2026 Draft Sustainable Groundwater Management Grant Program Guidelines

Published: July 2026

FOREWORD

The 2026 Sustainable Groundwater Management Grant Program (Program) Guidelines (2026 Guidelines) contain the general process, procedures, and criteria that the Department of Water Resources (DWR) will use to implement the program. These guidelines will set requirements to promptly allow directed expenditures for Small Groundwater Sustainability Agencies and the Underrepresented Communities Technical Assistance Program. An amendment to the guidelines will follow to provide additional information on grant solicitation for non-directed expenditures.

Mailing List

In addition to the above-referenced website, DWR will distribute information via e-mail. If you are not already on the e-mail distribution list and wish to be placed on it, please visit the following site:
https://public.govdelivery.com/accounts/CNRA/subscriber/new

Contact Information

For questions about the 2026 Guidelines or other issues, please contact DWR's Financial Assistance Branch at (916) 651-9613 or by e-mail at financialassistance@water.ca.gov.

CONTENTS

TOPIC PAGE #

Table of Contents

I. INTRODUCTION AND OVERVIEW 5

A. Funding 5
B. Program Implementation 6
C. Program Funding Opportunities 6
D. Program Preferences and Statewide Priorities 6

II. ELIGIBILITY REQUIREMENTS 7

A. Eligible Grant Applicants 7
B. Eligible Projects 7
C. Eligibility Criteria 9
D. Eligible Costs 12
E. Indirect Costs 12

III. GENERAL PROGRAM REQUIREMENTS 14

A. Conflict of Interest 14
B. Confidentiality 14
C. Labor Code Compliance 14
D. CEQA Compliance 15
E. Monitoring Requirements 16
F. Signage or Acknowledgement of Credit 16
G. Limited Waiver of Sovereign Immunity 16
H. Competitive Bidding and Procurement 17
I. Indemnify and Hold Harmless 17
J. Operations and Maintenance 17
K. Competitive Bidding and Procurement 18
L. Income Restrictions 18
M. Easements 18

APPENDIX A – USEFUL WEB LINKS 20
APPENDIX B – DEFINITIONS 22
APPENDIX C – UNDERREPRESENTED COMMUNITY DEFINITION 25
APPENDIX D – ADVANCED PAYMENT PROCEDURES 26

Acronyms And Abbreviations

AB	Assembly Bill
Prop 4	California Proposition 4 (2024)
CASGEM	California Statewide Groundwater Elevation Monitoring
CEQA	California Environmental Quality Act
CNRA	California Natural Resources Agency
DAC	Disadvantaged Community
DWR	Department of Water Resources
EO	Executive Order
GAMA	Groundwater Ambient Monitoring Assessment
GSA	Groundwater Sustainability Agency
GSP	Groundwater Sustainability Plan
GWMP	Groundwater Management Plan
IRWM	Integrated Regional Water Management
SGMA	Sustainable Groundwater Management Act
SWRCB	State Water Resources Control Board
UWS	Urban Water Suppliers

2026 SUSTAINABLE GROUNDWATER MANAGEMENT GRANT PROGRAM GUIDELINES

I. INTRODUCTION AND OVERVIEW

Throughout California, groundwater basins subject to the Sustainable Groundwater Management Act (SGMA) are in various stages of implementing their Groundwater Sustainability Plans (GSPs). While larger Groundwater Sustainability Agencies (GSAs) often have a larger base to distribute the costs associated with advancing SGMA implementation, many smaller GSAs, particularly those serving rural and disadvantaged communities, have a much smaller cost distribution network which can create significant challenges. Recognizing the critical role that groundwater plays in California's water supply reliability, the State is committed to supporting small GSAs in achieving sustainable groundwater management for the benefit of all Californians.

To further advance sustainable groundwater management, legislature has directed that $3.5 million be made available for small GSAs. The California Department of Water Resources (DWR) is introducing the 2026 Sustainable Groundwater Management Grant Program for Small GSAs to distribute this funding.

A. Funding

California Proposition 4 (2024) (Pub. Resources Code, § 90000 et seq.), also known as the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, has provided $386.25 million dollars for projects related to groundwater storage, groundwater banking, groundwater recharge, or instream flow projects that support the conjunctive use of groundwater and surface water supplies. The Budget Act of 2025 (Stats. 2025, ch. 104, § 143) (2025 Budget Act) directed $3.5 million dollars of the funding for projects supporting sustainable groundwater management by small GSAs. The 2025 Budget Act also appropriated $6.5 million dollars for the Underrepresented Communities, California Tribes, and Small Farmers Groundwater Technical Assistance Program, also known as the Underrepresented Communities Technical Assistance (URCTA) Program. Up to 7% of this funding is designated for DWR's grant administration costs.

B. Program Implementation

Program implementation will be made via directed expenditures or by solicitation of proposals.

Directed Expenditure

Directed expenditures are specific projects awarded funding at the discretion of the DWR Director outside of a public proposal solicitation process. Directed expenditures must address an interest of the State and must meet Program eligibility criteria.

Proposal Solicitations

Proposal solicitations are common practice for government agencies to make funds available to other public entities to complete projects based on competitive ranking. Proposal solicitations generally work well for suites of smaller-scale projects across multiple geographic regions that support multi-benefit objectives.

C. Program Funding Opportunities

Funding will largely be used to support GSAs in developing, updating, or implementing their Groundwater Sustainability Plans (GSPs), conducting groundwater monitoring and implementing projects within their GSPs.

