

**State Water Commission Cost-Share Policy Modifications (Since July 1, 2015)
Per SB 2020 Section 33 Requirements**

SB 2020, Section 33 Language	SWC Policy-Related Modifications/Notes
<i>Section 33 (1.) "Must provide a water supply project is eligible for grants up to seventy-five percent of the total eligible project costs."</i>	<ul style="list-style-type: none"> • The cost-share policy was modified to allow the Water Commission to provide up to 75% in grant funding for water supply projects that address improvements to meet primary drinking water standards, or expansion into new rural water service areas (Page 6).
<i>Section 33 (2.) "May not determine program eligibility of water supply projects based on a population growth factor..."</i>	<ul style="list-style-type: none"> • All language related to using a population growth factor as a qualification for grant eligibility has been removed from the policy. • The Water Commission can now provide up to 60% in grant funding for improvements or connections of new customers in all cities; or to address improvements in any rural water system (Page 6).
<i>Section 33 (2. Continued) "...However, a population growth factor may be used in prioritizing projects for that purpose."</i>	<ul style="list-style-type: none"> • The 3% population growth factor remains as part of the SWC Project Prioritization Guidance policy.
<i>Section 33 (3.) "Must consider all project costs potentially eligible for reimbursement, except the commission may exclude operations expense and regular maintenance..."</i>	<ul style="list-style-type: none"> • No modification was required to address operational expenses or regular maintenance, as the policy does not allow cost-share for either of the aforementioned. • Replacement and reconstruction were removed from the ineligible items section of the policy (Page 2).
<i>Section 33 (3. Continued) "...The commission shall require a water project sponsor to maintain a capital improvement fund from the rates charged customers for future extraordinary maintenance projects as [a] condition of funding an extraordinary maintenance project.</i>	<ul style="list-style-type: none"> • As a means of differentiating between regular and extraordinary maintenance – definitions for both are now included in the cost-share policy (Page 2). • With regard to capital improvement funds - while the bill language appears to limit that requirement to only extraordinary maintenance, the cost-share policy was modified to be in line with legislative intent, and now requires evidence of an applicant's capital improvement fund for all water supply project cost-share requests (Page 3). • SWC cost-share policy now defines capital improvement fund as "money set aside using a portion of user fees for future maintenance..." (Page 3).

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<p><i>Section 33 (3. Continued) "...The commission shall require a water project sponsor to maintain a capital improvement fund from the rates charged customers for future extraordinary maintenance projects as [a] condition of funding an extraordinary maintenance project.</i></p>	<ul style="list-style-type: none"> • Cost-share applications shall now include documentation of: current capital improvement fund balance; existing and new assets; replacement cost of assets; average life of assets; and current future monthly reserve per user (Page 3). • The SWC now offers a template to assist project sponsors in developing this information.
<p><i>Section 33 (4.) "May not determine program eligibility of water supply projects based on affordability..."</i></p>	<ul style="list-style-type: none"> • All language related to using affordability as a qualification for eligibility has been removed from the policy. • The Water Commission can now provide up to 60% in grant funding for improvements or connections of new customers in all cities; or to address improvements in any rural water system (Page 6).
<p><i>Section 33 (4. Continued) "...However, affordability may be used in prioritizing projects for that purpose."</i></p>	<ul style="list-style-type: none"> • Though SB 2020 allows affordability as a factor for prioritization, it is currently not included in the SWC Project Prioritization Guidance policy.

In addition to the aforementioned SWC cost-share policy modifications related to SB 2020 Section 33 requirements, the SWC made additional noteworthy modifications: 1.) crop damages are now eligible for cost-share as part of construction costs; and 2.) permit-related costs are now an eligible cost-share item.