



State of California

FY 2020-21 Fund Expenditure Plan

Safe and Affordable Drinking Water Fund



Prepared by:

THE DIVISION OF FINANCIAL ASSISTANCE

STATE WATER RESOURCES CONTROL BOARD

STATE OF CALIFORNIA

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Safe and Affordable Drinking Water Fund**

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I. EXECUTIVE SUMMARY

Senate Bill (SB) 200 established the Safe and Affordable Drinking Water Fund (SADW Fund or Fund) and requires the annual adoption of a Fund Expenditure Plan (Plan). 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 obligation bond funds and funding available through annual Drinking Water State Revolving Fund 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 drinking water in every California community, for every Californian.

The top priorities for expenditures from the Fund for Fiscal Year (FY) 2020-21 include: 1) addressing any emergency or urgent funding needs, where other emergency funds are not available and a critical water shortage or outage could occur without support from the Fund; 2) addressing community water systems (CWSs) and school water systems out of compliance with primary drinking water standards, focusing on small Disadvantaged Communities (DACs); 3) accelerating consolidations for systems out of compliance, at-risk systems, as well as state small water systems (state smalls) and domestic wells, focusing on small DACs; 4) providing interim solutions, initiating planning efforts for long-term solutions, and funding capital projects for state smalls and domestic wells with source water above a primary maximum contaminant level (MCL).

Up to \$130 million will be available from the Fund for local assistance and state operations. Up to \$400 million, primarily for capital projects, is available from complementary funding sources. The anticipated expenditures of the Fund (Table ES-1) are consistent with the priorities and will be used in conjunction with other available funding to address funding gaps. The proposed planning and construction expenditures of the Fund will help support larger scale projects with grant funding, where funding caps would otherwise limit availability of grants.

The table below provides expenditure targets by solution type if the Fund receives the full \$130 million allotment. The funding transferred from the Greenhouse Gas Reduction Fund (GGRF) to the SADW Fund depends on Cap and Trade Revenue. The State Water Board anticipates receiving GGRF revenues on a quarterly basis every fiscal year beginning in September. To the extent less than \$130 million is transferred, staff cost obligations associated with authorized program positions must be met. After meeting these cost obligations, all other targets will be proportionally reduced to ensure target expenditures do not exceed the total funding available.

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Table ES-1. FY 2020-21 SADW Fund Target Expenditures

	Solution Type						
		Direct/Indirect O&M Support					
Water System Category	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Planning	Direct O&M Support	Construction	<i>SUBTOTAL BY WATER SYSTEM CATEGORY</i>
Systems Out of Compliance	\$10 M	\$7 M	\$0	\$3 M	\$5 M	\$19 M	\$44 M
Systems At-Risk	\$4 M	\$18 M	\$0	\$3 M	\$5 M	\$20 M	\$50 M
State Small Systems/ Domestic Wells	\$5 M	\$5 M	\$0	\$0	\$0	\$10 M	\$20 M
<i>SUBTOTAL BY SOLUTION TYPE</i>	<i>\$19 M</i>	<i>\$30 M</i>	<i>\$0</i>	<i>\$6 M</i>	<i>\$10 M</i>	<i>\$49 M</i>	
TOTAL							\$114 M
Other Program Needs	Pilot Projects	Staff Costs					
	\$3.2 M	\$12.8 M					
GRAND TOTAL							\$130 M

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The anticipated expenditures are considered funding targets. The State Water Resources Control Board (State Water Board) delegates to the Deputy Director of the Division of Financial Assistance the flexibility to make adjustments in response to opportunities or challenges that may require shifting funding from one category to another.

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 efforts; 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; and implementing information management tools to support transparency and accountability.

II. INTRODUCTION

This FY 2020-21 Fund Expenditure Plan is adopted by the State Water Board for the SADW Fund, as part of the State Water Board's larger SAFER Program. The State Water Board administers the SAFER Program primarily through its Division of Drinking Water (DDW), Division of Financial Assistance (DFA), and Office of Public Participation (OPP). The SAFER Program's goal is to provide safe drinking water in every California community, for every Californian.

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 larger SAFER Program are included in Section I of the Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund (Policy).

The Fund complements the State Water Board's existing suite of 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 Policy Sections V, VI, and VII). Other funding sources administered by the State Water Board's DFA for drinking water projects include: General Fund allocations, the Cleanup and Abatement Account, Proposition 68 Drinking Water, Proposition 1 and Proposition 68 Groundwater, and the Drinking Water State Revolving Fund (DWSRF), which offers repayable, low-interest financing and loans with partial or complete principal forgiveness. The Fund, and these other funding sources, constitute the larger SAFER Program and are further discussed in Section III.E.

Any expenditures from the Fund in FY 2020-21 must be consistent with this Plan. Complementary funding sources administered by the State Water Board will be used to address the needs and priorities identified in this Plan to the extent allowed by law and applicable policies.

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II.A. Plan Purpose and Objective

The purposes of the Fund Expenditure Plan are to:

- (1) Identify public water systems (PWSs), state smalls and regions where domestic wells consistently fail or are at risk of failing to provide adequate safe drinking water, the causes of failure, and appropriate remedies;
- (2) Determine the amounts and sources of funding needed to provide safe drinking water or eliminate the risk of failure to provide safe drinking water; and
- (3) Identify gaps in supplying safe and affordable drinking water and determine the amounts and potential sources of funding to eliminate those gaps.

This Plan supports the short- and long-term goals for the SAFER Program (see Policy Section I.A) and discusses funding capacity and distribution of funds; prioritization of solutions for water systems, administrators, technical assistance (TA), interim solutions, emergencies, operation and maintenance (O&M), state smalls, and households supplied by domestic wells; other activities (e.g., community engagement and workforce development); financing and programmatic requirements; outcomes, goals, and metrics; and a schedule for public comment and adoption of this Plan.

The State Water Board convened an Advisory Group in December 2019 to provide input into the development of this Plan, the Policy, and overall implementation of the Fund. More information on activities of the Advisory Group is presented in Section IX.A.

II.B. Drinking Water Needs Analysis

In 2018, the Legislature appropriated \$3 million to the State Water Board to perform a statewide safe and affordable drinking water needs analysis (Needs Analysis) to be completed by June 2021. In January 2019 and May 2019, the State Water Board hosted three staff workshops to obtain public input on the use of this funding. In September 2019, the State Water Board's DDW used this funding to enter into a service contract with the University of California, Los Angeles (UCLA) and multiple subcontractors to do the following:

- (1) Identify PWSs in violation and at risk of failure, including the development of a pilot interactive financial capacity web-based dashboard for small water systems between 500 to 3,300 connections; including development of a geographic information systems (GIS) map;
- (2) Identify state smalls and domestic wells with known or high risk of unsafe water, including interactive GIS map; and
- (3) Develop a cost analysis for interim and long-term solutions.

These three elements are further defined in Section XI.B of the Policy with up to date information available online at the State Water Board's [Drinking Water Needs Assessment website](#). The Needs Analysis, with Advisory Group and public input, will be the basis for future Fund Expenditure Plans, starting with the FY 2021-22 Fund Expenditure Plan.

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II.C. Affordability Threshold

The State Water Board must establish an affordability threshold in the Fund Expenditure Plan. 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)). The affordability threshold refers to a water system- or community -level affordability as opposed to an individual household affordability.

The FY 2020-21 Fund Expenditure Plan uses 1.5 percent of the annual median household income (MHI) of the community served by the water system as the Affordability Threshold. Any CWS with an annual water rate, based on water usage of 6 hundred cubic feet (CCF) of water per month, that exceeds 1.5 percent of the MHI is identified on the list included in Appendix A.

DFA has used 1.5 percent of the statewide MHI in the DWSRF program as a metric for determining whether a small DAC will receive repayable (loan) or non-repayable (e.g., grant or non-repayable) funding. While this may not represent a direct correlation to an unaffordable rate for a community, the 1.5 percent MHI affordability threshold allows for a preliminary evaluation of systems that may have challenges with affordable water rates. Six CCF indoor water usage per month is roughly equivalent to 50 gallons per person per day for a three-person household for 30 days.

State Water Board staff analyzed 2,780 CWSs, of which approximately 1,140 CWSs lacked the data necessary to estimate water rates. Of the 1,640 with sufficient data, staff identified 190 systems that exceeded the 1.5 percent MHI affordability threshold. Of those, 92 systems were identified that serve DACs. The tables with the results from the affordability threshold calculations are included in Appendix A.

The analysis used MHI data from water system boundaries on file with DDW and 2018 American Census Survey (ACS) block groups. When a water system size exceeded one block group, the MHI data was extrapolated using an average weight by area. Whenever possible, extrapolated MHI data was replaced with data calculated by DFA within the past five years or data collected by UCLA on water systems with 3,300 to 10,000 connections, as part of the 2019-2021 Drinking Water Needs Analysis contract.

Water rate data (at 6 CCF per month) was obtained from a variety of sources, including the 2017 electronic annual report (eAR), the 2018 eAR, and the 2019-2021 Needs Analysis contract effort. Needs Analysis collected data was prioritized over other data sources. If water rates from the Needs Analysis were not available, water rate data from the eAR was applied. After data source prioritization was complete, the percent MHI was calculated by dividing the average yearly water rate by the estimated MHI and converted to a percentage.

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State Water Board staff identified the following limitations to the data sources:

- Water rates or MHI data are not available for some water systems.
- Water rate and MHI data may not always represent the current year.
- Water rate data submitted through the eAR process lacks quality assurance and it is difficult to separate out some non-direct rate information.
- Water system boundaries may not be accurate.
- ACS block group data are extrapolated broadly across the state, and the weighted average is based on area, in lieu of population.

The initial exceedance estimate will be refined in future iterations of the Fund Expenditure Plans, through the work of DDW's Needs Analysis Unit.

State Water Board staff, in consultation with the Advisory Group, will develop an appropriate water system- or community-level affordability threshold to be considered by the State Water Board in future updates of the Policy or the FY 2021-22 Fund Expenditure Plan, per Section VI.B.5 of the Policy.

Staff will take the following steps to develop a refined affordability threshold, which will involve engagement with the Advisory Group and stakeholders throughout the process to solicit ideas; receive feedback on proposals; identify areas of consensus and concern; and identify information gaps:

July/August 2020 – work with the Advisory Group and stakeholders to identify potential alternative methodologies for establishing an affordability threshold.

