

Appendix B

**DWSRF 2026-2027 Intended Use Plan,
General Fund Process Excerpt**

State of California

Drinking Water State Revolving Fund Program and
Complementary Programs

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 PLANS

**(FEDERAL FISCAL YEAR 2026 EMERGING CONTAMINANTS
CAPITALIZATION GRANT, LEAD SERVICE LINE REPLACEMENT,
AND ADDITIONAL SUPPLEMENTAL APPROPRIATIONS FOR
DISASTER RELIEF ACT, 2019)**

and Guidelines for

The Water Quality, Supply, and Infrastructure Improvement Act of 2014

(Proposition 1)

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

(Proposition 68)

California Budget Act of 2021 and Budget Act of 2024 Appropriations

and

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

Approved By: State Water Resources Control Board

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STATE WATER RESOURCES CONTROL BOARD | DIVISION OF FINANCIAL ASSISTANCE

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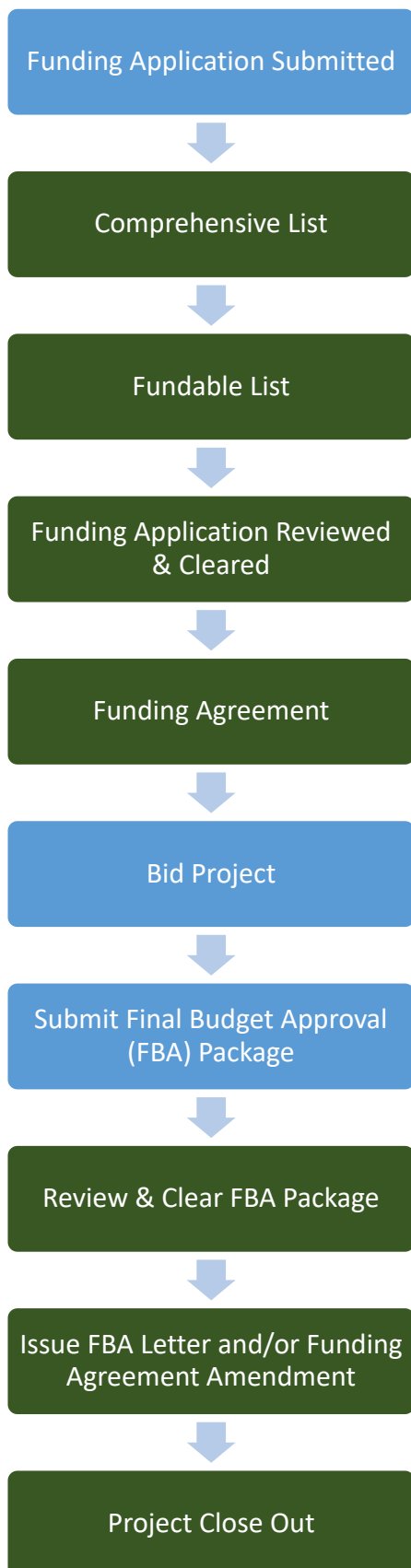
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III. GENERAL FUNDING PROCESS



The general process for both grants/PF and repayable loans through the DWSRF Program and its complementary funding sources is outlined below. DFA may also use alternative processes to administer funds, such as EDWG or the Urgent Drinking Water Needs (UDWN) application process (see Section V.A and the FEP for additional information about those programs).

1. 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. There are four different packages that are included as part of the [application](#): (1) General, (2) Technical, (3) Environmental, and (4) Financial.

2. Comprehensive List

The Comprehensive List 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. Projects potentially eligible for highly specific federal funding sources, including ASADRA, EC, and LSLR, are shown in their respective Supplemental IUPs instead. Interim solutions are not funded via the IUP (they are administered through the FEP).

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 DWSRF website that will include new applications requesting grant/PF under Section V, or requesting consolidation incentive, for which applications were received by the State Water Board after the development of this IUP.

The Comprehensive List serves to quantify California's drinking water infrastructure near-term demand for state funding. This year's Comprehensive List, which identifies

PWSs seeking financial assistance for specific drinking water infrastructure projects, includes applications totaling more than \$2.5 billion.

3. Fundable List

This IUP includes the DWSRF Fundable List, which consists of projects that may be funded by the DWSRF base and general supplemental capitalization grants and other complementary funding sources administered under this IUP. 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 the Fundable List by June 30, 2027⁶. 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 consolidation incentive, may be added to the Fundable List after the Deputy Director deems the application initially complete. The Fundable List will be updated on the State Water Board's website on an as-needed basis, generally allowing for a 30-day public comment per project. This includes projects that may be eligible for partial grant/PF and partial loan.
2. Projects on a drinking water Supplemental IUP Fundable List are automatically part of the base DWSRF IUP Fundable List, for the purpose of being evaluated for co-funding with DW grant, PF, or loan to complete the project that receives funding under a supplemental IUP. If the project is not funded under a Supplemental IUP, then the project will not automatically qualify for other DW grant, PF, or loan, and will instead be evaluated under the prioritization process and criteria in the base IUP.
3. Projects that are not covered by paragraph 1 or by a supplemental IUP are subject to scoring. For this IUP, applications for these projects were due December 31, 2025 (applications are generally due December 31 of the year prior to the adoption of each IUP). Applications that received a priority score equal to or above the cut-off score, based on submissions as of December 31, are added to the Fundable List.

