

# **FINAL PROGRAM GUIDELINES**

## **Low Income Household Water Assistance Program (LIHWAP)**

April 11, 2022



**CALIFORNIA DEPARTMENT OF  
COMMUNITY SERVICES AND DEVELOPMENT**

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## I. INTRODUCTION

The California Department of Community Services and Development (CSD) developed the following Program Guidelines for the federal Low Income Household Water Assistance Program (LIHWAP) Fiscal Year (FY) 2022-24, offering a program design to support the administration of the one-time federally funded relief program providing financial assistance to low-income households to reduce water and wastewater arrearages prior to and during the COVID-19 pandemic.

On December 27, 2020, the Consolidated Appropriations Act was signed into law and appropriated \$638 million to LIHWAP. Additionally, on March 11, 2021, the American Rescue Plan Act appropriated \$500 million to LIHWAP. LIHWAP is administered at the federal level by the U.S. Department of Health and Human Services (HHS). CSD was named by Governor Gavin Newsom as the designated agency to administer LIHWAP for the State of California. HHS approved [California's LIHWAP State Plan](#) on November 8, 2021.

CSD has been serving low-income communities for more than 50 years. A state department under the California Health and Human Services Agency, CSD has traditionally partnered with a network of non-profit and local government organizations (commonly referred to as Local Service Providers [LSPs]) dedicated to reducing poverty by helping low-income individuals and families achieve and maintain economic security, meet their home energy needs, and reduce their utility costs through energy efficiency upgrades and access to clean renewable energy.

In addition to LIHWAP, CSD administers the following federal programs intended to reduce poverty and improve the lives of low-income Californians:

- U.S. Department of Health & Human Services Community Services Block Grant (CSBG)
- U.S. Department of Health & Human Services Low-Income Home Energy Assistance Program (LIHEAP)
- U.S. Department of Energy Weatherization Assistance Program (DOE WAP)

Consistent with federal guidance provided by HHS, LIHWAP Program Guidelines are modeled on existing LIHEAP procedures, systems, and practices. These guidelines also reflect stakeholder input received during the LIHWAP State Plan meeting and Program Guideline development process. LIHWAP Program Guidelines are prepared in accordance with [LIHWAP Grant General Terms and Conditions](#), [Program-Specific Terms and Conditions](#) and [Policy Guidance](#) established by HHS.

The Program Guidelines serve as a companion document to the [LIHWAP State Plan](#). As any changes are made to the Program Guidelines based on stakeholder feedback or to address unforeseen developments identified during the course of program administration, CSD will work to ensure that both the State Plan and Program Guidelines are updated and consistent with each other. All program subgrantees must adhere to Program Guidelines as established and as amended throughout the life of the program.

## **STATE PROGRAM NEED**

California is the nation's most populous state, with nearly 40 million residents. Close to one-third of the population lives in households with incomes below \$50,000 a year, or approximately 200 percent of the federal poverty level for a family of four. The state has roughly 2,900 community water systems that serve 98 percent of the population; over 2,400 of these systems have fewer than 3,000 service connections and serve communities with fewer than 15,000 residents. The other two percent of the population is served by small systems with fewer than 15 service connections or private wells. In addition to community water systems, there are over 125 major wastewater treatment providers in California, as well as numerous smaller wastewater treatment providers.

The cost of drinking water and wastewater treatment can vary widely across the state, and variance in rates is mainly attributable to factors such as quality of water sources, treatment needs, economies of scale, historical system maintenance, and capital investment. In both urban and rural communities, financially challenged households struggle to pay water and wastewater bills. Data collected in 2019 by the State Water Resources Control Board (SWRCB) show that at least 500,000 Californians experienced water shutoffs due to nonpayment and hundreds of water providers charge rates that could be classified as unaffordable for low-income households.

Californians similarly face challenges with arrearages accumulated for wastewater services. Feedback from wastewater providers indicates substantial COVID-related arrearage debt for wastewater. While exact numbers are not available, it is estimated COVID-related wastewater arrearages across the state may total several hundred million dollars. This is

consistent with what other utilities have reported about a significant increase in customers being financially impacted during the pandemic, resulting in higher than usual customer debt for that period. California's high cost of living, especially in urban areas, means financially challenged households are often forced to choose between paying for different basic living expenses, including housing, food, healthcare, and utilities. As these particular households navigate the economic impacts of the pandemic, support is needed to help families at risk of losing access to essential residential water and wastewater services.