Fall 2020 – develop the most promising alternative methodologies and apply different potential thresholds. Evaluate the alternative methodologies and results with the Advisory Group and stakeholders.

Winter 2021 – refine the alternative methodologies, as needed, and work with the Advisory Group and stakeholders to identify a preferred methodology.

Spring 2021 – include the preferred methodology in the draft Fund Expenditure Plan for FY 2021-22, as part of the formal public comment process.

The State Water Board recognizes that some water systems with current public health violations may have “affordable rates” but poor water quality due to the lack of adequate treatment and failure to adequately fund routine maintenance activities.

II.D. Updates to the Fund Expenditure Plan

The initial version of the Fund Expenditure Plan will be in place by July 2020 and will be updated annually as required by statute. Beginning in FY 2021-22, Fund Expenditure Plans will include a projected five-year strategy and associated funding solution list to the extent they can be identified and projected. The Deputy Director of DFA may make clarifying, non-substantive amendments to this Plan. The Deputy Director of DFA may also substantively update and amend the appendices included in this Plan.

III. FUNDING CAPACITY AND DISTRIBUTION OF FUNDS

III.A. General Funding Approach and Prioritization

DFA will manage the Fund in concert with the other complementary drinking water funding, including the Small Community Grants Drinking Water¹ (SCG DW) and DWSRF programs, to provide affordable financing and other types of assistance to drinking water systems to achieve the long-term goals of the SAFER Program. In general, SCG DW and DWSRF monies will be used to support priority capital infrastructure projects. The Fund will be used to address funding gaps for capital and non-capital projects that otherwise cannot be funded with other funding sources. The 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 top priorities for expenditures from the Fund for FY 2020-21 include: 1) addressing any emergency or urgent funding needs, where other emergency funds are not available and a critical water shortage or outage could occur without support from the Fund; 2) addressing CWSs and school water systems out of compliance with primary drinking water standards, focusing on small DACs; 3) accelerating consolidations for systems out of compliance, at-risk systems, as well as state smalls and domestic wells, focusing on small DACs; 4) providing interim solutions, initiating planning efforts for long-term solutions, and funding capital projects for state smalls and domestic wells with source water above a primary MCL.

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, DFA may commit funding to a given project after a complete application has been submitted and DFA has completed its review of the application package. Where needed, DFA will provide TA support for those water systems that require help to complete an application or manage a project. In addition, DFA will work with DDW staff and Local Primacy Agencies (LPAs) where enforcement or compliance action are 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.

There are a number of pending or existing projects receiving assistance from the State Water Board's other funding programs that do not fall within the top priority categories (e.g., planning for water meters, water storage tank repair or replacement). Given the limited grant/non-repayable capital funding available, DFA will prioritize processing applications for capital projects for consideration of grant/non-repayable funding for

¹ "Small Community Grants Drinking Water Programs" means small community grant funds available from various general obligation bonds.

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projects that fall within one of the top priority categories described above. Complete applications received before June 30, 2020 for projects outside of the top priority categories will be evaluated for prioritization on a case-by-case basis.

III.B. Consideration of Greenhouse Gas Reduction Fund Requirements

The expenditures from the Fund originating from moneys 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 Disadvantaged Communities, GGRF Low-Income Communities, and GGRF Low-Income Households. Projects funded will assist communities confronted with impacts to source waters that have been exacerbated by climate change, such as reduced surface water flows, accelerating declining groundwater levels, and increasing concentrations of contaminants. The State Water Board anticipates receiving GGRF revenues on a quarterly basis every fiscal year beginning in September. GGRF expenditures from the Fund will be administered in compliance with the Funding Guidelines for Agencies that Administer California Climate Investments ([GGRF Funding Guidelines webpage](#)). The key items from the August 2018 GGRF Funding Guidelines for Program Administration (Section IV.A. of the GGRF Funding Guidelines) are included as Appendix B.

III.C. Tribal Considerations

There are approximately 90 federally recognized tribal CWSs, 23 non-transient non-community water systems, and 15 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 on the EPA Region 9 webpage](#).

As of July 1, 2019, there were seven federally recognized tribal CWSs that had public health violations, representing a population of approximately 3,800 people. Of those seven federally recognized tribes, two had U.S. EPA funding projects in progress to address the violation. The five remaining water systems that potentially may need state funding assistance represent a population of approximately 850.

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, 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.

The Office of Public Participation will take the lead in reaching out to tribal leaders, Indian Health Services, and other partners to identify needs and potential solutions for water systems serving federally recognized California Native American tribes and non-

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federally recognized Native American tribes on the contact list maintained by the Native American Heritage Commission.

III.D. Report of Recent Expenditures (FY 2019-20)

Per Section XI.H of the Policy, the Fund Expenditure Plan 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 Budget Act of 2019 appropriated \$100,000,000 from the GGRF and \$30,000,000 from the State General Fund to the State Water Board for support or local assistance to fund grants, loans, contract, or services to help water systems provide safe and affordable drinking water. An additional \$3.4 million was provided for the State Water Board's staff costs. The table below summarizes the amount of funding encumbered for FY 2019-20 from the Budget Act appropriations and provided to water systems serving DACs and additional funding provided through complementary financing programs (see Appendix C for a list of all estimated encumbrances for FY 2019-20 as of May 2020 in the SAFER Program).

The FY 2019-20 appropriations were focused on the following priorities: 1) establishing regional programs to provide interim replacement water; 2) increasing TA capacity support for DACs, with a focus on increasing capacity to accelerate planning required to construct required infrastructure improvements for systems out of compliance; and 3) funding pending planning and construction projects for systems that were out of compliance; for systems at-risk for being out compliance due to failing infrastructure; or to support projects that would reduce long-term O&M costs.

Table 1 is a summary of FY 2019-20 Encumbrances for the SADW Fund (as of June 2020) broken out by type of system and type of project. Technical assistance will be prioritized for out of compliance systems but may be used for potential at-risk systems. Table 2 is a summary of FY 2019-20 Encumbrances for the larger SAFER Program (as of June 2020), which includes the SADW Fund plus complementary funding, broken out by funding category. A full list of FY 2019-20 Encumbrances for the larger SAFER Program by project is included as Appendix C.

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Table 1. FY 2019-20 SADW Fund Estimated Encumbrances (as of June 2020)

	Solution Type						
		Direct/Indirect O&M Support					
Water System Category	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Planning	Direct O&M Support	Construction	<i>SUBTOTAL BY WATER SYSTEM CATEGORY</i>
Systems Out of Compliance	\$2,500,000	\$67,171,151	\$0	\$300,000	\$0	\$20,477,219	\$90,448,370
Systems At-Risk	\$0	\$0	\$0	\$1,266,210	\$0	\$33,343,825	\$34,610,035
State Small Systems/ Domestic Wells	\$4,941,595	\$0	\$0	\$0	\$0	\$0	\$4,941,595
<i>SUBTOTAL BY SOLUTION TYPE</i>	<i>\$7,441,595</i>	<i>\$67,171,151</i>	<i>\$0</i>	<i>\$1,566,210</i>	<i>\$0</i>	<i>\$53,821,044</i>	
TOTAL							\$130,000,000
Other Program Needs	Pilot Projects						
	\$0						
GRAND TOTAL							\$130,000,000

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Table 2. FY 2019-20 SAFER Program Estimated Encumbrances (SADW Fund plus complementary funding) (as of June 2020)

Funding Category		FY 2019-20 Estimated Encumbrances	Number of Agreements*
SADW Fund	GGRF and General Fund	\$ 130,000,000	34
General Obligation Bond Funding	Prop 1	\$ 2,882,225	5
	Prop 50	\$ 2,000,000	-
	Prop 68	\$ 54,943,471	21
	Prop 84	\$ 13,050,344	12
General Fund	AB 72	\$ 20,804,628	29
	AB 74	\$ -	-
Principal Forgiveness	DWSRF	\$ 44,365,889	20
Repayable Financing/Loans (DACs only)	DWSRF	\$ -	-
TOTAL		\$ 268,046,557	121

*Agreements that received funds from multiple funding sources are attributed to the funding program that makes up the majority of the funding total.

III.E. SADW Fund Target Expenditures

The Governor’s May Revision of the Budget includes updated revenue projections for the GGRF and projects up to \$130 million may be available for transfer to the SADW Fund. These funds are used to both provide local assistance to communities and cover staff costs for the administration and implementation of the SADW Fund.

The target expenditures from the SADW Fund are provided below. 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 (Pilot Projects; Staff Costs). Within each water system category, the projected distribution among solution types is also provided. Detailed discussion on each solution type is provided elsewhere in the Plan.

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 2020-21 expenditures will likely differ from the targets based on factors such as: the amount and timing of transfers of funds from the GGRF to the SADW Fund; the actual versus projected need for funding (e.g., if less planning funding is needed than anticipated, then funds anticipated to support planning efforts will be used elsewhere); capacity of likely funding recipients (e.g., TA providers may already be at their capacity

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limit) and the readiness of projects to proceed (e.g., new program initiatives can often take longer to initiate and may not be ready for funding until FY 2021-22).

The projected target expenditures are based on the priorities described in the Policy and the availability of complementary funding to fund solutions. The anticipated funding for interim water supplies and emergencies (\$19 million) is equivalent to providing over 9,000 households with bottled water (at \$75 /month/ household) for two years with approximately \$2.5 million available to address emergencies (see Section VI for description of “emergencies”). The “At-Risk” systems that would be the focus of interim water supplies are those with source water exceeding the State Water Board’s previously established hexavalent chromium MCL of 10 parts per billion (ppb). The funding for interim solutions for systems out of compliance and those systems with elevated hexavalent chromium levels will be focused on communities with a population of less than 1,000 people. The focus for interim solutions will be on low-income households and identifying the lowest cost option based on the anticipated timeframe for providing a long-term solution.

Significant investments in TA were made with FY 2019-20 funds, primarily to support accelerated planning efforts for systems out of compliance; to support consolidations; and to provide enhanced assistance to water systems to address technical, managerial, and financial (TMF) capacity deficiencies. The proposed FY 2020-21 TA investments will supplement work with systems out of compliance, but focus more resources on “At-Risk” systems to help them avoid going out of compliance and to invest more in state smalls and domestic well owners that are in areas at high risk of having contaminated aquifers.

