

Water Infrastructure

FINANCING PROGRAMS

Drinking Water State Revolving Fund (DWSRF)

DWSRF Policy **Lead subsidy eligibility**

Beginning with the FFY2019 Intended Use Plan (IUP), the Drinking Water State Revolving Fund (DWSRF) in conjunction with the Drinking Water and Groundwater Protection Division (DWGWP) enacted a provision that allows for lead-eligible components of a public water system's funded project to be eligible for 100% principal forgiveness. All lead-related abatement projects are DWSRF eligible, subject to DWGWP's determination, however not all projects will qualify for subsidy as subsidy via principal forgiveness is limited.

Principal forgiveness is provided out of the Additional Subsidy (AddSub) allocation, currently 20% of the federal grant, and is provided on a first come first served basis. AddSub allocation may change from IUP year to IUP year. First come first served is determined based on the following criteria, in no particular order:

- Eligible to apply—in the fundable range and be ready to apply for a Step III loan
- Submit a complete and signed Step III funding application along with all associated supporting financial documents
- Positive bond vote (municipalities) or board authorization to incur debt (private entities)
- Submit a complete Environmental Report—complete means all supporting documentation including completed historic preservation determination and Act 250 approval, if necessary. A Categorical Exclusion does not need to be issued to secure subsidy.
- Submit a Permit to Construct (PTC) application—application must be administratively complete. The PTC does not need to be issued to secure subsidy.

The applicant's Consulting Engineer will submit as part of the Permit to Construct application and/or Final Design submission a breakdown of expected lead-related components that are to be replaced, their expected associated replacement costs, and a justification for their lead eligibility. DWGWP may require additional supporting documentation than would normally be expected for a traditional PTC application to support the lead subsidy.

The DWGWP will use the DWSRF Lead Certification Form to communicate to the DWSRF the percent of the proposed funded project that is eligible for LeadSub. The percent of lead eligible components will be based on estimated project costs and will be applied to all associated project costs, including 'soft' costs. For example, if the Consulting Engineer determines that 10% of the construction estimate has lead-eligible components, 10% of the *entire* project cost will be eligible for 100% principal forgiveness. This may include Step I and Step II costs covered under a planning loan as that planning loan will be rolled into the Step III construction loan.

The applicant through their Consulting Engineer will be required to provide documentation as part of the Permit to Construct close-out procedure that supports the amount of lead-containing component presumptions that were made during design were present in the field through the Engineer's Certification and/or record drawings. If the assumptions on percent of lead containing components are lower than what was proposed, the DWSRF will adjust the total LeadSub the applicant may receive. Conversely, if the percent of lead containing components are

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greater than what was presumed, the DWSRF may increase the total LeadSub the applicant receives, subject to availability.

The applicant will be required to have authorization to incur debt equal to the entire project costs, irrespective of eligible principal forgiveness. For example, if the project is estimated to cost \$2M and the applicant is eligible for 50% principal forgiveness, the applicant will need to pass a bond or have board authorization for the entire \$2M project cost.

An applicant may be eligible for LeadSub, AddSub and Disadvantaged Subsidy (DisSub). In the event an applicant is eligible for more than one type of subsidy, subsidy will be applied as follows:

If an applicant *is not* eligible for DisSub:

1. Lead subsidy is applied
2. AddSub is calculated on the remaining loan value after Lead Subsidy is applied

For example:

O&M (old + new):	\$ 75,050.00	\$280.04
Existing Debt Payment:	\$ 38,649.00	\$144.21
Dedicated Reserve:	\$ -	\$0.00
DWSRF Loan Amount:	\$ 2,000,000.00	
Loan Term YRS:	30	
Interest Rate:	1.00%	
Admin Fee:	2.00%	
Percent LeadSub:	10%	\$200,000.00
Loan amount less LeadSub:	\$ 1,800,000.00	
Percent AddSub:	25%	\$450,000.00
Loan amount less AddSub:	\$ 1,350,000.00	
DWSRF Annual Pmt:	\$68,876.00	
<i>New user rate:</i>		

If an applicant *is* eligible for DisSub:

1. First DisSub is calculated without any LeadSub or AddSub. This is the DisSub percent they are eligible for in accordance with Guidance Document #10. This DisSub percent is applied to the remaining loan value after LeadSub and AddSub are applied
2. Lead subsidy is applied
3. AddSub calculated on the loan value after Lead Subsidy is applied
4. DisSub calculated on the loan value after AddSub is applied

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For example:

O&M (old + new):	\$80,000	\$824.74
Existing Debt Payment:	\$12,774	\$131.69
Dedicated Reserve	\$0	\$0.00
DWSRF Loan Amount:	\$2,000,000.00	
Loan Term YRS:	40	
Interest Rate:	0%	
Admin Fee:	0.00%	
Percent LeadSub	10%	\$200,000.00
Loan amount less LeadSub	\$1,800,000.00	
Percent AddSub	25%	\$450,000.00
Loan amount less AddSub	\$1,350,000.00	
Percent DisSub (max 50%)	50.00%	\$675,000.00
Loan amount less DisSub	\$675,000.00	
DWSRF Annual Pmt	\$16,875.00	

In the event an applicant is eligible for LeadSub of 100% of project costs and is eligible for DisSub, in order to make LeadSub/AddSub available to other applicants, DisSub will be maximized to reduce the amount of LeadSub/AddSub that is credited to the project. The loan will still result in 100% principal loan forgiveness, but it might be made up of subsidy from two 'pots' of money.

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