To address the overwhelming need for financial assistance, the 2021-22 State Budget appropriated \$1 billion in federal American Rescue Plan Act funding to establish the California Water and Wastewater Arrearage Payment Program (CWWAPP), providing relief to community water and wastewater systems for unpaid bills related to the pandemic that accrued during the pandemic relief period from March 4, 2020 to June 15, 2021. The SWRCB is the designated state administrator of CWWAPP.

In a survey conducted in 2021, the SWRCB identified a total of \$276,583,036 in residential drinking water arrearages accrued and \$42,817,626 in commercial arrearages during the COVID-19 pandemic bill relief period as reported by 2,293 community water systems participating in the survey ([SWRCB 2021 Drinking Water Arrearage Survey Results](#)). To facilitate the issuance of CWWAPP to community water systems, SWRCB received applications for funding from 665 community water systems and disbursed approximately \$301 million in CWWAPP funds to community water systems, which is expected to fully address the drinking water arrearage debt for their customers accrued during the pandemic relief period. While this level of assistance is substantial, the assistance itself is not specifically targeted to low-income households and does not address the water debt many customers continue to accrue beyond June 15, 2021, or after the pandemic relief period. Also, while water systems accounting for about 80 percent of the state's population participated in the CWWAPP, some systems did not, and customers with arrearages in those systems did not receive relief assistance.

The SWRCB is currently implementing the second phase of CWWAPP to provide wastewater arrearage debt relief to customers of participating wastewater treatment providers that apply for funding. The SWRCB did not conduct a survey to estimate accrued residential wastewater arrearages during the COVID-19 pandemic bill relief period. However, as stated earlier, COVID-related wastewater arrearages across the state are estimated to be several hundred million dollars.

The federal funding provided under LIHWAP will serve as complimentary program resource to CWWAPP by offering another form of potential assistance to low-income households continuing to experience difficulty making payments for residential water and wastewater services.

## II. PROGRAM DESCRIPTION AND OVERVIEW

### A. OVERVIEW

LIHWAP is a one-time, federally funded relief program that provides financial assistance to low-income households who have struggled to make water and/or wastewater payments prior to, and during the COVID-19 pandemic. Key federal requirements and principles informing the program design framework for LIHWAP include:

- LIHWAP funds shall be used as part of an overall **emergency effort** to prevent, prepare for, and respond to the coronavirus, with the public health focus of ensuring that **low-income households** have access to safe and clean **drinking water and wastewater services**.
- LIHWAP funds shall be used to reduce **arrearages and/or rates** charged to low-income households. HHS prioritizes the use of funds to first address arrearages, with addressing rates (defined as paying current bills) as the last priority.
- LIHWAP benefits shall be paid directly to **owners and operators of public water systems**.
- LIHWAP is to be modeled after existing processes, procedures, and policies currently in place to provide assistance to low-income households such as LIHEAP, where practical.

In accordance with [California Government Code Section 12087.2](#), the State of California has prioritized LIHWAP services that reduce arrearages and establishes regular reporting to the Legislature to inform of program implementation and progress with LIHWAP service delivery and grant expenditure.

Consistent with federal and state directives for prioritizing the use of LIHWAP funds to water and wastewater arrearages, CSD has modeled the LIHWAP program as an arrearage response program. LIHWAP assistance payments will be used to pay water and/or wastewater arrearages on a first-come, first-served basis to eligible households.

Assistance may be applied to either water debt or wastewater debt (or both when a customer's bill bundles both services and the assistance amount needed to restore or prevent disconnection includes both services) to ensure households maintain access to clean, safe drinking water and wastewater services.

The appropriations language contained in the Consolidated Appropriations Act of 2021 instructs HHS and state grantees to "to the extent practicable, use existing processes, procedures, policies, and systems in place to provide assistance to low-income households." Based on this guidance from HHS, CSD has closely modeled LIHWAP administration and program requirements on the LIHEAP program in order to realize administrative efficiencies and accelerate the rollout of LIHWAP local grant administration at both the state and local level.