The appointment of Administrators is expected to gradually ramp up in FY 2020-21. Staff anticipate that \$10 million general funds allocated for Administrators from the 2018 Budget will still be available, and, therefore, additional investment from the Fund is not necessary. Although the cost to fund Administrators is not yet known, the total of \$10 million could fund up to 20 Administrators for two years at an average cost of \$250,000 per year. DDW anticipates being able to appoint at least five Administrators in FY 2020-21.

The anticipated Planning and Construction funding for Systems Out of Compliance or At-Risk will be used in conjunction with complementary funding when limitations apply to those complementary funding sources either due to statutory funding caps or due to availability of funding. For “At-Risk” systems, planning and construction funding will focus on supporting consolidation efforts. Staff anticipate the 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.

The focus of direct O&M support will be on assisting larger systems that are subsuming smaller water systems. Direct O&M support will help address any deferred

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maintenance or revenue shortfall associated with consolidation of the subsumed system during an interim period. The interim O&M assistance is expected to last until such time as any required infrastructure upgrades have been completed and appropriate water rate adjustments applicable to the subsumed system have been made. In some cases, direct O&M support may be provided to smaller standalone water systems as part of a pilot study, but only when physical or managerial consolidation is not an option due to the remote location of the water system.

The “Other Program Needs” include pilot projects to help develop innovative or new approaches to determine best practices and feasibility before wide-scale implementation – e.g., direct O&M support to address affordability issues; innovative point of use (POU)/point of entry (POE) treatment technologies. DFA staff will look for opportunities to incorporate these pilot efforts into existing projects or programs.

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. The Governor’s January budget proposal for FY 2020-21 included 48 staff that would be in addition to the 23 staff positions authorized in FY 2019-20. These 71 staff positions are established throughout the State Water Board organizations, including DDW, DFA, OPP, DWQ, the Division of Administrative Services (DAS), the Office of Chief Counsel (OCC), the Division of Information Technology (DIT), and the Office of Public Affairs (OPA). More information on the SAFER Program Resources is included in Section III.H.

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Table 3. FY 2020-21 SADW Fund Target Expenditures

	Solution Type						
		Direct/Indirect O&M Support					
Water System Category	Interim Water Supplies and Emergencies	Technical Assistance	Administrator	Planning	Direct O&M Support	Construction	<i>SUBTOTAL BY WATER SYSTEM CATEGORY</i>
Systems Out of Compliance	\$10 M	\$7 M	\$0	\$3 M	\$5 M	\$19 M	<i>\$44 M</i>
Systems At-Risk	\$4 M	\$18 M	\$0	\$3 M	\$5 M	\$20 M	<i>\$50 M</i>
State Small Systems/ Domestic Wells	\$5 M	\$5 M	\$0	\$0	\$0	\$10 M	<i>\$20 M</i>
<i>SUBTOTAL BY SOLUTION TYPE</i>	<i>\$19 M</i>	<i>\$30 M</i>	<i>\$0</i>	<i>\$6 M</i>	<i>\$10 M</i>	<i>\$49 M</i>	
TOTAL							<i>\$114 M</i>
Other Program Needs	Pilot Projects	Staff Costs					
	\$3.2 M	\$12.8 M					
GRAND TOTAL							\$130 M

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III.E.1. Other Funds Available in the SAFER Program (Complementary Funding)

Proposition 1 (Prop 1), the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Assembly Bill 1471, Rendon) allocated \$260 million for drinking water grants and loans for PWS infrastructure improvements and related actions to meet safe drinking water standards, to ensure affordable drinking water, or both. The State Water Board's guidelines for the Prop 1 drinking water funds are updated annually, in conjunction with the DWSRF Intended Use Plan (IUP).

Prop 1 also includes \$720 million for the prevention and cleanup of contamination of groundwater that serves or has served as a source of drinking water (Prop 1 Groundwater Grant Program). The Prop 1 Groundwater Grant Program Guidelines (available at:

https://www.waterboards.ca.gov/water_issues/programs/grants_loans/proposition1/docs/prop-1_gwgp_amended-guidelines_accessible_2019-12-23.pdf) identify drinking water treatment projects that benefit DACs or Economically Distressed Areas (EDAs)² as eligible projects. Grant funding of up to \$5 million is available for such projects.

Proposition 68 (Prop 68), the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 allocated \$250 million for drinking water and clean water financial assistance for PWS infrastructure improvements and related actions to improve water quality or help provide clean, safe, and reliable drinking water.

The State Water Pollution Cleanup and Abatement Account (CAA) is established by Water Code sections 13440-13443. The sources of the CAA include: General Fund appropriations; criminal or civil penalties for water quality violations; repayments of CAA loans; and interest. (Wat. Code, § 13441). Consistent with the CAA Funding Program Guidelines, adopted by the State Water Board on December 11, 2018, available funds may be awarded to 1) projects that clean up waste and/or abate the effects of waste on waters of the State; or 2) projects that address urgent drinking water needs. Due to the recent transition to the statewide accounting system (FI\$Cal), a recent reconciled account balance for the CAA is not available; however, it is estimated that less than \$1 million of the funds in the CAA are not committed to projects or other obligations.

The Drinking Water for Schools (DWFS) grant program was initially appropriated and has awarded \$9.5 million in grant funds to school districts to improve access to, and the quality of, drinking water in public schools. Funds were awarded to over 70 school

² "Economically Distressed Area" is defined in Water Code section 79702, subdivision (k) to mean a municipality with a population of 20,000 persons or less, a rural county, or a reasonably isolated and divisible segment of a larger municipality where the segment of the population is 20,000 persons or less, with an annual median household income that is less than 85 percent of the statewide median household income, and with one or more of the following conditions: (1) Financial hardship; (2) Unemployment rate at least 2 percent higher than the statewide average; (3) Low population density.

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districts pursuant to Senate Bill 828 (the Budget Act of 2016), consistent with the DWFS Guidelines adopted by the State Water Board on May 16, 2017. An additional \$6.8 million was authorized in the Budget Act of 2018. Guidelines for the additional funding were adopted on June 18, 2019, and funding was awarded to two nonprofits with a focus on addressing schools receiving drinking water that exceeds primary MCLs. All DWFS funds have been encumbered.

SB 862 (Chapter 449, Stats 2018), Assembly Bill (AB) 72 (Chapter 1, Stats 2018), and AB 74 (Chapter 23, Stats 2019) made appropriations from the General Fund to help provide drinking water systems, schools, and homeowners with funding to address numerous challenges to the provision of safe, reliable drinking water. These bills authorize the State Water Board to provide grants for administrators, urgent drinking water needs, water system emergencies, and various household needs including tanks and hauled water, well and septic system replacement, permanent connections to public systems, and POU/POE treatment systems. The funds available and status of each program are detailed in Appendix D.

The DWSRF program finances infrastructure improvements to mitigate drinking water risks and support the human right to water. In accordance with federal rules, the DWSRF program prioritizes financing for projects that (1) address the most serious human health risks, (2) are necessary to comply with federal Safe Drinking Water Act (SDWA) requirements, and (3) assist PWSs most in need on a per household basis. Repayable, low-interest financing and partial or total principal forgiveness are available through the DWSRF. Approximately, \$53 million in principal forgiveness is expected to be available from the DWSRF capitalization grant that the U.S. EPA will provide to California during federal fiscal year 2020.

**Table 4. FY 2020-21 SAFER Program Anticipated Expenditures
(SADW Fund plus complementary funding)**

Funding Category		FY 2020-21 Available Funds
SADW Fund	GGRF	\$ 117,200,000
General Obligation Bond Funding	Prop 1	\$ 24,041,259
	Prop 1 GW	\$ 110,000,000
	Prop 50	\$ 1,437,411
	Prop 68	\$ 121,363,058
	Prop 84	\$ 5,257,826
General Fund	AB 72	\$ 20,245,372
	AB 74	\$ 11,000,000
Principal Forgiveness	DWSRF	\$ 85,223,248
Repayable Financing/Loans*	DWSRF	\$ 30,000,000
TOTAL		\$ 525,768,173

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* This is an estimate of the amount of repayable loan financing that may be expended for small DAC projects that also receive grant funding. The total amount of anticipated repayable loan financing that is expected to be committed in FY 2020-21 can be found in the DWSRF IUP.

III.E.2. Applying for SAFER Program Funding

Interested parties may apply for SAFER Program funding through the [Financial Assistance Application Submittal Tool](#) (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 larger SAFER Program is most appropriate (i.e., SADW Fund or other complementary funding sources). More information on the pre-application is available at the [Small Community Funding Program website](#). Entities eligible for funding and project eligibility determination information is available in Sections V and VI of the Policy.

III.F. Funding Solution List for Systems Out of Compliance

Per Health and Safety Code section 116769, subdivision (a)(2), the Fund Expenditure Plan 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, all of the following:

- Any PWS that consistently fails to provide an adequate supply of safe drinking water.
- Any CWS that serves a DAC that must charge fees that exceed the affordability threshold established by the board in order to supply, treat, and distribute potable water that complies with federal and state drinking water standards.
- Any state small that consistently fails to provide an adequate supply of safe drinking water.

The list of PWSs that fail to provide an adequate supply of safe drinking water is included as Appendix E. Such systems are out of compliance with drinking water standards and have been issued a compliance order by DDW. Priority for funding projects for systems out of compliance will be based on consideration of the:

Type of Problem: 1) whether the water delivered by the system poses an immediate health risk or 2) is from an untreated or at-risk source; and 3) whether the water system has other chronic compliance³ or water shortage problems; and

Type of System/Solution: 1) assisting DACs served by a PWS or low-income households served by a state small water system receive access to safe drinking water as quickly as possible (both near term and long-term); 2) promoting the consolidation or extension of service and supporting appointed administrators; 3) funding solutions other

³ Chronic compliance problems include persistent violations of secondary MCLs.

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than those related to capital construction costs, when complementary funding sources are available; and 4) assisting small non-DACs with contaminants above the MCL.

The FY 2020-21 Funding Solution List for Systems Out of Compliance identifies existing and potential solutions that are either approved for funding, have requested funding, or may request funding from the State Water Board as of June 2020 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 [initiated discussions, voluntary, or mandatory process])
- Costs (existing funding with approved costs, 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 will self-fund projects or receive funding from other sources other than the State Water Board to fund their compliance project.