D. Program Preferences and Statewide Priorities

Water Code Program Preferences
Public Resources Code sections 90050, 90140, and 90150 identify various priorities or considerations that shall be given to proposals and are collectively referred to as the "Program Preferences." The Program Preferences include:

- **Leverage Funds or Produce the Greatest Public Benefit** – Give priority to projects that leverage private, federal, or local funding or produce the greatest public benefit relative to grant funds requested.
- **Benefit Disadvantaged, Severely Disadvantaged, and Vulnerable Populations** – Give priority to projects that provide meaningful and direct benefits to vulnerable populations, disadvantaged communities, or severely disadvantaged communities, consistent with the requirement that at least 40 percent of funds benefit vulnerable populations or disadvantaged communities and at least 10 percent benefit severely disadvantaged communities.

- **Utilize California Conservation Corps** – Give preference to projects whose applications include use of the California Conservation Corps or certified community conservation corps.

These Program Preferences will be taken into consideration during the review process; refer to the applicable PSP for the specific details regarding the application of the Program Preferences.

II. ELIGIBILITY REQUIREMENTS

A. Eligible Grant Applicants

Public Resources Code section 90110 identifies the following entities as eligible grant applicants for Proposition 4:

- Public agencies
- 501(c)(3) Non-profit organizations
- Special districts
- Joint Powers Authorities
- Public utilities
- Federally recognized Indian Tribes
- State Indian Tribes listed on the Native American Heritage Commission's Tribal Consultation list
- Mutual water companies

Additionally, the applicant must be a GSA; member agency of GSAs; an entity that represents a GSA(s); or agencies with an alternative to a GSP that are located within eligible medium- and high-priority basins.

See Appendix B for definitions of these terms.

To be part of the proposal as a subrecipient and access grant funding through their relationship with the applicant, subrecipients must meet the definition of Eligible Grant Applicant as described above.

B. Eligible Projects

Eligible projects are those that increase groundwater storage, improve the management and operation of groundwater storage, or are for groundwater banking, and support implementation of the Sustainable Groundwater Management Act (Part 2.74 (commencing with Section 10720) of Division 6 of the Water Code).

Eligible project types for the SGM grant program must include one or more of the activities listed below. All projects must be consistent with the goals of the GSP or alternative to a GSP. This includes projects that fill in known data gaps and comments received from DWR after review of a submitted GSP or Alternative to a GSP, if received. Detailed information is provided in the individual PSPs.

- Recharge/Conjunctive Use Projects
- Subsidence BMP Implementation Actions
- Addressing DWR Recommended Corrective Actions
- Ag Land Adaptation Projects
- Conveyance Projects
- Other Implementation Projects

Under the 2025 Budget Act, the Program will allocate $3.5 million to projects that support small GSAs, that pump less than 10,000 acre-feet annually, in meeting their SGMA obligations and building long-term groundwater sustainability.

Within the context of this funding program, a "project" encompasses all activities related to planning, design, engineering, acquisition of real property interests, construction, other associated efforts aimed at implementing a specific action funded by the program, and other efforts that support SGMA compliance or implementation.

Underrepresented Communities Technical Assistance

The goal of the Technical Assistance Program is to foster strong working relationships and effective communication between the Underrepresented Communities and their local groundwater sustainability agency responsible for implementing SGMA to ensure that the community's needs, risks, and/or vulnerabilities will be properly identified and addressed in the GSP(s) or alternative(s) to a GSP. Funding will be provided in either grant agreements or contracts to technical assistance providers for services to Underrepresented Communities. Upon request, technical assistance for Underrepresented Communities will be directed to GSAs and technical assistance providers to assist with the activities including, but not limited to, the following:

- Well Mitigation Plan Development and Community Outreach
- Groundwater Dependent Ecosystems Threshold Support
- Small Farm Assistance, Engagement, and Education

- Local Financing Plan Support
- Tribal Support and Engagement

Assistance will be provided through a DWR contract or directed grant to technical assistance providers who meet eligibility requirements.

C. Eligibility Criteria

This is a general list of eligibility criteria for DWR grant funding opportunities. Funding recipients will be required to certify compliance at the time of award and ongoing compliance with these requirements (as applicable to their agency) throughout the duration of the grant agreement between DWR and a grantee.

California Statewide Groundwater Elevation Monitoring (CASGEM) Compliance

Water Code section 10920 et seq. establishes a groundwater monitoring program designed to monitor and report groundwater elevations in all or part of a basin or sub-basin. Information on the requirements of the CASGEM Program can be found at the link listed in Appendix A. DWR has established high-, medium-, low-, and very low-priority groundwater basins, as well as CASGEM monitoring entities. For those in high- and medium- priority groundwater basins, the Groundwater Sustainability Plan (GSPs) Regulations require that a GSP monitoring network be capable of collecting, at a minimum, two static groundwater elevation readings per year, representing the seasonal low and seasonal high groundwater conditions in the basin, and submitted to DWR electronically (Cal. Code Regs., tit. 23, §§ 354.34.(c)(1)(B) & 354.40). Additionally, the Water Code requires that agencies report seasonal groundwater elevation data in order to remain eligible for grant funding. Following the submittal of a GSP to DWR, CASGEM monitoring entities are no longer required to report seasonal groundwater elevation readings to the CASGEM operating system, instead GSAs will be responsible for submitting groundwater elevations to the SGMA Monitoring Network Module. For those high- and medium-priority basins that do not meet the groundwater level monitoring reporting requirements of SGMA, a GSA, a grant applicant and/or Subrecipient, will not be eligible for grant funding pursuant to Water Code section 10933.7(a).

Section 10933.7(b), if the entire service area of the grant applicant or the individual project proponent is demonstrated to be a DAC, as defined in Appendix B, the project will be considered eligible for grant funding notwithstanding CASGEM compliance.

Consistency with the Delta Plan

For projects occurring, in whole or in part, within the Sacramento-San Joaquin Delta or Suisun Marsh, successful applicants shall engage in early consultation with the Delta Stewardship Council (Council) regarding the Council's regulatory policies that may be potentially applicable to the project and the consistency of the project with the Delta Plan. Any project that is determined to be a "covered action" within the meaning of the Sacramento-San Joaquin Delta Reform Act of 2009 (Delta Reform Act; Water Code, § 85000 et seq.), shall be subject to the filing with the Council of a "Certification of Consistency" that provides detailed findings regarding the project's consistency with the Delta Plan in accordance with the Delta Reform Act and the Council's regulatory policies.

