

State of California  
CLEAN WATER STATE REVOLVING FUND

**DRAFT INTENDED USE PLAN**

**STATE FISCAL YEAR 2026-27  
(FEDERAL FISCAL YEAR 2026 BASE PROGRAM CAPITALIZATION  
GRANT AND GENERAL SUPPLEMENTAL CAPITALIZATION GRANT)**

**WITH SUPPLEMENTAL INTENDED  
USE PLAN**

**(FEDERAL FISCAL YEAR 2026 EMERGING CONTAMINANTS  
CAPITALIZATION GRANT)**

and

The Water Quality, Supply, and Infrastructure Improvement Act of 2014  
(Proposition 1)

and

The California Drought, Water, Parks, Climate, Coastal Protection, and  
Outdoor Access for All Act of 2018  
(Proposition 68)

and

California Budget Act of 2024 and Budget Act of 2025 Appropriations

and

Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and  
Clean Air Bond Act of 2024 (Proposition 4)

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## EXECUTIVE SUMMARY

California's Clean Water State Revolving Fund (CWSRF) program has been financing projects that help protect and improve water quality since 1989. Division of Financial Assistance (DFA) staff prepared this Intended Use Plan (IUP) which describes the State Water Resources Control Board's (State Water Board) plan for implementing the CWSRF and its complementary financing programs for State Fiscal Year (SFY) 2026-27.

This Executive Summary provides a condensed overview of highlights and notable changes for SFY 2026-27.

### A. Notable Changes

The SFY 2026-27 CWSRF IUP is substantially similar to last year's CWSRF IUP. This IUP contains 2026 federal allotments. State Water Board staff continue to evaluate a range of funding scenarios and monitor cashflow to ensure program operation, as well as coordinate with the United States Environmental Protection Agency (U.S. EPA) on related program and project requirements.

Notable changes include:

- Applied new scoring criteria per the Policy Amendment adopted in May 2025 to CWSRF loan applications.
- Revised water recycling grant funding limits, such that large-scale projects may receive funding for up to 2 phases, or up to 2 projects per large-scale program, this fiscal year.
- New Small Community Wastewater funding limits:
  - Reduced the maximum grant/PF for Priority Projects from \$50 million to \$30 million;
  - Reduced the maximum grant for Secondary Priority Projects from \$25 million to \$7.5 million;
  - Added a maximum grant/PF amount for planning Priority Projects (\$2.5 million);
  - Made Secondary Priority projects now eligible for planning grants up to \$500,000.
- Reduced financial review requirements for Septic-to-Sewer and Regionalization projects receiving 100% grant/principal forgiveness.
- Proposition 4 allocated funding to wastewater and drinking water projects collectively – consistent with last year, half of the allotment will be used towards small community wastewater projects, and the other half towards small community drinking water projects. Drinking water funding limits will be described in the Drinking Water State Revolving Fund IUP.

## B. Recent Financing Activities

Recent financing from CWSRF and Complementary Financing Sources (CWSRF loan, water recycling, small community wastewater, and stormwater funding and estuary agreements) are shown below:

**Table 1: Recent CWSRF & Complementary Funding**

	SFY 21-22	22-23	23-24	24-25	25-26
<b>Number of Agreements</b>	66	73	50	49	13 (+ 27)*
<b>\$, millions</b>	\$2,258	\$784	\$189	\$1,036	\$181 (+ \$790)*

\* Numbers are as of April 1, 2026. Additional projects in ( ) have funding decisions in progress and are expected to be executed by June 30, 2026. Additionally, DFA has provided approximately \$103 million in funding increases to existing projects in SFY 25-26.

## C. Funding Program Outlook

**Table 2: SFY 2026-27 Funding Overview**

Project Type	Application Status	# of Applications	Requested (\$ in millions)	Estimated Funding Amount (\$ in millions)
SCWW Projects	Complete <i>(on Fundable List)</i>	20	\$113	\$282 <sup>1</sup>
	Incomplete	106	\$1,043	
CWSRF loan + water recycling + stormwater projects	Rollover <i>(on Fundable List)</i>	17	\$857	\$889
	New Projects	32	\$1,187	
<b>Totals</b>	-	<b>118</b>	<b>\$4,026</b>	<b>\$1,175</b>

*Note: Projects expected to be executed by June 30, 2026, including projects with funding decisions in progress, are not included in this table.*

### CWSRF Loan

Twenty-three (23) project applications were received and requested more than \$1 billion in funding. But only thirteen projects were scored and considered for placement on the

<sup>1</sup> DFA staff anticipate committing the full amount of available SCWW grant/PF (\$264 million) to projects. This total also includes an estimated \$18 million for loan funding for the complete SCWW applications in house.

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Fundable List. For SFY 2026-27, the Fundable List Cut-off Score is 13 for CWSRF loan applications.

The Deputy Director will remove any rollover project that has been on the Fundable List since SFY 2024-25 or earlier under either of the following circumstances: (1) the rollover project applicant has not consented to the State Water Board's CWSRF loan provisions<sup>2</sup> through legal consultation by November 30, 2026; or (2) the applicant has not provided by November 30, 2026, all documents or information requested by the Division of Financial Assistance for the purposes of executing a CWSRF loan.

### **Small Community Wastewater Program (SCWW)**

There is approximately \$267.6 million in grant and principal forgiveness (PF) available during SFY 2026-27. Due to limited grant/PF availability, the State Water Board will continue to further prioritize grant/PF within SCWW projects. Projects that address violations of waste discharge requirements or National Pollutant Discharge Elimination System (NPDES) permits and projects that connect previously unsewered areas or join communities to regionalize wastewater treatment works are considered "Priority Projects" for grant/PF funding.

The "Secondary Priority" SCWW projects are generally marked as incomplete as DFA staff need to review applications to confirm that applicants are still interested and determine if additional documents are needed to secure a loan component.

SFY 2026-27 funding for SCWW includes SCG Funds, Proposition 4, and CWSRF PF. If Budget Act of 2024 Greenhouse Gas Reduction Funds and/or Proposition 1 and 68 funds are disencumbered from funded projects, those funds may also be made available to SCWW projects. Please see Section V for additional details and limitations.

### **Water Recycling Funding Program (WRFPP)**

In November 2024, the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Proposition 4 or the Climate Bond) was approved by voters and allocated approximately \$386 million in grants for projects related to water reuse and recycling.

The SFY 2025-26 appropriation bill (Senate Bill 105) appropriated \$150 million of the \$386 million in Proposition 4 funds for eligible water recycling projects. All of which is already committed to existing applications that have completed eligibility reviews. On January 9, 2026, the SFY 2026-27 Proposed Governor's Budget proposed approximately \$78 million to eligible water recycling projects for SFY 2026-27 projects.

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<sup>2</sup> Applicants for loan/repayable financing should review the "Sample CWSRF Financing Agreement" and "Legal Opinion" templates posted at [https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/srf/srf\\_forms.html](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/srf_forms.html) in advance with their attorneys to expedite legal consultations. DFA updates the templates periodically.

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In 2026-27, the State Water Board is expected to have approximately \$89.9 million in total grant funds available for WRFPP construction projects. The State Water Board also has the authority to commit approximately \$18.6 million in planning grants. Eligible water recycling construction projects and planning projects are eligible to receive up to \$15 million and \$300,000 in grant funding, respectively. The State Water Board has also added eligibilities for Large-Scale Construction projects. Large-Scale Construction projects are defined as projects that will deliver at least 10,000 acre-feet per year (AFY) of recycled water at the completion of all phases of construction. Eligible Large-Scale Construction projects are not required to provide user agreements or contracts for water delivery, may apply for up to two phases of one project or two projects per large-scale water recycling program, and are eligible for up to the \$15 million in grant funds per phase/project. Please see Section [VI](#) for additional details and limitations.

### **Stormwater, Estuary, and Public Health Projects**

SFY 2026-27 funding for Stormwater projects includes Sewer Overflow and Stormwater Reuse Municipal Grants Program, CWSRF PF, and any unused Proposition 1 Funding. The Proposition 4 Stormwater Funding will have a separate set of guidelines and solicitation. The amount of PF available for stormwater projects is limited to \$10 million for rollover projects from the SFY 2025/26 CWSRF IUP. Estuary projects are eligible to receive CWSRF PF, limited to \$1 million per estuary. The Deputy Director will remove stormwater PF for projects on the Fundable List this fiscal year under either of the following circumstances: (1) the project applicant does not consent to the State Water Board's stormwater PF provisions, potentially through legal consultation, by November 30, 2026; or (2) the applicant has not provided by November 30, 2026, all documents or information requested by the Division of Financial Assistance for the purposes of executing a funding agreement. Any PF made available due to stormwater project delays will be made available to the Small Community Wastewater program. Please see Section [VII](#) for additional details and limitations.

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## I. INTRODUCTION

Water is one of the most essential natural resources in California. The State Water Resources Control Board (State Water Board) and the nine Regional Water Quality Control Boards (Regional Water Boards), collectively the Water Boards, protect and improve water quality in California through several regulatory and financial assistance programs.

The federal [Clean Water Act](#) (CWA) established the Clean Water State Revolving Fund (CWSRF) program to finance the protection and improvement of water quality. The CWSRF program has protected and promoted the health, safety, and welfare of Californians since 1989. Many of the projects funded by the CWSRF program address wastewater discharge violations or enforcement orders issued by the Regional Water Boards. Every project is directly related to protecting or improving public health, water quality, or both.

The State of California also periodically allocates funding to the State Water Board for financing programs that help protect and improve water quality. Many of these programs can be used in conjunction with the CWSRF program.

This Intended Use Plan (IUP) and the supplemental IUP describe the State Water Board's plan for implementing the CWSRF and its complementary and supplementary financing programs for State Fiscal Year (SFY) 2026-27. The SFY 2026-27 CWSRF IUP also serves as guidelines for the State Water Board's administration of Proposition (Prop) 1 and Prop 68 wastewater and water recycling funds, the Implementation Plan for any state Budget Act Infrastructure Appropriations remaining and the Sewer Overflow and Stormwater Reuse Municipal Grant (OSG). The SFY 2026-27 CWSRF IUP will serve as guidelines for Prop 4, so long as state law permits. This IUP assumes full authorization and appropriation of Prop 4 funds. If less than the expected amounts are available, the Division will administer the amounts available in accordance with this IUP. Furthermore, this IUP will discuss the State Water Board's approach to administer various funding sources with the available financial and programmatic resources, forecast the CWSRF cash flows and other funds available to the State Water Board for the next several years, identify projects the State Water Board anticipates financing, and establish performance measures to track the effectiveness of the CWSRF program.

The State Water Board will submit these IUPs as part of its applications for the federal fiscal year (FFY) 2026 Capitalization Grants for the base CWSRF program, CWSRF General Supplemental Funding, and CWSRF Emerging Contaminants Funding.

The terms and requirements of these IUPs will remain in effect until the State Water Board amends or updates the IUPs or adopts the IUP(s) for the next SFY.

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## A. Authority

In 1987, the United States Congress amended the CWA to replace the long-standing, federal Construction Grants Program (Title II) with the more flexible CWSRF program (Title VI). In 2014, Congress approved the [Water Resources Reform and Development Act of 2014](#) (WRRDA) changing the requirements and eligibilities in Title VI of the CWA. California's CWSRF program is authorized under California [Water Code Sections 13475-13485](#) and operates pursuant to an [Operating Agreement](#) between the State Water Board and the United States Environmental Protection Agency (U.S. EPA) Region 9.

The CWSRF functions as an environmental infrastructure bank capitalized by federal and state funds – providing a sustainable source of funds for water quality protection and improvement. The CWSRF's capital and its earnings are used to provide financial assistance to a wide variety of water quality projects. States can target specific water quality problems, offer a variety of financing options, and customize terms to meet their water quality needs. Financing options include loans, refinancing debt, purchasing, or guaranteeing local debt, and purchasing bond insurance<sup>3</sup>.

Interest rates on CWSRF loans are established by statute. The repayment period is generally the lesser of 30 years or the expected useful life of the financed asset. Since 2009, federal CWSRF appropriations and California law have also authorized grants, negative interest rates, and principal forgiveness (PF) on a limited basis.

The Infrastructure Investment and Jobs Act (IIJA), previously referred to as the Bipartisan Infrastructure Law or BIL, amended CWSRF requirements in the federal Clean Water Act (CWA), to allow states to use an additional two percent (2%) of the annual capitalization grant to provide technical assistance to rural, small, and tribal Publicly Owned Treatment Works (POTW), and appropriated \$12.7 billion over five years to CWSRF programs nationwide. The IIJA introduced additional requirements and provisions that may apply to the entire CWSRF program (not just limited to the supplemental IIJA appropriations).

The State Water Board may amend this IUP and the Supplemental IUP only after the public and interested parties are given an opportunity to comment on the proposed amendments, except for non-substantive corrections, which may be made by the Deputy Director. Throughout this document, the Deputy Director has been authorized to perform actions. The Deputy Director also has authority to re-delegate any of those actions to a designee.

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<sup>3</sup> Throughout this document, the word "loan" is used expansively and may include bonds, installment sale agreements, and other types of repayable financing.

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## B. Past Achievements

All 50 states and Puerto Rico are currently operating successful CWSRF programs. The [total CWSRF financing nationwide](#) exceeds \$181 billion. California's CWSRF has grown since financing its first project in 1989 and has executed more than \$15.1 billion in financial assistance agreements with nearly 400 unique recipients. The program has funded a broad range of projects. The majority of funds have been used for publicly owned wastewater infrastructure. Some funds have also been used for nonpoint source or estuary projects.



## C. Connections to Other Plans, Goals, and Programs

The CWSRF program supports numerous water quality and public health goals from the State Water Board's most recent [Strategic Work Plan](#).

The CWSRF program supports the four goals of the [Water Resilience Portfolio](#) (July 2020): maintain and diversify water supplies; protect and enhance natural ecosystems; build connections and be prepared. The State Water Board is tasked as the responsible agency for 17 actions of which 8 actions require direct involvement from DFA.

The CWSRF program also supports [California's Water Supply Strategy](#) as it focuses on: Developing new water supplies; Expanding water storage capacity above and below ground; reducing demand; and improving forecasting, data, and management. The State Water Board last amended the Water Recycling Funding Program Guidelines on October 16, 2019. The WRFPGuidelines contain grant and loan eligibility criteria and priorities for water recycling projects. Water recycling is one of the key elements supporting the Governor's Water Supply Strategy.

The State and Regional Water Boards also have primary responsibility to protect water quality by preventing and reducing water pollution in our rivers, streams, lakes, beaches, bays, and in our groundwater. The purpose of the Non-Point Source (NPS) Program Plan is to improve California's ability to effectively manage NPS pollution and conform to the requirements of the Federal Clean Water Act and the Federal Coastal

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Zone Act Reauthorization Amendments of 1990. The [2020-2025 Nonpoint Source Implementation Plan](#) is California’s approved implementation plan. It identifies a set of targeted performance measures and describes NPS Program activities from July 2020 through June 2025. The draft 2025-2030 Nonpoint Source Implementation Plan has been released for public comments. Once adopted, projects implementing the 2025-2030 Nonpoint Source Implementation Plan would be eligible for CWSRF funding. Projects that implement the 2020-2025 NPS Implementation Plan continue to be eligible for CWSRF funding in the interim.

The National Estuary Program (NEP) is an EPA program to protect and restore the water quality and ecological integrity of estuaries of national significance. Currently, three estuaries in California are designated as nationally significant estuaries – Morro Bay, Santa Monica Bay, and San Francisco Bay. For each area a Comprehensive Conservation and Management Plan (CCMP) has been developed to identify and implement long-term actions to address water quality and resource challenges and priorities in the estuary. Projects and actions in the CCMPs are eligible for CWSRF funding.

The State Water Board administers several programs authorized by the [Water Quality, Supply, and Infrastructure Improvement Act of 2014 \(Prop 1\)](#), the [California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 \(Prop 68\)](#), the [Safe Drinking Water Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 \(Prop 4\)](#), and the [Budget Act of 2024 \(SB-108\)](#) and may have funding available from other bond measures and funding sources. Projects eligible for state sources of funds may also be eligible for CWSRF funds. The State Water Board manages its funding programs to maximize its ability to fund projects that support the State Water Boards’ water quality goals and by coordinating CWSRF financing with the State Water Board’s other funding sources.

In establishing the terms of this CWSRF IUP, the State Water Board considered [Resolution No. 2016-0010, Adopting the Human Right to Water as a Core Value and Directing its Implementation in Water Board Programs and Activities](#) and statewide policy set forth in section 106.3 of the Water Code. Specifically, Subdivision (a) declares it is the established policy of the State that “every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” Subdivision (b) requires the State Water Board to consider this state policy when “revising, adopting, or establishing policies, regulations, and grant criteria when those policies, regulations, and criteria are pertinent to the uses of water.”

On May 16, 2017, the State Water Board adopted an emergency regulation to implement provisions of the [Sustainable Groundwater Management Act \(SGMA\)](#). SGMA created a framework for sustainable, local groundwater management for the first time in California history and requires the formation of local groundwater sustainability agencies (GSAs) in California’s high- or medium-priority groundwater basins or the submittal of an alternative that demonstrates a basin is already sustainable. The CWSRF can potentially fund projects that would assist GSA’s with achieving groundwater sustainability.

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On April 18, 2023, the Water Quality Control Policy for Siting, Design, Operation, and Maintenance of Onsite Wastewater Treatment Systems (OWTS Policy) was amended. The vast majority of the estimated 1.2 million onsite systems in California are properly sited, designed, operated, and maintained, and are functioning in a satisfactory manner. The purpose of the OWTS Policy is to allow the continued use of OWTS, while protecting water quality and public health, and recognizes that responsible local agencies manage OWTS on a routine basis. The OWTS Policy establishes a statewide, risk-based, tiered approach for the regulation and management of OWTS installations and replacements and sets the level of performance and protection expected from OWTS. The OWTS Policy also discusses the procedures for local agencies to apply for CWSRF funds to establish local, low interest loan programs to assist OWTS owners with meeting the requirements of the OWTS Policy.

The CWSRF can fund a wide range of water infrastructure projects and may offer a variety of financial assistance types. The following are CWSRF priorities highlighted by the State Water Board:

1. Small Disadvantaged Communities (DACs)

On July 1, 2008, the State Water Board adopted [Resolution No. 2008-0048](#) to assist small communities and/or DACs with their wastewater needs. Resolution No. 2008-0048 referred to a Small Community Wastewater Strategy, which was subsequently updated and expanded in the Spring of 2016 to incorporate public water systems and was renamed the [Clean Water and Drinking Water Capacity Development Strategy](#) (Capacity Development Strategy). The strategy provides an overview of the challenges facing these communities. Regarding wastewater, these include both failing septic systems and failing outdated and undersized wastewater treatment plants. Small communities and/or DACs generally have higher per capita costs. Disadvantaged (median household income [MHI] of less than 80 percent [80%] of the statewide MHI) and severely disadvantaged (MHI of less than 60 percent [60%] of the statewide MHI) small communities typically face the additional burden of lower household incomes. The result is higher, sometimes prohibitive, sewer and water rates. In 2017, the Drinking Water Capacity Development program, required by the Safe Drinking Water Act, was moved from DFA to the Division of Drinking Water (DDW), but both divisions play a role in supporting the Board's capacity development goals.

The Office of Sustainable Water Solutions (Office) was statutorily established on March 27, 2015, and is part of DFA. The Office was created to promote permanent and sustainable drinking water and wastewater treatment solutions to ensure effective and efficient provision of safe, clean, affordable, and reliable drinking water and wastewater treatment services, focusing on addressing financial and technical assistance needs, particularly for small DACs. The Office provides low interest loans and grants utilizing state and federal funding sources. Funding for small DACs is coordinated through the SCWW funding described throughout this IUP.

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## 2. San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta)

Staff from the State Water Board and the Central Valley and San Francisco Bay Regional Water Boards coordinate the Water Boards' activities in the San Francisco Bay and Sacramento-San Joaquin River Delta (Bay-Delta). The Bay-Delta Team is charged with developing the Water Boards' short and long-term efforts for addressing impacts to the beneficial uses of water in the Bay-Delta. In December 2018, the State Water Board adopted the [Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary lower San Joaquin River and Southern Delta](#). The State Water Board is in the process of developing and implementing updates to the Bay-Delta Water Quality Control Plan for the Sacramento River and tributaries, and continue with efforts to protect beneficial uses in the Bay-Delta watershed. The CWSRF program can help with these efforts by funding point source, nonpoint source, and estuary projects such as:

- Measures identified in Total Maximum Daily Loads;
- Stormwater and dry weather runoff reduction from Municipal Separate Storm Sewer Systems;
- Conservation measures to reduce sediment and non-point discharges;
- Ammonia discharge reduction from POTWs;
- Urban and agricultural water use efficiency to reduce demands on the Delta and reduce runoff of pesticides to the Delta;
- Implementation of non-point source projects under the state's Section 319 program;
- Implementation of watershed projects;
- Implementation of measures under the San Francisco Estuary Blueprint; and
- Measures to promote water conservation, efficiency, or reuse that can decrease demands on the Delta.

### **D. Federal and State Water Board Guidance**

The State Water Board will continue to implement the CWSRF and complementary and supplementary financing programs consistent with applicable state and federal statutes, regulations, policies, and guidelines. These include, but are not limited to:

- The [Policy for Implementing the Clean Water State Revolving Fund](#) (CWSRF Policy) and funding guidelines related to any complementary and supplementary financing sources;
- The [Operating Agreement](#) between the State Water Board and U.S. EPA;
- [The Clean Water and Drinking Water State Revolving Funds Debt Management Policy](#) (SRF Debt Management Policy) and agreements related to outstanding revenue bonds;

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- [The State Water Board's Clean Water and Drinking Water Capacity Development Strategy](#);
  - [U.S. EPA Interpretive Guidance](#) regarding the WRRDA amendments;
  - [U.S. EPA guidance](#) regarding Implementation of the CW and DWSRF Provisions of the Infrastructure Investment and Jobs Act;
  - Any additional federal requirements in the 2026 budget appropriation, the 2026 Capitalization Grant agreements, and/or guidance from U.S. EPA.
  - CWSRF repayable funding will be consistent with the requirements of the program's Master Trust Indenture and associated bond documents to ensure compliance with Securities and Exchange Commission, Internal Revenue Service, and Municipal Securities Rule Making Board (MSRB) rules and regulations and ensure that all CWSRF revenue bonds are secure and repaid in full and on time.