Table 5 is a summary of the FY 2020-21 Funding Solution List for Systems Out of Compliance (Appendix E), which includes a total of 317 systems out of compliance, serving 908,900 people for a total of approximately of \$320 million (approved and requested funding only).

Table 5. Summary of FY 2020-21 Funding Solution List for Systems Out of Compliance

Solution Category	Projected Number of Solutions	Existing Funding Being Provided	Funding Being Requested/ Potential Funding Need
Technical Assistance	84	\$5,240,235	--
Interim Solutions	317	\$4,067,684	\$148,429,935
Planning*	50	\$5,120,848	\$4,754,400
Construction*	61	\$39,631,330	\$112,998,648
TOTAL	512	\$54,060,097	\$266,182,983

*Consolidation costs are counted within the planning and construction line items.

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III.G. Funding Solution List for Potential At-Risk Water Systems

Per Health and Safety Code section 116769, subdivision (a)(3), the Fund Expenditure Plan 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 Potential At-Risk Systems is included as Appendix F. Per Section XI.F of the Policy, a water system may be considered at-risk if it has: 1) source water contaminants for which a new or revised MCL is being proposed, 2) inadequate TMF capacity, 3) system or water supply vulnerability, 4) a history of past violations, 5) secondary risks, or 6) other identified risk factors.

Priority for funding projects for systems potentially at risk will be based on consideration of the:

Type of Problem: 1) whether the water system is at risk of failing to deliver drinking water that meets primary drinking water standards absent infrastructure improvements within the next three years; and 2) whether the water system has other chronic compliance or water shortage problems; and

Type of System/Solution: 1) assisting DACs served by a PWS or low-income households served by a state small water system; 2) promoting the consolidation or extension of service and supporting appointed administrators; and 3) funding solutions other than those related to capital construction costs, when complementary funding sources are available.

Absent the results of the Needs Analysis, State Water Board staff developed the FY 2020-21 Funding Solution List for Potential At-Risk Systems based on information submitted to DFA through funding applications. Information was not available for state smalls. For FY 2020-21, the Funding Solution List for Potential At-Risk Systems includes systems with existing and potential solutions that are either approved for funding, have requested funding, or may request funding from the State Water Board as of June 2020. The systems included on the list meet one or more of the six criteria listed above, have requested emergency repair funding from the State Water Board, or were out of compliance with the previously established MCL for hexavalent chromium. Note that systems may, in some cases, be on both Funding Solution Lists (for Systems Out of Compliance and Potential At-Risk Systems) if they have applied for funding for a project that is different than one that addresses their violation or were also out of compliance with the previously established hexavalent chromium MCL.

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The FY 2020-21 Funding Solution List for Potential At-Risk Systems includes information on the following:

- Population
- County
- Risk categories (emergency repair funding, source water contaminants, inadequate TMF capacity, system or water supply vulnerability, history of past violations, secondary risks, and other identified risks)
- 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 Potential At-Risk Systems is ordered alphabetically by water system name. The order by which water systems are listed on the Funding Solution List for Potential At-Risk Systems does not reflect priority for funding.

Table 6 is a summary of the FY 2020-21 Funding Solution List for Potential At-Risk Systems (Appendix F), which includes a total of 339 systems meeting one or more risk categories, serving 1.41 million people for a total of approximately of \$576 million (approved and requested funding only).

Table 6. Summary of FY 2020-21 Funding Solution List for Potential At-Risk Systems

Solution Category	Projected Number of Solutions	Existing Funding Being Provided	Funding Being Requested/ Potential Funding Need
Technical Assistance	86	\$5,172,947	--
Interim Solutions	124	\$855,983	\$239,034,195
Planning*	102	\$30,948,947	\$15,134,613
Construction*	100	\$132,067,137	\$152,868,156
TOTAL	412	\$169,045,014	\$407,036,964

*Consolidation costs are counted within the planning and construction line items.

Table 7 is a summary of potential demand for FY 2020-21 based on the information presented in the Funding Solution Lists for both Out of Compliance and Potential At-Risk Systems (requested funding only). The line for Interim Solutions shows totals for water systems serving populations of less than 1,000 only.

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Table 7. Summary of FY 2020-21 Potential Demand

Solution Category	Funding Solution List for Systems out of Compliance	Funding Solution List for Potential At-Risk Systems	TOTAL
Interim Solutions*	\$9.4 M	\$3.6 M	\$13 M
Planning	\$4.7 M	\$15 M	\$19.7 M
Construction	\$113 M	\$153 M	\$266 M

*Interim Solutions totals shown for water systems serving populations of less than 1,000 only.

III.H. Safe and Affordable Drinking Water Program Resources and Workload

A summary of the distribution of the 71 total positions authorized by the Budget Act of 2019 and the Budget Act of 2020 is provided below⁴:

- 26 PYs total in DFA to support the administration and implementation of the Fund. Staff workload includes, but is not limited to, (1) developing and adopting a fund implementation plan, which must include funding priorities and guidelines; (2) coordinating with DDW and DAS in conducting the assessment of funding needs and developing estimates of expected revenue; (3) engaging with stakeholders, including marketing and outreach; and (4) application review, project management, grant agreement and contract development, disbursement processing, and fiscal tracking of funds for interim replacement water, administrators, TA, O&M support, planning, and construction projects to support DACs. Nineteen (19) positions are associated with administrative tasks and seven (7) positions are associated with implementation tasks.
- 21 PYs total in DDW to support implementation of the regulatory aspects of the SAFER Program, including working with drinking water systems on the list of systems out compliance and potential at-risk systems on potential solutions; assigning administrators; consolidations; interim water supplies; outreach; and enforcement. Work for the positions includes establishing the need for and ordering administrators for water systems where authorized by statute; community engagement required to issue orders for administrators and consolidation; facilitate voluntary consolidations; enhancing TMF evaluations; and coordination of project development with DFA and DDW District Engineers. Staff will also annually develop, and present to the State Water Board for adoption, in collaboration with DFA an assessment of the total annual funding needed to assist water systems in the state to secure the delivery of safe drinking water. Additionally, an evaluation

⁴ The descriptions of the tasks and responsibilities for the positions comes primarily from the Budget Change Proposals submitted for the respective FY 2019-20 and FY 2020-21 budget years, as posted on the Department of Finance’s web site.

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will be completed for state smalls, which are currently not regulated, as well as households that are served by domestic wells in high risk areas. All positions are associated with implementation tasks.

- 7 PYs total in OCC. Attorneys tasked with DDW and DFA assistance are needed in order to: provide legal review of consolidation orders; provide legal review of petitions of consolidation orders, and represent DDW in any petition that comes before the State Water Board; work with the Attorney General's office to defend any lawsuits brought against DDW for challenges to consolidation orders; work with administrators to address potential legal obstacles to consolidations or funding; provide legal review of standards and procedures for the policy handbook, as required in AB 2501 (2018), that define the use of administrator powers and requirements by the State Water Board, and ensure that the adoption of the policy handbook follows legally defensible process; assist with the development of implementation plan to administer grants and contracts for the Safe and Affordable Drinking Water Fund; develop recommendations for potential follow-up actions when non-compliance with financial assistance agreements is identified by staff; develop diligence protocols and assist program staff with due diligence review on projects; and develop local assistance funding agreement templates and customized agreements, and review project funding agreements. One (1) position is associated with administrative tasks and six (6) positions are associated with implementation tasks.
- 9 PYs total in OPP to coordinate and lead public outreach, engagement, and communication efforts with the wide variety of stakeholders in communities that lack safe drinking water. Stakeholders include residents of DACs (many of whom are non-English speaking), water system officials serving small DACs, elected officials, civic and religious organizations, and farmers. OPP will lead engagement and coordination with Native American tribal water systems, tribal governments, and tribal communities. OPP will also lead and coordinate with DDW and DFA on the Advisory Group and development and implementation of pilot projects. Because of the nature of the drinking water systems being addressed, reaching the goals of the SAFER Program requires a higher level of community engagement than other State Water Board programs. All positions are associated with implementation tasks.
- 4 PYs in DAS for accounting work related to managing the posting of payments, preparing journal entries and detailed daily reports, reconciling budget appropriations to control agency and State Controller's Office records, reviewing cash transfer letters for payments, preparing weekly, monthly, and annual reconciliations, management reports, and financial statements. For the new fund and revenue stream(s), these positions also will provide ongoing cash flow analysis, and review auditing standards and year-end reporting standards to ensure compliance with Generally Accepted Accounting Principles and State and Federal regulations. All positions are associated with administrative tasks.

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- 2 PYs in DIT to provide Information Technology system support of enhancements for GIS technology and application development. The positions will also provide ongoing maintenance for these systems. The position assigned to the GIS unit would support the enhanced Human Right to Water web portal, including maps and reports of contaminated aquifers and state wells that exceed primary federal and state drinking water standards. This position would be responsible for providing GIS technical system architecture and systems development support of the new GIS services included in the new public web portal. The positions assigned to the application development unit would design, build, implement, and maintain State Water Board systems that will provide data management and project tracking for the programing, managing and sharing Program data. All positions are associated with administrative tasks.
- 1 PY in OPA to provide messaging, fact sheets, press releases, and media outreach to explain and provide media updates in support of the ten (10) years of annual funding through the SADW Fund. The position develops content for social media; reviews collateral and provides feedback on messaging, using plain-language and readability concepts; and attends stakeholder meetings to assist with messaging. The position is associated with administrative tasks.
- 1 PY in DWQ's Groundwater Ambient Monitoring and Assessment (GAMA) Unit to prepare the maps of high-risk areas. These maps are updated at least annually based on updated information received and used to prepare the needs assessment and fund expenditure plan. The position is associated with administrative tasks.

In summary, twenty-eight (28) positions are associated with administrative tasks and forty-three (43) positions are associated with implementation tasks. The total estimated cost for the administrative positions is less than \$4.9 million (approximately 3.8 percent of the \$130 million anticipated in the SADW Fund) and the total estimated costs for the implementation positions is less than \$8 million.

III.I. Process Improvement Areas

During FY 2019-20 the State Water Board worked on several areas to improve and streamline internal processes and coordination. These efforts will continue in FY 2020-21.