Groundwater Management Compliance

A local agency that does not prepare, adopt, and submit its groundwater [management] plan in accordance with groundwater planning requirements established under Division 6 of the Water Code (Water Code, § 10000 et seq.) is ineligible to apply for grant funds until the plan is prepared and submitted to DWR. The groundwater management plan (GWMP) requirement shall not apply to a water replenishment district formed pursuant to Water Code section 60000 et seq., or to a local agency that serves or has authority to manage an adjudicated groundwater basin.

The Sustainable Groundwater Management Act (SGMA) (Water Code, § 10720 et seq.) changed grant eligibility related to groundwater management compliance. Applicants need to meet SGMA requirements to maintain continuing eligibility. Applicants with groundwater projects must follow specific instructions contained in each PSP on what to submit for groundwater management eligibility as SGMA is implemented.

- SGMA – SGMA (Water Code, § 10720 et seq.) specifies actions for critically over-drafted groundwater basins, high- and medium-priority basins. Groundwater project proponents must demonstrate how their project is consistent with SGMA efforts in the basin.
- Groundwater Management Plan Compliance – The applicant, or the project proponent responsible, must meet one of the following conditions (Water Code, § 10753.7 (b)(1)):
    - Conform to the requirements of an adjudication of water rights in the subject groundwater basin.

- Participate or consent to be subject to a GWMP, basin-wide management plan, or other IRWM program or plan that meets the requirements of Water Code section 10753.7.

Open and Transparent Water Data

Recipients of state funds through grants or contracts for research or projects relating to the improvement of water or ecological data shall, as a condition of the receipt of a grant or contract, adhere to the protocols developed pursuant to subdivision (a) for data sharing, transparency, documentation, and quality control (Water Code, § 12406(b)).

Public Utilities and Mutual Water Companies

A project proposed by a public utility that is regulated by the Public Utilities Commission, or a mutual water company, shall have a clear and definite public purpose and shall benefit the customers of the water system and not the investors.

Stormwater Resource Plans

Water Code section 10563(c) requires the development of a stormwater resource plan and compliance with these provisions to receive grants for stormwater and dry weather runoff capture projects. This requirement does not apply to DACs with a population of 20,000 or less and that is not a co-permittee for a municipal separate stormwater system national pollutant discharge elimination system permit issued to a municipality with a population greater than 20,000.

Surface Water Diversion Reporting Compliance

A diverter of surface water is not eligible for a water grant or loan awarded or administered by the State unless it complies with surface water diversion reporting requirements outlined in Water Code section 5100 et seq.

Urban and Agricultural Water Suppliers Compliance

To be eligible for grant funding under this program:

- Urban water suppliers (UWS) must have a current Urban

Water Management Plan that has been reviewed by DWR and found to have addressed the requirements of the Urban Water Management Planning Act (Water Code, § 10610 et seq.).

- UWS must comply with the State Water Resources Control Board's Water Conservation and Production Reporting requirement. Reports are due on the 28th of each month and can be filed using the reporting tool at:

  https://wbappsrv.waterboards.ca.gov/safer/login

- Agricultural water suppliers must have a current Agricultural Water Management Plan that has been reviewed by DWR and found to have addressed the requirements of the Agricultural Water Management Planning Act (Water Code, § 10800 et seq.).
- Agricultural and urban water suppliers must comply with the conservation and water use efficiency measures of Water Code, Division 6, Part 2.55 (Water Code, § 10608 et seq.), Sustainable Water Use and Demand Reduction, and associated regulations.

Water Metering Compliance

Any urban water supplier applying for State grant funds for wastewater treatment projects, water use efficiency projects, drinking water treatment projects, or for a permit for a new or expanded water supply, shall demonstrate that they meet the water meter requirements in Water Code section 525 et seq.

D. Eligible Costs

For costs to be eligible for reimbursement, the costs must be consistent with the "reimbursable costs" definition contained in Appendix B. Eligible costs incurred will only be paid in arrears (via reimbursement through invoicing), except as set forth in Appendix D.

E. Indirect Costs

The applicant must state the requested indirect cost rate in its full application and may only select one method for Program consideration. Whichever of the four methods by which indirect costs may be reimbursed are at the sole discretion of the applicant. Food and beverages, fundraising, lobbying and entertainment may not be included as indirect costs. Indirect costs are also called overhead. The

methods and required documentation requirements are:

- At the rate set forth in the applicant's negotiated federal indirect cost rate pursuant to its negotiated cost rate agreement. The applicant must submit a copy of the rate agreement. The rate agreement must be current and effective at the time the application is submitted, and signed by both the applicant and the applicable federal agency.
- The federal de minimus indirect cost rate, which is up to 15%. The applicant may request a rate pursuant to this provision without submitting any information or documentation regarding indirect cost rates.
- At a rate negotiated by the applicant with another state agency within the last five years. The applicant must submit a copy of the rate agreement. The rate agreement should be current and effective at the time the application is submitted. If it is no longer in effect, the applicant will need to certify that the agreement submitted is the most recent version and state the reason(s) that the rate agreement is no longer in effect/was not renewed. The rate agreement, whether current or not, must be signed by both the applicant and the applicable State agency.
- At a rate proposed by the applicant. The applicant may submit an indirect cost rate proposal for consideration by DWR if it does not have an existing indirect cost rate agreement with any federal or state agency. Applicants requesting reimbursement for indirect costs must calculate their indirect cost rate by adding together all of its indirect costs and then calculating the indirect cost rate by dividing total allowable indirect costs by total allowable direct costs. All of the costs and grants/projects involved in this calculation must be documented. Documentation of this indirect cost rate must be maintained for the term of any funding agreement using the indirect cost rate (i.e., three years after final payment under the funding agreement). The applicant will need to submit a letter certifying: (1) the rate being requested; (2) that it was calculated using the method stated above and does not include any ineligible costs (e.g. food, beverages, fundraising, lobbying, or entertainment costs); (3) the records calculating the requested indirect cost rate shall be maintained for the term of any funding agreement executed with DWR. If an applicant is approved for indirect costs, the rate will be a separate line item in the funding agreement's budget and will be stated as a specific dollar amount. Any cost that is billed as a direct cost may NOT be included in

indirect/overhead.