## **E. Supplementary Definitions**

Unless otherwise defined below, the definitions in the CWSRF Policy shall apply to funding under this IUP.

If a single facility with a large residential population that does not pay sewer rates and is reasonably isolated and divisible from the larger community, such as a prison, contributes significantly to the population of the community, the Deputy Director has discretion to determine it is appropriate to exclude that facility's population in determining population for the purposes of funding eligibility.

1. "Disadvantaged Community" means a community with a MHI of less than eighty percent (80% of the statewide MHI);
2. "Median Household Income" or "MHI" means the household income that represents the median value for the applicant's service area.
3. "Receiving System" means the POTW that provides wastewater treatment and disposal service to a Subsumed System through a Regionalization or septic-to-sewer project..
4. "Regionalization" means, for the purposes of funding eligibility under this CWSRF IUP, joining two or more POTWs to regionalize the provision of wastewater treatment, where a Subsumed Wastewater System (or Satellite Sewer System) discontinues independent treatment and disposal but may continue to operate and maintain its own collection system.
5. "Septic-to-sewer" projects means, for the purposes of funding eligibility under this CWSRF IUP, projects to connect communities relying on onsite sewage treatment systems to public sewer systems.

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6. "Small Community" means a community with a population of less than 20,000.
  7. "Small Disadvantaged Community" or "Small DAC" means a community with a population of less than 20,000 and either or both of the following conditions:
    - An MHI of less than eighty percent (80%) of the statewide MHI.
    - A sewer rate of more than four percent (4%) of the community's MHI.
  8. "Small Severely Disadvantaged Community" or "Small SDAC" means a community with both a population of less than 20,000 persons and an MHI of less than sixty percent (60%) of the statewide MHI.
  9. "Subsumed System" means the POTW or, for septic-to-sewer projects, onsite sewage treatment system, consolidated into or receiving service from the Receiving System.

## **F. Water Quality Financing Needs**

California needs significant funding to achieve its clean water goals. U.S.EPA, in partnership with states, territories and the District of Columbia, typically conducts the Clean Watersheds Needs Survey every four years. The most recent [2022 Clean Watersheds Needs Survey](#) identified \$65 billion in needs for California over the next 20 years – \$40 billion in wastewater facilities (including water reuse), \$16 billion in stormwater management, and \$9 billion in nonpoint source control. The survey encapsulates over 700 wastewater facilities, over 100 stormwater facilities, nonpoint source needs, and decentralized wastewater treatment systems where data is available. The \$65 billion in need is also expected to increase with inflation over the 20-year period. If the current level of federal and state appropriations remains, CWSRF loan financing is projected to total \$12 billion over the same period (\$600 million per year for 20 years), which is significant but far shy of the needs identified.

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## II. CWSRF FUNDING SOURCES & FEDERAL APPROPRIATIONS

CWSRF funding sources administered through this IUP during SFY 2026-27 generally consist of:

- Capitalization Grants from U.S. EPA, including PF;
- Potential future CWSRF State Match funding;
- Repayments of CWSRF principal and interest on past loans and investment earnings;
- Proceeds from the Series 2025 Bonds and potential future bond sales.

The sections below further discuss capitalization grants from U.S. EPA and state match. Additional state allocations for specific project types, including small disadvantaged community wastewater, recycled water, and stormwater, are discussed in their respective program sections throughout this IUP.

### **A. CWSRF Base Program and General Supplemental**

The FFY 2026 Base Program Capitalization Grant allotment is expected to be \$51,601,000.

The IIJA appropriated \$11.7 billion over five years to CWSRF programs nationally. California is expected to receive \$177,966,000 as part of the CWSRF General Supplemental Funding in FFY 2026, which represents the final year of IIJA funding. The funds are available to any CWSRF eligible project and forty-nine percent (49%) must be committed as PF. The IIJA funds are appropriated, and the allocations to individual states are set by the CWA and are therefore not expected to change this year. Although the IIJA authorized and appropriated significant sums to the CWSRF, the IIJA also established new objectives and requirements for the program.

Federal appropriations are currently being prioritized for disbursement to ensure timely and expeditious use of federal funds.

### **B. CWSRF Emerging Contaminants**

California is also expected to receive \$15,362,000 for FFY 2026 as part of the final CWSRF Emerging Contaminants funding, appropriated by the IIJA. The funds are available to CWSRF eligible projects which address emerging contaminants, with a focus on Per- and Polyfluoroalkyl Substances (PFAS). One hundred percent (100%) must be committed as PF.

Due to lack of CWSRF Emerging Contaminant applications and continued application demand from DWSRF, the State Water Board is requesting that the full CWSRF Emerging Contaminant capitalization grant be transferred to the Drinking Water State Revolving Fund (DWSRF). Should qualifying applications for CWSRF Emerging

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Contaminant funding materialize this fiscal year, the State Water Board may consider transferring funds back to CWSRF in the SFY 2027-28 Intended Use Plans. Additional information regarding the availability of and requirements associated with CWSRF Emerging Contaminants funding and the transfer to DWSRF can be found in the Emerging Contaminants Supplemental Intended Use Plan in the DWSRF IUP.

### **C. CWSRF Principal Forgiveness (PF)**

Per the CWA, states have the option to select a level of additional subsidization (e.g., PF) that ranges from ten percent (10%) to a maximum of thirty percent (30%) of its annual base program capitalization grant.

Additionally, the FFY 2026 federal appropriation requires, as the federal appropriations have since FFY 2016, that an additional ten percent of the capitalization grant be provided as additional subsidy (e.g., PF) to eligible recipients. This mandatory amount is in addition to the allocation established by the CWA.

The State Water Board will provide the maximum amount of additional subsidy allowed from the FFY 2026 Capitalization Grant as PF. The maximum amount of PF allowed from the FFY 2026 Base Program Capitalization Grant is approximately \$21 million, or forty percent (40%) of the Base Program Capitalization Grant.

CWSRF General Supplemental Funding is \$177,966,000. The IIJA mandates that forty-nine percent (49%) of General Supplemental Funding be provided as PF, which equates to approximately \$87 million.

The State Water Board will have any remaining PF from prior years plus the estimated PF from the FFY 2026 Capitalization Grants to commit during FFY 2026-27.

Per Section 603 of the CWA, additional subsidization (i.e., PF) may be provided (1) to benefit a municipality that meets the affordability criteria of the State or benefit individual residential ratepayers within a municipality who would experience a hardship from the increase in rates necessary to finance the project or (2) to implement a process, material, technique, or technology:

- To address water-efficiency goals;
- To address energy-efficiency goals;
- To mitigate stormwater runoff; or
- To encourage sustainable project planning, design, and construction.

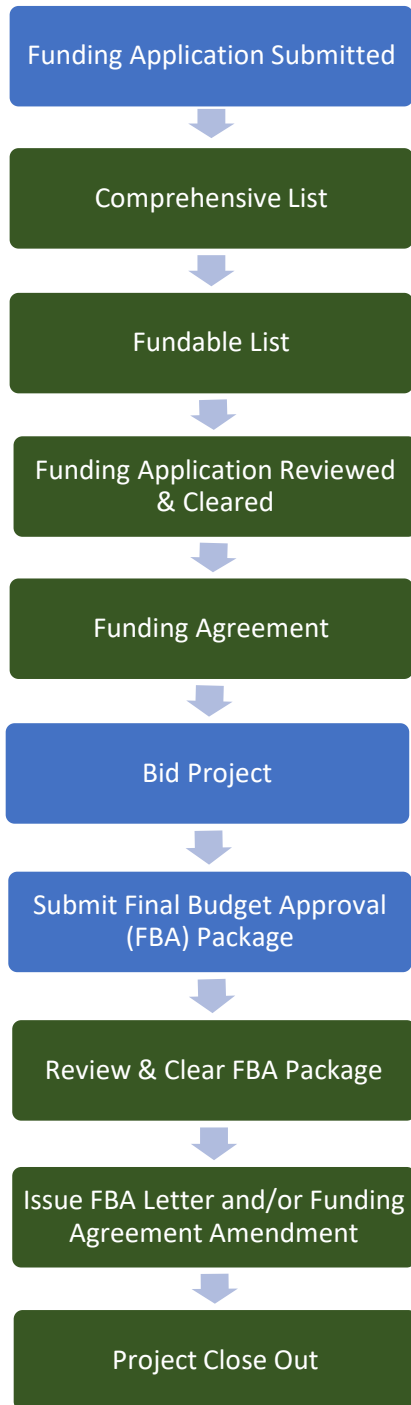
PF from the FFY 2026 CWSRF Base and General Supplemental Capitalization Grants will be available for wastewater projects consistent with SCWW funding eligibility described in Section V. These projects are eligible for PF consistent with established affordability criteria.

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PF from the FFY 2026 CWSRF Base and General Supplemental Capitalization Grants will also be available for projects that implement a nationally designated estuary plan, consistent with Section [VII](#).

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### III. GENERAL FUNDING PROCESS



The general process for both grants/PF and repayable loans through the CWSRF Program and its complementary funding sources is outlined below.

#### A. Applicant Submits a Funding Application

Using the [Financial Assistance Submittal Tool \(FAAST\)](#), the applicant submits either a Planning/Design or Construction funding application. If planning and preliminary design is already complete, applicants are encouraged to apply for construction financing. Applicants can request reimbursement for planning and design costs associated with a construction project.

#### B. Comprehensive List

The Comprehensive List (Appendix B) includes general planning and construction funding requests submitted to the State Water Board as of April 1, 2026, including projects requesting repayable and non-repayable funding.

Placement of a project on the Comprehensive List does not constitute a commitment to provide financing. DFA may periodically post an updated Comprehensive List on the CWSRF website that will include new applications received by the State Water Board after the development of this IUP.

The Comprehensive List serves to quantify California's clean water infrastructure near-term demand for state funding. This year's Comprehensive List, which identifies applicants seeking financial assistance for specific clean water infrastructure projects, includes applications totaling more than \$4 billion.

#### C. Fundable List

This IUP includes the CWSRF Fundable List (Appendix A), which consists of projects that may be funded by the CWSRF base and general supplemental capitalization grants and other complementary funding sources administered under this IUP.

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The Fundable List is a subset of the Comprehensive List and represents those projects that the Deputy Director of DFA may approve for funding, provided the projects meet all eligibility requirements. The State Water Board's goal is to execute agreements for all eligible projects on this IUP's Fundable List for which there is an appropriate funding source by June 30, 2027. No guarantee can be given that all projects on the Fundable List will receive an executed agreement or that the agreement will be executed by June 30, 2027.

Projects are added to the Fundable List in three ways:

1. Projects that may be eligible for grant/PF under Section V or eligible for Regionalization Incentive, may be added to the Fundable List after the Deputy Director or designee deems the application initially complete, to the extent funding is available. This includes projects seeking partial grant/PF and full loan. Small DACs that are only seeking repayable loan may be placed on the Fundable List, after the Deputy Director or designee deems the application complete. Projects may be added throughout the fiscal year.
2. Water recycling, stormwater, or estuary projects that are seeking grant/PF only, with no repayable loan, may be added to the Fundable List after the Deputy Director or designee deems the application initially complete, to the extent funding is available. Projects may be added throughout the fiscal year.
3. For all other projects, applications are due December 31 of the prior year. Applications that received a priority score equal to or above the cut-off score, based on submission as of December 31, are added to the Fundable List.

**Note: Placement on the Fundable List does not constitute a financing agreement, a guarantee of financing, a guarantee of the order of financing, a guarantee that sufficient funds from the anticipated sources of funds will be available for the project, or a determination of eligibility. Neither do position on the Fundable List, estimated agreement date, nor anticipated funding sources guarantee funding, order of funding, funding timing, funding amount, or eligibility.**

**Inclusion on the Fundable List only means that an application may be funded and a financing agreement will be executed only if the application meets all applicable eligibility requirements.**

**Some projects are eligible for placement on the Fundable List or conditional placement on the Fundable List by the Deputy Director if certain conditions are met as discussed in this IUP. Therefore, Appendix A is not a limitation on financing these projects, provided they submit complete applications and meet all applicable eligibility requirements, and provided that sufficient funds are available.**

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The State Water Board will periodically post an updated Fundable List on the CWSRF website and allow for public comment. This posting will identify all projects on the Fundable List, including all projects for which complete applications were received by DFA. To be included on the next Fundable List update, applications shall be complete by September 30<sup>th</sup>.

## **A. Application Review**

[Applications](#) are accepted on a continuous basis. After DFA receives an application, a detailed technical, environmental, legal, and financial review is conducted to determine the applicant's eligibility for CWSRF and associated clean water funding and to evaluate whether the project, once funded, is sustainable and will be operated and maintained for its useful life.

### **a) Technical Review**

As part of reviewing a funding application, the State Water Board staff will review the engineering reports, plans and specifications (if available during the application review period), and the general and technical application packages to determine whether a proposed project is eligible for funding. Applicants may be required to resolve identified issues prior to funding or by completion of the project. For example, if the proposed project will require the system to have an operator of a higher classification, the system must demonstrate they will be able to hire or contract with an appropriate operator.

### **b) Financial Review**

The CWSRF Policy and this IUP set forth the review process that the State Water Board will undertake to assess the credit and financial capacity of applicants, in order to evaluate the applicant's financial ability to operate and maintain the funded projects over the useful life, as well as to repay borrowed CWSRF monies. For non-repayable planning and certain SCWW non-repayable construction funding, DFA may undertake an alternative financial capacity review, consistent with the statutory and other legal requirements for the funding source to be used (see section V.A.5).

### **c) Environmental Review**

The State Water Board will conduct environmental reviews of projects as described in the [State Environmental Review Process](#) attached as an appendix to the CWSRF Policy, as may be amended, and as described in Section XII.B and Appendix H of this IUP. All applicants must provide environmental information as part of their CWSRF Planning and Construction Applications. Certain requirements, including compliance with federal environmental cross-cutters, may not be required for state grant-funded projects and projects identified as "non-equivalency" projects. The State Water Board Environmental Scientist Staff will conduct an initial review to verify that sufficient information has been received and will identify any missing information. Once all required environmental documents have been received, the State Water Board Environmental Scientist Staff will conduct a thorough review of all items to determine

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whether 1) sufficient information has been provided to enable the State Water Board to make environmental determinations, 2) consultation(s) are required with relevant state and federal agencies, and/or 3) if any additional information is needed.

#### **d) Legal Review**

The Office of Chief Counsel assists DFA in reviewing certain application materials. Additionally, certain projects, including all repayable loan projects, go through a “legal consultation” process to finalize the terms of the financial assistance agreement.

### **B. Funding Agreement**

DFA may prepare a funding agreement if funding is available, the project meets eligibility requirements, and the project is on the Fundable List.

The State Water Board will consider the requirements associated with all available sources of funds, and pair available funds with projects. In order to provide the best funding package for an applicant, DFA will combine funding sources where appropriate. Depending on an applicant’s eligibility for various types of funding, as further described in this IUP, this may include the use of repayable loan funds, PF, grant funds, match financing, other state sources of funds appropriated to the State Water Board, and other state and federal funding sources managed by other agencies to the extent they are available and compatible with the State Water Board’s funding, to maximize the financing of clean water projects. Funding amount for a project will be based on the applicant’s engineering cost estimate.

Recipients will generally be required to submit an opinion of general counsel to the satisfaction of the Office of Chief Counsel, although this requirement may be waived for certain planning or other projects. If applicable for repayable financing, an opinion of bond counsel may also be required. All opinions must be dated on or after the date that the recipient signs the funding agreement. Templates for these opinions are available on DFA’s website and in an appendix to the CWSRF Policy. All recipients of repayable financing will generally be required to provide a resolution authorizing the transaction at closing.

Funding agreements will have estimated due dates for deliverables. In addition, the Recipient will be required to submit quarterly reports to update their project manager on the project. Recipients should work with their project manager if delays occur. The funding agreement includes information about requesting a time extension if needed, but time extensions are not guaranteed. When considering a time extension, DFA will confirm if the funding source is available beyond the dates in the funding agreement and will consider the Recipient’s progress on the project and if they are consistently submitting quarterly reports, as well as loan capacity and loan demand in the case of repayable financing.

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### C. Pre-Funding Agreement Costs

Costs incurred by a funding recipient prior to the execution of a funding agreement are not guaranteed to be reimbursed.

Planning and design costs incurred prior to the execution of a funding agreement may be reimbursed at DFA's discretion as part of a funding agreement, if an agreement is provided, subject to funding source requirements. DFA will establish an Eligible Work Start Date for planning and design and other pre-construction costs, if applicable.

Construction costs incurred prior to the execution of a funding agreement may be reimbursable if the applicant later receives a funding agreement, under limited circumstances. **Any costs incurred prior to the execution of a funding agreement are at the applicant's risk of not receiving funding. Starting construction before DFA staff have completed their environmental review will likely render the project ineligible for funding.** Both the applicant and DFA staff must generally complete their environmental reviews, before any construction activities occur. If DFA later determines to provide a funding agreement, DFA will determine the Eligible Construction Start Date for project construction costs. Various factors may restrict reimbursement of costs incurred prior to execution of a funding agreement, including, but not limited to, eligibility issues, the unavailability of funding, failure of the applicant to adopt a satisfactory reimbursement resolution (for repayable financing) or to satisfy applicable funding source requirements, appropriations limits of funding sources, and other factors. Additionally, changes to laws or requirements that occur prior to execution of a financial assistance agreement may affect some or all funding eligibility.

### D. Bid Project (Construction Funding)

Under the terms of the State Water Board's funding agreements, the Recipient must adhere to any applicable state law or local ordinance for competitive bidding and applicable labor laws. In addition, the construction funding agreement may have other bidding requirements including, but not limited to, environmental special conditions, Davis Bacon prevailing wages, Disadvantaged Business Enterprises (DBE), Build America Buy America (BABA), and American Iron and Steel (see Section XII.B for additional information about Federal requirements). The Recipient should pass through any construction requirements applicable to their project with the selected contractor(s) and ensure compliance throughout the construction process. Although the Recipient is not required to get DFA approval prior to bidding their project, they are encouraged to submit their draft plans and specifications to their project manager for review to ensure that some of these requirements aren't missed. The Recipient will require DFA approval of construction bid documents as part of the Final Budget Approval (FBA) Package.

### E. Submit FBA Package

Once the recipient has an executed funding agreement, the [FBA Form](#) and all attachments should be submitted as soon as possible after the bid or proposal opening to ensure all applicable requirements have been met. The FBA Form and attachments should be submitted electronically via FFAST to streamline the application submittal and review process.

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Projects funded with non-repayable financing may include contingency of up to twenty percent (20%) of the total project cost. In some cases, unforeseen issues encountered in the field can lead to higher than typical change order costs. On a case-by-case basis for good cause, the Deputy Director of DFA may approve a higher percentage, up to thirty-five percent (35%) of the total project cost.

**CONSTRUCTION COSTS INCURRED BEFORE DFA’S FINAL BUDGET APPROVAL, FOLLOWING EXECUTION OF A FINANCIAL ASSISTANCE AGREEMENT, ARE AT THE APPLICANT’S RISK.**

If necessary, the Recipient may request a cost increase as part of the FBA package. Additional financing above the existing amount in the funding agreement is not guaranteed, is subject to DFA review and approval and the funding limits identified in the applicable IUP, and is not available without an amendment to the funding agreement.

**F. FBA Letter and/or Funding Agreement Amendment**

DFA will review the FBA package to confirm that bid documents comply with the requirements of the funding agreement and construction line items are eligible for funding. If/when the FBA package is approved, DFA will issue either a FBA approval letter and/or, if necessary and approved, a funding agreement amendment. If a cost increase is requested as part of the FBA package, DFA will evaluate the request and may update the financial review prior to determining whether to provide approval. Failure to receive DFA approval of the final budget, either via letter or formal funding agreement amendment, may result in the construction work being ineligible for reimbursement.

**G. Project Close Out**

The Recipient must complete and submit all work listed in the funding agreement in time to be approved by DFA prior to the project completion date listed in the funding agreement. The Recipient must plan adequate time to solicit, receive, and address comments prior to submitting final documents including the Project Completion Report. If applicable, the Recipient must submit a Project Completion Report to the DFA with a copy to the appropriate Regional Board on or before its due date. Details about what is needed in the Project Completion Report can be found in the funding agreement. The Recipient must submit the final reimbursement request prior to the Final Reimbursement Request Date set forth on the cover page of the funding agreement. Any undisbursed balance may be deobligated if the Recipient does not provide its final reimbursement request to DFA on or before the Final Reimbursement Request Date.

Other sources of funds may become available to the State Water Board that are similar in nature to the CWSRF and its complementary funding sources. If additional funding becomes available during SFY 2026-27, the State Water Board will commit the funds

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consistent with any guidelines or requirements associated with their authorization and consistent with this IUP if appropriate. Alternatively, additional funding may require an amendment to this IUP or additional guidance from the State Water Board.

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## IV. CWSRF LOAN PROGRAM

### A. Eligibility

Applicants are eligible to apply for project funding through the CWSRF loan program if (1) the Project meets one or more of the eligibility criteria for funding established in the Clean Water Act, Section 603(c); and (2) the Applicant can demonstrate they have a dedicated source of repayment and can comply with the terms in the Credit/Financial Guidelines Appendix of the CWSRF Policy (Appendix N).

### B. Recent Financing Activity

From the previous 5 years, the State Water Board has provided the following financing through the CWSRF repayable financing.