(1) Final Budget Approval (FBA) Process

When a funding agreement for a construction project is executed, the project has generally not gone out to bid; therefore, the actual total project cost and cost of various project components are not known. DFA uses the FBA process to approve eligible costs after the bids have come in and contractors selected. Generally, construction cannot begin until the final budget is approved. The FBA process has been updated to no longer require a full amendment of the construction agreement if the final construction bids come in at or under the authorized budget included in the original funding agreement. In this case, the FBA process will include the review and issuance of a letter acknowledging that the necessary documentation has been

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received showing the recipient has completed the necessary requirements of the bidding process. This change is estimated to eliminate around two to three months of processing time in approving final budgets, which should accelerate project completion timeframes.

(2) Amendments for Time Extensions

Amendments to simply extend project completion dates have taken many months to a year, as priority has been given to issuing new funding agreements. The new process implemented in FY 2019-20 streamlines the amendment process, which has been a workload on the same staff that work on new funding agreements. When recipients are only requesting additional time to complete a project and are not requesting additional funding, the Deputy Director (or designated Assistant Deputy Director) may issue a letter amendment approving the additional time with reasonable cause. This change in the process is anticipated to reduce the time to approve a time extension to around three months. The process is simplified, making cross-training and utilization of staff who are not familiar with preparing funding agreements possible, freeing up staff with expertise in preparing funding agreements to focus on issuing new agreements.

(3) Planning Phase

The planning phase of a project for a small DAC water system can be the lengthiest phase, often taking several years between the time a problem is identified, a planning agreement is executed, and the planning is completed. Included in this phase is applying for and receiving funding, as well as managing the consulting firms that are preparing the planning documents. Many small DAC water systems do not have the capacity to effectively oversee the work of consulting firms, even when successful in receiving funding. In addition, some water systems are not motivated to quickly complete the planning process, especially if a new treatment process will result in high O&M costs and require rate increases. In FY 2020-21, DFA is significantly increasing the capacity of TA providers to conduct the necessary planning work on behalf of small DAC water systems. The TA providers will work directly with engineering firms to complete more of the planning projects and to complete applications for construction funding on behalf of the small DAC water system. This change would eliminate the need to apply for separate planning funds and has the potential to shorten the overall planning phase by an estimated nine months.

(4) Cross-Training and Process Improvements

As DFA has added staff and re-organized, the management team is working on continuously improving processes and developing greater process consistency between different work units. Together with cross-training of staff, such improvements are allowing managers to shift workload between units as demands on different units change. DFA uses the State Water Board's Wiki platform to ensure that any procedural changes are updated quickly and broadly available to staff.

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(5) Applicability of Certain Federal Cross-Cutters

Consistent with federal guidelines and the authority granted by the State Water Board in the Drinking Water SRF IUP, the Deputy Director of DFA approved a CEQA-only environmental requirements review process for small DAC drinking water projects to mitigate significant delays and increased costs in completing planning projects. The alternative environmental review process is approved until June 30, 2021 and will carry over into the construction phase of the project eligible for the alternative process. The “CEQA-plus” federal environmental review process has generally been applied to all small DAC drinking water projects. The federal environmental cross-cutting review process may require additional studies and consultations with federal wildlife services and the State Historic Preservation Office, which can lead to significant delays in completing planning projects and increased costs. Compliance with CEQA requirements are not waived.

(6) Increased DDW/DFA/OPP Coordination

DFA and DDW regularly coordinate on projects during the development of the funding agreement, in review of project deliverables, and in ensuring projects are properly constructed to meet permit requirements. DDW, DFA, and OPP are increasing this coordination through regular DDW-District specific quarterly meetings to evaluate progress on addressing needs of small DAC water systems. These discussions include evaluation of needed enforcement and compliance efforts; progress on completing State Water Board funded projects; identification of unmet needs, such as TA or interim replacement water; status of community outreach and engagement; and evaluation of opportunities for and progress in consolidation and administrator appointment efforts. OPP will also help facilitate discussions with tribes, as appropriate.

The above process improvements will also have an overall impact on the time it takes to issue a funding agreement or amendment. Streamlining the above processes will also enable DFA staff to shorten the process time on other areas.

IV. ADMINISTRATORS

In August 2019, the State Water Board adopted an Administrator Policy Handbook 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 will be identified based on the Needs

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Analysis, the prioritization process outlined in Section III, and the direct local knowledge and expertise of DDW District Office staff. The State Water Board 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 incorporating significant community engagement as outlined in the Administrator Policy Handbook.

DDW staff are evaluating water systems out of compliance to determine the appropriateness of appointing an administrator. Funds allocated from AB 72 and the SADW Fund can be utilized to support the activities of appointed administrators.

The funding provided for the Administrator, while a form of O&M support, 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 for direct O&M support or capital projects. Limited funding may be provided to the Administrator to address emergency repairs or maintenance activities for those systems that have inadequate reserves.

V. TECHNICAL ASSISTANCE

DFA 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 expand those efforts under the SAFER Program using the Fund. DFA has accepted TA requests on a continuous basis. A Technical Assistance Request 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.

With the 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 Needs Analysis, 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.

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

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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 (e.g., revolving bridge loan fund and TA provider-operated emergency fund).

VI. INTERIM SOLUTIONS 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.

VI.A. Prioritization of Requests for Interim Solutions

Interim solutions will be prioritized for small DACs served by water systems or domestic wells with contaminants above primary MCLs or response levels. The initial focus will be on contaminants with acute toxicity, such as nitrate. In addition to the normal application process through FFAST, State Water Board staff or TA providers will outreach directly to communities identified as needing interim solutions per the Needs Analysis, the prioritization process outlined in Section III, and other available information. After interim solutions are in progress, longer-term TA or planning needs will also be evaluated and addressed.

As shown in Section III, 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) cost effectiveness; c) technical feasibility; and d) 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 can include POU/POE systems, hauled water, bottled water, vending machines/filling stations, temporary connections to safe water sources, or purchasing 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, for example, immediate short-term provision of bottled water while POU/POE treatment is implemented.

Whenever appropriate, State Water Board staff will seek to work with systems and entities to promote regional scale solutions that address multiple communities, as opposed to a series of individual projects or services to increase efficiency and

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decrease administrative burden. Some examples currently being funded include: a statewide program for interim water at small disadvantaged schools served drinking water that is not meeting standards, or programs to address interim water needs at water systems and/or households across one or more counties.

Interim solutions will be focused on those households that can least afford to purchase their own bottled water, so DFA will require income verification in most cases for a household to receive bottled water or another interim solution.

VI.B. Prioritization of Requests for Emergency Funding

This section discusses prioritization related to emergency improvements or repairs (for example, well replacement or emergency interties) that are typically geared toward addressing unforeseen needs experienced by individual systems. Emergency funding requests are accepted on a continuous basis to address needs as they arise.

The State Water Board will give priority to requests for emergency funding from systems that serve small DACs where there is the greatest threat to public health and safety. In determining priorities for funding projects, the State Water Board 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 an eligible recipient to access, other funds available to address emergency needs, including other State, federal or local funds.

In some cases, assistance with interim water may also be provided to supply safe water 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; ruptured distribution line) will be evaluated as candidates for appointment of an administrator or potential consolidation.

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

VII. OPERATION AND MAINTENANCE

State Water Board staff will employ an iterative approach to assisting systems to optimize efficiency and lower O&M costs. Near term efforts include providing TA, providing planning funding, and appointing administrators. Such efforts indirectly lower O&M costs, since the State Water Board is funding activities that would normally be funded by the water system.

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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 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 long-term O&M costs through implementation of capital improvement projects. This may be achieved through a variety of efforts, such as: physical or managerial consolidation, or improvements to reduce overall water and energy demand, including installation of water meters, replacement of leaking or aging distribution lines, installation of solar energy systems, and replacement of inefficient pumps.

Any direct O&M cost support will be prioritized to facilitate voluntary consolidations. During the interim period that the larger system is subsuming the smaller water system, it may be appropriate to provide funding to offset any increased costs associated with continuing to operate the smaller water system that is to be consolidated. On a pilot basis, the State Water Board may also provide direct funding to water systems to offset high-water rates or assist in paying off long-term debt, if debt payments require the imposition of unaffordable water rates.

Since the long-term goal is for all systems to become self-sustaining, any direct assistance will be conditioned on the system working to optimize efficiency, consolidate where feasible, or take other actions as directed by the State Water Board to reduce O&M costs.

VIII. STATE SMALL WATER SYSTEMS AND HOUSEHOLDS SUPPLIED BY DOMESTIC WELLS

In areas with high population density but without centralized infrastructure, priority will be given to projects that consolidate DACs without PWSs into larger PWSs, especially in areas with high risk of contamination or water shortage.

VIII.A. Identification of State Smalls and Domestic Wells that are At Risk

The initial focus of the SAFER Program related to state smalls and domestic wells will be estimating the amount and location of state smalls and domestic wells that are at risk of being impacted by contaminants, drought, or other resiliency factors. This initial analysis will be based primarily on:

- Maps created by the State Water Board's DWQ 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 drinking water source for a state small water system or domestic well (aquifer risk map), and

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- Maps created by the Department of Water Resources (DWR) of areas at high risk for drought and other resiliency factors.

DWQ and DDW will also 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.

Per Health and Safety Code section 116769, subdivision (a)(4), the Fund Expenditure Plan 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). The estimate shall identify approximate locations of households, without identifying exact addresses or other personal information, in order to identify potential areas for outreach and assistance programs. This information will be used to develop the aquifer risk map and will be included in future annual updates of this Plan. Previous work is available via the DDW Needs Assessment page https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/needs.html.

Ahead of the Needs Analysis, groundwater quality data collected and analyzed to prioritize areas of concern for the 2019 Needs Assessment was compiled and utilized by DWQ to characterize groundwater quality for domestic wells and state small systems. Subsequent plans will utilize analyses based on the aquifer risk map described in SB 200 that is due to be uploaded on January 1, 2021.

Groundwater Units Prioritized Using Needs Assessment Data

Groundwater Units⁵ were analyzed using square mile section-level 2019 Needs Assessment domestic well water quality estimations. For each groundwater unit, the percentage of sections with either a 20-year average or a recent result above the MCL for any chemical was calculated. That percentage is translated into percentiles, as shown in Table 8. Groundwater units with insufficient sections with data or very few domestic wells were removed from the percentile calculations.