To meet the federal requirement that benefits must be paid directly to owners and operators of public systems (defined as community water systems, community water system billing entities, wastewater treatment providers, or wastewater billing entities in California),

California's implementation of LIHWAP requires that benefits are issued to eligible households whose community water system, community water system billing entity, wastewater treatment provider, or wastewater billing entity (hereinafter referred to as water systems) are enrolled in the program to receive LIHWAP assistance benefits (payments) directly from CSD via its third-party funds disbursement partner (HORNE LLP).

CSD defines eligible water systems consistent with the SWRCB definition for community water systems and wastewater treatment or wastewater entity and incorporates inclusion of community water system billing entities. Accordingly, low-income customers of the following water systems are eligible to apply for LIHWAP assistance:

*Community Water System* means public water systems with at least 15 service connections used by yearlong residents or regularly services at least 25 yearlong residents.

*Community Water System Billing Entity* means a third-party billing entity that is the designated billing entity for a community water system.

*Wastewater Treatment Provider* means a city, county, special district, or joint powers authority that provides wastewater collection, treatment, or disposal service through publicly owned treatment works.

*Wastewater Billing Entity* means a local government entity (city, county, or special district) that is the designated billing entity for a wastewater treatment provider.

HHS does not allow for services to be provided to households with private wells or septic tanks.

## **B. IMPLEMENTATION**

CSD is implementing LIHWAP in two phases:

Phase I: Effective April 1, 2022, CSD contracts with LSPs who currently administer LIHEAP to fund program ramp-up activities and enable intake and program enrollment services at the local level. Through its third-party funds disbursement partner, HORNE LLP, CSD will commence outreach to informed water systems of the availability of LIHWAP and execute direct payment agreements with water systems to receive direct payment of LIHWAP assistance for eligible customers.

Phase II: LSPs will begin accepting applications from eligible households by May 2022 or no later than June 2022. The program will operate through August 31, 2023.

Updates, resources, and other program information may be found throughout the program period at <https://www.csd.ca.gov/Pages/LIHWAP.aspx>.

Additionally, individuals interested in learning about how LIHWAP may help them pay their bills and when they can apply can find information at <https://csd.ca.gov/waterbill>.



## **C. PROGRAM GOALS**

### **GOAL 1: RELIEF TO LOW-INCOME HOUSEHOLDS**

LIHWAP funds will be used as part of an overall emergency effort to prevent, prepare for, and respond to the coronavirus, with the public health focus of ensuring that low-income households have access to safe and clean drinking water and wastewater services throughout California.

LIHWAP is a unique response to economic impacts that will work in conjunction with other COVID-19 economic relief programs such as the Emergency Rental Assistance Program and CWWAPP. LIHWAP funds will be used to supplement the other economic relief programs and support households with remaining water and wastewater debt.

### **GOAL 2: ARREARAGE RESPONSE PROGRAM**

LIHWAP will be administered as a water and wastewater arrearage response program where the level of benefit reduces arrearages, restores services where possible, avoids service disconnections, and/or prevents other adverse effects on the customer such as debt collection or placement of liens. An arrearage is defined as a past due amount owed by a customer for services provided by a water system.

CSD will consider modification to the program guidelines to pay customers' current bills if the need for arrearage assistance declines. CSD will make this determination six months after Phase II implementation.

## **III. LIHWAP LOCAL ADMINISTRATOR DESIGNATION**

In order to leverage use of existing LIHEAP processes, procedures, policies, and systems, CSD will contract with LSPs that maintain responsibility for LIHEAP administration at the local level to administer the LIHWAP program. LSPs are designated to administer LIHEAP pursuant to California Government Code Section 16367.5 and represent a total of 41 non-profit and local government organizations. LSPs have strong ties to their local communities and have many years of experience providing LIHEAP and other public assistance programs to low-income customers in their respective service territories.

If an LSP is unable to administer LIHWAP, an alternative organization will be selected to cover the LSP's service territory. The alternative local administrator will be selected in accordance with California Code of Regulations, Title 22, Section 100820 (Designation of a New or Alternate Contractor).