**Table 3: Recent CWSRF Repayable Financing**

SFY	Number of Agreements	\$ of Agreements (in millions)
2021-22	38	\$2,070
2022-23	8	\$527
2023-24	6	\$38
2024-25	15	\$593
2025-26	4 (+10)	\$149 (+\$389)

Some projects have received funding from more than one source. These numbers include any projects that have received CWSRF repayable financing.

In SFY 2025-26, four loan projects totaling \$149 million of projects have been executed. Another ten loan projects totaling \$389 million are currently circulating a draft agreement with funding decisions in progress.

### C. Financial Outlook

Appendix C shows the forecasted cash flow<sup>4</sup> (sources and uses) of the CWSRF program as of April 2026. Except for capitalization grants, the future cash flow of the CWSRF program can be predicted with reasonable certainty. The estimated cash flow includes:

- The estimated cash balance at the beginning of SFY 2026-27 (July 1, 2026);
- U.S. EPA capitalization grants (realized and estimated)<sup>5</sup>;
- Estimated Principal and interest payments on outstanding receivables;

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<sup>4</sup> The overall cash flow includes the available PF funds.

<sup>5</sup> Based on historical federal budget appropriations. Future capitalization grants are estimated at approximately \$52 million per year.

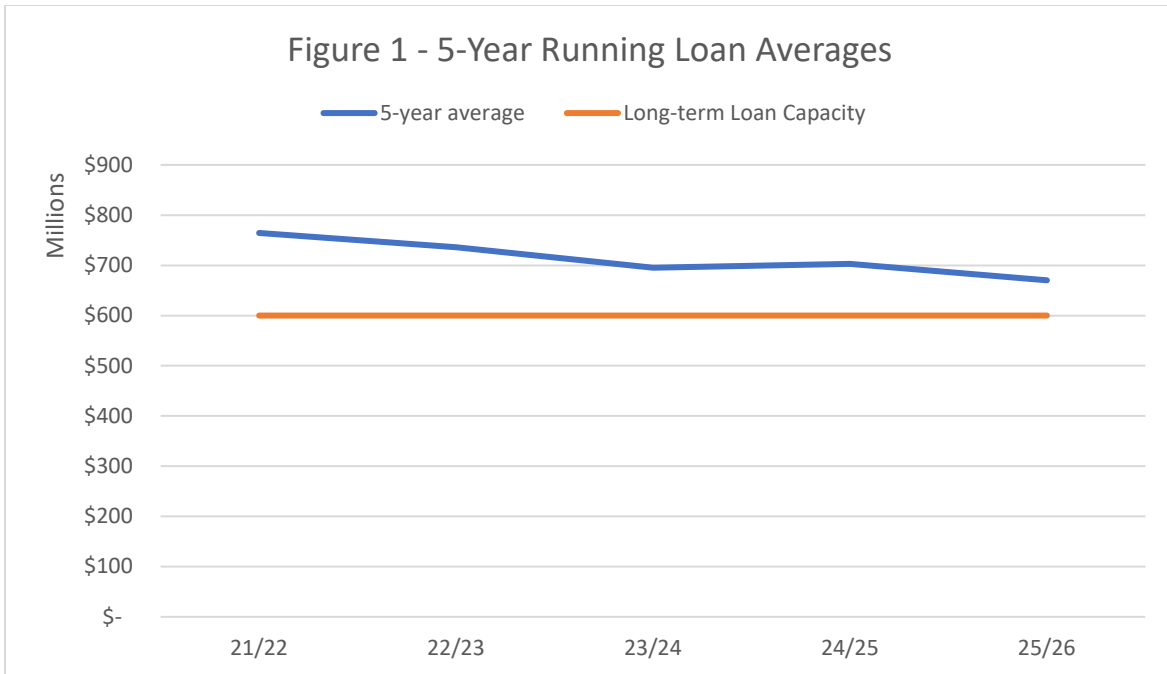
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- Estimated Investment earnings;
  - Estimated Matching funds;
  - Estimated Disbursements to projects with executed financing agreements;
  - Debt service payments;
  - Proceeds of leveraging in SFY 2025-26, and
  - Estimated Program administrative costs and technical assistance allowance

Based upon current cash flow projections the sale of additional CWSRF bonds may not be needed in SFY 2026-27 if aggregate disbursements for the fiscal year are below historical averages per recent trends. However, DFA will continue to monitor the disbursement trends of the CWSRF and will make any recommendations to the State Water Board in SFY 2026-2027 if additional revenue bond proceeds are needed to fund existing CWSRF financings.

Consistent with the CWSRF Policy, DFA has also re-evaluated the lending capacity of the CWSRF. The CWSRF's Municipal Advisor, in cooperation with DFA, ran several different scenarios to gauge the possible effects on the CWSRF's lending capacity based on the IIJA supplemental appropriations, potential higher future annual appropriations as authorized by the IIJA, potential lower future annual appropriations due to Congressionally directed spending, different match sources, and the effects on loan capacity resulting from maximizing PF authority. The potential loan capacity ranged from a low of about \$600 million to as high as about \$675 million in lending capacity.

The FFY 2022, 2023, 2024 base grants were lower than previous grants due to Congressionally Directed Spending for specific projects. Appendix G lists the projects for FFY 2024 and 2026 that were identified through Congressionally Directed Spending and will be administered by EPA. There were no Congressionally Directed Spending projects for FFY 2025. If Congressionally Directed Spending continues beyond 2026, when IIJA appropriations cease, it would result in significantly reduced capitalization, impacting the CWSRF's long-term lending capacity.

As seen in Figure 1 below, the CWSRF's 5-Year running average lending is currently above CWSRF's sustainable lending capacity. The Funding Target should be a realistic target that can be sustained on a long-term basis to provide consistency and predictability to the program and its stakeholders. Therefore, the State Water Board maintains the Funding Target for lending at approximately \$600 million per year. The loan capacity is the amount of new lending or loan increases on previously funded loans that can be done per year with the existing loan pool and new loans pledged to potential bonds. The annual capacity is a level amount that could be originated each year for the next 20 years. The Funding Target, for SFY 2026-27, will range from \$540 million to \$750 million in new lending. Future years' targets will be subject to refinement and revision as the conditions under which the CWSRF operates evolve.



*(This figure accounts for projects with funding decision in progress, anticipated to be executed by June 30, 2026)*

## D. Project Scoring and Evaluation of Potential Cut-Off Scores

At the beginning of SFY 2025-26, the State Water Board adopted a Fundable List with 27 projects with anticipated repayable loan commitments of \$951 million. Since then, projects have been executed or withdrawn. There are 23 rollover projects estimated to receive over \$846 million in loan on the Fundable List as of April 1, 2026. However, for 10 of these rollover projects a funding decision is in progress, meaning DFA is currently drafting a funding agreement because staff eligibility reviews and legal consultations are complete. Projects with a funding decision in progress have already been incorporated into the CWSRF Program capacity model, which is utilized to calculate the long-term sustainable capacity of the Program.

### **Summary of Scored and Fundable Projects**

Twenty-three (23) loan applications have been submitted. Projects deemed incomplete are not eligible for scoring. The Priority Scores for all evaluated and scored projects are shown in Appendix B. The 13 scored projects are requesting approximately \$665 million in funding.

Projects eligible to be added to the Fundable List per Section III(c)(1)&(2) were not scored. The requested total financing from these projects, including public health projects, estuary projects, and wastewater, water recycling, and stormwater projects eligible for grant/PF was not included in this year’s Cut-Off score scenarios when compared to the Funding Target Range.

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## **Cut-Off Score Scenarios**

DFA compiled the Priority Scores and evaluated five Cut-Off Score scenarios, based on the [CWSRF Policy](#), to help evaluate potential Cut-Off Scores and identify impacts to the Fundable List for SFY 2026-27. Each evaluated Cut-Off Score scenario is summarized and described below. These scenarios all limit the maximum CWSRF repayable loan to \$50 million per project.

**Table 4: Cut-Off Scoring Scenarios – Fundable Projects (\$ in millions)**

<b>Scenario</b>	<b>Cutoff Score</b>	<b># of New Fundable Projects</b>	<b>Total Requested Funding, M</b>	<b>Total new CWSRF Funding, M</b>	<b>Estimated CWSRF Financing for SFY 2026/27, M<sup>6</sup></b>
A	Rollovers Only	0	\$857	\$0	\$458
B	15	3	\$1,111	\$65	\$523
C	14	5	\$1,214	\$165	\$623
D	13	10	\$1,409	\$323	\$781
E	11	11	\$1,443	\$357	\$815

### **a. Scenario A – Rollovers only**

Selecting this scenario would result in a Fundable List of 13 loan projects, with the potential CWSRF loan impact being approximately \$458 million for SFY 2026/27, not counting the 10 loan applications that currently have a funding decision being processed, which is within the Funding Target Range.

However, the State Water Board is required to select and report an equivalent amount of project funding equal to the federal capitalization grant. The State Water Board can either choose to add new projects to fulfill this year's equivalency requirements or retroactively apply this year's equivalency requirements to rollover projects. One of the equivalency requirements, Build America, Buy America, needs to be incorporated into the project design or bid documents. Retroactively applying this requirement to ongoing projects, especially projects already under construction, may cause undue negative impact. Therefore, the Board is choosing to apply this year's equivalency requirements to newly added projects and must add enough new projects to fulfill its equivalency requirements.

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<sup>6</sup> For this analysis DFA has excluded those CWSRF repayable loans in which a funding decision is being processed (i.e., application reviews are complete and legal concurrence between SWRCB and the applicant has been reached.) These costs have already been incorporated in the capacity model used to determine the sustainable lending capacity for the CWSRF Program.

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**b. Scenario B – Cut-Off Score = 15, \$50 million maximum per project**

One project was automatically added as a small disadvantaged community that was not eligible for principal forgiveness and two projects received a Priority Score of 15 or above. These three projects are requesting approximately \$65 million in financing. Selecting Scenario B would result in a Fundable List with 16 loan projects and repayable loan commitments equal to \$523 million for SFY 2026/27, which is within the Funding Target Range. However, similar to Scenario A, the Board must add enough new projects to fulfill its equivalency requirements.

**c. Scenario C – Cut-Off Score = 14, \$50 million maximum per project**

Five projects received a Priority Score of 14 or above. These five projects are requesting approximately \$165 million in financing.

Selecting Scenario C would result in a Fundable List with 18 loan projects and repayable loan commitments equal to \$623 million for SFY 2026/27, which is within the Funding Target Range. Although this option places us within the limit of our Funding Target Range it doesn't add enough new projects to meet federal equivalency requirements and fully leverage the available funding capacity.

**d. Scenario D – Cut-Off Score = 13, \$50 million maximum per project**

Ten projects received a Priority Score of 13 or above. These 10 projects are requesting approximately \$323 million in financing.

Selecting Scenario D would result in a Fundable List with 23 loan projects and repayable loan commitments equal to \$781 million for SFY 2026/27, which is above the Funding Target Range. This option meets our federal equivalency requirement; however, it slightly exceeds the available funding capacity in loan commitments.

**e. Scenario E – Cut-Off Score = 11, \$50 million maximum per new project.**

Eleven projects received a Priority Score of 11 or above. These 11 projects are requesting approximately \$357 million in financing.

Selecting Scenario E would result in a Fundable List with 24 projects total and repayable loan commitments equal to \$815 million for SFY 2026/27, which is above the Funding Target Range.

**Fundable List – Adding New Projects**

The State Water Board will use 13 as the Cut-Off Score (Scenario D) for adding new projects to the Fundable List, and new projects will be limited to a maximum CWSRF loan of \$50 million. This results in a Fundable List with 23 projects and anticipated

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repayable loan commitments of \$781 million, which is slightly above the Funding Target Range established by the sustainable funding capacity but will allow the State Water Board to fulfill its equivalency requirements through new projects.

Appendix A shows the Fundable List for SFY 2026-27, including rollover projects from the SFY 2025-26 Fundable List. It includes the associated, estimated costs requested by the applicants broken down by anticipated funding source.

All projects added to the Fundable List have been determined to have complete applications. Any outstanding supplemental environmental documents must be submitted by September 30, 2026. If they are not submitted by that date, the Deputy Director will remove the project from the Fundable List. During comprehensive application review, DFA staff may reach out with follow-up questions.

The total for each project on the Fundable List may be allocated or reallocated to other Fundable List projects at the request of the applicant as long as the total funding does not exceed the total CWSRF estimated loan funds on the Fundable List for the combined projects. Each of the applicants recommended for partial funding appears capable of obtaining the remaining financing necessary to successfully complete the projects.

### **Fundable List – Rollover Projects**

All scored projects on the Fundable List in the SFY 2025-26 IUP that have not received an executed financing agreement have been rolled over and remain on the Fundable List, unless identified for removal.

The Deputy Director will remove any rollover project that has been on the Fundable List since SFY 2024-25 or earlier under either of the following circumstances: (1) the rollover project applicant has not consented to the State Water Board's CWSRF loan provisions<sup>7</sup> through legal consultation by November 30, 2026; or (2) the applicant has not provided by November 30, 2026, all documents or information requested by the Division of Financial Assistance for the purposes of executing a CWSRF loan.

The Deputy Director should continue to consider the following factors as part of implementing this IUP:

- The impacts of rising construction costs on existing loans and the CWSRF's ability to finance those higher loan amounts for existing loan projects before approving loan increases and approving new loans on the Fundable List.
- The effects of past and current year lending on the long-term loan capacity.

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<sup>7</sup> Applicants for loan/repayable financing should review the "Sample CWSRF Financing Agreement" and "Legal Opinion" templates posted at [https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/srf/srf\\_forms.html](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/srf_forms.html) in advance with their attorneys to expedite legal consultations. DFA updates the templates periodically.

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- The effects of past and current year lending on short-term cash flows, the need for and ability to issue revenue bonds.
  - The need for modifications to this IUP based on the advice of the program's Financial Advisor.

All projects on the Fundable List are fundable at any time during SFY 2026-27 provided they meet all eligibility requirements. Projects may receive a financing agreement as soon as it is determined the application meets all eligibility requirements and a funding agreement is executable. DFA will review the applications on the Fundable List with the objective of executing agreements quickly and efficiently, giving priority to SDACs, DACs, and public health projects. DFA remains committed to meeting its overall goal to execute agreements for all projects on the Fundable List by June 30, 2027.

## **E. Future Financing Trends**

Demand for CWSRF loan financing remains high as indicated by the Comprehensive List, and DFA expects the loan demand to remain high in the future given CWSRF's attractive terms and the large water related infrastructure needs in California. For the past few years, DFA focused on executing agreements for all scored rollover projects to clear the backlog and normalize the pace of loan financing.

SFY 2021-22 was a record high funding year for CWSRF financing. Since then, several projects have been withdrawn or removed from the Fundable List, which brought the 5-Year running average lending closer to the sustainable lending capacity. State Water Board staff continue to monitor disbursement needs of existing commitments. The Board has currently authorized up to \$2.2 billion in outstanding par amount of CWSRF revenue bonds. An additional sale of CWSRF revenue bonds may be required in SFY 2026-27 and an increase in the outstanding par amount of revenue bonds may be required to satisfy existing and new financing obligations.

In addition, the costs identified in Appendix A are estimated project costs that may, in some cases, be higher or lower than estimated, but in other cases may be capped. Additional CWSRF debt may be necessary for projects in the future depending on DFA's success executing loan applications on the Fundable List by June 30, 2027. Future cash flow forecasts - considering actual lending and disbursements, future capitalization grants, and earning levels - will determine the need for additional leveraging and may affect future lending levels. Potential increases in future leveraging authority will be consistent with the [SRF Debt Management Policy](#).

Consistent with this IUP, the CWSRF Policy, and available staff resources, DFA will continue to accept and review documents related to applications that are not on the Fundable List, as well as continue to accept and review new documents, time permitting, to develop loan applications that can be scored and funded in future years.

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## F. Revenue Bonds Sales & Disbursement Priorities

The Deputy Director is authorized to initiate the process to sell revenue bonds to the extent authorized and approved by the State Water Board<sup>8</sup>. The Deputy Director is also authorized to regulate project commitment levels, loan increases, cash disbursement levels, suspend project approvals, or do a combination of these actions to ensure prior commitments are fulfilled and long-term financial risks for the CWSRF program are managed consistent with the Debt Management Policy.

Due to existing obligations and additional loan commitments in SFY 2026-27, the State Water Board will continue to sell revenue bonds no more frequently than annually. Revenue bonds will only be sold in amounts that enable the State Water Board to satisfy its obligations under its current Master Trust Indenture, related series indentures, and the SRF Debt Management Policy. Given the potential annual constraints on bond proceeds, the State Water Board will then prioritize the disbursement of CWSRF funding, including annual bond proceeds, to recipients in the following order when necessary to manage available funding:

1. Small and disadvantaged communities.
2. Recipients that do not have the technical or financial capacity to manage disbursement delays from the State Water Board.
3. Recipients with the oldest Agreements by initial execution date.
4. Recipients with the technical and financial capacity to manage disbursement delays from the State Water Board.

The State Water Board directs DFA to manage the CWSRF so that sufficient funds are available under all circumstances to meet the repayable financing needs of SDACs and DACs for wastewater projects.

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<sup>8</sup> On October 3, 2017, the State Water Board approved [Resolution No. 2017-0057](#) increasing the maximum leveraging authorization for the CWSRF program from \$1.2 billion to \$2.2 billion bonds (par value). Currently, approximately \$1.528 billion of the total (par value) is outstanding.

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The State Water Board's disbursement priorities for the CWSRF in order of importance during SFY 2026-27 will be:

- Liquidating any revenue bond proceeds to meet applicable commitments and tax law requirements;
- Liquidating Capitalization Grants once awarded;
- Liquidating repayments and investment earnings.

## **G. CWSRF Loan Provisions**

General provisions applicable to repayable financing projects in SFY 2026-27 may include, but are not limited to:

### **Equivalency Projects**

Each fiscal year, the State Water Board is required to report a number of CWSRF financing agreements whose total dollar amount equals the amount of the federal CWSRF capitalization grant in order to satisfy federal rules. These reported financing agreements are referred to as "equivalency projects".

The State Water Board has identified this year's equivalency projects on the Fundable List (Appendix A). Equivalency projects for the 2026 Federal Capitalization Grants were selected based on the following priority, until the necessary equivalent dollar amount is met:

1. POTW projects that have volunteered to be designated as equivalency projects in order to receive additional secondary points and improve their overall priority score.
2. POTW projects that are not for small DACs. If not all POTW projects need to be selected to meet equivalency requirements, projects with the largest estimated CWSRF funding amounts will be selected first.
3. If additional projects need to be selected to meet equivalency requirements, projects benefitting an applicant that is not a small DAC with the largest estimated CWSRF funding amounts will be selected regardless of project types.
4. If multiple projects have the same estimated CWSRF funding amounts, but not all these projects need to be selected as equivalency, the projects whose applicant communities have the highest MHI will be selected.
5. If all projects described above are insufficient to meet equivalency requirements, small DAC projects may be selected as equivalency projects.

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### **Green Project Reserve (GPR)**

Based on the FFY 2026 appropriation, a minimum of 10 percent (10%) of the 2026 Base and General Supplemental Capitalization Grants (or an estimated GPR of approximately \$24 million) will be provided to projects that meet the GPR criteria. To ensure that California meets or exceeds the minimum GPR requirement for SFY 2026-27, the State Water Board will prioritize the review and approval of GPR projects until the minimum is met. GPR projects must meet [U.S. EPA's FFY 2012 Guidance](#) or any subsequent guidance issued by U.S. EPA.

As shown in Appendix A the CWSRF has significantly more GPR demand than the minimum GPR requirement anticipated in SFY 2026-27; therefore, the State Water Board does not plan to solicit additional GPR projects during SFY 2026-27.

### **Match Financing Option**

California is required to contribute at least one dollar of matching funds for every five federal dollars contributed to the CWSRF program. Offering local match financing in accordance with the [CWSRF Policy](#) to CWSRF applicants, where the applicant provides the funds to match the federal grants, is one way California meets the match requirement. Other methods of providing match include state appropriations and match bonds or loans. Local match financing is available to applicants at their request.

### **Interest Rates**

#### a. Standard Rates

The State Water Board's standard interest rate for CWSRF repayable planning financing as well as repayable construction financing is generally 50 percent (50%) of the rate obtained by the State Treasurer for California's most recent general obligation bond sale, rounded up to the next highest multiple of 10 basis points. The standard repayment term for repayable planning financing is five or ten years, at the applicant's option. The standard repayment term for repayable construction financing is the lesser of 30 years or the useful life of the financed facilities.

#### b. Reduced Term Financing Incentive

Applicants for CWSRF repayable construction financing will receive a 25 basis point reduction to the standard interest rate in exchange for selecting a 20-year or lesser financing term rather than a 30-year financing term, but the resulting interest rate will not be less than zero percent.

#### c. Adjustment for SDAC, DAC, Public Health, Nonpoint Source, Stormwater, and Estuary Projects

The Deputy Director may approve a reduced interest rate (not less than zero percent) for initial financing agreements to SDACs or DACs qualifying for SCWW funds, incentive projects, public health projects, nonpoint source projects,

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stormwater projects, and estuary projects if the community is unable to afford all or a portion of the interest payments. For wastewater projects, the applicant's wastewater rates need to be at least 1.5% of the community's MHI before DFA will consider reducing the interest rate for a potential loan. The reduced interest rate will be lowered incrementally until the community is able to afford the loan and meet the debt service requirement. The interest rate will not automatically be lowered to zero.

