

**SUMMARY OF
DRAFT FISCAL YEAR 2024-25 FUND EXPENDITURE PLAN
FOR THE SAFE AND AFFORDABLE DRINKING WATER FUND**

Senate Bill (SB) 200 (Ch. 120, Stats. 2019) established the Safe and Affordable Drinking Water Fund (SADW Fund) and requires the annual adoption of a Fund Expenditure Plan (FEP). Expenditures from the SADW Fund will complement other funding sources as part of the broader Safe and Affordable Funding for Equity and Resilience (SAFER) Drinking Water Program (Program), which includes General Fund appropriations, general obligation bond funds, and funding available through annual Drinking Water State Revolving Fund (DWSRF) capitalization grants.

The Draft FY 2024-25 FEP is informed by an annual statewide drinking water needs assessment and developed in consultation with stakeholders. The FEP discusses FY 2024-25 funding targets, funding prioritization by solution type, distribution of prior FY 2023-24 funds, metrics and performance, funding process, financing and programmatic requirements, and schedule. Expenditures from the FY 2024-25 SADW Fund allocation must be consistent with the FY 2024-25 FEP.

SAFER Program Goals

To guide and direct the SAFER Program, the FEP includes Program Goals, which supplement the priorities and performance metrics. These goals are intended to ensure staff and financial resources are focused on addressing the needs of failing systems, while continuing to prioritize consolidations as the most sustainable pathway to safe and affordable drinking water for struggling small systems.

FY 2024-25 Anticipated Funding Available

In FY 2024-25, \$855 million, all of which may fund capital projects, is anticipated to be available for drinking water projects from the SADW Fund and complementary funding sources that make up the broader SAFER Program.

FY 2024-25 SAFER Program Priorities

Consistent with the goals above, the FY 2024-25 priorities have been modified compared to those presented in prior FEPs. The expenditures from the SADW Fund for FY 2024-25 will continue to focus on solutions for small, disadvantaged communities (DACs) and low-income households, and will prioritize the following:

- Address community and school water systems that were failing in 2019.
- Expedite planning through the use of technical assistance (TA) for failing systems.
- Accelerate consolidations for failing systems.

- Continue existing programs to support communities served by state small water systems and domestic wells.
- Ensure assistance is distributed consistent with the goals and direction provided in the State Water Board's Racial Equity Resolution and associated Racial Equity Action Plan.

FY 2024-25 Target Allocations for the SADW Fund

Up to \$130 million will be available from the SADW Fund for local assistance and state operations, plus an uncommitted balance of \$60.8 million from prior FYs. The target allocations of the SADW Fund for FY 2024-25 are consistent with the SAFER Program priorities and will be used in conjunction with other available complementary funding from the broader SAFER Program to address funding gaps and expedite priority projects. The FY 2024-25 target allocations are in addition to projects already funded in FY 2023-24 and prior FYs. Key items 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 towards construction compared to prior FYs, due to reduced complementary sources that can fund capital projects and the refined focus on addressing Failing systems and promoting consolidations. A portion of this amount may be used to fund construction projects that are eligible for the Expedited Drinking Water Grant (EDWG) Program as well as anticipated funding increases needed for final budget approval (FBA) amendments that may be requested after a construction project goes out to bid.
- With significant investments in past FYs towards new TA and administrator master agreements, lower targets are proposed for both solution types in FY 2024-25.
- Target expenditures for interim and emergency assistance in FY 2024-25 build on previous investments made from complementary funding sources (e.g., California Emergency Relief Fund). The proposed expenditures may be adjusted based on the approved State budget for FY 24/25.
- Uncommitted funding from prior FYs of \$60.8 million is expected to be directed towards continuing existing regional programs for interim and emergency assistance, continuing Group 1 funding efforts for the Direct O&M program that began in FY 2023-24, construction projects for Failing systems and/or consolidations, and contracts that would assist with database needs.