The network of agencies CSD contracts with to provide LIHWAP administration at the local level is henceforth referred to as the LIHWAP Local Service Provider (LSP) Network.

## IV. ALLOCATION

This section identifies the percentage of the LIHWAP grant awards that will be dedicated to household benefits, administration, and support costs necessary to facilitate low-income household enrollment in LIHWAP.

Additionally, this section identifies the LIHWAP allocation methodology used to identify the portion of funding for each LSP service territory. LSP service territory is defined by county except in Los Angeles and San Diego where the service territory is defined by zip codes on the basis that there are multiple LSPs providing services in these counties. A directory of LSPs by city and county can be found at

<https://csd.ca.gov/Pages/FindServicesInYourArea.aspx>.

### A. ALLOCATION OF FUNDS

The following represents the allocation percentages established for LIHWAP funds:

Household Benefits	75%
Outreach/ Eligibility Determination	10%
Administration	15%

*Household benefits* - CSD has set the allocation percentage for Household Benefits at 75 percent, which dedicates a significant portion of LIHWAP grant funding for assistance payments to low-income households.

*Outreach/Eligibility Determination* - CSD has set the outreach/eligibility determination percentage at 10 percent which will be allocated to the LSPs. CSD anticipates the need for grant investments in outreach to promote greater public awareness to the availability of LIHWAP assistance and establishment of new intake systems and processes capable of handling strong public demand for assistance.

*Administration* - HHS limits administrative costs to no more than 15 percent. CSD has determined the need to set the administration percentage at a total of 15 percent, with CSD receiving approximately 7.3 percent and the LSPs receiving approximately 7.7 percent for program administration. LIHWAP implementation will require the establishment of new administrative systems and processes to manage benefit issuance to thousands of water systems in California. In addition, CSD anticipates dedicating a significant portion of its share of administrative funding to establish and implement a direct payment system in partnership with a third-party disbursement partner, expanding data collection systems to align with LIHWAP federal reporting requirements, and other processes to ensure successful grant implementation.



## B. ALLOCATION METHODOLOGY

The LIHWAP funding allocation to LSPs is determined by a two-factor formula:

### Factors

1. **Low-Income County Population** = The population in California at or below 150 percent of Federal Poverty Level (FPL) living in each county.
2. **County Cost Factor** = The average amount paid per household for Six Hundred Cubic Feet (HCF) of water per month by county. The county used in the data is the primary county identified by the water system in their annual reporting to the SWRCB.

### Narrative

This methodology identifies counties as the primary county served by each water system identified in their annual reporting to the SWRCB. The average amount paid per household is calculated by totaling the amount paid by users of each water system in a county and dividing it by the total number of connections in the county.

### Example of Average Water cost Calculation for Alpine County

Water System Name	Service Connections	Monthly 6 HCF Drinking Water cost	Total Amount spent in County
MARKLEEVILLE WATER CO.	167	\$80	\$13,360
LAKE ALPINE WATER COMPANY	488	\$160	\$78,163
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT	863	\$90	\$77,825
Total Service Connections	1518	Total Spent on Water	\$169,348
		Total Service Connections	1518
		Average Household water cost	\$111.56

The average household water cost amount is then used as the **[County Cost Factor]** and multiplied by the **[Low-income County Population]** for each county. A percent-to-total is found for each county and the resulting percentage is used to calculate the allocation for the county.

Based on the LSP serving each county, the total funding for those counties is tallied and allocated. In the instances where there is more than one LSP serving a county, the LIHWAP

county allocation is subdivided based on the total population living at or below 150 percent FPL for each zip code served by those LSPs.

The statewide allocation by county will be made available to the public once finalized.

## V. SERVICE DELIVERY MODEL

The benefit service delivery model will occur through coordination between CSD, the LSP network, water systems, and CSD’s third-party funds disbursement partner, HORNE LLP.

**CSD** is responsible for overall administration and oversight of the LIHWAP program to ensure compliance with federal requirements and effective administration of the program. CSD and HORNE LLP are jointly responsible for outreach to all water systems to promote awareness of the LIHWAP program and enrollment in the direct payment program, completing the enrollment of eligible water systems in the direct pay program, and managing the issuance of financial assistance payment to water systems.