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## V. SMALL COMMUNITY WASTEWATER (SCWW) FUNDING

### A. SCWW Projections, Eligibility Criteria, and Procedures

This IUP specifies the grant/PF amounts available for SCWW projects, and how the Prop 1, Prop 4, SCG Fee, Budget Act of 2024 Greenhouse Gas Reduction Fund, and CWSRF requirements will be coordinated for projects receiving these funding sources. All SCWW funds authorized for SFY 2026-27, SCWW funds that become available from prior SFYs (e.g., any funds de-obligated from previously approved projects that finish under budget), and any SCWW funds appropriated in future years, will be used consistent with this section of the IUP until otherwise directed by the State Water Board. Applicable requirements vary according to the funding source (see Section V.E of the IUP).

Applications will be accepted on a continuous basis. All new applications for wastewater projects eligible for grant/PF are only fundable once they have been added to the Fundable List, in accordance with this IUP.

The Deputy Director has the discretion as to which IUP (2025-26 or 2026-27) rules apply to projects with complete applications submitted to DFA before June 30, 2026, to the extent that the rules associated with a prior IUP remain consistent with governing laws and requirements.

#### **1. SCWW Grant/PF Eligibility Criteria**

Eligible applicants include public agencies having jurisdiction over disposal of sewage, industrial wastes, or other wastes, or an Indian tribe or an authorized Indian tribal organization, or a designated and approved management agency under Section 1288 of title 33 of the United States Code.<sup>9, 10</sup> SCWW funds are specifically for small DAC wastewater projects.

#### **MHI Determinations**

In general, the MHI determination will be based on the entire permitted service area of

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<sup>9</sup> 501(c)(3) nonprofit organizations; mutual benefit corporations, homeowners associations or cooperatives exempt from taxes under Section 501(c)(12) of the United States Internal Revenue Code; and non-federally recognized state tribes on the Native American Heritage Commission consult list are generally not eligible for PF construction funding but may be eligible for certain grant funding.

<sup>10</sup> On a case-by-case basis, notwithstanding any limitations in footnote 6, DFA may also award grant, or PF as eligible, to projects for the construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage and serve an eligible community; Native American Tribe; public K-12 school; or a not-for profit K-12 private school, daycare facility, labor camp, elder care facility, or health care facility.

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the Wastewater System. For septic-to-sewer projects, the MHI of the community that will be connected will be used. The MHI is determined using the Census geography that best represents the community (i.e., city/Census Designated Place [CDP] or block group). DFA utilizes the American Community Survey (ACS) data set to determine the MHI of a community. ACS data is updated annually using a five-year rolling average. New ACS data is utilized by DFA April 1st of each year. If the MHI cannot be determined due to unavailable ACS data or the available data is not considered representative based on consultation with Regional Board staff, an income survey may be conducted. An impartial third party must conduct an income survey in accordance with the current Multiagency Income Survey Guidelines.

The State Water Board may consider whether the households benefiting from the project are primary homes when making eligibility determinations. If a community includes secondary homes that are greater than 50 percent (50%) of the total number of dwellings, the community will not be eligible for grant/PF funding. A community with between 25 percent (25%) and 50 percent (50%) secondary homes will be evaluated on a case-by-case basis to determine eligibility for grant/PF funding or partial grant/PF funding. Secondary homes are homes that are classified as vacation or seasonal homes.

Wastewater systems that solely serve a K-12 public school are deemed to serve a SDAC, as the primary users are minor students with incomes below 60 percent (60%) of the statewide MHI. To determine grant/PF eligibility, the total number of staff and students will be divided by 3.3 to determine the equivalent service connections. In the case of oversubscription, grant/PF may be limited to Title I schools.

For mobile home parks and/or similar communities that have a master connection, the number of households that will be served will be used for equivalent service connections

### **Eligible Connection Types**

SCWW grant/PF funds are specifically designated for residential connections (including schools). Cost per connection eligibility is based on the number of residential or equivalent service connections.

If a project will benefit a system that has industrial/commercial connections that account for greater than ten percent of the total water consumption, then grant/PF funding may be reduced for costs attributable to industrial/commercial use. In addition, project components that are solely for industrial/commercial use (e.g., commercial water meters, industrial/commercial private laterals) are not grant/PF eligible. On a case-by-case basis, the Deputy Director of DFA may approve grant/PF for industrial/commercial connections for Regionalization projects for good cause. Individual project components such as water meters or private laterals that benefit individual facilities such as the following are not considered industrial/commercial connections and, therefore, may be eligible for grants: a public K-12 school, a not-for-profit K-12 private school, a not-for-profit daycare facility, a not-for-profit labor camp, a not-for-profit elder care facility, a not-

for-profit health care facility, or a not-for-profit facility serving a tribe.

## **2. SCWW Demand for Planning and Construction Projects**

Due to limited grant/PF availability, the State Water Board will further prioritize grant/PF within SCWW projects. SCWW “Priority Projects” are projects that address violations of waste discharge requirements or National Pollutant Discharge Elimination System (NPDES) permits, and projects that connect previously unsewered areas<sup>11</sup> or join communities to regionalize wastewater treatment works are considered priority for grant/PF funding. These Priority Projects that have a complete application have been included on the Fundable List. Other CWSRF eligible projects are considered “Secondary Priority Projects” for SCWW and are eligible for partial grant funding. Because the SCWW Secondary Priorities Projects were previously not grant eligible and were considered inactive, DFA staff will re-evaluate their applications for completeness and confirm with applicants if they are interested in pursuing a grant/loan split for their projects.

**Table 5: SCWW Funding Demand**

<b>Application Status</b>	<b>No. Applications</b>	<b>Total Grant Requested (\$ in millions)</b>	<b>Total Loan Requested (\$ in millions)</b>
<b>Complete Projects</b>	<b>20</b>	<b>\$95</b>	<b>\$18</b>
<i>Priority</i>			
<i>Planning</i>	10	\$11	\$0
<i>Construction</i>	7	\$74	\$9
<i>Secondary</i>			
<i>Construction</i>	3	\$10	\$9
<b>Incomplete Projects</b>	<b>106</b>	<b>\$559</b>	<b>\$484</b>
<i>Priority</i>			
<i>Planning</i>	4	\$4	\$0
<i>Construction</i>	33	\$424	\$217
<i>Secondary</i>			
<i>Planning</i>	33	\$15	\$18
<i>Construction</i>	36	\$116	\$249
<b>SCWW Total</b>	<b>126</b>	<b>\$606</b>	<b>\$550</b>

*Note: Projects expected to be executed by June 30, 2026 are not included in this table.*

<sup>11</sup> Septic-to-sewer construction projects will require, at a minimum, letters of interest or documentation showing that the residents will be required to connect at completion of construction (e.g., ordinance) prior to receiving a construction funding agreement. If work will be completed on private property, agreements with the property owner (e.g., right-of-entry agreement) shall be required prior to construction so it may be beneficial for the applicant to collect agreements rather than letters of interest.

In addition to the above pending applications, DFA staff anticipate approximately 14 already funded construction projects bidding their project and requesting an FBA this SFY. DFA has been seeing projects bid for significantly higher than their engineer's cost estimate. For this reason, DFA estimates approximately \$45 million may be needed for cost increases for these projects.

### 3. SCWW Financial Outlook and Funding Sources

**Table 6: SCWW Funding Sources and Financial Outlook<sup>12</sup>**

Funding Source	Total Available (Millions)
SCG Fund	\$14.0
CWSRF PF (FFY 2026 Base and IIJA General Supplemental grants)	\$107.8
CWSRF PF (previous cap grants)	\$80.3
Proposition 4 <sup>13</sup>	\$61.9
<b>TOTAL =</b>	<b>\$264.0</b>

Current estimates forecast a significant decrease in CWSRF PF availability following the current SFY. As separate state funding pots are also subject to fluctuation, the State Water Board advises potential SCWW applicants to prepare for a future landscape with reduced grant/PF funding caps and likely a repayable loan component.

#### SCG Fund

Section 13477.6 of the Water Code authorizes the SCG Fund and approximately \$14 million is available for commitment in SFY 2026-27 due to a new \$8 million appropriation for SFY 2026-27. The SCG Fund allows the State Water Board to help finance communities with the most need in California, helping those that cannot otherwise afford a loan or similar financing to move forward with water quality improvements. The SCG Fund receives revenue generated by a fee on CWSRF financing agreements deposited into the SCG Fund separate from the CWSRF<sup>14</sup>. Other sources may also be transferred to the SCG Fund, including those specifically identified

<sup>12</sup> Projected available PF/grant funding is based upon agreements executed as of June 30, 2026, including an estimated \$223,181,829 of PF/grant agreements to be executed between April 1st - June 30th.

<sup>13</sup> Ten percent of the Prop 4 funds are being set-aside for technical assistance funding, totaling \$16.9 million available this SFY. This leaves approximately \$62 million from Prop 4 for SCWW projects this SFY.

<sup>14</sup> Like the administrative service charge (see Section III.G.3.), the SCG charge is also a fee "other than program income not included as principal in CWSRF financing" for federal purposes. The SCG charge is collected, as is the administrative service charge, in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement so that the annual payment stays the same.

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in State Water Board [Resolution No. 2013-0004](#) that become available.

All money deposited into the SCG Fund is provided in the form of grants to small SDACs and small DACs for CWSRF-eligible wastewater projects. State law requires the State Water Board to give grant priority to projects that serve small SDACs, defined as communities with an MHI of less than 60 percent (60%) of the statewide MHI.

The procedures for providing grants from the SCG Fund to small SDACs and small DACs are largely the same procedures used for standard CWSRF financing, specified in the CWSRF Policy.

The State Water Board may apply an SCG fee-in-lieu of interest charge to additional eligible repayable financings in SFY 2026-27 at a rate that does not exceed the standard CWSRF interest rate. The SCG fee will be applied to generate sufficient revenue to meet the amount annually appropriated from the SCG Fund. However, the SCG fee will be collected in an amount that does not jeopardize the long-term growth of the CWSRF, the State Water Board's ability to leverage the CWSRF, or the State Water Board's ability to collect sufficient fee revenue to administer the CWSRF.

#### **CWSRF Principal Forgiveness (PF)**

The State Water Board will make all PF from the FFY 2022 through 2026 Capitalization Grants, not otherwise used for stormwater or estuary projects, available to SDAC and DAC wastewater projects consistent with the conditions and limitations in Section V.

#### **Proposition 4**

Proposition 4, the Safe Drinking Water Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Senate Bill 867, Allen) authorized \$10 billion in general obligation bonds for projects related to safe drinking water, wildfire prevention, drought preparedness, and clean air. Section 91011 of Prop 4 allocated \$610 million in grants or loans that improve water quality or help provide clean, safe, and reliable drinking water. This IUP proposes to allocate 50% of SFY 2026-27 Prop 4 appropriations on water quality and drinking water (approximately \$158 million) towards Small Community Wastewater, which means the remaining 50% will be available for drinking water projects. Prop 4 Tribal Drinking Water is excluded from this split.

DFA will adhere to requirements in Proposition 4, while administering the funding, including but not limited to, reasonable geographic allocation, allocations to disadvantaged communities, severely disadvantaged communities, or vulnerable populations, and all requirements related to cost-per-connection restrictions.

#### **Budget Act of 2024 Greenhouse Gas Reduction Fund (GGRF)**

The Budget Act of 2024 allocated \$224.9 million from the GGRF to the State Water Board to be encumbered by June 30, 2027, and liquidated by June 30, 2029. These funds may be used for drinking water projects, with a priority to DACs, and for wastewater projects, with a priority for septic-to-sewer conversions with local

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investment. Up to 10 percent of the funds may be used for technical assistance and capacity building in DACs, and up to 5 percent may be used for administrative costs. The State Water Board authorized up to \$62.7 million of the Budget Act of 2024 GGRF for planning and construction grants for wastewater projects, with priority given to septic-to-sewer conversions with local investment, with an emphasis on DACs. All of the authorized GGRF funds have already been committed to projects, but there is potential for some of the funds to be disencumbered. If this occurs, GGRF funds may be made available for SCWW projects.

**Proposition 1**

Chapter 5 of Prop 1 allocated \$260 million to the State Water Board for wastewater projects<sup>15</sup> under the State Water Board’s Small Community Grant program. The California Legislature has appropriated \$241.8 million to the State Water Board for grants to eligible projects. At least 10 percent (10%) of the total SCWW funds available from Prop 1 will have been provided to SDACs.

In addition to capital projects, DFA is authorized to direct up to 15 percent (15%) of the funds available from Prop 1 to a multi-disciplinary technical assistance (TA) program. TA efforts are focused on helping small DACs develop, fund, and implement capital improvement projects. All of the Prop 1 funds for wastewater projects have already been committed to projects, but there is potential for some of the funds to be disencumbered. If this occurs, Prop 1 funds may be made available for SCWW projects. For the purposes of calculating rates as a percentage of MHI, service charges plus other costs specifically related to the wastewater system may be considered, including but not limited to, dedicated sales tax revenue, assessments, and fees. If a CWSRF-eligible wastewater project includes improvements to the drinking water system, the drinking water rates and charges may be considered in addition to wastewater rates and charges. For systems serving small DACs that do not charge monthly wastewater rates, including, but not limited to, migratory labor camps and mobile home parks, any minimum rate thresholds for grant/PF eligibility are waived.

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<sup>15</sup> Wat. Code, § 79723

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#### **4. SCWW Planning Grant/PF Eligibility Criteria**

Planning grant/PF is only available for SCWW priority projects per **Table 7**.

**Table 7: SCWW Planning Grant/PF Eligibility Criteria for Priority Projects**

Eligibility Criteria		Grant Amount	
Community Type	Project Type	Percent of Total Project Cost	Maximum Grant/PF Per Project <sup>16</sup>
Small DAC	Priority	100%	\$2.5 million
	Secondary		\$500,000 <sup>17</sup>

#### ***Financial Capacity Review***

For 100% non-repayable planning projects, DFA generally will not require the applicant to submit a complete financial security package or undergo financial security review prior to receiving funding. DFA will require certain items that have been included in the financial security package, such as an authorizing resolution, to be submitted. An applicant is generally not required to demonstrate financial capacity to operate and maintain its system, or a proposed construction project, prior to receiving 100% non-repayable planning funding.

Planning funding can be provided to an eligible applicant that lacks adequate financial capacity to assist it with establishing its financial capacity to operate and maintain its system, and undertake a construction project, in preparation for an eventual construction funding agreement. Examples of tasks financed with planning funds may include, but are not limited to, wastewater rate studies, budget development, and capital improvement planning.

#### **5. SCWW Construction Grant/PF Eligibility Criteria**

Grant/PF construction funds are available to Small DACs based on the following criteria summarized in [Table 8](#). The maximum grant/PF is based on the amount of clean water grant/PF construction funding from the State Water Board benefiting the community in a five-year period. Priority construction projects under \$5 million are not subject to a per

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<sup>16</sup> Projects are generally expected to be 10-20% or less of the estimated construction costs.

<sup>17</sup> SCWW planning grants for Secondary Priority projects are limited to a maximum of two for a community within a five-year period (one for collection system improvements and another for treatment plant improvements). Planning grants for Secondary priority projects will not include plans and specifications, but can include other necessary construction application documents such as a project report, environmental documents, rate studies, and financial information to apply for financing the eventual construction project.

residential connection limit, consistent with and subject to availability of Proposition 4 funds.

**Table 8: SCWW Construction Grant/PF Eligibility Criteria**

Community Type	Project Type	Percentage of Total Eligible Project Cost	Maximum Grant/PF Amount	Maximum Grant/PF Per Residential Connection
Small DAC	Addressing a Violation	100%	\$30 million	\$60,000
	Septic-to-Sewer or Regionalization			\$175,000 <sup>18</sup>
	Secondary Priorities	50%	\$7.5 million	\$30,000

If a project is eligible for grant/PF through multiple definitions the grant maximums do not stack, but DFA will utilize the most favorable calculation for the applicant.

In evaluating grant/PF eligibility for a project, DFA will consider any wastewater-related judgment or settlement funds received by or due to the applicant. Pending or unrestricted funds must either be allocated to a capital improvement project related to the settlement or placed in a restricted account (e.g., escrow or other restricted account) to be used in accordance with terms specified in the funding agreement.

***Financial Capacity Review***

Even if 100 percent (100%) grant/PF is approved for a construction project, the recipient is required to demonstrate financial capacity to operate and maintain the wastewater system. For projects that address Regional Water Board Orders or public health threats, the Deputy Director may enter into a grant funding agreement with an applicant prior to the applicant’s demonstration of the long-term ability to operate and maintain its wastewater system, conditioned on the applicant’s satisfactory demonstration of the ability to operate and maintain its wastewater system prior to the disbursement of any grant funds.

For 100% nonrepayable Regionalization or septic-to-sewer projects, DFA generally will not require the applicant to submit a complete financial security package for the Receiving System. DFA will require certain items that have been included in the financial security package, such as an authorizing resolution, to be submitted. However, DFA will generally require a complete financial security package and financial security review of the Receiving System if any of the following criteria are met:

- a) the number of connections will increase by more than 5% with the project or the allowable permitted number of connections or volumes will be exceeded with the project;

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<sup>18</sup> The Deputy Director may approve up to \$200,000 per residential connection for good cause.

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- b) other information readily available, including information submitted by the Receiving System to DFA for other projects, or information from recent system inspections, indicates further review is warranted; and
  - c) the size of the Receiving System indicates further review is warranted (generally, for small systems a full financial review will be conducted).

Despite the foregoing, DFA has the discretion to require a complete financial security package or other information, and financial review, for any non-repayable planning project or for a Subsumed or Receiving system associated with a Regionalization project.

For projects that connect previously unsewered areas or join communities to regionalize wastewater treatment works, but do not include facilities that need to be operated and maintained by the Subsumed System, a financial review to demonstrate financial capacity of the Subsumed System to operate and maintain its system may not be required. If such facilities exist but are deemed to be minor with minimal O&M requirements, then the Assistant Deputy Director may waive the financial review of the Subsumed System. For other cases where a review of the Subsumed System will be required, a reduced financial review may be acceptable, with the following documents required as a minimum: prior year's tax returns and/or financial statements.

#### ***Grant/PF Limitations on Private Property***

For projects that connect individual homes not previously connected to sewer service, certain work on private property associated with the residences, including items such as laterals or septic decommissioning may qualify for grant/PF, if necessary and if allowed by the funding source. Availability of funding for work on private property depends on project details and differs from drinking water eligibility. DFA may evaluate grant/PF eligibility, if the total cost per connection for specific households is significantly higher than others in the community, for example because there is a larger individual property with an exceptionally long lateral or a higher connection fee required. In these cases, DFA will work with applicant to determine which portion of the scope is eligible.

Funding for reasonable connection fees and constructed facilities for the Regionalization that will be owned and operated by the Receiving System are eligible for up to one hundred percent (100%) grant/PF. For septic-to-sewer projects that include other constructed facilities that will not be owned and operated by the Receiving System, for example facilities that may be owned and operated by a mobile home park owner that is being connected to the Receiving System, may be eligible for up to one hundred percent (100%) grant/PF for work on private property necessary for the septic-to-sewer project. If recipients do not own or have authority over project components located on private property, the Deputy Director or Assistant Deputy Director has the discretion to determine whether recipients are required to ensure the operation and maintenance of such components.

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## **6. SCWW Grant/PF Funding Changes and Amendments**

For changes to project funding amounts that occur after DFA has completed financial review, DFA will not re-evaluate the Applicant's/Recipient's financial capacity in the following cases:

1. For increases to the project funding amount if all the following are true:
  - The amount of repayable co-funding, if any, remains the same or decreases;
  - The amount of the increased project financing amount is 100% grant/PF;
  - No substantive change to the Project scope has occurred<sup>19</sup>;
  - No increase to anticipated operation and maintenance costs have occurred;
  - The Applicant/Recipient has maintained compliance with all material Agreement conditions in all outstanding State Water Board obligations to date;
  - DFA is not aware of any events that would trigger a new financial review such as concerns about the Applicant's/Recipient's financial or managerial capacity or ability to complete, operate, and maintain the project; and
  - DFA is not aware of any new information that indicates the Applicant/Recipient no longer continues to demonstrate long-term viability.
  
2. For decreases to the project funding amount that are not related to concerns about the Applicant's/Recipient's financial or managerial capacity and where the Applicant/Recipient continues to demonstrate long-term viability, the Applicant/Recipient has maintained compliance with all material Agreement conditions in any outstanding State Water Board obligations to date, and DFA is not aware of any events that would trigger a new financial review.

Amendments to existing funding agreements may be based on the IUP that the project was funded under, the IUP in effect at the time of the Final Budget Approval, or this IUP, at the discretion of the Deputy Director, subject to funding source requirements. In general, changes to scope and cost increases for lower priority projects will not be approved unless the cost increase is due to higher construction costs at time of bidding (no change in the approved scope). Secondary Priority projects may be asked to complete value engineering and potentially reduce their scope of work to keep the project financing amount within the approved budget.

Projects funded with non-repayable financing may include contingency of up to twenty percent (20%) of the total project cost. In some cases, unforeseen issues encountered

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<sup>19</sup> In the event the scope of work has changed, for the limited purposes of evaluating if the criteria under this section are met, the change will be considered non-substantive if after reviewing all information submitted along with the request for change, the DFA Project Manager and Senior Engineer finds that there is no reason to believe that it is related to a change in the financial or managerial capacity of the Applicant/Recipient, and would not increase the anticipated operations and maintenance costs of the Project.

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in the field can lead to higher than typical change order costs. On a case-by-case basis for good cause, the Deputy Director may approve a higher percentage, up to thirty-five percent (35%) of the total project cost.

Any cost increases will have to be done via an amendment. In an amendment, DFA will generally not revise the determination for characteristics such as system connections and income to inform the “Community Type” for the project, but can adjust PF/grant amounts based on the previous determinations. Prop 1 GWGP grant funding may be awarded to eligible DACs of any size, but DACs must have water rates  $\geq 1.5\%$  MHI<sup>20</sup>.

## **7. Financing Terms**

The State Water Board will provide funding for all eligible categories of projects using loans, installment sale agreements/purchase of debt. The State Water Board will also provide separate planning, design, or planning and design financing during SFY 2026-27 to small SDACs and DACs and those projects specifically identified for planning, design, or planning and design financing on the Fundable List provided the applicants can legally accept such financing.