Any increases in funding will increase the indirect cost dollar amount at the same rate as the original award. Funds may not be "shifted" from other line items into the indirect costs line item of the budget. During the life of the grant, the grantee's indirect cost rate will remain the same, regardless of any changes in a grantee's indirect cost rate agreement(s) with other entities or a change in the federal de minimus rate.

Any indirect costs incurred by a funding recipient's partners, contractors, subcontractors, consultants, etc. shall be deducted from the funding recipient's indirect cost allocation set forth in the funding agreement's budget line item for indirect costs. Any indirect costs incurred by a funding recipient's partners, contractors, subcontractors, consultants, etc. will NOT be considered direct costs for purposes of reimbursement under the funding agreement. Any such indirect costs will be rejected and not be considered eligible costs.

III. GENERAL PROGRAM REQUIREMENTS

A. Conflict of Interest

All participants are subject to State and federal conflict of interest laws. Failure to comply with these laws, including business and financial disclosure provisions, will result in the application being rejected and any subsequent grant agreement being declared void. Other legal action may also be taken.

Before submitting an application, applicants are urged to seek legal counsel regarding conflict-of-interest requirements. Applicable statutes include, but are not limited to, Government Code section 1090 and Public Resources Code sections 10410 and 10411.

B. Confidentiality

Applicants should note that by submitting an application they are waiving their rights to the confidentiality of that application. All proposals, as well as all project materials maintained by the State are subject to disclosure pursuant to the California Public Records Act (Gov. Code, § 7920.000 et seq.). All applications will be public documents.

C. Labor Code Compliance

All grantees are bound by the provisions of the Labor Code regarding

prevailing wages and shall monitor all contracts subject to reimbursement from any agreement with the State to ensure that the prevailing wage provisions of the Labor Code are being met. Current Department of Industrial Relations (DIR) requirements may be found at: http://www.dir.ca.gov/lcp.asp. For more information, please refer to DIR's Public Works Manual at: http://www.dir.ca.gov/dlse/PWManualCombined.pdf. Before submitting an application, applicants are urged to consult with their legal counsel regarding Labor Code compliance. DWR will not advise applicants on Labor Code compliance. The grantee will also affirm that it is aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for workers' compensation or to undertake self-insurance.

D. CEQA Compliance

All activities funded pursuant to the Program must comply with the California Environmental Quality Act (CEQA) (Pub. Resources Code, § 21000 et seq.). Any work that is subject to CEQA and funded under a grant agreement shall not proceed until documents that satisfy the CEQA process are received by DWR and DWR has completed its CEQA compliance. Alternatively, the grantee shall notify DWR if they believe their activities will not be considered a project under CEQA or if their activities qualify for a CEQA exemption. DWR must ensure the adequacy of the CEQA documents or CEQA exemption before it can provide funding; therefore, early coordination between the lead agency and DWR during the preparation of the CEQA documents will help expedite DWR's review and approval process.

If CEQA compliance by the grantee or lead agency is not complete at the time a funding agreement is executed by the parties, once DWR has considered the environmental documents, it may decide to require changes, alterations, or other mitigation to the project or to not fund the project. Should the State decide not to fund the project, the funding agreement shall be terminated. Any work subject to CEQA that proceeds prior to DWR's review and approval process being completed will not be reimbursed and the amount will be reduced from the award amount.

DWR recognizes the need for consultation regarding projects that affect California tribal communities. As such, the lead agency is required to consult with federally recognized Tribes and non-federally recognized Native American Tribes listed on the California Tribal Consultation List maintained by the Native American Heritage Commission pursuant to the procedures set forth in Public Resources Code section 21080.3.1. That section requires the CEQA lead agency to consider project effects on Tribal cultural resources and to conduct

consultation with California Native American Tribes.

E. Monitoring Requirements

Water quality monitoring data shall be collected and reported to the State Water Resources Control Board (State Water Board) in a manner that is compatible and consistent with surface water monitoring data systems or groundwater monitoring data systems administered by the State Water Board. See Appendix A for web links to California Environmental Data Exchange Network and the Groundwater Ambient Monitoring and Assessment (GAMA) Program.

Projects that collect watershed monitoring data shall collect and report the data in a manner consistent with the Department of Conservation's statewide watershed monitoring program.

If a project's work plan contains groundwater water quality monitoring, groundwater quality monitoring data shall be submitted to the State for inclusion in the State Water Board's Groundwater Ambient Monitoring and Assessment (GAMA) Program. The groundwater quality monitoring sites should also be identified for the respective basin in the Department's SGMA Portal as an existing site and linked to the GAMA Program site URL. For instructions on how to add existing sites or for general questions, grant applicants can review the SGMA Portal GSP Reporting System User Manual available at: https://sgma.water.ca.gov/portal/resources/data/GSP_Reporting_System_Manual.pdf.

Information on the GAMA Program can be obtained at the website listed in Appendix A. Projects that collect watershed monitoring data shall collect and report the data in a manner consistent with the Department of Conservation's Statewide watershed monitoring program.

F. Signage or Acknowledgement of Credit

To the extent practicable, a project supported by funds made available through this Program will include signage or other relevant forms of acknowledgement informing the public that the project received funds from the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024.

