

**SUMMARY OF
DRAFT STATE FISCAL YEAR (SFY) 2024-25 DRINKING WATER STATE
REVOLVING FUND (DWSRF) INTENDED USE PLAN (IUP)**

INCLUDING SUPPLEMENTAL IUP FOR THE ADDITIONAL SUPPLEMENTAL
APPROPRIATIONS FOR DISASTER RELIEF ACT OF 2019 (ASADRA);
SUPPLEMENTAL IUPS FOR THE BIPARTISAN INFRASTRUCTURE LAW'S
EMERGING CONTAMINANTS (AND EMERGING CONTAMINANTS IN SMALL OR
DISADVANTAGED COMMUNITIES) AND LEAD SERVICE LINE REPLACEMENT;
REVISED GUIDELINES FOR SMALL COMMUNITY GRANT DRINKING WATER
(SCG DW) FUNDING; AND BUDGET ACT GENERAL FUND APPROPRIATIONS

The 2024-25 DWSRF IUP will guide staff implementing the DWSRF Program and Small Community Grant Drinking Water (SCG DW) funds in 2024-25 and allow Division of Financial Assistance (DFA) to apply for and receive the Federal Fiscal Year (FFY) 2024 Capitalization Grants, including Bipartisan Infrastructure Law (BIL) funds, from the United States Environmental Protection Agency (US EPA).

Funding sources administered through the 2024-25 DWSRF IUP and Supplemental IUPs include the following:

- DWSRF Base Program and General Supplemental capitalization grants
- General Fund Appropriations from the Budget Act of 2021, 2022, and 2023
- Proposition 1 and Proposition 68
- DWSRF Emerging Contaminants (EC) capitalization grants
- Emerging Contaminants in Small or Disadvantaged Communities (EC-SDC) grants
- DWSRF Lead Service Line Replacement capitalization grants
- DWSRF ASADRA capitalization grants

DWSRF Loan Program Proposals

1. Add 17 new loan applications to 8 rollover applications for a total Fundable List of 25 applications totaling \$802 million. Limit new DWSRF repayable loans to \$50 million maximum (this maximum does not apply to rollover projects).
2. The total loan for each project on the Fundable List may be allocated or reallocated to other Fundable List projects at the request of the applicant as long as the total loan funding does not exceed \$100 million per entity (not including rollover projects or financing provided as consolidation incentive or under any supplemental IUP).

Small Community Grant Drinking Water Proposals

State grant and federal PF continue to be available to public water systems for SFY 2024-25 (this includes Prop 1, Prop 68, PF from Capitalization Grants, and Budget Act Infrastructure Appropriations) for eligible projects. The total amount anticipated to be available in SFY 2024-25 is approximately \$262.6 million. DFA proposes to continue making grant/PF funding to small and expanded small Disadvantaged Communities (DAC) and certain small non-DAC, in Category A-C, and consolidation projects. Changes to grant/PF eligibility include:

3. Projects for medium DACs and category D-F projects not addressing consolidations, will no longer be grant/PF eligible. This prioritization was implemented during the SFY 2023-24 due to limited grant/PF funds being available, but will be explicit in this year's IUP.
4. On a case-by-case basis, the Deputy Director of DFA may approve grant/PF for industrial/commercial connections for consolidation projects for good cause.
5. Removed interconnections and master meter projects where more than one permit will remain, from the definition of "Consolidation."
6. Reduced and removed some of the consolidation incentives due to limited funding availability.
 - a) Physical consolidation can still receive a maximum of \$10 million in 0% interest loan, but the potential grant/PF available is reduced from \$5 million to \$500,000.
 - b) Removed consolidation incentive grant available for managerial consolidations; the Receiving Water System may still receive a maximum of \$2 million in 0% loan.
 - c) Removed Consolidation Incentive for a water system acting as an Administrator.
 - d) Listed some items DFA will consider when determining the amount of incentive funding available for a Receiving Water System (type of community consolidated, scope of consolidation project, project cost for consolidation project vs. incentive project, etc.).
 - e) The Deputy Director has the discretion to apply consolidation incentives from the 2023-24 DWSRF IUP to projects that submit complete applications to DFA before June 30, 2024. Incentive projects are considered lower priority than Category A-C and consolidation projects.
7. Added a provision to include certain hexavalent chromium and PFAS projects in Category C.

Maximum PF, Grant or Combination Thereof Per Construction Project			
Type of Community	Residential Water Rates as a Percentage of MHI	Percentage of Total Eligible Project Cost	Maximum Amount Per Connection
Category A – C* and/or Consolidation Projects			
Small DAC/SDAC; Eligible Non-transient Non-Community Water System That Serves a Small DAC/SDAC; Expanded Small DAC/SDAC; or Small Non-DAC with MHI < 150% of Statewide MHI	N/A	up to 100%	\$60,000
* Projects that are addressing water quality levels above a new Maximum Contaminant Level (e.g., hexavalent chromium or PFAS) may be considered a Category C priority even if they are not currently in violation of the Maximum Contaminant Level.			

ASADRA Program Proposals

The total available ASADRA funds are unchanged, at \$62,369,418. The ASADRA project list includes three projects requesting the entire balance of funds.

8. The ASADRA Supplemental IUP adds deadlines for application to be complete by December 2024 for consideration of ASADRA funding.

Emerging Contaminants Program Proposals

California intends to apply for \$82,428,000 in DWSRF EC and \$15,208,000 in CWSRF EC supplemental funds, and \$82,961,000 in EC-SDC funding.

9. The EC Supplemental IUP increases the maximum funding to \$10 million per water system (\$5 million in 2023-24 IUP). As in the 2023-24 IUP, the EC funding limit may be increased based on the PF/grant limit in the base DWSRF IUP, or for good cause.
10. Transfer the 2024 CWSRF EC capitalization grant to the DWSRF EC program.

Lead Service Line Replacement Program Proposals

There is approximately \$279 million available from the 2022 and 2023 LSLR capitalization grant allocations and \$66 million in funding applications. States have two (2) years to apply for each capitalization grant allotment and the period to use the funds does not begin until capitalization grants are received by the state.

11. California will not apply for the 2024 DWSRF LSLR capitalization grant this year. California’s allotment for 2024 is \$28,650,000. Program staff will continue to solicit interest in the program and plan to apply for the full allotment with next year’s IUP (SFY 2025-26).