PF, if available, will be provided to those applicants that meet the conditions specified in Section II.C above.

The terms associated with CWSRF financial assistance vary by applicant and financing approval date. Planning and design financing is amortized over five or ten years, at the discretion of the applicant, unless it is restructured at the time a CWSRF construction or implementation financing agreement is executed. Construction or implementation financing agreements are generally amortized for periods up to 30 years or the useful life of the financed assets, whichever is shorter. The interest rate applied to a financing agreement is established at the time the financing agreement is prepared for approval or financing is approved by the State Water Board. The interest rate will generally be one-half of the State’s most recent general obligation bond rate rounded up to the nearest one-tenth of a percent, except as described in Section IV.G above. However, no construction costs may be reimbursed until all eligibility requirements are met and a final budget has been approved in accordance with an executed financing agreement and the CWSRF Policy.

## **B. Recent Financing Activities**

Over the previous 6 years, the State Water Board has provided the following financing through the SCWW financing.

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<sup>20</sup> SDACs are eligible for GWGP grants regardless of their wastewater rates.

**Table 9: Recent SCWW Financing**

SFY	Number of Agreements	\$ of Agreements (in millions)
2021-22	20	\$76.7
2022-23	18	\$166.2
2023-24	17	\$67.4
2024-25	23	\$355.4
2025-26*	10 (+14)	\$31.3 (+\$264.6)
* As of April 1, 2026, there are 14 additional new agreements being prepared for approximately \$264.6 million. Assuming all of the routing projects receive executed funding agreements in SFY 2025-26, 24 projects will be executed for approximately \$295.9 million		

### C. SCWW Technical Assistance

The Office of Sustainable Water Solutions administers the Technical Assistance Funding Program that helps small DACs develop, fund, and implement eligible wastewater needs. TA may include, but is not limited to, coordination and development of capital improvement projects, engineering and environmental analysis, legal assistance, and financial analysis. Wastewater technical assistance will be available for SCWW priority projects.

**Table 10: Current TA Funding Contracts (State General Fund Appropriations)**

TA Provider	Funding Amount	Scope of TA
Rural Community Assistance Corp (RCAC)	\$12,269,420	Wastewater projects including full scope work plans prioritizing septic-to-sewer
Community Water Center (CWC)	\$3,789,581	Wastewater projects including full scope work plans prioritizing septic-to-sewer
Moonshot Missions	\$199,744	Wastewater capacity development
Self-Help Enterprises	\$10,670,265	Assist communities with septic-to-sewer wastewater regionalization projects
Leadership Council for Justice and Accountability	\$487,870	Outreach, engagement, negotiation, and legal assistance
<b>Total =</b>	<b>\$21,147,835</b>	

In addition to the existing commitments above, the 2024 GGRF funds and Prop 4 funds may be used for technical assistance. State Water Board Resolution No. 2024-0038 allows for up to ten percent of the 2024 GGRF funds to be used for technical assistance and capacity building in DACs. Prop 4 allows for up to ten percent of funds to be allocated for technical assistance. Prop 4 also permits the use of additional funds for

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technical assistance if the State Water Board determines that there is a need for additional funding.

**Table 11: Available Funding for Technical Assistance**

<b>Funding Source</b>	<b>Total Available (Millions)</b>
Proposition 4	\$16.9
<b>TOTAL</b>	<b>\$16.9</b>

If there is limited interest/need for wastewater technical assistance, the Division may commit available funds to SCWW planning or construction projects.

## **D. Regionalization Incentives**

To the extent possible based on funds available, and to encourage the regionalization of wastewater service, the Deputy Director may offer funding for an eligible capital project that solely benefits the Receiving System (Incentive Project) to a Receiving System that, with State Water Board funding, completes a physical Regionalization project or septic-to-sewer project. DFA is authorized to offer a Receiving System a maximum of \$10 million in zero percent (0%) interest rate financing per connecting community/wastewater system (maximum of \$50 million over a 5-year period per Recipient) from available sources for planning or construction of an Incentive Project. The Regionalization Incentive may be applied to one or more eligible capital improvement projects chosen by a receiving system and approved by DFA. Incentive Project financing may be combined with other financing options, including CWSRF funds, to fully fund an Incentive Project. The subsidized financing for the Incentive Project is in addition to any subsidized financing for the associated Regionalization project.

When determining the amount of incentive funding that a Receiving System may be eligible for, DFA will consider the following:

- Type of community that will be regionalized or connected:
  - SDAC, DAC, or Non-DAC.
  - Technical, managerial, or financial issues that may be a challenge for the Receiving System to take over.
- The scope of the Regionalization or septic-to-sewer project:
  - The amount of infrastructure that was needed to complete the Regionalization project and the funding already received.
  - The amount of outreach and coordination that was needed to consolidate (public outreach, LAFCo, CPUC, etc.).
  - Upgrades to the Receiving System already included in the Regionalization or septic-to-sewer project.
- The project cost for the incentive project compared to the project cost for the Regionalization or septic-to-sewer project (ideally not much higher than the Regionalization or septic-to-sewer project).

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Additional criteria and application requirements for the Regionalization Incentive include:

- The Receiving System must be a voluntary participant in the project.
- The Receiving System must not be an entity regionalizing two or more systems it already owns. Such cases may qualify for project funding consistent with Section V, but the entity is not additionally eligible for Regionalization Incentive.
- Receiving Systems interested in receiving Regionalization Incentives should submit, at minimum, a CWSRF General Application Package for the Incentive Project(s) to DFA before completion of the associated Regionalization project(s).
- The application should indicate that it is for an Incentive Project and identify the associated Regionalization or septic-to-sewer project(s). The Receiving System must also complete and submit a full CWSRF application for the Incentive Project(s) within one year of completion of the associated Regionalization project(s), or Subsumed System acquisition (if DFA is not funding the Regionalization). The Deputy Director is authorized to allow additional time for good cause. Receiving Systems that have implemented or are implementing a Regionalization that does not include a DFA-funded project may be eligible for Regionalization Incentive at the discretion of the Deputy Director of DFA, but these Incentive Project(s) will generally be considered a low priority, and must meet above-described application deadlines tied to the date of Subsumed System acquisition.
- In the case where the Regionalization or septic-to-sewer project has been designed to include the Incentive Project, then up to \$10 million in zero percent (0%) funding shall apply to the portion of costs that are part of the Incentive Project. The remaining costs associated with the Regionalization project shall be funded in accordance with the general project financing terms discussed this IUP. For example, the Receiving System may choose to replace some of its collection system pipeline at the same time as the Regionalization project. If the collection system replacement that solely benefits the Receiving System is estimated to cost \$15 million, then that portion of the project may receive up to \$10 million in zero percent (0%) financing per consolidated community.

## VI. WATER RECYCLING FUNDING PROGRAM (WRFP)

### A. Eligibility and Grant Maximum

Consistent with the CWSRF Policy, applications identified to receive water recycling funding only (no CWSRF loan, including CWSRF PF) may be added to the Fundable List if the Deputy Director determines that there is water recycling funding available. DFA may commit the water recycling funds identified in Table 12 to any water recycling project consistent with existing statutory requirements, the requirements of this IUP, and the terms of the WRFP Guidelines. Construction loan in this section refers to Proposition 1 and Proposition 68 loans for water recycling projects only. Projects seeking CWSRF loan must adhere to requirements in the CWSRF Loan Program section. Notwithstanding any requirements in the Water Recycling Funding Program Guidelines, Recycled Water Market Assurances are not required for indirect potable reuse projects or large-scale water recycling projects, unless requested by DFA. Eligible project capacity for indirect potable reuse projects will be based on the User Connection Schedule document submitted as part of the application.

**Table 12: WRFP Grant and Loan Calculations**

Eligible Applicants:	See WRFP Guidelines				
Funding Type	Eligible Project Costs <sup>21</sup>	Percentage of Total Eligible Project Cost			Maximum Grant Amount Per Project <sup>22</sup>
		DAC	SDAC	Non-DAC	
<b>Planning (Feasibility Study) Grant</b>	Planning	100%	100%	50%	\$300,000
<b>Construction Grant</b>	Construction, not including construction allowances <sup>23</sup>	35% <sup>24</sup>	35% <sup>22</sup>	35%	\$15,000,000 <sup>25</sup>

<sup>21</sup> Eligible project costs are defined in the WRFP Guidelines.

<sup>22</sup> The Deputy Director may reduce the maximum grant amount provided per project based on actual or anticipated availability of grant funding and demand for such funds.

<sup>23</sup> Construction allowances (i.e. construction change orders, construction management, and engineering during construction) are generally not eligible for WRFP construction grant funding. On a case-by-case basis, the Deputy Director may allow planning, design, and construction allowances to be eligible for WRFP construction grant funding for water recycling projects serving small DACs.

<sup>24</sup> On a case-by-case basis, the Deputy Director may approve up to 100% of eligible project costs for water recycling projects serving small DACs or small SDACs consistent with grant amount criteria in Table 8 of this IUP and applicable state law.

<sup>25</sup> On a case-by-case basis, the Deputy Director may approve construction grant funds above the maximum grant amount for water recycling projects serving small DACs consistent with grant amount criteria in Table 8 of this IUP and applicable state law.

<b>Construction Loan</b>	Planning, Design, and Construction	100%	100%	50% <sup>26</sup>	N/A
<b>Large-Scale Construction Grant</b>	Planning, Design, and Construction	35%	35%	35%	\$15,000,000 (per phase/project) <sup>27</sup>
Note: Where the eligibility criteria and grant and loan calculations for the WRFP described in this IUP and appendices conflict with the WRFP Guidelines, the IUP and appendices will supersede.					

Construction projects listed on the 2024-25 IUP Fundable List and impacted by a reduced maximum WRFP grant may be considered for additional WRFP grant, depending on funding availability. Such consideration applies to those projects for which a financing agreement has been executed, as well as those projects with a pending financing agreement, and would require an amendment to this IUP.

Proposition 4 included language requiring the State Water Board to adopt modified grant funding requirements for large-scale water recycling or reuse projects. Large-Scale Construction projects are defined as projects that will deliver at least 10,000 acre-feet per year (AFY) of recycled water at the completion of all phases of construction. Eligible Large-Scale Construction projects are not required to provide user agreements or contracts for water delivery, may apply for up to two phases or projects per large-scale program, and are eligible for up to the maximum identified in Table 12. The Board may consider increasing or removing the cap on the number of phase or project per large-scale program should more water recycling funding become available in a future year.

Multiple eligible entities, including a lead agency or its partners, may submit applications for funding a Large-scale water recycling project. The Deputy Director may fund applications that support distinct project phases of a single large-scale project, with each application eligible for the maximum level of funding identified in the table above, provided sufficient funding is available and each distinct phase facilitates the advancement and delivery capabilities of the large-scale project. See Proposition 4 for eligible components of large-scale water recycling projects.

<sup>26</sup> At least 50 percent local cost share must be provided by the applicant, whether through repayable CWSRF financing, if allowed by this IUP, the applicant’s own revenues, or other repayable financing. Local cost share may be reduced for communities that meet the DAC criteria established in the CWSRF Policy and IUP.

<sup>27</sup> Large-scale projects applying for planning and design only, with no construction components may receive up to \$5,000,000 per phase/project.

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## B. Recent Financing Activities

From the previous 5 years, the State Water Board has provided the following financing through WRFP grants/loans.

**Table 13: Recent WRFP Financing**

SFY	Number of Agreements	\$ of Agreements (in millions)
2021-22	17	\$85.8
2022-23	9	\$65.2
2023-24	12	\$32.7
2024-25	12	\$59.7
2025-26	10	\$136.4

*If a project is co-funded with CWSRF loan, the loan portion is shown under the CWSRF Loan Program.*

## C. Funding Sources & Financial Outlook

The State Water Board has authority to commit and spend all available WRFP loan and grant funds from Prop 1, Prop 4, Prop 13, Prop 68, and General Fund appropriations from the Budget Acts 2024 and 2025 during SFY 2026-27<sup>28</sup>. WRFP loan will be administered to eligible water recycling projects in lieu of or in addition to requested CWSRF loan funds. The WRFP Guidelines specify project eligibility for loans and grants. Notwithstanding anything to contrary in this IUP, water recycling planning projects, that agree to not take any repayable or SRF money, may be funded without being placed on the Fundable List.

In November 2024, Proposition 4 was approved by voters and included approximately \$386 million in grants for projects related to water reuse and recycling. On September 17, 2025, Senate Bill 105 appropriated \$150 million to eligible projects for SFY 2025-26. All \$150 million is already being committed to projects in SFY 2025-26. On January 9, 2026, the SFY 2026-27 Proposed Governor's Budget proposed to appropriate approximately \$78 million to eligible water recycling projects for SFY 2026-27 projects.

DFA also plans to adhere to other requirements in Proposition 4, while administering the funding.

Therefore, in SFY 2026-27, the State Water Board is expected to have approximately \$89.9 million in grant funds available for WRFP construction projects. The State Water Board also has authority to commit approximately \$18.6 million in planning grants and approximately \$35.6 million in construction loans. Any additional water recycling funds appropriated to the State Water Board in the Budget Act of 2026 will be administered consistent with these requirements and limitations.

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<sup>28</sup> This does not include Prop 1 loan repayments that may be used for future grants. Prop 1 loan repayments must be appropriated by the Legislature.

**Table 14: Anticipated WRFP Funds Available to Fundable List Projects<sup>29</sup> (in millions)**

<b>Funding Type</b>	<b>Prop 13</b>	<b>Prop 1</b>	<b>Prop 68</b>	<b>Prop 4</b>	<b>General Fund</b>	<b>Total</b>
<b>Planning Grant</b>	\$16.2	\$0	\$1.6	\$0	\$0	\$17.8
<b>Construction Grant</b>	\$0	\$5.5	\$0	\$78.0	\$6.4	\$89.9
<b>Construction Loan</b>	\$0	\$15.7	\$0.7	\$0	\$0	\$16.4
<b>Total</b>	<b>\$16.2</b>	<b>\$21.2</b>	<b>\$2.30</b>	<b>\$78</b>	<b>\$6.4</b>	<b>\$124.1</b>

The Fundable List identifies projects that appear to be eligible for the available WRFP grant funds. WRFP grant funds will be awarded, until all WRFP grant funds are committed, to projects as they are ready to proceed to a financing agreement.

Any water recycling project also eligible for SCWW grant/PF funding may receive a combination of grant or PF funding. The cumulative grant and PF may not exceed the per project maximums listed in Table 8 in the case of small SDACs and small DACs, and Table 12 for all others.

The Deputy Director is directed to use Proposition 4 water recycling funds, if available, and any other legally available funds to meet all or a portion of the State’s commitment to support the Agua Caliente Band of Cahuilla Indians water rights settlement, including entering into cooperative agreements with other state agencies, as necessary. To be considered for Proposition 4 funding in SFY 2026-27, an eligible agency is required to submit an initial grant application by September 30, 2026, with the goal of reaching a complete application by April 30, 2027. The project must meet all eligibility criteria and Proposition 4 water recycling funding guidelines adopted by the State Water Board. Water recycling funding provided for this purpose cannot exceed the project grant limitations.

All WRFP funds available, including funds authorized for SFY 2026-27, funds that become available from prior SFYs (e.g., any funds de-obligated from previously approved projects that finish under budget), and any funds appropriated in future years, will be used consistent with Table 12 of this IUP until otherwise directed by the State Water Board.

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<sup>29</sup> Projected available PF/grant funding is based upon agreements executed as of June 30, 2025, including an estimated \$193,053,201 of PF/grant agreements to be executed between April 1st - June 30th.

## VII. STORMWATER, ESTUARY, AND PUBLIC HEALTH PROJECTS

### A. Eligibility and Funding Maximum Amounts

All new applications for public health projects and estuary projects are fundable in accordance with this IUP. All public health projects and estuary projects submitted after the development of the Fundable List in this IUP, that appear to meet all other eligibility requirements, will generally be added to the Fundable List after the Deputy Director deems the application complete.

Stormwater projects requesting only grant/PF and submitted after the development of the Fundable List in this IUP will generally be added to the Fundable List after the Deputy Director deems the application complete and sufficient funding is available. Prior to finalizing the updated Fundable List, DFA will post the updated Fundable List on its website and allow for public comment.

**Table 15: Principal Forgiveness Eligibility for Stormwater and Estuary projects**

Eligible Applicants:	Any municipality or intermunicipal, interstate, or state agency (regardless of population, MHI, or wastewater rates). <sup>30</sup>
Project Types:	Any CWSRF eligible project that implements a nationally designated estuary plan or implements a process, material, technique, or technology to mitigate stormwater runoff.
PF Amount <sup>31</sup>	
1.	Projects that implement a nationally designated estuary plan may receive PF up to 75 percent (75%) of eligible project costs. Cumulative PF shall not exceed \$1 million per estuary plan area in any state fiscal year.
2.	For projects that mitigate stormwater runoff that also contribute to water supply resiliency, 50 percent (50%) of total eligible costs up to \$5.0 million in PF. For feasibility and planning studies to identify stormwater mitigation projects capable of contributing to water supply resiliency 75 percent (75%) of total eligible costs up to a maximum of \$1,000,000. A maximum of \$10 million is available for eligible stormwater projects currently on the Fundable List.

<sup>30</sup> Municipality includes a federally recognized Indian tribe or an authorized Indian tribal organization. 33 U.S.C. § 1362(4). Intermunicipal includes non-profit organizations implementing a project as part of a nationally designated estuary plan.

<sup>31</sup> If a project is eligible for PF through multiple definitions (e.g., community is a small DAC and project is for water recycling) the grant maximums do not stack, but DFA will utilize the most favorable calculation for the applicant.

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## **B. Funding Sources & Financial Outlook**

Chapter 7 of Prop 1 allocated \$200 million for multi-benefit stormwater management projects. Eligible projects may include, but are not limited to, green infrastructure, rainwater and stormwater capture, and stormwater treatment facilities. As part of the first solicitation in 2016, grants were awarded to 27 planning projects and 29 implementation projects. As part of the final solicitation in 2021, grants were awarded to 24 implementation projects.

America's Water Infrastructure Act (AWIA) of 2018 amended section 221 of the CWA, which authorized the Sewer Overflow and Stormwater Reuse Municipal Grants (OSG) Program. Grants will be awarded to states, and states will provide sub-awards to eligible entities for projects that address infrastructure needs for Combined Sewer Overflows (CSO), Sanitary Sewer Overflows (SSO), and stormwater management. Eligible entities include municipalities and municipal entities, as defined in section 502 of the CWA. States shall prioritize funding based on one or more of the following criteria: applicants that are financially distressed communities; applicants that have begun implementing a long-term municipal CSO or SSO control plan and have implemented or are complying with an implementation schedule for the minimum controls specified in the CSO control policy referred to in Section 402(q)(1) of the CWA or applicants that have requested a grant for a project that is on the CWSRF IUP. Projects under this program will have many of the same program requirements as the CWSRF and, to the extent there are sufficient eligible project applications, at least twenty percent (20%) must be used for green infrastructure, water and energy efficiency improvements, and other environmentally innovative activities.

On November 15, 2021, IIJA of 2021 was signed into law and further amended section 221 of the federal CWA and authorized an additional \$280 million to be appropriated annually for federal fiscal years 2022-2026 to the OSG program.

As a condition of the grant awards, states are required to provide a minimum non-federal cost share (state match) of twenty percent (20%) of the total grant award. Sources of state match can be public and/or private funds, in-kind services, and may include loans (including principal forgiveness) from the CWSRF program.

To the extent there are sufficient eligible project applications, states shall use not less than twenty five percent (25%) of the OSG grants to carry out projects in rural (a city, town, or unincorporated area that has a population of not more than 10,000 inhabitants) communities or financially distressed communities, as defined by the state, and to the extent there are sufficient eligible project applications, states shall use not less than sixty percent (60%) of the twenty five percent (25%) to carry out projects in rural communities. Section 221 of the CWA prevents states from requiring these communities to fulfill the state match requirement.

California has received or estimates receiving the following appropriations for the OSG Program.

**Table 16: OSG Program Fiscal Year Allotments**

<b>Federal Fiscal Year</b>	<b>National Appropriation</b>	<b>California’s Allotment</b>
2020	\$28 million	\$7.1 million Award # SO98T40501-1
2021	\$40 million	
2022	\$43 million	\$9.5 million Award # SO98T7070-1
2023	\$50 million	
2024	\$40.5 million	\$4.3 million Awarded #SO97T36701-0
2025	\$40.5 million	\$4.7 million Awarded #SO97T36701-0
2026	\$40 million (estimated)	4.7 million (estimated)

California’s allotment from the OSG program is ten and six tenths percent (10.6%) of the nationwide federal appropriations. California applied for and received approximately \$7.1 million from the federal fiscal years 2020 and 2021 grants. The State Water Board has already committed \$7 million to two projects serving rural and DACs. The award for fiscal years 2022 and 2023 was approved and is approximately \$9.5 million. One project totaling \$1.5 million has been executed and another project for approximately \$8 million is close to execution which will utilize the 2022 and 2023 grant. An application for the 2025 OSG Funding allotment has been submitted to USEPA for the \$4.3 million allotment. Projects serving rural and disadvantaged communities will continue to be prioritized for the OSG funding.

IIJA authorized \$280 million to be appropriated annually for federal fiscal years 2022-2026 to the OSG program; this could result in approximately \$29.6 million in OSG funds annually. In addition, stormwater projects are eligible for CWSRF funding, and the federal CWA allows states to use repayable loan and principal forgiveness to address stormwater and meet the OSG matching requirement. The ability to combine grant with CWSRF PF provides a substantial degree of financial assistance to small DACs for completing stormwater projects.

**Table 17: Current Stormwater Funding<sup>32</sup>**

<sup>32</sup> Projected available PF/grant funding is based upon agreements executed as of June 30, 2026, including an estimated \$10,000,000 of PF/grant agreements to be executed between April 1st - June 30th.