⁵ A groundwater unit is a USGS designation that adds upland (non-alluvial) outlines to Bulletin 118 basin outlines. "Unit" indicates that the polygons include both basin and non-basin areas. The Needs Assessment summary data outlines on the map show groundwater units, which include the Bulletin 118 outlines in alluvial basins and the USGS outlines in upland areas.

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Table 8. Needs Assessment Water Quality Summary for Groundwater Units

Percentiles	Percentage of Sections in Groundwater Unit with Needs Assessment Water Quality Estimations Above MCL
80 th – 100 th percentile	51 – 100%
60 th – 80 th percentile	15 – 51%
40 th – 60 th percentile	7 – 15%
20 th – 40 th percentile	2 – 7%
0 – 20 th percentile	0 – 2%
Insufficient Data	Groundwater units with very few domestic wells (<= 10) or very few data points (<= 3 source sections)

Location information on Groundwater Units can be found at:

<https://gamagroundwater.waterboards.ca.gov/gama/gamamap/public/Default.asp> (select 'Groundwater Basins' as the GIS Filter). General information in Groundwater Units can be found at: <https://pubs.er.usgs.gov/publication/ds796>.

Figure 1 shows the spatial distribution of water quality priority groups of groundwater units across California. Figure 1 also indicates basins that are Central Valley Salinity Alternatives for Long-Term Sustainability (CV SALTS) Priorities 1 and 2 as well as Sustainable Groundwater Management Act (SGMA) high or medium priorities.

Figure 2 shows the spatial distribution of domestic well density and state small water system locations across California. The groundwater units in the 80th-100th percentile from Figure 1 are also shown for reference. Domestic well density estimates are shown per square mile and are from DWR well construction records. State small water system locations are from the Rural Community Assistance Corporation (RCAC) 2020 Water foundation report.

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Figure 1. Draft Summary of Needs Assessment Water Quality Estimates for Groundwater Accessed by Domestic Wells and State Small Systems (based on 2019 Needs Assessment)

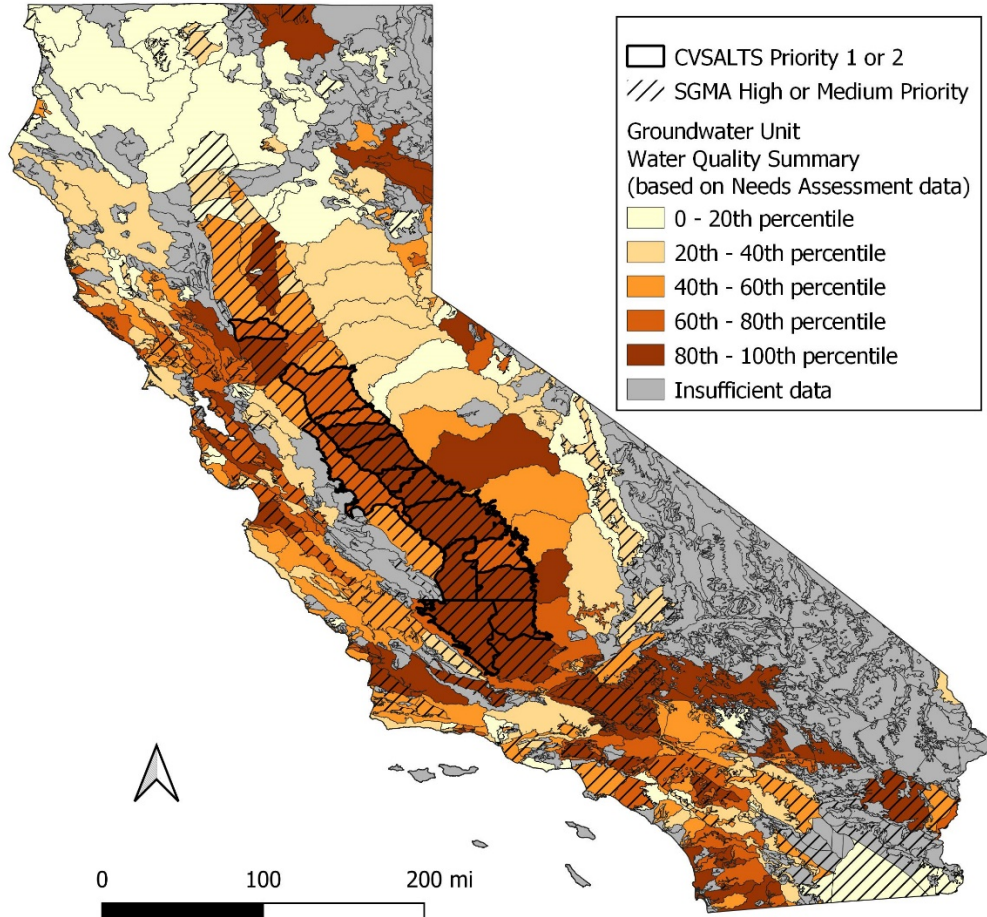
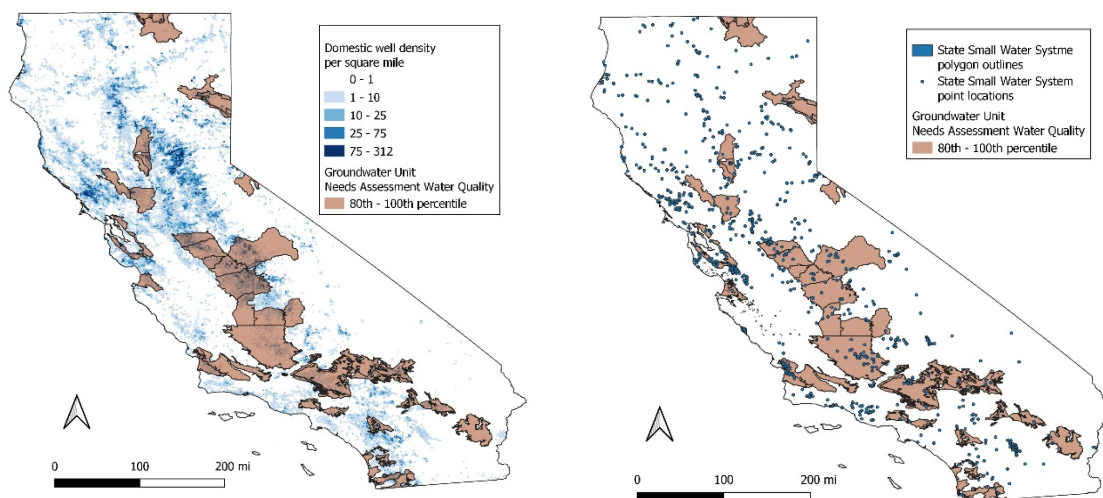


Figure 2. Location of Domestic Wells and State Small Water Systems in California



VIII.B. Prioritization of Solutions for Households Supplied by State Smalls and Domestic Wells

As discussed in Section III.A., funding for state smalls and domestic wells will be prioritized for provision of interim water 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.

OPP will take the lead in conducting community outreach and in identifying potential local partners. The “High” and “Medium-High” priority Groundwater Units identified in Figure 1 that overlap with a Groundwater Sustainability Agency’s boundary or a CV-SALTS Management Group will be targeted for initial outreach/partnership efforts, since there is a potential local partner and the opportunity to build on existing groundwater protection efforts.

In considering long-term solutions in areas with relatively high population density and high risk of contamination or water shortage, priority will be given to projects that consolidate DACs without PWSs into larger PWSs or connect DACs to existing centralized infrastructure where available. There will be a different set of solutions in remote areas with low population density where new centralized infrastructure or connection to existing centralized infrastructure is cost prohibitive. In these areas, well replacement or rehabilitation, or POU/POE treatment options will likely be the best long-term solution.

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

This information is included as Appendices H and I.

DFA staff will continue to oversee ongoing implementation efforts for households that are funded with General Fund allocations from SB 862 (Chapter 449, Stats 2018), AB 72 (Chapter 1, Stats 2018), and AB 74 (Chapter 23, Stats 2019). This includes programs implemented by non-profit organizations to provide the following for households with dry wells: interim tanks, hauled water, well replacement or, where feasible, permanent connections to public systems. DFA staff are also overseeing a CAA funded grant for a pilot program in Tulare County to implement POU/POE treatment for households with contaminated domestic wells. Lessons learned from these ongoing efforts will help inform analysis of the most sustainable and cost-effective solutions for low population density areas.

IX. OTHER ACTIVITIES

IX.A. Community Engagement

State Water Board staff will increase engagement with water systems, community residents, domestic well owners, schools, local community-based organizations, or other funding recipients at all stages of the SAFER Program.

SAFER Advisory Group

Purpose: The SAFER Advisory Group provides the State Water Board with constructive 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 19 appointed members that represent PWSs, TA providers, local agencies, non-governmental organizations, the public, and residents served by CWSs in DACs, state smalls, and domestic wells. The Advisory Group meets, at a minimum, four times a year at locations throughout California to provide opportunities for public and community input. Additional Advisory Group meetings may be held to solicit feedback on related policies or programs depending on the need. During the coronavirus disease of 2019 (COVID-19) pandemic, the Advisory Group is meeting virtually using Zoom. All meetings are widely publicized, open to the public, and offer translation services. Feedback and recommendations solicited through the Advisory Group, from Advisory Group members and the public, will be shared with

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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. Applications for membership will be accepted on a rolling basis. The State Water Board's Executive Director or designee reviews applications and appoints members in the fall preceding the start of the appointment. New members are given an orientation to the SAFER Program which includes an overview of their role as an Advisory Group member, background of the SAFER Program, and an overview of upcoming topics of discussion. Application information for eight available appointments beginning in January 2021 will be posted on the SAFER website in Summer 2020 and applications will be reviewed in Fall 2020.

Public Education and Outreach

Building public awareness and education of the SAFER Program is a priority for the State Water Board. State Water Board staff will develop a communication and outreach plan that outlines key actions and deliverables for educating, informing, and engaging various audiences on the SAFER Program. Below are the goals and potential strategies that will be included in the communication and outreach plan:

- (1) Increase awareness of the SAFER Program and SB 200 regulatory tools, funding, and approaches.
- (2) Build broad support for regulatory and enforcement efforts (e.g., consolidations, administrators, etc.) and garner acceptance of State and Regional Water Boards regulatory approach among affected communities through education about drinking water quality issues.
- (3) Increase opportunities for transparency, awareness, and engagement with the public throughout SAFER Program development and implementation.
- (4) Employ a proactive approach to obtaining applications and requests for funding by engaging directly with communities, water systems, and Tribes.
- (5) Promote success stories through various media forums.