**LSPs** are responsible for local administration of the LIHWAP program, conducting outreach and promoting program awareness to low-income households, conducting eligibility determination, and responding to and resolving customer complaints. Low-income households may apply for services directly through the LSP in their service area.

**Water Systems** enrolled in the direct payment program will be responsible for accepting the LIHWAP payment on behalf of the household, confirming benefits have been credited to customer accounts, confirming that services have been restored or disconnection prevented, assisting with promoting the program to their customers, and notifying the customer the LIHWAP benefit has been applied to their account.

## VI. HOUSEHOLD ELIGIBILITY

LSPs are responsible for determining household eligibility in accordance with CSD’s eligibility and verification requirements established for LIHEAP. LIHWAP’s specific eligibility requirements include:

Applicant	<ul style="list-style-type: none"><li>• An applicant must have debt owed to a water system from nonpayment (past due balance) of residential accounts that accrued during any time period; OR<ul style="list-style-type: none"><li>○ An applicant with water or wastewater utilities included in rent must be past due on their rent.</li></ul></li><li>• Given that LIHWAP benefits must be paid directly to water systems, the applicant’s servicing water or wastewater provider must be enrolled to receive direct payment of LIHWAP assistance in order for the applicant to complete successful enrollment in LIHWAP and receive financial assistance.</li></ul> <p>Applicants who are current on their water or wastewater bill are ineligible for benefits under the program.</p>
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Income	<ul style="list-style-type: none"> <li>▪ Total household income must be at or below 60 percent State Median Income (SMI); OR</li> <li>▪ A member of the household must be a current recipient of one of the following federal programs: <ul style="list-style-type: none"> <li>○ LIHEAP</li> <li>○ CalFresh</li> <li>○ CalWORKs</li> </ul> </li> </ul>
Documentation	<ul style="list-style-type: none"> <li>▪ Proof of income from all household members OR <ul style="list-style-type: none"> <li>○ Proof of participation in CalFresh or CalWORKs, or received LIHEAP assistance in the past 120 days.</li> </ul> </li> <li>▪ Proof of Identification from applicant by providing a copy of government-issued identification.</li> <li>▪ Copy of water or wastewater bill indicating past due balance or property tax bill if water or wastewater arrearages can be identified.</li> <li>▪ A household with water or wastewater utilities included in rent must be past due on their rent. The following documentation is required: <ul style="list-style-type: none"> <li>○ Copy of signed landlord agreement confirming the landlord-tenant relationship and that water and/or wastewater utilities are included in rent, the number of months the tenant is past due, and the amount of water and/or wastewater utilities past due.</li> <li>○ Copy of water and/or wastewater utility bill for services provided to the rental property occupied by the renter applicant.</li> </ul> </li> </ul>

## VII. BENEFIT PAYMENT & ISSUANCE

CSD via HORNE LLP is responsible for the issuance of LIHWAP financial assistance payments to ALL water and wastewater systems enrolled in the direct pay program. LSPs have the ability to refer water or wastewater systems to HORNE LLP for enrollment.

A benefit payment may be applied to a customer's account in accordance with the following:

- **One-time benefit:** a household may receive one benefit payment for water OR wastewater (including stormwater charges) or both if the bill includes both services during the program period (May 2022 through August 31, 2023).
- **Maximum Benefit:** \$2,000.
- **Coverage:** payment can cover the water OR wastewater arrearage amount (including stormwater charges), or both if the bill includes both services, to include current charges, late fees, reconnection fees, taxes, and other charges.
- **Bundled Bills:** if a water or wastewater system cannot distinguish water or wastewater costs from other bundled service charges (such as garbage, electricity, etc.) the benefit payment may only cover current charges, late fees, reconnection fees, taxes, and other charges associated with water and/or wastewater (including stormwater charges) portions of the bill.

- **Payment Agreement:** the water or wastewater system must have a payment agreement with the third-party funds disbursement partner, HORNE LLP, to receive payments.