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<b>Stormwater Project Funding Sources</b>	<b>Total Available (Millions)</b>
OSG (FFY 2024)	\$4.3
OSG (FFY 2025)	\$4.7
CWSRF Principal Forgiveness	\$10
<b>TOTAL</b>	<b>\$19</b>

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## VIII. GROUNDWATER GRANT PROGRAM (GWGP)

### A. Eligibility

Wastewater projects that prevent or reduce groundwater contamination, including septic-to-sewer projects, are potentially eligible for GWGP grants. Applicants are advised to review the [Prop 1 GWGP Guidelines](#), which were updated in May 2023.

### B. Funding Source & Financial Outlook

Chapter 10 of Prop 1 provided \$670 million to the State Water Board for projects that prevent or clean up the contamination of groundwater that serves or has served as a source of drinking water. Wastewater projects that prevent or reduce groundwater contamination, including septic-to-sewer projects, are potentially eligible for GWGP grants. Between existing septic-to-sewer projects and funds allocated to drinking water treatment projects administered through the DWSRF program, there are currently no uncommitted funds remaining. However, funds left over from existing projects may become available in the future.

GWGP funds for eligible projects will be administered consistent with Table 8, except that: (1) GWGP funds may be available for projects benefiting SDACs regardless of wastewater rates, and, depending on funding availability, DACs with wastewater rates at least one and five tenths percent (1.5%) of MHI, regardless of community size, and (2) GWGP grant limits will be as provided in Table 8, but are in addition to the maximum grant or PF awarded from other funding sources through the CWSRF/SCWW. No local match is required.

Subject to these criteria, entities eligible for Prop 1 GWGP grants are public agencies, non-profit organizations, public utilities, federally recognized Indian tribes, non-federally recognized state tribes on the Native American Heritage Commission consult list, and mutual water companies. Furthermore, projects proposed by a public utility that is regulated by the Public Utilities Commission or a mutual water company must have a clear and definite public purpose and shall benefit the customers of the water system and not the investors (Water Code section 79712). DFA will coordinate with applicants to determine if projects meet the applicable requirements for GWGP funds.

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## IX. CWSRF RESOURCES AND WORKLOAD

### A. Organization, Program Resources, and Skills

**Approximately** 46.75 Personnel Years (PYs) are budgeted for the CWSRF program<sup>33</sup> in SFY 2025-26 and the number of positions is not expected to change substantially. These positions are distributed between DFA and the Office of Chief Counsel (OCC), and the Office of Communications as follows:

- **4** PYs for Environmental Scientists to ensure compliance with state and federal environmental and cultural resources requirements (DFA);
- **19.9** PYs for Water Resources Control Engineers and Sanitary Engineers to manage project applications (DFA), with one unit of approximately six staff dedicated to processing wastewater applications from SDACs and DACs<sup>34</sup>;
- **21.35** PYs for administrative, financial, and fiscal support, including program management and staff oversight (DFA);
- **1.5** PYs related to Office of Chief Counsel (OCC), and the Office of Communications

Additional indirect cost support is provided by accounting, information technology, personnel, budget, and contract support staff in the Division of Administrative Services.

The CWSRF program relies on some contracted services that (i) cannot be provided economically by Water Boards staff, (ii) require skills not available in the State Water Boards, or (iii) require independence from the CWSRF program. Contract services currently budgeted in SFY 2026-27 include:

- Independent accounting firm for an annual audit of the financial statements;
- Outside legal counsel for specialized tax and bond advice;
- Vendor to provide maintenance and enhancements for the Loans and Grants Tracking System (LGTS);

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<sup>33</sup> In addition to positions funded directly by the CWSRF, the State Water Board has other state-funded positions associated with complementary programs closely aligned with the CWSRF as noted earlier. Many projects, such as SDAC and DAC wastewater, water recycling, and storm water projects may be financed by a combination of CWSRF and state sources of funds. Staff is trained to help applicants receive financing for their projects regardless of the funding sources; therefore, state-funded positions indirectly provide benefit to the CWSRF program and vice versa.

<sup>34</sup> These CWSRF staff members are part of the Office of Sustainable Water Solutions within DFA, which includes three supervising engineers, ten senior engineers, and 50 technical staff dedicated to processing applications from SDACs and DACs.

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- Independent Municipal Advisory; and
  - Sonoma State California Historical Resource Information System (CHRIS) Services

The Deputy Director is authorized to increase the budget for existing services or for additional contract services as needed to effectively administer the CWSRF program.

#### 1. Loan Servicing and Program Administration

Servicing existing agreements and fulfilling ongoing program requirements represents a significant workload for the CWSRF staff. There are approximately 369 CWSRF agreements in repayment. Payments on these agreements are collected throughout the year, and DFA conducts regular surveillance on many of these recipients. At present, the CWSRF is servicing approximately 139 agreements in disbursement. Typically, staff process over 250 CWSRF disbursement requests per year. Staff also oversee and perform periodic construction inspections of financed projects to ensure that work is performed consistent with previous approvals, and to ensure that work is being performed in conformance with program requirements, including but not limited to, Davis-Bacon wage rates, American Iron and Steel procurement requirements, disadvantaged business solicitation rules, and environmental special conditions.

The CWSRF program's outstanding revenue bonds require separate accounting of payments from pledged obligations, semi-annual bond payments, and create specific monitoring, reporting, and continuing disclosure actions. The CWSRF program prepares annual financial statements that are audited independently. The CWSRF program is subject to yearly review by U.S. EPA and is periodically subject to audit or oversight by other federal or state agencies.

#### 2. Administrative Funding

Administrative funding for the CWSRF currently comes from two sources, the capitalization grants awarded yearly by U.S. EPA and the State Water Pollution Control Revolving Fund Administrative Fund (Administrative Fund). Administrative spending for the CWSRF is limited to fees collected by the State Water Board for administering the CWSRF, plus the greatest of: (a) four percent of cumulative Capitalization Grants (CWSRF Administration Allowance), (b) \$400,000 per year, or (c) 0.20 percent per year of the current valuation (net position) of the CWSRF program. The Administrative Fund capitalization grants, and other administrative funding options provide reliable administrative funding to the CWSRF program.

The State Water Board will use both the Administrative Fund and the CWSRF Administration Allowance provided under CWSRF federal grants as its primary source of administrative funding for the CWSRF program. The Administrative Fund can only be used for CWSRF program administration, while the CWSRF Administration Allowance may be used for administration, local assistance, or a combination of the two. See Section IV for more information on the CWSRF

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Administration Allowance from capitalization grants.

CWSRF administration activities include application review, agreement servicing, disbursement processing, project management, fiscal oversight, legal consultation and other general programmatic oversight and management. The Deputy Director is also authorized to enter into these and other contracts (including multi-year contracts) or otherwise encumber SFY 2026-27 amounts for these and other contracts amongst the CWSRF Administration Allowance and CWSRF Administrative Fund to accomplish the work necessary for the administration of the CWSRF program.

**Table 18: Contracts**

<b>Contract Purpose</b>	<b>Estimated SFY 2026-27 Encumbrance Amount</b>
CWSRF Annual Audit of Financial Statements including Single Audit	\$200,000 (estimate)
Tax and Bond Counsel	\$100,000
Independent Municipal Advisor	\$135,000
Historical Resource Information Services	\$20,263 (estimate)
Maintenance Contract for the State Water Board's Loans and Grants Tracking System (LGTS)	\$450,000 (estimate)

Section 13477.5(c)(1) of the California Water Code allows the State Water Board to apply an annual service charge on a financing agreement. The revenue generated by this service charge goes into the Administrative Fund and may be used for administration. Under state law, the service charge rate cannot exceed one percent (1%) of the outstanding balance of a financing agreement. Once the service charge is applied to an agreement, the rate remains unchanged for the duration of the agreement. For SFY 2026-27, the State Water Board continues the Administrative Service charge rate of one percent; this shall be the effective rate until the State Water Board establishes a different rate. Since the service charge is a percentage of the outstanding principal on each agreement, it produces a declining amount of revenue each year. Each year, the State Water Board must evaluate the need for the service charge revenue and establish an appropriate rate. The service charge will then be applied to additional agreements to maintain the Administrative Fund revenue consistent with the administrative budget established by the Governor and the Legislature for the CWSRF. Based upon the anticipated 2026 State Budget Act authority and the budgeted positions and contracts for the Administrative Fund for SFY 2026-27 and the projected Administrative Fund balances through June 30,

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2026, (Appendix H), the State Water Board anticipates applying this charge to additional agreements during SFY 2026-27.

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## X. RISKS & OVERSIGHT

The following are financial or programmatic risks to the CWSRF program. DFA management will focus on identifying potential problems and acting early to maintain the integrity and success of the CWSRF program.

### 1. Application Demand vs. Resources

Demand for financing exceeds the administrative resources needed to review, approve, and finance all complete applications. Staff resources are the most inflexible aspect of the CWSRF program. Additional staff cannot be quickly added to address high demand because they must be approved through the State's budget process. In addition, hiring may be frozen or work hours reduced due to State budget or other concerns. DFA will prioritize applications consistent with this IUP and the CWSRF Policy. DFA may also adjust its review procedures and work with U.S. EPA or other agencies to resolve delays, schedule financing with applicants, or seek additional resources.

### 2. Applicants' Schedule Changes or Delays in Executing Agreements

Beneficial and eligible projects may not be financed if DFA encounters delays completing its reviews of the applications. To minimize and avoid delays, CWSRF program staff will coordinate its internal review efforts regularly during the year to expeditiously complete its reviews and maintain consistent progress toward the goal of executing agreements for all projects on the Fundable List by June 30, 2026.

As delays are encountered, other projects on the Fundable List should continue to move forward, bearing in mind the PF and GPR requirements established in this IUP, and the amount of leveraging authority approved by the State Water Board. This funding flexibility maximizes the use of the CWSRF and increases the number of projects funded.

After financing is approved, the recipient must start and complete construction promptly. Applicants are required by their financing agreements to report delays to DFA so that appropriate action can be taken to address those delays.

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### 3. Cash Balance

The amount of disbursements requested may exceed the CWSRF's cash balance. DFA will maintain accurate account balances and prepare forecasts regularly to identify potential cash shortages in advance. If additional cash is needed, the CWSRF has several options. The CWSRF program has considerable assets it can leverage through revenue bond sales in the municipal bond market to obtain additional cash. The State Water Board can prioritize or limit new commitments or potentially negotiate disbursement schedules with applicants. The CWSRF program can also investigate alternative financing (e.g., providing bond insurance) to reduce cash outlays.

Excess cash may accumulate if applications, and the associated disbursements, are too low. Holding excess cash provides no water quality benefit for California and tends to reduce the CWSRF's earnings. DFA will use its marketing, customer assistance, and project development resources to maintain a pipeline of projects ready for financing. It will closely monitor undrawn balances on outstanding financing agreements to ensure that financing recipients request funds expeditiously.

### 4. Defaults and Late Payments

Pursuant to the CWSRF Policy and the Operating Agreement, DFA will implement prudent lending standards and borrower surveillance practices that safeguard the CWSRF program's equity. The State Water Board also typically contracts with a professional Municipal Advisor to provide additional financial expertise.

The CWSRF program has many tools to reduce the risk of default, including loan monitoring and surveillance, as well as enforcement remedies. For example, DFA collects and reviews audited financial statements of all borrowers for the first five years of repayment and may request audited financials for some borrowers for longer periods of time. The State Water Board has an agreement with independent accounting firm CliftonLarsonAllen to audit select borrowers identified as having a higher risk of experiencing financial difficulties. These audits can be conducted to evaluate the financial and management capacities of an entity and provide recommended solutions. The State Water Board will also continue to provide SCWW funds in SFY 2025-26 to reduce debt service and default risk for SDACs and DACs or projects that regionalize wastewater infrastructure.

Additional subsidies for SDACs and DACs reduce borrowing costs and the risk of loan defaults. Additionally, the State Water Board can offer wastewater-related TA to SDACs and DACs in areas such as evaluating project alternatives, financial management, rate setting, and operation and maintenance.

In addition to ordinary credit risk considerations, external factors may potentially impact the revenues and/or operations of CWSRF borrowers and cause loan defaults. The State Water Board tracks potential external risk factors in its revenue bond disclosure documents. The State Water Board works with borrowers to address these issues as they arise.

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## 5. Accountability and Oversight

The CWSRF is capitalized with public funds, and the State Water Board is responsible for using them lawfully and effectively.

The State Water Board regularly reports to U.S. EPA through the Office of Water State Revolving Funds (OWSRF) system on use of the funds. In addition, U.S. EPA reviews the management and performance of the CWSRF annually. The State Water Board will enter project benefits information into the SRF Data System by the end of the quarter and will enter NIMS data by U.S. EPA's annual deadline. The State Water Board will also report Federal Funding Accountability and Transparency Act (FFATA) data on all CWSRF program equivalency projects through the FFATA Subaward Reporting System. The results are summarized in its annual [Program Evaluation Reports](#). The CWSRF program produces an [annual report and audited financial statements](#).

Additional actions are required of the State Water Board staff to comply with provisions of the Internal Revenue Code applicable to the CWSRF outstanding bond debt. The CWSRF program's [Post-Issuance Tax Compliance Policy for Tax-Exempt Bond Issues](#) provides further detail about actions required of the program's staff to help ensure that its bonds remain exempt from federal income taxes. Additional reporting is required by the program's Continuing Disclosure Agreement; information on the program's bonds can be found on the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board.

DFA will continue to oversee projects to ensure that they meet the terms of the financing agreements. DFA staff may conduct periodic site visits during construction or implementation. All projects are subject to a "Final Project Inspection," and a final summary report is submitted on each project to confirm that it was completed. DFA maintains copies of inspection and final summary reports in the project files.

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## XI. FUND ALLOWANCES FOR ADMINISTRATION

Federal rules allow up to 4 percent (4%) of cumulative CWSRF federal grants to be expended on the administration of the CWSRF program (CWSRF Administration Allowance). The 4% CWSRF Administration Allowance also applies to the respective IJJA CWSRF federal grants. The IJJA also allows up to 2 percent (2%) of CWSRF federal grants be provided as technical assistance to rural, small, and tribal publicly owned treatment works (CWSRF Technical Assistance Allowance). For the purposes of these funds, rural and small wastewater treatment systems are systems that treat up to 1 million gallons per day (MGD) of wastewater or serve a population of less than 10,000 persons and may also serve operations including, but not limited to, hospitals, schools, and restaurants. The CWSRF Technical Assistance Allowance applies to the CWSRF base grants, CWSRF General Supplemental grants, and CWSRF Emerging Contaminants grants.

For SFY 2026-27, the State Water Board will reserve a collective 6 percent (6%) of the 2026 Base Program Capitalization Grant and 6 percent (6%) of the 2026 General Supplemental Capitalization Grant for the CWSRF Administration and Technical Assistance Allowances, as further described below. CWSRF Administration and Technical Assistance Allowances for the CWSRF Emerging Contaminant capitalization grant are described in the DWSRF IUP since the CWSRF Emerging Contaminant Grant will be transferred to the DWSRF. The Deputy Director may adjust the 2026 Base Program and General Supplemental Capitalization Grant budgets between these activities for good cause.

### A. Administration Allowance

The CWSRF Administration Allowance will fund administration of the CWSRF program in SFY 2026-27, in addition to the CWSRF Administrative Fund. This will include the review and processing of funding applications, project management and general oversight of CWSRF construction and planning projects. In conjunction, the CWSRF Administration Allowance and CWSRF Administration Fund will also cover the costs for legal, fiscal, and general management and oversight of the CWSRF as well as indirect costs and contracts discussed in Section IX above.

**Table 19: Administration Allowance**

<b>The CWSRF Administration Allowance</b>		
Budgeted from FFY 2026 Base Program Grant:	4%	\$2,064,040
Budgeted from FFY 2026 General Supplemental Grant:	4%	\$7,118,640

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## B. Technical Assistance Allowance

The Technical Assistance Allowance will fund DFA staff and the technical assistance they provide to certain small DAC applicants<sup>35</sup>. Technical assistance from DFA staff will help small DAC applicants establish eligibility for CWSRF or complementary funding and provide other technical assistance necessary for project development.

**Table 20: Technical Assistance Allowance**

<b>Max Allowed for Technical Assistance</b>		
Budgeted from FFY 2026 Base	2%	\$1,032,020
Budgeted from FFY 2026 General Supplemental Grant:	2%	\$3,559,320

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<sup>35</sup> For the purposes of these funds, rural and small wastewater treatment systems are systems that treat up to 1 MGD of wastewater or serve a population of less than 10,000 persons and may also serve operations including, but not limited to, hospitals, schools, and restaurants.

## XII. FINANCING AND PROGRAMMATIC REQUIREMENTS

Applicants must comply with all applicable federal and state requirements to maintain eligibility. Projects partially or fully funded by the CWSRF must comply with certain federal laws known as “cross-cutters.” The State Water Board will ensure that CWSRF financing recipients comply with applicable federal cross-cutter requirements through a variety of program procedures.

CWSRF financing agreements will generally include a list of applicable federal requirements identified in the most recent capitalization grant. Described below are those federal cross-cutters that often require a greater compliance effort by CWSRF funding recipients. Some federal requirements will only apply to projects specifically identified as equivalency projects. All projects identified as CWSRF base program or IJA general supplemental equivalency projects must meet all federal equivalency requirements to maintain eligibility. DFA may modify applicable requirements as needed to maintain compliance with federal rules.

**Table 21: List of Requirements Based on Funding Source**

Financing and Programmatic Requirements	CWSRF Repayable Loan	CWSRF Principal Forgiveness	WRFP Prop 13, 1, 68, 4, General Fund	SCWW SCG Fee, Prop 1, 68, 4, General Fund
State Cross-Cutters	X	X	X	X
Davis-Bacon Prevailing Wage	X	X		
Generally Accepted Accounting Principles	X	X	X	X
Cost and Effectiveness Analysis	X	X	X	
Fiscal Sustainability Plan	X	X		
American Iron and Steel	X	X		
Federal requirements applied if specifically identified as an equivalency project:				
Disadvantaged Business Enterprise	X	X		
Procurement for Architectural and Engineering Contracts	X	X		
Build America Buy America	X	X		
Single Audit Act	X	X		
Telecomm Equipment & Services	X	X		
Federal Environmental Cross-Cutters (See Appendix H)	X	X		

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## A. State Cross-Cutters

A list of State Cross-Cutters is included in the CWSRF Policy as [Appendix O](#).

Russian Sanctions - All projects must demonstrate compliance with [California Executive Order N-6-22](#) regarding economic sanctions imposed in response to Russia's actions in Ukraine while that Executive Order remains in effect.

## B. Federal Cross-Cutters

### 1. Davis-Bacon Requirements

Federal Davis-Bacon prevailing wage rules apply to the construction of treatment works "carried out in whole or in part with assistance made available by a State water pollution control revolving fund." On August 23, 2023, the U.S. Department of Labor published in the Federal Register the final rule, "Updating the Davis-Bacon and Related Acts Regulations. The final rule took effect on October 23, 2023. The State Water Board, therefore, will continue to require that applicants for treatment works projects comply with Davis-Bacon rules. Recipients of CWSRF financing must agree to provide information necessary to show compliance with Davis-Bacon requirements.

### 2. Generally Accepted Accounting Principles (GAAP)

The CWA requires that recipients of CWSRF financing maintain project accounts in accordance with generally accepted government accounting standards, including standards relating to the reporting of infrastructure assets. Recipients must agree to comply with GAAP. For governmental entities, the Government Accounting Standards Board establishes these standards. The State Water Board, therefore, will require as a condition of financing that governmental applicants maintain project accounts in accordance with generally accepted government accounting standards.

### 3. Cost and Effectiveness Analysis

Effective October 1, 2015, the CWA requires CWSRF recipients that are municipal, inter-municipal, interstate, or State agencies to certify they have conducted a cost and effectiveness analysis. This analysis includes an evaluation of the costs and effectiveness of the proposed project, and selection of a project that, to the maximum extent practicable, maximizes the potential for energy conservation, and efficient water use, reuse, recapture, and conservation, considering construction, operation and maintenance, and replacement costs. This certification must be provided before CWSRF assistance is provided for final design or construction.

### 4. Fiscal Sustainability Plan (FSP)

The CWA requires CWSRF recipients for publicly-owned treatment works (POTW) projects to develop and implement an FSP, which includes an inventory and evaluation of critical assets, evaluation and implementation of water and energy conservation efforts, a plan for maintaining, repairing, and replacing the treatment works, and a plan for funding such activities. Applicants can self-certify that the FSP, or its equivalent, has been developed and implemented, or for applicants without an FSP, or its equivalent,

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the CWSRF financing agreement will include a condition setting a deadline for FSP certification, which must be prior to the final CWSRF disbursement for the project. FSPs will typically be reviewed during the final inspection.

#### **5. American Iron and Steel (AIS)**

The CWA requires CWSRF assistance recipients, absent an exclusion or waiver, to use iron and steel products that are produced in the United States for treatment works projects. U.S. EPA implementation of these provisions is described on its [State Revolving Fund American Iron and Steel \(AIS\) Requirement](#) website.

#### **6. Disadvantaged Business Enterprise**

CWSRF equivalency projects will be required to comply with the U.S. EPA's Disadvantaged Business Enterprises (DBE) requirements for the CWSRF funded project. These requirements, set forth in 40 CFR part 33, include the use of good faith efforts to utilize DBE's whenever procuring construction, equipment, supplies, and services and apply to the recipient as well as the prime contractor for the CWSRF funded project. Additional reporting to the State Water Board on the outcomes of DBE activities may be required of CWSRF funding recipients to the extent required by federal rules.