State Water Board staff will work to develop clear communication and outreach materials in multiple languages and will provide multiple opportunities for community participation. State Water Board staff will work with the Advisory Group and other stakeholders to solicit input in developing and periodically updating communication and outreach strategies.

Public Outreach Activities

In addition to the Advisory Group, State Water Board staff will host community meetings throughout the state to raise awareness of the SAFER Program and its components; solicit feedback on community drinking water needs; and highlight opportunities for local water-related jobs, capacity building, and leadership positions.

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Staff will explore and develop capacity building strategies to help communities obtain, improve, and retain the skills and knowledge needed to sustainably maintain their water systems. Strategies may include train the trainer courses, working with schools, and pilot projects.

During the COVID-19 pandemic, the SAFER Program will use digital tools to support outreach and engagement efforts. This can include virtual sessions to engage with stakeholders, answer questions or concerns, and hear feedback on ways to improve the SAFER Program.

Supporting the Success of Long-Term Solutions

Communities will be given the opportunity to inform the processes used to identify and implement long-term solutions. Community input will 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.

Increased and early community engagement will help keep projects on track; proactively identify potential risks, issues, or delays; and ensure that identified long-term solutions have community buy-in and a path towards equitable and resilient water governance.

IX.B. Community Workforce Development and Capacity Building

The State Water Board currently funds third-party capacity building, through the DWSRF, to develop and conduct training workshops covering all aspects of operating and maintaining a PWS, including the legal responsibilities of the 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.

The SAFER workforce development efforts will be focused on job creation to support the long-term O&M of small disadvantaged communities' drinking water systems. The State Water Board will leverage existing efforts within the State Water Board, CalEPA, and other Greenhouse Gas Reduction Fund (GGRF) programs to incorporate water sector needs. Staff are working with the Workforce Development Board to develop this program.

Anticipated efforts by State Water Board staff to be conducted with other State agencies and partners include the following:

- (1) Outreach designed to educate small DACs about the career pathways in the water industry.
- (2) Recruiting aimed at preparation and certification for entry-level jobs connected to clear advancement pathways.

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- (3) Identifying opportunities for work-based learning to determine suitability and enhance job readiness for entry-level jobs designed to support small water systems serving small DACs.
- (4) Continuing to work on developing training materials geared towards water system and distribution system operators.

DFA staff also manage the State Water Board’s Drinking Water Operator Certification Program. 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.

IX.B.1. Job Co-Benefits

The CARB Job Co-benefit Modeling Tool has been applied to construction projects estimated to be encumbered in FY 2019-20 (Table 1) and anticipated construction-related expenditures for FY 2020-21 (Table 3).

Table 9 shows the total estimated full-time equivalent jobs for planning construction investments supported by the SADW Fund.

Table 9. Estimated Job Co-Benefits from Planning and Construction Investments

Item	FY 2019-20	FY 2020-21 (planned)
Planning Investment	\$3.1 M	\$6 M
Planning Full Time Equivalent Jobs	18 – 24 jobs	68 – 96 jobs
Construction Investment	\$53.8 M	\$49 M
Construction Full Time Equivalent Jobs	700 – 970 jobs	600 – 840 jobs

More information on the Job Co-benefit Modeling Tool is available at the [CCI Co-benefit Assessment Methodologies webpage](#).

IX.C. Pilot Projects

As discussed in Section III.E., the State Water Board intends to fund pilot projects FY 2020-21. For the Pilot Projects identified, either OPP or DDW will take the lead in developing potential projects, with administration of the funding agreement by DFA. For each Pilot Project effort, the lead State Water Board organization (OPP or DDW) will solicit input from the Advisory Group and interested stakeholders on various aspects of the potential SAFER pilot project. The process may include engagement with the full Advisory Group, a sub-group of the Advisory Group, and/or include periodic updates to the Advisory Group and engagement with key stakeholders and community groups. Board staff will work with key stakeholders to ensure that projects are developed and implemented expeditiously and are in alignment with needs of communities.

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Based on interest expressed by Advisory Group members and other stakeholders, staff have identified the following potential pilot projects:

- (1) **Innovative POU/POE Technology (Lead – DDW):** DDW will work with OPP to conduct a workshop to discuss the current state of POU/POE technology and get feedback from community groups and other stakeholders on needs and knowledge gaps that could be addressed by a pilot project. DDW will also engage with researchers studying these technological challenges, as well as industry groups, such as the Water Quality Association, to develop potential pilot efforts to address the identified needs/knowledge gaps.
- (2) **Direct O&M Support (Lead – OPP):** OPP will coordinate with DFA and DDW and work with the Advisory Group and community groups to identify water systems that are potential candidates for direct O&M financial support based on factors such as the water rate as a percentage of median household income; whether the system has taken steps to minimize O&M costs; and the portion of annual water system costs going to debt repayment.

Advisory Group members and other stakeholders also expressed interest in a potential pilot program for providing people experiencing homelessness with access to drinking water. Staff will reach out to other State agencies with primary roles in implementing the Governor's initiative to assist people experiencing homelessness to determine whether a pilot program using funds administered by the State Water Board would be helpful in supporting those broader efforts.

The amount of funding dedicated to each pilot effort will be determined after engaging with the Advisory Group and stakeholders, evaluating the benefits and costs for a given pilot project, and evaluating how quickly a pilot project can be implemented. Pilot projects that extend over multiple years may be funded in phases.

X. FINANCING AND PROGRAMMATIC REQUIREMENTS

Per Section IX of the Policy, general program requirements and conditions that must be met to obtain funding are outlined as General Terms and Conditions, available at: https://www.waterboards.ca.gov/water_issues/programs/grants_loans/general_terms.htm.

X.A. Policy Requirements

Programmatic requirements identified in the Policy include:

System Sustainability: Per Section VIII.C of the 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

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implemented appropriate rate adjustments in the last five years, to the extent not inconsistent with the requirements of the specific funding program.

System-Level Emergencies: Per Section VIII.D.2 of the Policy, any system requesting funding as a result of an emergency specific to that water system, the State Water Board will require submittal of 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 GGRF Funding Guidelines (<https://ww2.arb.ca.gov/resources/documents/cci-funding-guidelines-administering-agencies>). 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 Population” (definitions of these terms are included in Section IV of the Policy). The GGRF Priority Population 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 GGRF Funding Guidelines Section V.A. Investment for Priority Population and V.B. Implementing Programs to Benefit Priority Populations.

Accountability Tools: The GGRF 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 will generally contain these provisions. Additional details on accountability requirements are in the GGRF Funding Guidelines Section IV.B.7 Accountability Tools for Legal Agreements.

Reporting Requirements: All funding recipients of GGRF monies are required to track project status and report the estimated benefits, including greenhouse gas emission reductions, co-benefits, and benefits to priority populations. Each of the funding agreement will define the reporting requirements and frequency which would fulfill the GGRF Funding Guidelines Section VI Reporting Requirements.

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

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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 Quality Control Boards (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 part of the GAMA program are not considered confidential and will be made publicly available. Personal information will be kept confidential.

Indirect Cost Allowances: Agreements may include provisions to reimburse for indirect costs, if permitted by the indirect cost rules and expectations applicable to the funding source. This is only for expenses up to and including 10 percent of the Recipient's direct project expenses. Recipient's expenses are identified in the following budget categories: personnel services, operating expenses, travel, and other direct cost categories approved by the Deputy Director of DFA. Indirect costs cannot be applied to the subcontract/subcontracting budget line items.

Indirect costs are costs incurred for common or joint objectives that cannot be readily identified with a particular project. The State Water Board does not approve an individual recipient's indirect methodology, or review backup documentation associated with the indirect costs claimed. It is the recipient's responsibility to ensure consistency in the approach, 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 budgeted costs. No costs invoiced as part of indirect costs should be included elsewhere as a direct cost, and fringe should be included in personnel services. The recipient's billing rates in personnel services shall only include salary and fringe benefits. The rate of reimbursement of indirect costs must be commensurate with the rate of reimbursement of direct costs. For good cause, the Deputy Director of DFA may waive the aforementioned indirect cost rate limitations and accept an indirect cost rate that has been accepted by a federal agency or another State agency.

Data Management: When applicable, projects must include appropriate data management activities so that recipients can provide data in the format necessary to upload into the applicable statewide data systems. Typical requirements may include:

- Groundwater quality monitoring data must be integrated into GeoTracker. Data will be available to the stakeholders, agencies, and the public. Please see the GeoTracker website <http://geotracker.waterboards.ca.gov/> for additional information.

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- Groundwater monitoring data also must be integrated into the GAMA database. Please see the GAMA website <http://waterboards.ca.gov/gama/> for additional information.
- Drinking water quality data from public water supply sources must be submitted electronically to the Division of Drinking Water. Data are submitted via the Electronic Data Transfer Portal at: <http://drinc.ca.gov/WQM/>. For more information regarding the requirements for data submittal, go to: https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/EDTlibrary.html
- Financial capacity and rate information must be integrated into the statewide Needs Analysis 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 J.

XI. OUTCOMES, GOALS, AND METRICS

The following are the short-term and long-term goals of the State Water Board for its administration of the Fund. These goals assume full funding for FY 2020-21 and may be modified if funding is reduced. These goals will also help the State Water Board maximize and prioritize its staff and funding resource.

