements in FY 2021-22

The following describes key improvements made in the last fiscal year expected to have the most significant impact to the funding process.

- (1) **Electronic Disbursement Procedures** – In April 2021, DFA implemented use of Adobe Sign for encumbrance documents (i.e., Grant and Loan Request Form and Standard Form 215) which replaces the need for wet signatures by the DFA Deputy Director or Assistant Deputy Director.
- (2) **Develop Income Survey and Second Home Survey Procedures** – Approved as Appendix B to the Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund, these procedures for staff and applicants to demonstrate eligibility and reduce the number of applications stalled while an eligibility determination is determined.
- (3) **Standardize Special Conditions** – Standardize common special technical conditions to improve consistency across DFA units and sections.
- (4) **TA for non-DACs** – Amended TA master agreements to allow for TA resources to assist non-DACs with good cause.
- (5) **Drinking Water TA Provider RFQ Process** – The Division solicited statements of qualifications from entities that are interested in being added to the qualified drinking water TA provider pool.
- (6) **Revised DWSRF IUP to include Infrastructure Appropriation** – The Board adopted a resolution in March 2022 incorporating Budget Act of 2021 (SB 170) “Infrastructure Appropriation” into the DWSRF IUP, including offering greater

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opportunities for full grant funding (across funding sources), which can streamline funding approval processes.

See Appendix K for the list of improvements completed since FY 2019-20.

#### **IX.C. Applying for SAFER Program Funding**

Funding is available under the SAFER Program for various types of solutions. Information regarding the application process is described by solution type below. Information on project application status is available publicly on the State Water Board's website through the [Application Status Search Tool](#).

##### **Drinking Water Infrastructure and Consolidation Projects**

Funding for drinking water Infrastructure and consolidation projects is available through the SADW Fund as well as other complementary funding sources within the 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.

##### **Interim Water Supplies and 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 is available through the SADW Fund and various GF appropriations. Interested parties may apply for funding for interim water supplies and emergency repairs through the Urgent Drinking Water Needs application which can be found in the 'How to Apply' section of the [CAA Urgent Drinking Water Needs webpage](#).

At the direction of DFA staff, the Urgent Drinking Water Needs 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.

##### **County-wide and Regional Funding Program**

In February 2022, DFA opened a County-wide and Regional Funding Solicitation 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.

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#### 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](mailto: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.<sup>39</sup> 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 an SOQ, State Water Board staff will 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.

## 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.

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<sup>39</sup> [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](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2022/rfq-guidelines.pdf)

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**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 2021-22, 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 2022-23.

In FY 2021-22, for known committed projects, there was \$64.7 million approved for projects, 2% went towards GGRF Disadvantaged Communities and 5% went towards GGRF Low-Income Communities and Households. The remaining 93% will go towards projects or programs with unknown locations at this time (e.g., regional programs, TA agreements, administrator master agreements). Project locations will be determined as these projects and programs are implemented.

The GGRF Priority Populations represent economically disadvantaged individuals and communities as well as communities disproportionately burdened by the impacts of climate change, exposed to multiple sources of pollution, and especially vulnerable to environmental pollutants. Specific details are included in the 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

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reductions, co-benefits, and benefits to priority populations. CARB has established the SADW Fund Quantification Methodology<sup>40</sup> and SADW Fund Benefits Calculator Tool to estimate the GHG emission reductions, available at [www.arb.ca.gov/cci-resources](http://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.

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.

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<sup>40</sup> [SADW Fund Quantification Methodology](https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/swrcb_sadwfund_qm_060122.pdf)  
[https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/swrcb\\_sadwfund\\_qm\\_060122.pdf](https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/swrcb_sadwfund_qm_060122.pdf)

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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



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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 staff are developing the 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 small water systems, and public water systems must be submitted to the State Water Board through the new California Laboratory Intake Portal (CLIP) by Environmental Laboratory Accreditation Program (ELAP) accredited labs.
- 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](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 L.



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### XI. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the FY 2022-23 FEP for the SADW Fund is shown below in Table 23.

**Table 23. Schedule for FY 2022-23 Fund Expenditure Plan**

<b>Date</b>	<b>Milestone</b>
April to August 2022	Draft FY 2022-23 FEP Preparation and Internal Review
May 5, 2022	2022 Needs Assessment Results Webinar
June 9, 2022	Advisory Group Meeting: 2022 Needs Assessment Results and FEP Discussion
August 15, 2022	Release Draft FY 2022-23 FEP for Public Comment
August 16, 2022	Board Workshop on FY 2022-23 FEP
September 9, 2022	Advisory Group Meeting: Review Draft FY 2022-23 FEP
September 14, 2022	End of 30-Day Public Comment Period for Draft FY 2022-23 FEP
October 3, 2022	Board Meeting to Consider Adoption of FY 2022-23 FEP

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## XII. ACRONYMS AND ABBREVIATIONS

AB	Assembly Bill
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
CLIP	County Laboratory Intake Portal
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
DWR	Department of Water Resources
DWSRF	Drinking Water State Revolving Fund
ELAP	Environmental Laboratory Accreditation 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 (DWSRF)
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

## FY 2022-23 Fund Expenditure Plan

### Safe and Affordable Drinking Water Fund

O&M	Operation and Maintenance
OPP	Office of Public Participation
OSWS	Office of Sustainable Water Solutions
PFAS	Per- and Polyfluoroalkyl Substances
POU/POE	Point of Use/Point of Entry
Program	Safe and Affordable Funding for Equity and Resilience Drinking Water Program
Prop 1	Proposition 1
Prop 68	Proposition 68
PWS	Public Water System
Regional Water Board	Regional Water Quality Control Board
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
SB	Senate Bill
SCG DW	Small Community Grants Drinking Water
SDAC	Severely Disadvantaged Community
SHE	Self-Help Enterprises
SOQ	Statement of Qualifications
State Smalls	State Small Water Systems
State Water Board	State Water Resources Control Board
TA	Technical Assistance
TMF	Technical, Managerial, and Financial
U.S. EPA	United States Environmental Protection Agency