G. Limited Waiver of Sovereign Immunity

DWR acknowledges federally recognized Tribes are protected by the doctrine of sovereign immunity. All funding agreements where the

recipient is a federally recognized Tribe shall require a limited waiver of sovereign immunity to be adopted prior to execution of the funding agreement.

H. Competitive Bidding and Procurement

All contracts with other entities for the acquisition of goods, services, and construction of public works with funds provided by the State to grantees and LPSs must be in writing and shall comply with all applicable laws and regulations regarding the securing of competitive bids and undertaking competitive negotiations. If a grantee or LPS does not have a written policy to award contracts through a competitive bidding or sole source process, Department of General Services' State Contracting Manual rules must be followed and are available at: https://www.dgs.ca.gov/OLS/Resources/Page-Content/Office-of-Legal-Services-Resources-List-Folder/State-Contracting. Applicants with questions regarding competitive bidding requirements should be directed to their counsel. DWR will not advise applicants on competitive bidding requirements.

I. Indemnify and Hold Harmless

As part of the funding agreement, the grantee shall indemnify and hold harmless the State, its officers, agents, and employees from any and all liability from any claims and damages (including inverse condemnation) arising from the planning, design, construction, repair, replacement, rehabilitation, maintenance, and operation of the project, and any breach of the funding agreement.

J. Operations and Maintenance

The Grantee shall maintain and operate the facility and structures constructed or improved as part of the project throughout the useful life of the project (minimum 15 years post construction), consistent with the purposes for which this grant was made. The Grantee assumes all operations and maintenance costs of the facilities and structures; DWR shall not be liable for any cost of such maintenance, management, or operation. Operation costs include direct costs incurred for material and labor needed for operations, utilities, insurance, and similar expenses. Maintenance costs include ordinary repairs and replacements of a recurring

nature necessary to prolong the life of capital assets and basic structures, and the expenditure of funds necessary to replace or reconstruct capital assets or basic structures.

K. Competitive Bidding and Procurement

A Grantee's contracts with other entities for the acquisition of goods and services and construction of public works with funds provided by the State must be in writing and shall comply with all applicable laws and regulations regarding the securing of competitive bids and undertaking competitive negotiations. If a Grantee does not have a written policy to award contracts through a competitive bidding or sole source process, the Department of General Services' State Contracting Manual rules must be followed and are available at: http://www.dgs.ca.gov/ols/Resources/StateContractManual.aspxhttps://www.dgs.ca.gov/OLS/Resources/Page-Content/Office-of-Legal-Services-Resources-List-Folder/State-Contracting. Applicants with questions regarding competitive bidding requirements should be directed to their counsel. DWR will not advise applicants on competitive bidding requirements.

L. Income Restrictions

Any capital asset acquired or constructed in any part with grant funds may not be used to generate income of any kind. This includes but is not limited to, revenue derived from leases, rentals or any other fee-based use of the asset. The grantee shall agree that any refunds, rebates, credits, or other amounts (including any interest) accruing to or received by the grantee pursuant to public funding shall be paid by the grantee to the State, to the extent that they are properly allocable to costs for which the grantee has been reimbursed by the State pursuant to a grant agreement.

M. Easements

Grantees will prepare and execute a title restriction, conservation easement, or other legal instrument that adequately describes and protects the project improvements funded through the grant award for the subject property in perpetuity, as approved by the State. The easement or other title restriction must be in the first position, ahead of any recorded mortgage or lien on the property unless this requirement is waived by the State.

Where the Grantee acquires an easement under this Agreement, the Grantee agrees to monitor and enforce the terms of the

easement, unless the easement is subsequently transferred to another land management or conservation organization or entity with State permission, at which time monitoring and enforcement responsibilities will transfer to the new easement owner. Failure to record a title restriction or easement acceptable to the State prior to Project construction may result in termination of the Agreement and require the repayment of all grant funds disbursed to be repaid to the State.

APPENDIX A – USEFUL WEB LINKS

Department of Water Resources (DWR)

Homepage:	http://www.water.ca.gov/
IRWM Grant Program:	https://water.ca.gov/Work-With-Us/Grants-And-Loans/IRWM-Grant-Programs
Financial Assistance Programs:	https://water.ca.gov/Work-With-Us/Grants-And-Loans
DAC and EDA Mapping Tools & Data:	https://water.ca.gov/Work-With-Us/Grants-And-Loans/Mapping-Tools
2016 IRWM Plan Update Status; Plan Standards Review Tool:	https://water.ca.gov/Work-With-Us/Grants-And-Loans/IRWM-Grant-Programs/Plan-Review-Process
California Water Resilience Portfolio:	https://resources.ca.gov/Initiatives/Building-Water-Resilience/portfolio
Water Use and Efficiency Branch:	https://water.ca.gov/Programs/Water-Use-And-Efficiency
Urban Water Management Plans:	https://water.ca.gov/Programs/Water-Use-And-Efficiency/Urban-Water-Use-Efficiency/Urban-Water-Management-Plans
Agricultural Water Management Plans:	https://water.ca.gov/Programs/Water-Use-And-Efficiency/Agricultural-Water-Use-Efficiency
General Groundwater Management:	https://water.ca.gov/Programs/Groundwater-Management
Climate Change Website:	https://water.ca.gov/Programs/All-Programs/Climate-Change-Program
SGMA website:	https://water.ca.gov/Programs/Groundwater-Management/SGMA_Groundwater-Management
CASGEM Program:	https://water.ca.gov/Programs/Groundwater-Management/Groundwater- Elevation-Monitoring--CASGEM

State Water Resources Control Board (State Water Board)

