July 28, 2025

State Water Resources Control Board
Attention: Courtney Tyler, Clerk to the Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Subject: Comment Letter – Draft SFY 2025-26 DWSRF IUP

Dear Chair Esquivel and Board Members:

The Community Water Systems Alliance (CWSA) appreciates the opportunity to comment on the final draft Intended Use Plan (IUP) for the Drinking Water State Revolving Fund (DWSRF). CWSA is a group of water agencies, both large and small, working together to understand and address the needs of smaller, older, and lower-income communities so that every person in California can enjoy safe, clean, affordable, and accessible water.

Several CWSA members face extremely high costs for complying with the recently adopted hexavalent chromium [Cr(VI)] regulation, and cannot reasonably raise water rates enough, or fast enough, to finance the necessary infrastructure from customer revenue alone. To attempt that approach would create sudden rate spikes, making water service unaffordable for many lower-income residents. Similarly, municipal bonds or other traditional sources of capital financing will be out of reach for some of these communities. These water providers will need financial assistance from the state to afford new treatment systems and related costs appurtenant to compliance. The DWSRF IUP is a critical component to the successful implementation of the Cr(VI) regulation.

Eligibility for Cr(VI) compliance. CWSA supports and applauds changes the State Water Board has made to the IUP policy in recognition of the challenge presented by Cr(VI) compliance costs. We support the change in eligibility for grants or principal forgiveness (PF) that puts projects for Cr(VI) compliance into the same category as "failing" systems, which should allow more systems to achieve compliance without going onto the "failing" list.

$50 million project cap. Another favorable change was to set the grant/PF project cap at $50 million for projects serving over 200 connections. Although some water systems will encounter construction costs exceeding that amount, this cap is reasonable in consideration of the expected high demands for SRF assistance that will exceed available SRF funds.

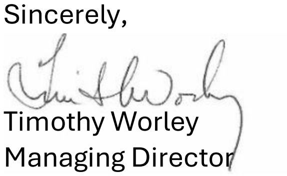
Timing mismatch calls for re-opening to Cr(VI) projects. We are very concerned that the compressed compliance timeframe for Cr(VI) makes the need for financial assistance urgent, yet impacted water systems may have missed the current SRF cycle as they develop their compliance strategies. Many of our members are just now able to submit applications for consideration, and consequently are not on the comprehensive list. However, these systems will have rapidly escalating costs for detailed planning, design, procurement, and construction activities to meet the Cr(VI) compliance deadlines. We urge the State Water Board to reserve some funds and create a process for considering new applications for Cr(VI) project assistance.

Support use of Climate Bond funds. CWSA is approaching legislative leaders and Governor Newsom with a request for significant new funding from the climate bond (Proposition 4) to be dedicated to Cr(VI) treatment projects. We strongly urge the Water Board to support this request in communications with the Governor's office.

Affordability of the Cr(VI) regulation requires State assistance. CWSA conveyed its concerns about the impact the Cr(VI) regulation would have on household affordability when the standard was proposed, and you have heard from some of our members about the impossible rate impacts that will occur without financial assistance. The regulation's economic feasibility hinged in part on assurances that adequate financial assistance would be available to reduce the household impacts to tolerable levels. We believe it is incumbent on the State Water Board to stand behind those assurances and make every possible effort to provide assistance for Cr(VI) compliance.

In closing, CWSA appreciates efforts made to date to increase prospective eligibility for Cr(VI) projects, so systems do not need to be "failing" to qualify for funding. However, more action is needed to support the community water systems, and ultimately their residents, that face a steep challenge to pay for new infrastructure necessary to meet the Cr(VI) regulation. We look forward to working collaboratively with the Division of Financial Assistance and the State Water Board to find solutions.

Sincerely,



Timothy Worley
Managing Director