

Small Disadvantaged Communities and Severely Disadvantaged Communities may receive a maximum \$500,000 grant per project for their proportional share of planning project in accordance with Table 11 below, regardless of water rates/affordability criteria. This incentive promotes timely and efficient financing for drinking water planning projects in preparation for eventual construction financing. Repayable financing may also be available from the DWSRF or Prop 1 Drinking Water programs in accordance with Table 11 below if available grant funding is insufficient to fully fund a planning project.

DFA may deny Prop 1 Drinking Water grant funding if the planning project has already been funded in part by other drinking water funding sources, including DWSRF and Prop 1 Drinking Water funding.

Table 11: Planning Project-Reduced Interest Rates and Grant for an Eligible PWS

Total Eligible Planning Project Cost	Interest Rate*	Loan Term*	Maximum Grant/project*
≤ \$500,000	n/a	n/a	\$500,000
>\$500,000	0%	Up to 5 years	\$500,000**

*Based upon the PWSs proportional share of a planning project

**On a case-by-case basis, for good cause, the Deputy Director of the Division may approve more than \$500,000 in grant funds for the PWSs proportional share of a planning project

Subsidized Construction Financing Terms for SCWSs that serve a DAC/SDAC

To facilitate affordable construction financing for an eligible SCWS that serves a DAC/SDAC, the financing terms in Table 12 and Table 13 below shall apply.

Table 12: Construction Project-Principal Forgiveness/Grant for an Eligible CWS that Serves a DAC/SDAC

Affordability Criteria		Maximum Principal Forgiveness, Grant or Combination Thereof Per Construction Project		
Type of Community Served by CWS	Residential Water Rates as a Percentage of MHI**	Percentage of Total Eligible Project Cost*	Maximum Amount /Construction Project*	Maximum Amount Per Connection/ Construction Project*
DAC	<1.5%	Not Eligible for Principal Forgiveness, Grant or Combination Thereof		
	≥1.5%	up to 100%	\$5 million	\$30,000
SDAC	NA			

*Based upon PWS's proportional share of a construction project

**For the purposes of a consolidation or intertie project, the residential water rate of the consolidated or intertied system resulting from such consolidation or intertie may be considered

SCWS with eligible projects may be eligible for both Prop 1 Drinking Water and Prop 1 Groundwater Grant Funds

CWS with eligible projects may be eligible for Prop 1 Groundwater Grant Funds

DFA may deny DWSRF/Prop 1 Drinking Water grant, principal forgiveness or a combination thereof if the construction project has already been funded in part by other drinking water funding sources, including DWSRF and Prop 1 Drinking Water funding.

Table 13: Construction Project-Repayable Financing Terms for an Eligible SCWS that Serves a DAC/SDAC

Affordability Criteria		Repayable Construction Financing Terms		
Type of Community Served by SCWS	Residential Water Rates as a Percentage of MHI	Interest Rate	Maximum Financing Term**	Local Cost Share
DAC	<1.5%	0%	30 years	Amount Not Funded by Prop 1*
	>=1.5%			
SDAC	NA			Waived

* The applicant may choose to fund the remainder of the total project cost (Local Cost Share) from other sources (e.g. repayable DWSRF/Prop 1 financing; grant funding from sources other than the State Water Board; or other sources)
 **Financing Term shall not exceed the useful life of the facilities being financed

Subsidized Construction Financing Terms for NTNCs that Serve a Small Disadvantaged Community

To facilitate affordable construction financing for an eligible NTNC that serves a Small Disadvantaged Community, the financing terms in Table 14 (page 34) shall apply. Principal forgiveness/grant funds may only be awarded to an eligible NTNC to the extent such NTNC cannot afford the full cost of repayable financing. The current operating budget shall be evaluated when determining an eligible NTNC's ability to afford repayable financing. An eligible NTNC owned by a public school district is determined to have limited repayable financing capacity and is therefore automatically eligible for maximum principal forgiveness/grant, subject to all other eligibility rules and requirements.

Table 14: Construction Project-Repayable Financing Terms and Principal Forgiveness/Grant for an Eligible NTNC that Serves a Small Disadvantaged Community or a Severely Disadvantaged Community

Repayable Construction Financing Terms					
Type of Community Served by NTNC	Maximum Grant/ Construction Project**	Maximum Principal Forgiveness/Grant Amount/ Connection/ Construction Project**	Interest Rate	Maximum Financing Term***	Local Cost Share*
Small Disadvantaged Community	\$5 million	\$30,000	0%	30 years	Amount Not Funded by Prop 1
Small Severely Disadvantaged Community					Waived

* The applicant may choose to fund the remainder of the total project cost (Local Cost Share) from other sources (e.g. repayable DWSRF/Prop 1 financing; grant funding from sources other than the State Water Board; or other sources)
 **Based upon NTNC's proportional share of a construction project
 ***The financing term shall not exceed the useful life of the facilities being financed

DFA may deny DWSRF/Prop 1 Drinking Water grant, principal forgiveness or a combination thereof if the construction project has already been funded in part by other drinking water funding sources, including DWSRF and Prop 1 Drinking Water funding.