Homepage:	http://www.waterboards.ca.gov
Stormwater Resource Plan Guidance:	http://www.waterboards.ca.gov/water_issues/programs/grants_loans/swgp/docs/prop1/swrp_finalguidelines_dec2015.pdf
California Environmental Data Exchange Network:	https://resources.ca.gov/Initiatives/Building-Water-Resilience/portfoliohttp://www.ceden.org/
Impaired Water Bodies:	https://www.waterboards.ca.gov/rwqcb5/water_issues/tmdl/impaired_waters_list/
Groundwater Ambient Monitoring and Assessment:	http://www.swrcb.ca.gov/gama

Regional Water Quality Control Plans (Basin Plans)

All Regions:	https://www.waterboards.ca.gov/plans_policies/

California Natural Resources Agency (CNRA)

Homepage:	http://www.resources.ca.gov/
Climate Bond (Proposition 4) Disadvantaged and Severely Disadvantaged Communities Map:	https://experience.arcgis.com/experience/aa723fdf521a44c9a428f1a46cd38a09

Governor's Office for Land Use and Climate Innovation

Homepage:	http://www.lci.ca.gov/
Vulnerable Communities Platform (VCP):	https://experience.arcgis.com/experience/652c6def7040429bafe23c38966f8f73

CEQA

California State Clearinghouse Handbook:	http://opr.ca.gov/docs/SCH_Handbook_2012.pdf

Climate Change Information

Climate Change Handbook:	https://water.ca.gov/-/media/DWR-Website/Web-Pages/Work-With-
California Climate Change Portal:	http://www.climatechange.ca.gov/
AB 32 Scoping Plan:	http://www.arb.ca.gov/cc/scopingplan/scopingplan.htm
Cal-Adapt:	http://cal-adapt.org/

Department of Industrial Relations

Labor Compliance Programs:	http://www.dir.ca.gov/lcp.asp
DIR's Public Works Manual:	http://www.dir.ca.gov/dlse/PWManualCombined.pdf

APPENDIX B – DEFINITIONS

Acquisition – obtaining an interest in real property including easements, leases, water, water rights, or interest in water obtained for the purposes of instream flows and development rights.

Agricultural Water Supplier – a water supplier, either publicly or privately owned, that provides water to 10,000 or more irrigated acres, excluding the acreage that receives recycled water; also includes a supplier or contractor for water, regardless of the basis of right, that distributes or sells water for ultimate resale to customers (Water Code, § 10608.12(a)).

Applicant – the entity that is formally submitting a grant application. This is the same entity that would enter into an agreement with the State should the grant application be funded.

Application – the electronic or hard copy submission to DWR that requests grant funding for a proposal that the applicant intends to implement.

Disadvantaged Community (DAC)– A community with a median household income of less than 80 percent of the area average or less than 80 percent of the statewide median household income consistent with Public Resources Code section 90100(d).

Grantee – a grant recipient that is responsible for the administration of the grant agreement.

Integrated Regional Water Management – Integrated Regional Water Management is a collaborative effort to identify and implement water management solutions on a regional scale that increase regional self-reliance, reduce conflict, and manage water to concurrently achieve social, environmental, and economic objectives.

IRWM Plan – a comprehensive plan for a defined geographic area, the specific development, content, and adoption of which shall satisfy requirements developed pursuant to this part. At a minimum, an Integrated Regional Water Management Plan describes the major water-related objectives and conflicts within a region, considers a broad variety of resource management strategies, identifies the appropriate mix of water demand and supply management alternatives, water quality protections, and environmental stewardship actions to provide long-term, reliable, and high-quality water supply and protect the environment, and identifies disadvantaged communities in the region and takes the water-related needs of those communities into consideration. (Water Code, §10530 et seq.)

Subrecipient – the sponsor of an individual project contained within the grant agreement.

Long-term – means for a period of not less than 20 years.

Mutual Water Company – a private corporation or association organized for the purposes of delivering water to its stockholders and members at cost, including use of works for conserving, treating, and reclaiming water (Public Utilities Code, §§ 2725-2729).

Public Agency – any state agency or department, special district, joint powers authority, city, county, city and county, or other political subdivision of the State.

Public Utility – as defined in Public Utilities Code section 216.

Reimbursable Costs – costs that may be repaid by state grant. Reimbursable costs may include the reasonable costs of engineering, design, land and easement, legal fees, travel and per diem, preparation of environmental documentation, environmental mitigation, and project implementation including directly related administrative costs.

Costs that are not reimbursable with grant funding include, but are not limited to:

a. Costs for preparing and filing a grant application
b. Operation and maintenance costs, including post construction project performance and monitoring costs
c. Purchase of equipment not an integral part of the project
d. Establishing a reserve fund
e. Purchase of water supplies
f. Applying for and replacement of existing funding sources for ongoing programs
g. Purchase of land in excess of the minimum required acreage necessary to operate as an integral part of the project, as set forth and detailed by engineering and feasibility studies or acquisition of land by eminent domain
h. Mitigation for environmental impacts not resulting from implementation of the project funded by this program
i. Any costs associated with fundraising or lobbying efforts which include financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or to obtain contributions for the project or any other effort. Any food, beverages, and entertainment costs.
j. Costs incurred as part of any necessary response and cleanup activities required under the Comprehensive Environmental Response, Compensation, and Liability Act; Resource Conservation and Recovery Act; Hazardous Substances Account Act; or other applicable law.

Resilience - the capacity of any entity—an individual, a community, an organization, or a natural system—to prepare for disruptions, to recover from shocks and stresses, and to adapt and grow from a disruptive experience. Adaptation actions contribute to resilience, which is a desired outcome or state of being.

Small Disadvantaged Community – for the purposes of Water Code section 10545, a small, disadvantaged community shall mean a Disadvantaged Community that also has a yearlong population of no more than 10,000 persons.

Severely Disadvantaged Community (SDAC) – is a community with a median household income of less than 60% of the Statewide average consistent with Public Resources Code section 90100(j).