#### **7. Procurement for Architectural and Engineering (A/E) Contracts**

Beginning with the FFY 2015 Capitalization Grant, the CWA requires that A/E contracts for equivalency projects (i.e., CWSRF-financed projects specifically identified by the State Water Board that total an amount at least equal to the capitalization grant from U.S. EPA) comply with the qualifications-based procurement process described in 40 U.S.C. § 1101, et seq., or an equivalent state requirement. For all equivalency projects, these procurement requirements apply to any CWSRF-funded A/E contracts<sup>36</sup>, including any new solicitation, significant contract amendments, and contract renewals for A/E services initiated on or after October 1, 2014.

Potential equivalency projects are identified in Appendix A. Equivalency projects are required to certify that A/E contracts were procured in accordance with federal guidelines or the equivalent state process. All applicants are expected to comply with applicable state and local laws regarding A/E services and procurement.

#### **8. BABA**

Congress passed the Build America Buy America Act in 2021 as part of the IIJA. It requires that by May 14, 2022 federal agencies must ensure that "none of the funds made available for a Federal financial assistance program for infrastructure, including each deficient program, may be obligated for a project unless all of the iron, steel,

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<sup>36</sup> A/E contracts include but are not necessarily limited to those for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying or mapping.

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manufactured products, and construction materials used in the project are produced in the United States”.

Office of Management and Budget (OMB) issued its initial implementation guidance to federal agencies in the memorandum M-22-11 titled “Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure”. On August 23, 2023, OMB issued a [Notification of Final Guidance](#) revising title 2 of the Code of Regulations (“CFR”) to add a new part 184 and revise section 200.322. OMB issued its supplemental [implementation guidance](#) M-24-02 on October 25, 2023, which rescinds and replaces memorandum M-22-11. Additionally, U.S. EPA issued a memorandum titled "[Build America, Buy America Act Implementation Procedures for EPA Office of Water Federal Financial Assistance Programs](#)" on November 3, 2022, and a supplemental Q&A on this subject in May 2023.

U.S. EPA also issued several general applicability waivers from the BABA requirement. The Adjustment Period Waiver for SRF projects that have initiated project design and planning prior to May 14, 2022 was amended on November 13, 2023, such that this waiver may apply to SRF projects funded by FFY 2022 and 2023 appropriations. The earlier Adjustment Period Waiver will continue to apply only to funds obligated by EPA before November 13, 2023 for projects covered under the earlier waiver. A list of currently approved waivers can be found on U.S. EPA’s website: <https://www.epa.gov/cwsrf/build-america-buy-america-baba-approved-waivers>. U.S. EPA may develop and issue additional guidance regarding project-specific waivers for infrastructure projects funded through the State Revolving Funds, including CWSRF. Projects will be required to comply with any additional guidance issued by U.S. EPA and OMB with respect to criteria, processes, and procedures for applying the Buy America preference, to the extent applicable.

## **9. Single Audit Act**

Federal rules require CWSRF recipients to comply with applicable provisions of the federal Single Audit Act of 1984, OMB Circular No. A-133 and 2 CFR Part 200, subpart F, and updates or revisions, thereto. Projects receiving federal funds (equivalency projects) must comply with Single Audit Act reporting requirements, to the extent applicable, if their expenditure of any federal financial assistance is equal to or more than \$1,000,000 for a given fiscal year. The State Water Board will include applicable Single Audit Act provisions in CWSRF funding agreements. Funding recipients will be notified of the amount of federal funds being provided upon agreement execution and should track expenditure as costs are incurred..

## **10. Telecomm Equipment and Services**

Effective August 13, 2020, EPA General Terms and Conditions have placed SRF funding prohibitions on certain telecommunications and video surveillance services or equipment. As required by 2 C.F.R. § 200.216, borrowers under EPA funded revolving loan fund programs are generally prohibited from obligating or expending loan or grant funds to procure or obtain equipment, services, or systems from Huawei Technologies Company, ZTE Corporation, or certain other companies, subsidiaries, and affiliates.

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### **11. Environmental Review and Federal Environmental Cross-Cutters**

The State Water Board will use its [State Environmental Review Process](#) (SERP) for CWSRF projects to ensure compliance with CWSRF environmental requirements during the term of this IUP. While the SERP generally follows the requirements of the California Environmental Quality Act (CEQA), additional federal requirements may also apply, including federal environmental laws referred to as “federal environmental cross-cutters.” Certain projects funded by CWSRF funds must comply with the federal environmental cross-cutters as described in Appendix H. Each recipient must complete and submit the required [environmental information](#), including associated supporting documents, for construction applications and must supply all applicable environmental information for planning applications. The State Water Board Environmental Scientist Staff will review environmental documents received from recipients to ensure completeness/adequacy and determine if consultation with relevant federal agencies is necessary, consistent with the [Operating Agreement](#) between the State Water Board and the U.S. EPA, as well as the SERP. All projects will at a minimum include environmental review consistent with CEQA requirements.

## **C. Capitalization Grant Conditions and Other Federal Requirements**

The State Water Board will comply with all conditions included in the 2026 Capitalization Grant agreement. Provisions specific to the FFY 2026 appropriation will take effect only if the State Water Board receives the FFY 2026 Capitalization Grant and will apply only as directed by Congress or U.S. EPA. The State Water Board will require that CWSRF financing recipients also comply with applicable federal pass-through requirements. Recipients of CWSRF financing must agree to provide information necessary to show compliance with all applicable federal requirements.

The State Water Board will use SAM.gov to report on all equivalency projects, i.e., projects that meet all the federal cross-cutters requirements that have a combined assistance amount equal to or greater than the capitalization grant amount.

## **D. Payment and Draw Schedules**

Appendix E shows the State Water Board’s requested payment schedule for the 2026 Capitalization Grant funds from the U.S. Treasury and the estimated draws of the 2026 funds and the CWSRF remaining federal funds (“unliquidated obligations”).

## **E. State Match and Cash Draw Ratio**

In general, the State Water Board must provide one dollar of match for each five dollars received through U.S. EPA capitalization grants. No state match is required for IJA emerging contaminant capitalization grants.

The anticipated overmatch available for the FFY 2026 CWSRF base and general supplemental grants already provided under a General Fund appropriation is ~\$51.1

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million. The anticipated 20% state match needed for the FFY 2026 CWSRF base and general supplemental grants is ~\$47.2 million, resulting in a remaining ~\$3.9 million in overmatch for future CWSRF grants.

The proportional draw ratio for the FFY 2026 CWSRF base and general supplemental grants is 83.34% / 16.66% (Federal/State). However, the State Water Board has already disbursed the entire state match for the FFY 2026 CWSRF base and general supplemental grants prior to their award to the State Waterboard. Therefore, the State Water Board will be able to draw 100% of the FFY 2026 CWSRF base and general supplemental grants and use any remaining state match for the FFY 2027 capitalization grants.

## **F. Other State Requirements**

California laws not specific to the CWSRF may also apply. These may include but are not limited to laws affecting urban water suppliers, charter cities, agricultural water users, projects located in the Sacramento-San Joaquin Delta, labor regulations, prevailing wages, and debt reporting.

For all loans, the applicant will be expected to submit a resolution authorizing the transaction prior to execution of the agreement by the State Water Board.

## **G. Timely and Expedient Expenditure**

The State Water Board will ensure timely and expedient expenditure of all funds during SFY 2026-27. This IUP establishes as a goal during SFY 2026-27 to overcommit cash and undrawn federal grant funds to continually disburse 100 percent (100%) of those funds less a minimum cash balance of \$25 million plus any assets restricted for other uses, (i.e., bond payments and administration). The State Water Board will continue to use and refine its existing procedures. These procedures are designed to quickly identify and approve projects, execute financing agreements, and disburse funds to recipients. As of March 1, 2026, the State Water Board had disbursed approximately 91 percent (91%) of all federal grants awarded. The undisbursed federal funds consist of the FFY 2023 – FFY 2025 CWSRF federal grants. The State Water Board is expected to continue to prioritize and disburse federal funds in combination with revenue bond proceeds from the 2025 CWSRF revenue bond sale.

## **H. Cross-Collateralization**

The State Water Board will continue to implement cross-collateralization between the CWSRF and the DWSRF loan programs as necessary to support the goals and objectives of the State Water Board as documented in the [Operating Agreement between the California State Water Resources Control Board and the United States Environmental Protection Agency Region IX for Activities and Functions in Managing the State Water Pollution Control Revolving Fund Program](#), as amended March 2019.

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## XIII. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES

### A. Sound Finances

The State Water Board, the CWSRF program's stakeholders, and the owners of CWSRF bonds expect the CWSRF to be financially sound.

#### Long-Term Goals:

1. **Continue to maximize non-restricted and restricted cash flows:** For maximum benefit, CWSRF disbursements of non-pledged assets should equal non-restricted receipts, less a minimum balance necessary to meet six month's forecasted disbursements. Disbursement of pledged receipts should ensure timely and full payment of all bond payments and reserve requirements. Excess pledged receipts should be periodically evaluated to determine if they should be used to originate a new pledged loan or released from the lien of the Master Indenture.
2. **Continue to use revenue and capital effectively:** California faces significant water quality needs. The CWSRF repayment stream is sizeable, and the CWSRF program continues to receive new capital from U.S. EPA. The CWSRF program's net position may make additional debt to finance water quality projects feasible and desirable. Additional debt, though, should be consistent with the *SRF Debt Management Policy* and the federal requirement to maintain the CWSRF in perpetuity.
3. **Continue to maintain financial integrity:** Financial integrity is a core value of the CWSRF program. Effective internal controls ensure that the program's finances are dependable and trustworthy. Prudent lending practices and reasonable interest rates ensure the stability and continued growth of the CWSRF program.

#### Key Short-Term Activities:

1. **Prepare and review cash management reports regularly:** Ensuring that sufficient cash is available to fulfill project disbursement requests, make bond payments, fulfill reserve requirement, if necessary, and pay for other program expenses requires careful and regular oversight of the cash flows. (*Completed quarterly*)
2. **Continue regular staff level finance/audit coordination meetings:**
  - a. Review cash flow forecasts of existing and potential commitments and upcoming expenses to assess the CWSRF program's ability to meet its commitments and to evaluate the need for leveraging or other actions to regulate cash outflows. (*Completed quarterly*)
  - b. Compare actual performance with target performance measures. (*Completed quarterly*)

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- c. Review audit issues, program control issues, and plan for upcoming audits.  
*(Completed quarterly)*
  3. **Apply for and accept FFY 2026 Capitalization Grants:** Three 2026 Capitalization Grant applications (Base Program, General Supplemental, and Emerging Contaminants) will be submitted to U.S. EPA. This IUP is part of the applications and will be submitted after approval of this IUP by the State Water Board. *(Scheduled Initial Submittal June 2026, Scheduled Complete Submittal July 2026)*
  4. **Maintain compliance with the SRF Debt Management Policy.** *(Ongoing Annually)*
  5. **Prepare Annual Report and Audited Financial Statements for 2025-26.**  
*(February 2027)*  
The State Water Board will undergo its annual CWSRF financial audit for the SFY 2025-26 period in the fall of 2026 and it's anticipated that the CWSRF Annual Report and audited financial statements will be published online around February 2027.
  6. **Maintain bond compliance:** Comply with all reporting requirements and compliance obligations associated with outstanding revenue bonds, as set forth in the related continuing disclosure agreements, the Post-Issuance Tax Compliance Policy for Tax-Exempt Bond Issues, the Amended and Restated Master Payment and Pledge Agreement, and the Amended and Restated Master Trust Indenture.  
*(Ongoing Through the Year)*

## **B. Fund the Most Beneficial Projects**

The CWSRF program has finite funds and resources. These limitations require the State Water Board to prioritize so that the most pressing water quality problems are addressed first.

### Long-Term Goals:

1. **Continue to finance infrastructure that maintains compliance with federal and state water quality requirements and support the [Water Resilience Portfolio](#).**
2. **Continue to invest in small SDACs and small DACs disproportionately affected by pollution and water contamination consistent with the [Capacity Development Strategy](#).**
3. **Achieve compliance statewide with water quality objectives.**
4. **Achieve sustainable water resource management consistent with the [Human Right to Water](#) and the [Water Supply Strategy](#).**
5. **Fund projects identified in the State Water Board's [Plan for California's Nonpoint Source Pollution Control Program](#) and California's Estuary Comprehensive Conservation and Management Plans.**

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Key Short-Term Activities:

1. **Provide funds for high-priority projects:** Appendix A, the Fundable List, identifies projects that the CWSRF program anticipates funding in SFY 2026-27 that support the Water Boards' and U.S. EPA's priorities along with their expected executed agreement dates.
2. **Adopt the SFY 2026-27 IUP:** The SFY 2026-27 IUP will guide marketing and assistance efforts targeting the Water Board and U.S. EPA's highest priorities in SFY 2026-27. *(Scheduled to Complete July 2026)*
3. **Report activities supporting the [Water Resilience Portfolio](#), and [State Water Board's Strategic Plan](#) in the CWSRF Annual Report, OWSRF, and the FFATA Reporting System.** *(Completed on required reporting frequency)*

## **C. Efficient Service, Up-to-Date Policies and Procedures, and Recognizable Products**

Applicants have several choices for their financing needs. The CWSRF program should attract high-value projects that support the policies and goals of the State Water Board.

Long-Term Goals:

1. **Consistently provide good customer service with a special emphasis on assisting SDACs and DACs.**
2. **Ensure that application forms and review procedures are updated on a regular basis so that they are clear, flexible, and efficient.**
3. **Consistently and clearly communicate to applicants their statuses and expectations for funding.**
4. **Ensure staff remains well trained and ready to help applicants resolve technical, legal, environmental, and financial issues needed to receive financing.**

Key Short-Term Activities:

1. **Coordinate internally for efficient program implementation:** Continue regular internal coordination meetings to identify and resolve delays affecting applications on the Fundable List and coordinate and prioritize application reviews with the goal of executing agreements for applications on the Fundable List by June 30, 2027. *(Completed monthly)*
2. **External CWSRF Program review to improve program management efficiency:** Coordinate with stakeholders on establishing and holding periodic advisory group meetings to track implementation of the program review recommendations from the

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Environmental Finance Center's July 2022 report on the CWSRF Program. In 2024, DFA executed a contract with EFC to facilitate implementation discussions. An advisory group subcommittee has been established to specifically focus on these recommendations. (*Ongoing bi-monthly stakeholder meetings*)

- 3. Evaluate and explore options for upgrades to existing loans and grants database or a new enterprise based loans and grants system:** Conduct internal, strategic planning and feasibility analysis of either upgrading the State Water Board's existing Loans and Grant Tracking System or implementing a new, enterprise-based loans and grants database that will (1) provide for modern, online customer access with digital application forms, application and project reporting and statuses, online claims processing and other enhancements to further digitize and enhance the customer and staff workflow as well as project and program tracking and reporting of State Water Board loans and grants programs.

## **D. CWSRF Performance Metrics**

The following constitute performance metrics and targets for the State Water Board to enable the timely and efficient processing of applications and disbursements:

### Sound Finances:

1. Total executed financing agreements > 120 percent (120%) of federal grants.
2. Disbursement rate = 100 percent (100%) of available funds less the amount of funds needed to generally satisfy the projected disbursements for the following fiscal year and a \$250 million cash reserve to satisfy default tolerance test outcomes for the CWSRF revenue bond program and other cashflow reserve needs.
3. Federal funds disbursement rate = 100 percent (100%) of federal payments.
4. Default ratio = 0.

### Fund the Most Beneficial Projects:

5. Fund utilization rate (U.S. EPA Program Reporting Measure WQ-17 Fund Utilization) > 105 percent (105%) of available funds.
6. Execute financing agreements, or recommend final resolution such as project removal if executing an agreement is not possible, for 80 percent (80%) of rollover project applications and execute 50 percent (50%) of new project applications listed on the Fundable List, Appendix A of this IUP, by June 30, 2027.
7. At least 50 percent (50%) of the number of projects executed during SFY 2026-27 should assist SDACs or DACs.
8. Fully commit PF allowed by appropriation for previous year capitalization grants

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9. Percentage of FFY 2026 funds committed to GPR projects > minimum GPR percentage established by FFY 2026 appropriation.

Efficient Service, Up-to-Date Policies and Procedures, and Recognizable Products:

10. Conduct initial application completeness reviews and notify applicant within 35 days.
11. Complete environmental reviews for equivalency projects (with federal environmental cross-cutting requirements) within six months and non-equivalency projects (without federal environmental cross-cutting requirements) within 30 days of receiving complete and adequate environmental information.
12. Complete financial reviews within 30 days of receiving complete financial information and legal concurrence with agreement conditions.
13. Execute agreements within 5 months of completing all package reviews (environmental, financial, technical) and receiving legal concurrence from applicant.
14. Fulfill 75 percent (75%) of complete disbursement requests in 60 days or less<sup>37</sup>.

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<sup>37</sup> Disbursement fulfillment time is the receipt of a complete disbursement request to warrant date. The metric only includes disbursement requests that are complete and acceptable for processing and filled within the same fiscal year. Disbursement requests that are incomplete or not acceptable for processing and/or not filed by fiscal yearend are not included in the performance metric.

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## XIV. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the SFY 2026-27 IUP, and the applications, awards, and acceptance of the 2026 Capitalization Grant is as follows:

Draft IUP and Draft Supplemental IUPs posted for public comment	April 27, 2026
Submit FFY 2026 Capitalization Grant applications to U.S. EPA	June 1, 2026
Board Workshop	May 19, 2026
Deadline for Public Comments on Draft IUP and Draft Supplemental IUPs	May 27, 2026
State Water Board considers IUP and Supplemental IUP at regularly scheduled meeting	July 7, 2026
Receive FFY 2026 Capitalization Grant agreements from U.S. EPA	September 2026

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## XV. ACRONYMS

A/E	Architectural and Engineering
AIS	American Iron and Steel
BABA	Build America Buy America
CalEPA	California Environmental Protection Agency
CEQA	California Environmental Quality Act
CBR	Clean Water State Revolving Fund Benefits Reporting
CFR	Code of Federal Regulations
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DBE	Disadvantaged Business Enterprise
DFA	Division of Financial Assistance
EFC	Environmental Finance Center
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FI\$CAL	Financial Information System for California
FSP	Fiscal Sustainability Plan
GAAP	Generally Accepted Accounting Principles
GPR	Green Project Reserve
GWGP	Groundwater Grant Program
IJA	Infrastructure Investment and Jobs Act (previously known as Bipartisan Infrastructure Law)
IUP	Intended Use Plan
LGTS	Loans and Grants Tracking System
LID	Low Impact Development
MHI	Median Household Income
NEPA	National Environmental Policy Act
NIMS	National Information Management System
OCC	Office of Chief Counsel
PF	Principal Forgiveness
POTW	Publicly Owned Treatment Works
PY	Personnel Years
SCG	Small Community Grant
SCWW	Small Community Wastewater
SERP	State Environmental Review Process
SFY	State Fiscal Year
SWGPP	Stormwater Grant Program
SWIFIA	State Infrastructure Financing Authority WIFIA Program
TA	Technical Assistance
U.S. EPA	United States Environmental Protection Agency
WIFIA	Water Infrastructure Finance and Innovation Act
WRFP	Water Recycling Funding Program
WRRDA	Water Resources Reform and Development Act of 2014

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APPENDIX A: CWSRF Project Financing Forecast for SFY 2025-26 – Fundable List



APPENDIX C: Current Sources and Uses of the CWSRF<sup>1</sup>

	Projected SFY 2025-26	Projected SFY 2026-27	Projected SFY 2027-28	Projected SFY 2028-29	Projected SFY 2029-30
Estimated Beginning Balance	\$714,206,828	\$1,182,382,781	\$888,512,294	\$524,369,547	\$309,173,599
Estimated Principal Payments + Interest Earnings	\$297,549,933	\$308,272,958	\$326,524,750	\$323,549,048	\$334,675,798
Estimated SMIF <sup>2</sup> Interest Earnings	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Estimated Federal Capitalization Grants Received <sup>3</sup>	\$289,654,000	\$235,892,486	\$51,656,809	\$51,656,809	\$51,656,809
Estimated State Match <sup>4</sup>	\$0	\$0	\$0	\$0	\$0
Estimated Bond Proceeds Received	\$600,732,530	\$0	\$0	\$0	\$0
Existing CWSRF Revenue Bond Debt Service	(\$171,260,510)	(\$189,535,931)	(\$193,824,306)	(\$191,901,806)	(\$174,568,306)
Estimated New Debt Service	\$0	\$0			
Estimated Disbursements <sup>5</sup>	(\$550,000,000)	(\$650,000,000)	(\$550,000,000)	(\$400,000,000)	(\$300,000,000)
<i>Estimated Year-End Balances<sup>6</sup></i>	\$1,182,382,781	\$888,512,294	\$524,369,547	\$309,173,599	\$222,437,900

	SFY 2025-26	SFY 2026-27	SFY 2027-28	SFY 2028-29	SFY 2029-30
Estimated Yearly Cash Flows <sup>7</sup>	\$468,175,953	(\$293,870,487)	(\$364,142,747)	(\$215,195,949)	(\$86,735,699)

<sup>1</sup> Forecast dated March 2025. These amounts are preliminary and subject to change.

<sup>2</sup> SMIF means Surplus Money Investment Fund.

<sup>3</sup> These numbers include estimates for the FFY 2026 Base and Supplemental Capitalization Grants + Base Capitalization Grants for FFY 2027, FFY 2028, and FFY 2029. The forecasted capitalization grants are listed in the aggregate amounts. Principal forgiveness, if available, is included in the aggregate grant amount in the forecast.

<sup>4</sup> State Match for the FFY 2025 and FFY 2026 estimated federal capitalization grants has already been provided for the CWSRF via State General Fund appropriations (AB 180). Any additional match needs are anticipated via a short-term financing using CWSRF repayment funds, which generally have a net-zero impact on the cashflows of the CWSRF.

<sup>5</sup> Estimated disbursements are a forecast of the cash disbursements for projects with executed financing agreements.

<sup>6</sup> Estimated Year End Balances represent a running total based on the previous year's ending balance.