## VIII. COORDINATION

CSD worked in consultation with the SWRCB, California Public Utilities Commission (CPUC), LSPs, and water and wastewater provider trade associations to develop the program guidelines, identify need for LIHWAP assistance throughout the state, and inform the framework for state and local administration.

CSD is also working in close coordination with the SWRCB and the California Department of Housing and Community Development (HCD) to ensure LIHWAP serves customers whose needs are unmet by the California Water and Wastewater Arrearage Payment Program (CWWAPP) and Emergency Rental Assistance Program (ERAP) such as:

- Customers with arrears that accrued outside of the COVID-19 pandemic bill relief period (March 4, 2020 through June 15, 2021).
- Customers with utilities included in rent.
- Customers served by water or wastewater providers that did not participate in CWWAPP but opt to participate in LIHWAP.

CSD is conducting bi-weekly meetings with the SWRCB, CPUC and HCD. The meetings provide routine information sharing on the status of CWWAPP, LIHWAP, and ERAP, including data sharing to promote greater understanding of water arrearage debt in California, and outreach opportunities to inform low-income customers of the LIHWAP program.

## IX. STATE AND FEDERAL REPORTING REQUIREMENTS

Reporting and recordkeeping requirements will be the responsibility of CSD, LSPs, water and wastewater systems, and CSD's third-party funds disbursement partner, HORNE LLP. All reports must be consistent with the requirements established by CSD in these Program Guidelines.

### CSD REPORTING TO HHS

The federal LIHWAP Grant Terms and Conditions state the grantee must report on:

- The amount, cost, and type of water assistance provided to households eligible for assistance under this award;
- The type of water assistance used by various income groups;
- The number and income levels of households assisted by this award;
- The number of households that received such assistance and include one or more individuals who are 60 years or older, include a household member with a disability, or include young children (ages five and younger);
- Demographics for applicant and all household members (race, ethnicity, gender);

- The number of households on the waitlist due to the limited funds of the program;
- The impact of each grantee's LIHWAP program on recipients and eligible households (e.g., amount of assistance to each household, and whether assistance restored water service or prevented shutoff); and
- Administrative information including the number of agreements with water systems, recommendations, accomplishments, unmet needs and lessons learned.

## **CSD REPORTING TO THE LEGISLATURE**

Upon the execution of contracts for LIHWAP funding with LSPS, CSD shall report to the Legislature and shall post to the department's website the following information by local service provider area:

- Total allocation.
- Allocation by service category.

Beginning six months after the execution of contracts for LIHWAP funding with LSPs, and every six months thereafter until funding is exhausted, CSD shall provide a report to the Legislature that includes the following information by LSP area:

- Total allocation.
- Allocation by service category.
- Total expenditures.
- Expenditures by service category.
- Households served.
- Households served by service category.

## **LSP REPORTING TO CSD**

To comply with federal reporting, LSPs must submit household information through CSD's automated system on the number of households served, number of applicants denied services, number of applicants placed on a waitlist due to lack of funding, household demographics, amount of benefit, account status if services are disconnected or account is past due, and program implementation successes and challenges.

Additionally, LSPs are to report on a monthly basis the number of applicants seeking services for current bills, and number of applicants where the water system is not enrolled in the direct payment program.

## **WATER SYSTEM REPORTING TO THIRD-PARTY FUNDS DISBURSEMENT PARTNER (HORNE LLP)**

To comply with federal reporting, water systems must submit the following information to CSD via HORNE LLP:

- Amount of assistance credited to each account.
- Whether assistance restored water services or prevented disconnection, if applicable.

## **X. MONITORING AND QUALITY ASSURANCE**

**Auditing:** For project auditing and evaluation, CSD shall have the right to audit any associated records at any or all reasonable times as part of program oversight.

**Monitoring:** CSD has field monitoring staff responsible for conducting on-site reviews of LIHWAP subgrantees. During monitoring visits, CSD Field Monitors verify adherence to contractual obligations. For more information, see the LIHWAP Monitoring Scope and Overview in the LIHWAP State Plan.

Organizations that fail to adhere to contractual obligations may be in jeopardy of losing future funding or may be subject to the disallowance of expenditures.