Travel and Per Diem Costs - Travel includes the reasonable and necessary costs of transportation, subsistence, and other associated costs incurred by personnel during the term of this Funding Agreement. Any reimbursement for necessary travel and per diem shall be at rates not to exceed those set by the California Department of Human Resources. These rates may be

found at: https://www.calhr.ca.gov/employees/pages/travel-reimbursements.aspx.

Reimbursement will be at the State travel and per diem amounts that are current as of the date costs are incurred. No travel outside the State of California shall be reimbursed unless prior written authorization is obtained from the State

Underrepresented Community – SDAC, DAC, Vulnerable Populations, Tribes, and more, will collectively be referred to as an Underrepresented Community. Refer to Appendix C for more information.

Urban Water Supplier – supplier, either publicly or privately owned, that provides water for municipal purposes, either directly or indirectly, to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually (Water Code, § 10617)

Vulnerable Population – A subgroup of a population within a region or community that faces a disproportionately heightened risk or increased sensitivity to impacts from climate change and that lacks adequate resources to cope with, adapt to, or recover from such impacts consistent with Public Resources Code section 90100(o).

APPENDIX C – UNDERREPRESENTED COMMUNITY DEFINITION

An Underrepresented Community is defined as:

A DAC or SDAC; Vulnerable Populations, Tribal Lands/Tribes; California Communities Environmental Health Screening Tool (CalEnviroScreen 3.0 or 4.0) Classified DACs (Environmentally Disadvantaged Communities or EnvDACs)*; and Fringe Communities**.

*CalEPA (through the Office of Environmental Health Hazard Assessment (OEHHA)) developed a mapping tool that assesses environmental, health, and socioeconomic indicators to produce a score for each census tract in the State. A link to this tool can be found in the Foreword. Each tract receives a Pollution Burden scores (Exposures and Environmental Effects) and a Population Characteristics score (Sensitive Populations and Socioeconomic Factors). The average Pollution Burden and Population Characteristics scores are multiplied together to produce an overall CalEnviroScreen score. CalEPA designates the top 25% scoring census tracts as EnvDACs. Census tracts that score the highest 5% of Pollution Burden scores, but do not have an overall CalEnviroScreen score because of unreliable socioeconomic or health data, are also designated as DACs (found to be 22 census tracts in the 2018 CalEnviroScreen version 3.0 or the 2022 CalEnviroScreen version 4.0).

**A Fringe Community are those communities that do not meet the established DAC, SDAC, and EDA definitions, but can show that they score in the top 30% of either the Pollution Burden or Population Characteristics score.

APPENDIX D – ADVANCED PAYMENT PROCEDURES

Advance payments under State funding agreements are prohibited unless authorized by statute. Under the Sustainable Groundwater Management Program, advance payments may be permitted for flood control projects and projects that restore habitat for threatened and endangered species under state or federal law. Below are the procedures by which an entity may apply for and receive advance pay of their award from the Department. Please be aware that access to and the use of advance payment is a privilege and not a right. As a recipient of advance payment, you have a fiduciary duty to the people of the State.

Application Process

Upon approval of the final award, the Department shall notify the awardee in writing of its award and the opportunity to apply for advance payment. The Notice of Award shall include an advance payment form. The awardee shall have up to 90 calendar days from the date of the Notice of Award to return the form and provide all applicable backup documentation. If the awardee fails to return all completed forms and backup documentation within 90 calendar days, **the awardee has forfeited the right to request advance payment for its award**. If documents are incomplete or inadequate, the Department shall reach out as soon as it is aware of the issue to notify the awardee of the issue. Failure of the awardee to respond to Department requests for clarification or further documentation shall result in a denial of the request for advance payment. The Department will notify the awardee within 90 calendar days of receipt of a **complete** advance payment request on its final decision. The Department's final decision is not appealable.

An awardee's application for advance pay must include its most recent financial documents that include sufficient detail to enable the Department to determine the financial and institutional capacity of the awardee, the details of the use of any authorized advance payment, and to determine the risk being taken by the Department on behalf of the taxpayers and/or bond holders providing the funds. Failure to provide adequate documentation shall result in the awardee being deemed ineligible for advance payment. To apply for advance payment, the awardee must:

- Submit a statement of need explaining its need for advance payment. The awardee must submit the most recent three years of verifiable documentation supporting its claim. These may include:
    - Most recent audited financial statements.
    - Revenue and cost statements.
    - Other financial statements, including bank statements.
    - Tax returns.

- Submit a statement explaining the awardee's ability to manage the approved project and its finances. The awardee must submit verifiable documentation supporting its claim. These may include:
    - Audit reports or other financial reviews completed within the last three years.
    - List of its other projects (current and past) including scope, duration, and funding partners.
    - Organization chart of employees responsible for approved project.

- Submit a detailed work plan, budget, and schedule showing how the advance payment will be used. These will need to break down activities and corresponding expenditures

on a quarterly basis.
    - For habitat restoration projects, if not previously identified in the awardee's application, the awardee will need to list which threatened and/or endangered species under the federal Endangered Species Act (16 U.S.C. § 1531, et seq.) or California Endangered Species Act (Fish & G. Code, § 2050 et seq.), for which the project is providing habitat.

- For non-profit (private) awardees, demonstrate its good standing as a tax-exempt organization.

- For non-profit (private) awardees, submit verification that all advanced State funds provided shall be deposited into a separate federally insured bank account that either tracks interest earned, or is non-interest-bearing, as required by the Department.

Some of these documents (e.g., detailed work plan, budget, and schedule) may have been included in your initial application for funding. It is not necessary to resubmit these documents, but if there have been changes since the initial application, please document those changes when submitting your request for advance payment.