<sup>7</sup> Estimated Yearly Cash Flows represent the projected difference between revenues and capitalization grants (inflows) and disbursements and expenses (outflows) for each year, and do not include the previous year's ending balance. Positive numbers indicate that inflows are projected to be greater than outflows for that year. Negative numbers indicate that outflows are projected to be greater than inflows for that year.

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APPENDIX D: Administration Fund Balance

	<b>Projected 7/1/25 – 6/30/26</b>	<b>Projected 7/1/26 – 6/30/27</b>
<b>Beginning</b>	\$42,886,280	\$50,482.072
<b>Collected</b>	\$13,895,792	\$12,350,232
<b>Spent</b>	\$6,300,000	\$6,300,00
<b>End Balance</b>	<b>\$50,482.072</b>	<b>\$56,532,404</b>

APPENDIX E: CWSRF Capitalization Grant Payments and Draw Payments

<b>CWSRF Base Capitalization Grant</b>					
<b>Payments</b>					
	<b>SFY 26-27 Q1</b>	<b>SFY 26-27 Q2</b>	<b>SFY 26-27 Q3</b>	<b>SFY 26-27 Q4</b>	<b>SFY 27-28</b>
FFY 2026 Base Grant	\$51,601,000 (Date of Award)				
<b>Draws</b>					
FFY 2025 Grant	\$42,093,859	\$42,093,859			
FFY 2026 Grant			\$25,800,500	\$25,800,500	
<b>Cumulative Draws</b>	<b>\$42,093,859</b>	<b>\$42,093,859</b>	<b>\$25,800,500</b>	<b>\$25,800,500</b>	<b>\$0</b>

<b>CWSRF General Supplemental Capitalization Grant</b>					
<b>Payments</b>					
	<b>SFY 26-27 Q1</b>	<b>SFY 26-27 Q2</b>	<b>SFY 26-27 Q3</b>	<b>SFY 26-27 Q4</b>	<b>SFY 27-28</b>
FFY 2026 General Supplemental Grant	\$177,977,000 (Date of Award)				
<b>Estimated Draws</b>					
FFY 2023 Grant	\$2,095,463				
FFY 2024 Grant		\$2,842,987			
FFY 2025 Grant	\$46,094,335	\$46,094,335			
FFY 2026 Grant		\$46,058,919	\$65,953,540	\$65,953,541	
<b>Cumulative Draws</b>	<b>\$48,189,798</b>	<b>\$94,996,241</b>	<b>\$65,953,540</b>	<b>\$65,953,541</b>	<b>\$0</b>



APPENDIX G: Congressionally Directed Spending for CWSRF<sup>1</sup>

Recipient and Project	Community Grant Amount	Funding Year	Size (Small <= 20,000 Large > 20,000)	Est. DAC Status	SWRCB Received Funding Application?	DFA Project Number	Applicant	Project Title	Status of SWRCB Application
Arvin-Edison Water Storage District for Water Pipeline Project	\$3,250,000	FFY 2024	Small	DAC	No				
Big Bear Area Regional Wastewater Agency for Water Reuse Project	\$1,000,000	FFY 2024	Small	DAC	Yes	3850-010	Big Bear Area Regional Wastewater Agency	Bear Valley Water Sustainability Project	Planning Agreement - December 28, 2015. Final report approved 5/9/2017.
California Department of Parks and Recreation, Los Angeles Division for Taylor Yard Stormwater Project	\$959,752	FFY 2024	Large	Non-DAC	No				
City of Adelanto for Water and Wastewater Infrastructure Improvements	\$750,000	FFY 2024	Large	DAC	No				
City of Compton for Pearl Avenue Sewer Replacement Project	\$959,752	FFY 2024	Large	DAC	No				
City of Daly City for Vista Grande Drainage Basin Improvement Project	\$959,752	FFY 2024	Large	Non-DAC	Yes	8502-110	Daly City Joint Powers Financing Authority	Vista Grande Drainage Basin Improvement Project	Construction Agreement – 5/19/2025. In construction.
City of Del Mar for Stormwater and Sewer Infrastructure Improvement Project	\$959,752	FFY 2024	Small	Non-DAC	No				
City of Dinuba for Sewer Improvements	\$959,752	FFY 2024	Small	Non-DAC	Yes	8778-110	City of Dinuba	Sewer Collection System and Wastewater Treatment Plant Improvements	Placed on Fundable List on 3/18/2025.
City of Madera for Sewer Trunk Main Project	\$1,000,000	FFY 2024	Large	DAC	Yes	8704-110	City of Madera	Avenue 13 Sewer Trunk Main Rehabilitation Project	Construction Agreement - Oct 19, 2023. In construction
City of Madera for Storm Drain Pipeline Replacement	\$1,000,000	FFY 2024	Large	DAC	No				
City of Oakland for Lake Merritt Healthy Lake Initiative	\$959,757	FFY 2024	Large	Non-DAC	No				
City of Pleasanton for South Livermore Sewer Expansion Project	\$959,752	FFY 2024	Large	Non-DAC	No				
City of Rio Vista for Reclaimed Water System Completion Project (Purple Piping)	\$959,752	FFY 2024	Small	Non-DAC	No				
City of Salinas for Wastewater Treatment Facility Project	\$959,752	FFY 2024	Large	Non-DAC	No				
City of San Diego for Harbor Drive Pump Station 1 and 2 Project	\$959,752	FFY 2024	Large	Non-DAC	Yes	8805-110 8805-210	City of San Diego	Pump Station 1 Improvements and Modernization Pump Station 2 Improvements and Modernization	8805-110 application withdrawn. 8805-210 placed on 25-26 Fundable list.
City of Santa Maria for Storm Drainage Improvements Project	\$959,752	FFY 2024	Large	Non-DAC	No				
City of Stockton for Diamond Sewer Upsizing Project	\$959,757	FFY 2024	Large	DAC	No				

Recipient and Project	Community Grant Amount	Funding Year	Size (Small <= 20,000 Large > 20,000)	Est. DAC Status	SWRCB Received Funding Application?	DFA Project Number	Applicant	Project Title	Status of SWRCB Application
City of Thousand Oaks for Stormwater Capture and Diversion Protect	\$959,752	FFY 2024	Large	Non-DAC	No				
City of Tulare for Traver Sewer Project	\$750,000	FFY 2024	Large	DAC	Yes	8365-110	City of Tulare	Traver Wastewater System Improvements	Inactive
City of Turlock for Sewer Extension Project	\$1,200,000	FFY 2024	Large	DAC	No				
City of Turlock for Stormwater infrastructure	\$1,000,000	FFY 2024	Large	DAC	No				
City of Twentynine Palms for Wastewater Improvements	\$1,000,000	FFY 2024	Large	DAC	Yes	8472-110 8472-210	City of Twentynine Palms	Wastewater Treatment System Feasibility and Preliminary Design Wastewater Reclamation Project Phase 1	Planning Agreement - January 7, 2021 Application withdrawn
City of Watsonville for Wastewater Treatment Facility	\$959,752	FFY 2024	Large	DAC	No				
City of Yucaipa for Stormwater Infrastructure Project	\$1,750,000	FFY 2024	Large	Non-DAC	No				
County of Los Angeles for Rio Hondo Restoration Project	\$959,752	FFY 2024	Large	Non-DAC	No				
County of Orange for Poche Beach Water Reclamation Project	\$959,752	FFY 2024	Large	Non-DAC	No				
Culver City for Stormwater Diversion	\$959,752	FFY 2024	Large	Non-DAC	No				
Eastern Municipal Water District for Purified Water Replenishment Project	\$959,752	FFY 2024	Large	Non-DAC	Yes	8803-110	Eastern Municipal Water District	Purified Water Replenishment Advanced Water Purification Facility	Placed on Fundable List on 8/6/2024.
Eastern Municipal Water District for Recycled Water Pipeline Construction	\$638,540	FFY 2024	Large	Non-DAC	Yes	8803-210	Eastern Municipal Water District	Purified Water Replenishment Conveyance Pipeline and Blending Facility	Placed on Fundable List on 8/6/2024. Under review.
Goleta County for Wastewater Reuse Project	\$773,870	FFY 2024	Large	Non-DAC	No				
Los Angeles Public Works for Stormwater Improvements	\$1,050,000	FFY 2024	Large	Non-DAC	No				
Mojave Water Agency for Stormwater Capture and Recharge	\$1,750,000	FFY 2024	Large	DAC	No				
Pittsburg Power Company for Water Treatment Plant Fuel Cell Project	\$959,752	FFY 2024	NA	NA	No				
Port of Redwood City for Storm Water and Clean Water Improvement	\$700,000	FFY 2024	Large	Non-DAC	No				
Rainbow Municipal Water District for Lift Station and Sewer Improvements	\$1,596,762	FFY 2024	Large	Non-DAC	No				
Sacramento Area Sewer District for Septic to Sewer Collection	\$959,752	FFY 2024	Large	Non-DAC	Yes	8397-110 8544-110 8455-110 8456-110	Sacramento Area Sewer District	Freeport Septic Conversion Project Hood Septic Conversion Project Linda Manor Community Septic Conversion	Freeport Septic Conversion Project received funding agreement October 1, 2019. Hood Septic Conversion Project received wastewater Infrastructure Appropriation

Recipient and Project	Community Grant Amount	Funding Year	Size (Small <= 20,000 Large > 20,000)	Est. DAC Status	SWRCB Received Funding Application?	DFA Project Number	Applicant	Project Title	Status of SWRCB Application
						8457-110 8458-110		Orange Park Cove Septic to Sewer Project Old Florin Town Septic Conversion Project Franklin Community Septic Conversion Project	Linda Manor Community Septic Conversion received funding agreement September 28, 2022. Orange Park Cove Septic to Sewer Project under review Old Florin Town Septic Conversion Project received wastewater Infrastructure Appropriation Franklin Community Septic Conversion Project received wastewater Infrastructure Appropriation
San Bernardino County Flood Control District for Stormwater Infrastructure Project	\$1,750,000	FFY 2024	Large	Non-DAC	No				
San Bernardino County Flood Control District for Water Infrastructure Project	\$1,000,000	FFY 2024	Large	Non-DAC	No				
San Bernardino County for Bohnert Sewer Project	\$959,757	FFY 2024	Large	Non-DAC	No				
San Bernardino County for Septic-to-Sewer Conversion Project-Phase 1	\$959,757	FFY 2024	Large	Non-DAC	Yes	8776-110 8777-110	San Bernardino County	CSA 70 Bloomington Septic-to-Sewer System Expansion Project CSA 70 Cedar Glen Septic-to-Sewer System Project	Under Review
Santa Margarita Water District for Brine Line Construction	\$1,000,000	FFY 2024	Large	Non-DAC	No				
Sewerage Commission Oroville Region for Wastewater Treatment Plant Upgrade	\$2,000,000	FFY 2024	Large	DAC	Yes	8735-110	Sewerage Commission Oroville Region	Wastewater Treatment Plant Upgrade Project	Withdrawn
Town of Paradise for Sewer Regionalization Connection	\$1,750,000	FFY 2024	Small	DAC	Yes	8568-210	Town of Paradise	Paradise Sewer Project	Under Review
University of California Davis for In-lake Water System at Clearlake	\$959,752	FFY 2024	NA	NA	No				
Western Riverside County Regional Wastewater Authority for Recycled Water Booster Station and Reservoir Project	\$3,000,000	FFY 2024	Large	Non-DAC	No				
City of Maywood for Sewer Infrastructure Upgrades	\$1,216,000	FFY 2024	Large	DAC	No				
Monterey County for Palero County Sanitation Sewer System	\$1,500,000	FFY 2024	Large	Non-DAC	No				
Alameda County Public Works for Livermore Sewer Extension to Protect Ground Water	\$1,000,000	FFY 2026	Large	Non-DAC	No				
Arvin-Edison Water Storage District for Water Supply Expansion Project	\$2,000,000	FFY 2026	Large	Non-DAC	No				

Recipient and Project	Community Grant Amount	Funding Year	Size (Small <= 20,000 Large > 20,000)	Est. DAC Status	SWRCB Received Funding Application?	DFA Project Number	Applicant	Project Title	Status of SWRCB Application
Carmichael Water District for Ranney Collector Well Screens Replacement Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
Central Contra Costa Sanitary District for Ultraviolet (UV) Disinfection Replacement Project	\$1,092,000	FFY 2026	Large	Non-DAC	Yes	8761-110	Central Contra Costa Sanitary District	Ultraviolet (UV) Disinfection Replacement, DP 100012	Under review, scored 13 in 2026.
City of Adelanto for Wastewater Treatment Plant Improvements	\$1,000,000	FFY 2026	Large	DAC	No				
City of Bakersfield for South MLK Sewer Project	\$1,500,000	FFY 2026	Large	Non-DAC	No				
City of Chino Hills for Los Serranos Flood Protection Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of Compton for Willowbrook-Culver Sewer Replacement Project	\$1,092,000	FFY 2026	Large	DAC	No				
City of Corcoran for Stormwater Enhancements Project	\$2,000,000	FFY 2026	Small	DAC	No				
City of Coronado for Stormwater Mitigation Project	\$1,092,000	FFY 2026	Small	Non-DAC	No				
City of Cypress for Stormwater Pump Station Upgrade	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of Daly City for Vista Grande Drainage Basin Improvement Project	\$1,092,000	FFY 2026	Large	Non-DAC	Yes	8502-110	Daly City Joint Powers Financing Authority	Vista Grande Drainage Basin Improvement Project	Construction agreement executed 5/19/2025.
City of Dos Palos for Wastewater Treatment Facility Project	\$1,092,000	FFY 2026	Small	DAC	No				
City of Ridgecrest for Wastewater Treatment Plant	\$1,000,000	FFY 2026	Large	Non-DAC	Yes	8228-110	Ridgecrest, City of	New Wastewater Treatment Plant Project	Under review, scored 9 in 2026.
City of San Diego for Beta Street Channel and Storm Drain Improvement Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of San Diego for Famosa Slough Alley Slope Restoration Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of San Diego for Jamacha Drainage Channel Upgrade Storm Water Drain Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of San Diego for Pump Station Component D Upgrade	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of San Jose for Restoration Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of San Leandro for Water Infrastructure Improvement Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				

Recipient and Project	Community Grant Amount	Funding Year	Size (Small <= 20,000 Large > 20,000)	Est. DAC Status	SWRCB Received Funding Application?	DFA Project Number	Applicant	Project Title	Status of SWRCB Application
City of Seal Beach for San Gabriel River Water Quality Improvement Project	\$1,000,000	FFY 2026	Large	Non-DAC	No				
City of Seal Beach for Stormwater Infrastructure Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of Sunnyvale for Cleanwater Center Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of Upland for Campus Avenue Storm Drain Improvement Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
City of Visalia for Groundwater Recharge Basin Project	\$2,000,000	FFY 2026	Large	Non-DAC	No				
City of Watsonville for Pump Station Facilities Project	\$1,092,000	FFY 2026	Large	DAC	Yes	8838-110	Watsonville, City of	Headworks and Influent Pump Station Construction Project	Placed on Fundable List 8/5/2025.
City of Woodlake for Storm Drain Enhancement Project	\$1,092,000	FFY 2026	Small	DAC	No				
Coachella Valley Water District for North Cathedral City Regional Stormwater Project	\$1,092,000	FFY 2026	Large	DAC	No				
Contra Costa Sanitary District for Central Sanitation Air Diffuser System Upgrade	\$1,092,000	FFY 2026	Large	Non-DAC	No				
County of Sutter for Robbins Wastewater Treatment Plant Back Up Generator	\$400,000	FFY 2026	Large	DAC	No				
County of Tulare for Goshen Sewer Study	\$750,000	FFY 2026	Large	DAC	No				
Delta Diablo for Wastewater Pipeline Replacement	\$1,000,000	FFY 2026	Large	Non-DAC	No				
East Bay Regional Park District for Martin Luther King Jr. Regional Shoreline Water Quality Improvement Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
Eastern Municipal Water District for Sewer Infrastructure Project	\$1,092,000	FFY 2026	Large	Non-DAC	No	8529-110	Eastern Municipal Water District	Quail Valley Sub-Area 4 Septic to Sewer System Planning Study	Planning agreement executed 1/7/2021.
Elsinore Valley Municipal Water District for Clean Water/Wastewater Infrastructure Project	\$1,092,000	FFY 2026	Large	Non-DAC	Yes	8234-110 8234-120 8336-110 8338-110 8462-110	Elsinore Valley Municipal Water District	Regional Water Reclamation Facility - Phase 1 Existing Facilities Critical Upgrades Regional Water Reclamation Facility - Phase 2 Expansion Regional Water Reclamation Facility Upgrades Regional Water Reclamation Facility SCADA Implementation Regional Water Reclamation Facility Expansion	Fully disbursed as of 10/24/2019. Fully disbursed as of 5/5/2021. Fully disbursed as of 10/26/2023. Fully disbursed as of 7/28/2020. Construction agreement executed 11/10/2021, amendment executed 10/1/2024.

Recipient and Project	Community Grant Amount	Funding Year	Size (Small <= 20,000 Large > 20,000)	Est. DAC Status	SWRCB Received Funding Application?	DFA Project Number	Applicant	Project Title	Status of SWRCB Application
Hi-Desert Water District for Water Reuse Projects	\$1,092,000	FFY 2026	Small	DAC	No				
Inland Empire Utilities Agency for Chino Basin Advanced Water Purification Demonstration Facility	\$1,092,000	FFY 2026	Large	Non-DAC	No				
Los Angeles County Department of Public Works for Public Sewer Enhancement Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
Oro Loma Sanitary District for Digester Seismic Retrofit Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
Padre Dam Municipal Water District for Water Purification Project	\$1,000,000	FFY 2026	Large	Non-DAC	Yes	8548-110	East County Advanced Water Purification JPA	East County Advanced Water Purification Project	Construction agreement executed 4/27/2022.
San Bernardino County for Bloomington Septic Conversion Project, Phase 1	\$1,092,000	FFY 2026	Large	Non-DAC	No	8776-110	San Bernadino, County of	CSA 70 Bloomington Septic-to-Sewer System Expansion Project	Planning application added to the Fundable List 8/6/2024.
San Bernardino County for Septic-to-Sewer Project	\$750,000	FFY 2026	Large	Non-DAC	No	8777-110	San Bernadino, County of	CSA 70 Cedar Glen Septic to Sewer System Project	Withdrawn
San Gabriel River Watershed Management Authority for Stormwater Capture Project	\$1,092,000	FFY 2026	Large	Non-DAC	No				
Shafter-Wasco Irrigation District for Groundwater Recharge Project	\$2,000,000	FFY 2026	Small	DAC	No				
The Inland Empire Utilities Agency for Cybersecurity Program Improvements Project	\$1,180,000	FFY 2026	Large	Non-DAC	No				
Vallejo Flood and Wastewater District for Mare Island Sewer Rehabilitation	\$1,092,000	FFY 2026	Large	Non-DAC	No				
Valley Sanitary District for Recycled Water Project	\$1,092,000	FFY 2026	Large	DAC	Yes	8595-110 8595-210	Valley Sanitary District	Reclaimed Water Project - Phase I Reclaimed Water Project - Phase II and II and groundwater recharge	Withdrawn

Notes:

1. Funding for projects identified through Congressionally directed spending will be administered by EPA. Some of these projects have submitted an application to the State Water Board for CWSRF or complementary funding and are identified in this table. Having been selected for Congressionally directed spending does not guarantee eligibility for California's CWSRF Program or complementary funding sources.

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## Appendix H: Environmental Review

To the extent applicable, projects funded under this IUP must comply with the CWSRF State Environmental Review Process (SERP) that is in effect at the time the project's eligibility is determined by DFA.

Under the SERP, environmental review may include compliance with a number of federal environmental cross-cutting authorities (i.e., Endangered Species Act, National Historic Preservation Act, etc.). To the extent allowed by the SERP, projects that serve Small Disadvantaged Communities (DACs) will not be required to comply with the federal environmental cross-cutting authorities. The Deputy Director of DFA may determine not to require certain other projects to comply with the federal environmental cross-cutting authorities as long as those projects are not designated as "equivalency" projects.

- To the extent applicable, these projects must nevertheless undergo an environmental review outlined in the SERP that includes compliance with California Environmental Quality Act and with the CWSRF regulations at 40 CFR section 35.3140.
- To the extent allowed by the SERP, non-equivalency projects that are not Clean Water Act section 212 POTW projects may not be subject to the SERP or to federal environmental review requirements.<sup>1</sup>

The approach described above will promote operational efficiency and expedite the environmental review process for these projects. The CWSRF financial assistance application forms will list the applicable requirements. Additionally, note that the Deputy Director of DFA may determine not to apply any federal requirements to projects that do not receive CWSRF funds.

The approach described above applies to projects that are in the following groups:

- Projects in the planning phase during the term of this IUP (either in an existing planning agreement or completing planning work through an approved technical assistance [TA] workplan) regardless of when the environmental documents are completed, and regardless of whether federal environmental cross-cutting authorities are listed in the existing scope of work, as long as the planning agreement or work under the TA workplan is completed to DFA's satisfaction.
  - If the federal environmental cross-cutting authorities are part of the scope of work, the applicant/TA provider for projects in the planning phase will be notified by DFA Project Manager (PM) not to prepare the relevant federal environmental cross-cutting documents.
  - If applicable, the PM will also notify DFA Agreements Unit Staff of the changes to the scope of work, to amend the project financing agreement to relieve the applicant/TA provider of the obligation to prepare the relevant federal environmental cross-cutting documents.
- Projects with a complete planning application submitted to DFA or with an environmental review requested by the PM prior to June 30, 2027.
- Projects with a complete construction application submitted prior to June 30, 2027 (including environmental documents). This may include projects in which the applicant has self-funded preparation of the environmental documents.

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<sup>1</sup> All equivalency projects are subject to federal environmental cross-cutting authorities, including any non-treatment works projects that DFA designates as equivalency projects