Projects that Provide Regional Benefit

Notwithstanding the foregoing, projects that Provide Regional Benefit may be eligible for no more than \$60,000 in grant and/or principal forgiveness per service connection-per participating SCWS serving a DAC/SDAC, or NTNC serving a Small Disadvantaged Community or Small Severely Disadvantaged Community. Projects that Provide Regional Benefit may receive up to \$5 million in grant and/or principal forgiveness per each participating SCWS serving a DAC/SDAC, or NTNC serving a Small Disadvantaged Community or Small Severely Disadvantaged Community per Table 12, Table 13, and/or Table 14 above. Projects that provide Regional Benefit may not exceed a total of \$20 million in principal forgiveness/grant funding and such principal forgiveness/grant funding may not necessarily be limited to the proportional share of the participating SCWS serving a DAC/SDAC, or NTNC serving a Small Disadvantaged Community or Small Severely Disadvantaged Community. Principal forgiveness/grant funding awarded for a Project that Provides Regional Benefit may only be allocated for the benefit of participating SCWSs serving a DAC/SDAC and/or NTNCs serving a Small Disadvantaged Community or Small Severely Disadvantaged Community.

Consolidation Incentive

Up to \$5 million in zero percent interest rate financing may be awarded for a construction project (incentive project) that benefits an eligible PWS, if such a PWS completes a full consolidation with a water system serving a small disadvantaged or small severely disadvantage community. A full consolidation is defined as the restructuring of two or more public water systems into a single public water system, as discussed in the Policy for Implementing the Drinking Water State Revolving Fund. The consolidation project must be fully constructed, in successful operation, and permitted by DDW, prior to the incentive project being funded by DWSRF. In the case where a single construction project benefits the remaining entity and the consolidated water system, zero percent interest rate may apply to the portion of the project costs that has been deemed ineligible for principal forgiveness or grant funding, up to \$5 million, as determined by DFA.

Subsidized Construction Financing Terms for Eligible Extension of Water Service Projects

A project involving a PWS extending water service to a Small Disadvantaged Community or a Small Severely Disadvantaged Community not currently served by a PWS may be eligible for financing terms included in Table 15 and Table 16 (page 36).

Table 15: Construction Project-Principal Forgiveness/Grant for an eligible PWS Extending Water Service to a Small Disadvantaged Community or Small Severely Disadvantaged Community Not Currently Served by a PWS

Affordability Criteria		Maximum Grant Per Construction Project		
Type of Community Served by PWS	Residential Water Rates as a Percentage of MHI**	Percentage of Total Eligible Project Cost*	Maximum Principal Forgiveness/Grant Amount /Construction Project*	Maximum Amount Per Connection/ Construction Project*
Small Disadvantaged Community	<1.5%	Not Eligible for Principal Forgiveness, Grant or Combination Thereof		
	>=1.5%	up to 100%	\$5 million	\$30,000
Small Severely Disadvantaged Community	NA			
*Based upon proportional share of a construction project				
**For the purposes of an extension of water service project, the average residential rate of the community resulting from the extension of water service from a PWS may be considered.				

DFA may deny DWSRF/Prop 1 Drinking Water grant, principal forgiveness or a combination thereof if the construction project has already been funded in part by other drinking water funding sources, including DWSRF and Prop 1 Drinking Water funding.

Table 16: Construction Project-Repayable Financing Terms for an eligible PWS Extending Water Service to a Small Disadvantaged Community or Small Severely Disadvantaged Community Not Currently Served by a PWS

Affordability Criteria		Repayable Construction Financing Terms		
Type of Community Served by PWS	Residential Water Rates as a Percentage of MHI	Interest Rate	Maximum Financing Term**	Local Cost Share*
Small Disadvantaged Community	<1.5%	0%	30 years	Amount Not Funded by Prop 1
	>=1.5%			
Small Severely Disadvantaged Community	NA			Waived
* The applicant may choose to fund the remainder of the total project cost (Local Cost Share) from other sources (e.g. repayable DWSRF/Prop 1 financing; grant funding from sources other than the State Water Board; or other sources)				
**Financing Term shall not exceed the useful life of the facilities being financed.				

C. DISBURSEMENTS

The State Water Board will continue to require all DWSRF financing recipients, unless waived by the Deputy Director of DFA for good cause, to (1) submit claims for all costs incurred prior to a funding agreement execution date no later than 90 days following such execution date; and (2) submit claims for costs incurred in one month no later than 60 days following such month.