Approval Process

Once the Department has received a **complete** application for advance payment, it shall inform the awardee within 90 calendar days of its decision. The final decision will be in writing and will either be a denial or approval of the request. **This decision is not appealable.**

If the awardee's request is denied, the awardee may request the reason(s) for denial from the Department. If the awardee's request is approved, the awardee will be notified of the amount approved and the conditions of approval. The maximum amount that may be awarded is 25% of the full award amount or the project's reasonable needs based on an immediate six-month planning period, whichever is the lesser amount. The project's immediate six-month need will be based on the awardee's submissions during the application process.

The notification shall also state the frequency of the accountability and progress reports to be submitted, the timeline by which advance payment funds are to be spent, and any other restrictions deemed necessary by the Department. Accountability report and progress report templates shall be provided to the awardee. The awardee must respond within fourteen calendar days accepting the terms of the advance payment; failure to notify the Department within fourteen calendar days shall be considered as the awardee's refusal to accept the advance payment terms, and the awardee shall no longer be eligible for advance payment. Be aware that although advance payment has been authorized, no disbursement of funds can occur until a funding agreement incorporating the terms and conditions of the advance payment's use has been executed.

Use of Advance Payment

Advance payment funds may be used for any eligible project costs as set forth in your funding agreement and its work plan except for the purchase of real property or interests in real property. Those expenses must use the existing State process whereby the real property purchase price (plus escrow fees) is deposited into a qualified escrow account after State review of Department of Water Resources and/or Department of General Services-approved appraisals. The "purchase" only includes the amount deposited into a qualified

escrow account or costs associated with obtaining financing. This does not include those items necessary and directly related to the due diligence for acquisition of real property or interests in real property (e.g., appraisals, environmental assessments, legal fees, surveys, recording fees, etc.); these may be paid for with advance payment funds.

During any period in which a funding recipient is using advance payment, it shall submit an accountability report and a progress report to its grant manager for review and approval. These reports must be submitted on the time schedule set forth in the funding agreement but shall be no less frequently than once per quarter (i.e., every three months). If a funding recipient is late in submitting any of its required reports, it is grounds for termination of its privilege to continue using advance payment on its existing project and any potential future projects that may receive funding from the Department. Accountability Report and Progress Report templates shall be provided to each funding recipient.

Accountability reports are intended to demonstrate the proper use of the State's fiscal resources. Accountability reports must include:

- All supporting documentation of funds spent (e.g., receipts, invoices, etc.).
- Any updates to the project's projected spending plan for the next three months, six months and for the remainder of the project's implementation period.
- If applicable, a statement that the funds have been deposited and use of advance payment funds were withdrawn from a federally insured, non-interest-bearing account and is separate from other funding sources.
- If applicable, documentation of interest earned during the reporting period. Any interest earned shall be considered part of the funding award and shall be used towards the project.

Progress reports are intended to demonstrate the proper implementation of the project. Progress reports must include:

- Actions taken by the funding recipient on the project.
- A statement of milestones achieved, and problems encountered on the project.
- A statement of whether the project is on schedule.
- If the project is not on schedule, the reasons for the delay and proposed remedy(-ies), and an updated schedule.

Request for Further Advance Payments

Once the initial authorized advance payment has been spent by the funding recipient, further advance payments may be allowed. Further use of advance payments by a funding recipient may only be granted if there was prudent use of the initial advance payment, adherence to all corresponding requirements (e.g., timely submission of deliverables and reports), and compliance with all requirements in the funding agreement, and it is permitted by statute. Further advance payments may be requested in writing up to 90 days in advance of the anticipated exhaustion of the initial amount advanced. However, unless requested by the Department or if there has been a change in circumstances, no additional documentation need be submitted. Further advance payments shall only be permitted in the amount of a project's reasonable needs based on an immediate six-month planning period, or 25% of the full award amount, whichever is the lesser amount. However, under no circumstances may advance payments result in the reduction or elimination of the amount of required withholding (retention) or any required cost share amount. Any determination regarding further advance payment(s) must be made in writing.

Emergency Advance Payment Requests

During the course of implementing a project, a funding recipient may have an emergency arise that may significantly affect its cash flow or available capital. In this case, it may be

possible to award a funding recipient and advance payment based on emergency needs. An "emergency" is a sudden, unexpected occurrence, beyond the control of the funding recipient. A funding recipient's mismanagement of its resources or lack of sufficient planning does not constitute an emergency. If a funding recipient has previously been denied a request for advance payment, it is not eligible to receive an emergency advance payment. A request for emergency advance payment is open to any funding recipient that has been previously awarded advance payment (whether it accepted it or not), and any funding recipients that did not apply for an advance when permitted to do so.

To make a request for an emergency advance payment, a funding recipient will need to provide a statement explaining the nature of the emergency and how that emergency necessitates the need for advance payment, along with supporting documentation. If the funding recipient has not previously applied for advance payment, all the documentation required for an initial application for advance payment must be submitted as well. Approval and use of an emergency advance payment is subject to the same requirements as listed above and while the Department shall endeavor to expedite an emergency request, there is no guarantee that funds can be disbursed more quickly than the usual State process.

Reduction of Withholding Amount

Funding agreements are required to have a minimum withholding amount of ten percent (10%) of the total award amount pending the satisfactory completion of the project and submission of all deliverables. (Gov. Code, § 10346; State Contract Manual, vol. 1, § 7.33.) This minimum amount is required unless there is statutory authority permitting a reduction or elimination of the withholding amount.

Water Code section 550 permits the Department to reduce or eliminate the withholding amount for funding agreements with local public agencies that have been approved and receive an advance payment, and the project's purpose is to (1) restore habitat for threatened or endangered species, and/or (2) improve flood protection. For any such project that has also been awarded an amount of $10,000,000 or more, the withholding amount shall be reduced to five percent (5%) and set forth in the funding agreement.

CALIFORNIA
NATURAL
RESOURCES
AGENCY
DEPARTMENT OF
WATER
RESOURCES
DIVISION OF REGIONAL ASSISTANCE