Per the DWSRF Policy, the Deputy Director of DFA may bypass a project on the Fundable List if it is determined that the project is not ready to proceed to financing and the Deputy Director may add a project from the Comprehensive List to the Fundable List if (a) the project is expected to proceed to financing and (b) the aggregate funding amount is consistent with the funding capacities determined in this IUP. Projects that may be administered through the Expedited Drinking Water Grant program are designated on the Fundable List by an EDWG project number and will generally be subject to the application requirements set forth in the EDWG Guidelines and EDWG application materials. EDWG projects considered for DWSRF PF funding may have

⁶ This applies to projects on the initial Fundable List, not projects added the Fundable List throughout the fiscal year, and assumes appropriate funding sources are available.

different application requirements. DFA will direct applicants to submit the required application materials at the appropriate times.

The Fundable Lists for emerging contaminants, lead service lines, and ASADRA funding are described and included in the supplemental IUPs for those funding sources.

4. Application Review

Applications are accepted on a continuous basis. After DFA receives an application, a detailed technical, environmental, legal, and financial review is generally conducted to determine the applicant's eligibility for DWSRF and associated drinking 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 conduct a technical review. Staff will review the engineering reports, plans and specifications (may also come after a construction funding agreement), and the general and technical application packages to determine whether a proposed project is eligible for funding. Staff will also review the documents submitted by the PWS demonstrating the PWS's technical, managerial, and financial capacity to operate and maintain the system. If there are operational or managerial issues with the system, applicants may have to resolve these 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

State Water Board staff will review the credit and financial capacity of applicants in accordance with the DWSRF Policy and this IUP in order to evaluate the applicant's ability to operate and maintain the funded project over its useful life, as well as to repay borrowed DWSRF monies. For non-repayable planning and certain consolidation project 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 XIII.A.3).

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 DWSRF Policy, as may be amended, and as described in Section [XIII](#).H.8 and Appendix G of this IUP. All applicants must provide a completed environmental application as part of their DWSRF Planning and Construction Applications. Certain requirements, including compliance with federal environmental cross-cutters, may not be required for state grant-funded projects and projects subject to Tier II environmental review. The DFA Environmental Scientist Staff will conduct an initial review to verify that a complete application has been received and identify any missing information. Once all required environmental documents have been received, the State Water Board staff will conduct a thorough review of all items to determine 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. Note that environmental application requirements may differ for EDWG Funding Program projects.

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.

5. Funding Agreement

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

1. Funding Source Considerations

The State Water Board will consider the requirements associated with all available sources of funds, and pair available funds with projects to achieve the maximum drinking water benefits. 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 drinking water projects. Funding for a project will be based on the applicant's engineering cost estimate.

2. Required Closing Documents

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 DWSRF Policy. All recipients of repayable financing and certain non-repayable financing recipients that are private entities will generally be required to provide a resolution authorizing the transaction at closing. CPUC-regulated entities must obtain applicable CPUC approvals as may be required for any of the transactions contemplated in the funding agreement.

6. 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 (and not for EDWG projects). **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 Environmental Scientist Staff have completed their environmental review will likely render the project ineligible for funding.** Both the applicant and DFA Environmental Scientist Staff must generally complete their environmental reviews, and the project must be on the applicable Fundable List, before any construction activities occur⁷. If DFA 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.

⁷ The DWSRF regulations limit eligible construction costs to those incurred after the state has provided approval to an applicant to proceed. (40 C.F.R. section 35.3525(a)(2).) For the limited purpose of providing construction approval as referenced in those regulations and in the DWSRF Policy, the State Water Board and Deputy Director of the Division of Financial Assistance are hereby providing approval for applicants with projects on the Fundable List to begin construction of those projects after the applicant/CEQA lead agency and DFA Environmental Scientist Staff have each completed their environmental reviews (if that occurs). This does not constitute an approval of funding for any such projects, or approval of the projects, and is solely for

7. 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 [XIII](#) for additional information about Federal requirements). The Recipient must incorporate all construction requirements applicable to their project into a binding agreement with each selected contractor and ensure compliance throughout the construction process. Although the Recipient is not required to get DFA approval prior to bidding their project (except to the extent required by the EDWG Program), they are encouraged to submit their draft plans and specifications to their project manager for review to ensure that some of these requirements are not missed. DFA approval of construction bid documents will be required as part of the Final Budget Approval (FBA) Package.

8. Submit FBA Package

After the bid or proposal opening for construction projects, the [FBA Form](#) and all attachments should be submitted as soon as possible 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.

Projects funded with non-repayable financing may include contingency of up to twenty percent (20%) of the total project cost. In rare circumstances, 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.

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.

9. 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 an FBA approval letter and/or a funding agreement amendment, depending on whether the terms of the agreement need modification. 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

the purpose of establishing the date on which construction costs may be incurred and may be reimbursable (Eligible Construction Start Date) if the project is later approved for funding.

budget, either via letter or formal funding agreement amendment, may result in the construction work being ineligible for reimbursement.

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

10. Funding Agreement Progress and Schedule

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.

11. Final Disbursement & 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. The Recipient must submit a Project Completion Report to the DFA with a copy to the appropriate Division of Drinking Water’s District Office 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.