XI.A. Prioritizing Funds for Public Health Benefits

Long-Term Goals

- (1) **Address significant risks to public health:** DFA will coordinate with DDW and LPAs to ensure that the Fund and all available drinking water funding sources are targeted to expeditiously address the most significant public health and compliance issues. DFA will coordinate with DDW, the Regional Water Boards, local county public health departments, and DWQ to identify and address state smalls and domestic wells at high risk of having contaminated source water not meeting primary MCLs. As public health risks are addressed in communities, State Water Board staff will work with local agencies and community partners to increase consumer confidence in and reliance on tap water as a safe drinking water source.
- (2) **Reduce the number of unsustainable, small water systems:** DDW will use its authorities to promote voluntary and mandatory managerial and physical consolidation to reduce the number of small water systems. DFA will use available funding sources to assist water systems and DDW in accelerating the consolidation process by supporting infrastructure improvements; the appointment of administrators; and interim O&M support to offset any increase O&M costs incurred by the receiving system. Where applicable, state smalls and domestic well owners will be considered in any consolidation or regionalization evaluation.
- (3) **Promote SDWA compliance:** DDW through its compliance and enforcement efforts will continue to have a lead role in ensuring water systems remain in compliance and return to compliance as quickly as possible. Where small water systems do not

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have adequate financial resources, DFA will continue to provide and prioritize financing for TA, planning, and construction that addresses SDWA compliance. DFA will also coordinate with DDW to promote the development of TMF capacity for all PWSs (especially small CWSs) to achieve or maintain compliance with State drinking water standards and federal SDWA requirements.

- (4) **Improve affordability and sustainability:** DFA will continue to strategically use the Fund and complementary funding sources to improve affordability of water service and water system sustainability, especially for small DACs and small severely DACs. In addition to focusing on Long-term Goals 2 and 3, capital projects that reduce long-term O&M costs will be prioritized, as well as working with water systems to ensure their TMF capacity is adequate and sustainable. Also, DFA will look for opportunities to fund projects that reduce energy use and support use of renewable clean energy sources. As appropriate, DFA will look for opportunities to support workforce development and training to build local capacity and promote sustainability.

Short-Term Goals

- (1) **Within two years:** 1) All water systems serving DACs with chronic (three years or longer) primary MCL violations will be implementing one or more types of solutions identified on the solutions lists. Solutions may be funded with State or other funding sources (e.g., self-funded; settlement with responsible parties). 2) Complete dissolution of a minimum of 80 PWSs, state smalls, or residential communities supplied by domestic well or individual surface water sources through managerial or physical consolidation. 3) Provide interim drinking water solutions to at least 200 households served by domestic wells or state smalls with source water exceeding primary MCLs.
- (2) **Within four years:** 1) All water systems currently on the list of systems out of compliance serving DACs and small non-DAC water systems with chronic primary MCL violations will have long-term solutions underway. Solutions may be funded with State or other funding sources (e.g., self-funded; settlement with responsible parties). 2) Consolidation and regionalization efforts will be initiated for all CWSs under 500 connections that are out of compliance or at the highest level of risk, where physical or managerial consolidation is a feasible and cost-effective alternative. 3) Complete dissolution of a minimum of 200 PWSs, state smalls, or residential communities supplied by domestic well or individual surface water sources through managerial or physical consolidation.

XI.B. Responsible Management

Long-Term Goals

- (1) **Use capital effectively.** Maximize the funding capacity of the SADW Fund (as well as other funds that are part of the overall SAFER Program) while minimizing administrative costs to ensure that safe drinking water solutions are being provided to as many people and communities as possible.

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- (2) **Maintain financial integrity.** Financial integrity is imperative to the success of the SAFER Program. Effective internal controls ensure that the Program's finances are dependable and trustworthy, and that fraud is prevented.
- (3) **Provide exceptional customer service and project management.** Engage with and communicate with grantees at all stages of a project, from the pre-application, to scope discussions, to project implementation, and reimbursement of eligible costs. Ensure that potential delays or risks to projects are tackled proactively in coordination with DDW, LPAs, or TA providers to avoid the delay of solutions.
- (4) **Ensure transparency and accountability.** Engage with Advisory Group and community members throughout the implementation of the SAFER Program using community engagement and outreach. Regularly update [the SAFER Program website](#) with information on the amount of SAFER funds used and drinking water success stories.

Short-Term Goals

Within two years: 1) Evaluate the effectiveness of the pre-application in directing potential grantees to the right DFA staff to assist them through the process. 2) Develop outreach and community engagement in concert with DDW and OPP to raise Program awareness in the communities that could benefit most from long-term solutions. 3) Implement the communications plan in coordination with DDW, OPP, and OPA to increase public awareness of the larger SAFER Program.

XI.C. Timely and Expedient Use of Funds

Long-Term Goals

- (1) **Ensure the timely commitment and disbursement of SADW funds:** Ensure that the State Water Board can timely disburse SADW funds on existing obligations and consider priorities for the SAFER Program as new obligations to provide safe drinking water to more communities and people, more efficiently and in less time.
- (2) **Continuously evaluate and improve internal processes:** Engage in regular coordination meetings across the branches of DFA to promote synergies, evaluate performance around efficiency, and identify process improvement opportunities to further minimize the interval between the time an application is submitted to the time an agreement is executed and the first disbursement occurs.

Short-Term Goals

- (1) **Within two years:** 1) Completion of long-term solution implementation and the return to compliance for at least 100 systems that were on the list of systems out of compliance at the start of FY 2019-20. 2) Encumbrance of SADW funds towards 50 priority projects or eligible services.

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(2) **Within four years:** Move towards a majority electronic process from application submittal, to funding agreement approvals, to invoice submittals and approvals.⁶

XI.D. Performance Metrics

The Policy establishes the types of metrics that will be tracked and for which goals will be set (see Section XI.I of the Policy). The general categories of metrics are described below with details provided in the Policy.

The number of communities⁷, 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 preliminary planning assistance projects;
- (3) Provided with long-term solutions; and
- (4) Return to compliance and are out of compliance.

Additional performance metric categories include:

- (5) Climate change adaptation and resiliency;
- (6) Cost effectiveness of the Program;
- (7) Administrative efficiency of the Program; and
- (8) Community engagement effectiveness of the Program (including capacity building).

Table 10 shows specific numeric goals for FY 2020-21 for metric categories 1, 2, and 3. These goals take into consideration the investments that were made in FY 2019-20, anticipated demands, proposed distribution of funds, and anticipation of being fully staffed up across the SAFER Program. Data collection and tracking will take place for all other metric categories as the Program is implemented in order to establish a baseline for developing specific goals in future Fund Expenditure Plans.

Table 10. Performance Metric Goals (in Number of Communities)

Category	FY 2019-20 Goal	FY 2019-20 Accomplishments (as of June 2020)	FY 2020-21 Goal
Interim Solutions	75	173	150
Planning	100	72	100
Long-term Solutions	75	67	100

⁶ Achieving this goal will require changes in the requirements of control and audit agencies, such as the State Controller's Office, for "wet signatures"/hard copy backup documentation.

⁷ The term communities includes the area defined by a water system boundary, as well as areas served by state smalls and domestic wells.

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Table 11 further details FY 2019-20 accomplishments as of May 2020 for the SAFER Program (SADW Fund and complementary funding sources).

Table 11. FY 2019-20 Accomplishments (as of June 2020)

Category	# of Communities	# of Connections	Population
Interim Solutions	173	3,370	173
Bottled Water	77	1,197	22,086
POU/POE	80	80	20,982
Hauled Water	6	6	1,338
Repair	6	2,024	5,069
Treatment	4	63	901
Planning	72	20,026	73,630
New/Amended TA	64	14,331	57,184
Workplans	8	5,695	16,446
Long-term Solutions	67	25,007	75,726
Completed Construction	16	7,454	25,282
TA Construction App	27	5,582	20,868
TA Provider Managed Project	5	1,526	3,483
Consolidation Complete	19	10,445	26,093

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XII. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the FY 2020-21 Fund Expenditure Plan for the SADW Fund is shown below in Table 12.

Table 12. Schedule for FY 2020-21 Fund Expenditure Plan

Date	Milestone
Feb 19, 2020	Advisory Group Meeting: Review Policy Revisions and Fund Expenditure Plan Outline
March 3, 2020	Board Workshop on SAFER Program, including Draft Policy Revisions and Fund Expenditure Plan Outline
March to May 2020	Draft Fund Expenditure Plan Preparation and Internal Review
April 30, 2020	Advisory Group Meeting: Review Fund Expenditure Plan Elements
May 5, 2020	Board Workshop on Fund Expenditure Plan
May 28, 2020	Release Draft Fund Expenditure Plan for Public Comment
June 12, 2020	Advisory Group Meeting: Review Draft Fund Expenditure Plan
June 16, 2020	End of Public Comment Period for Draft Fund Expenditure Plan
July 7, 2020	Board Meeting to Consider Adoption of Fund Expenditure Plan

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XIII. ACRONYMS AND ABBREVIATIONS

AB	Assembly Bill
ACS	American Census Survey
CAA	State Water Pollution Cleanup and Abatement Account
CARB	California Air Resources Board
CCF	hundred cubic feet
CCI	California Climate Investments
COVID-19	Coronavirus Disease of 2019
CV SALTS	Central Valley Salinity Alternatives for Long-Term Sustainability
CWS	Community Water System
DAC	Disadvantaged Community
DAS	Division of Administrative Services
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
DIT	Division of Information Technology
DWFS	Drinking Water for Schools Grant Program
DWQ	Division of Water Quality
DWR	Department of Water Resources
DWSRF	Drinking Water State Revolving Fund
eAR	Electronic Annual Report
FAAST	Financial Assistance Application Submittal Tool
FBA	Final Budget Approval
Fund	Safe and Affordable Drinking Water Fund
FY	Fiscal Year
GAMA	Groundwater Ambient Monitoring and Assessment
GIS	Geographic Information Systems
GGRF	Greenhouse Gas Reduction Fund

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GGRF Funding Guidelines	Funding Guidelines for Agencies that Administer California Climate Investments
GHG	Greenhouse Gas
GPS	Global Positioning System
LPA	Local Primacy Agency
MCL	Maximum Contaminant Level
MHI	Median Household Income
MTDC	Modified Total Direct Costs
Needs Analysis	Statewide Safe and Affordable Drinking Water Needs Analysis
NTNC	Non-Transient Non-Community
O&M	Operation and Maintenance
OPP	Office of Public Participation
PY	Personnel Year
Plan	Fund Expenditure Plan
POU/POE	Point of Use/Point of Entry
Policy	Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund
ppb	Parts per Billion
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
SADW Fund	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

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SDWA	Safe Drinking Water Act
SGMA	Sustainable Groundwater Management Act
State Smalls	State Small Water Systems
State Water Board	State Water Resources Control Board
TA	Technical Assistance
TMF	Technical, Managerial, and Financial
UCLA	University of California, Los Angeles
U.S. EPA	United States Environmental Protection Agency