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# ENVIRONMENTAL Fact Sheet

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## State Revolving Loan Fund for Drinking Water Projects

The 1996 Amendments to the Safe Drinking Water Act (SDWA) created a Drinking Water State Revolving Fund (DWSRF) to provide assistance in the form of low interest loans to public water systems to finance the cost of drinking water infrastructure (see list of eligible projects in the following paragraph). Public water systems eligible for assistance are community water systems (both privately or publicly owned) and nonprofit, non-community, non-transient water systems. The purpose of this fact sheet is to describe the DWSRF Loan Program available to public water systems for infrastructure improvements.

DWSRF eligible drinking water infrastructure improvement projects include:

- Construction/upgrading of treatment facilities.
- Replacement or treatment of inadequate or contaminated sources.
- Installation/upgrade of disinfection facilities.
- Consolidation and interconnection of systems to address viability or contamination issues.
- Planning and engineering associated with eligible projects.
- Replacement of aging infrastructure.
- Transmission lines and storage.
- Distribution system replacement/rehabilitation.
- Replacement of lead components (i.e. goosenecks and full service lines).
- Installation of meters and backflow prevention devices.
- Projects that advance “green” approaches to water supply; including innovative environmental projects, energy generation, and other work identified in energy or water use efficiency plans.
- Land acquisition and associated costs that are integral to DWSRF eligible project.
- Interim financing for projects to be funded from other sources (note: principal forgiveness is not available for these projects).
- Other projects necessary to address compliance/enforcement issues.

### DWSRF LOAN PROCESS

#### Pre-Application & Final Application

DWSRF Program solicits pre-applications annually. Pre-applications must be submitted to the New Hampshire Department of Environmental Services (NHDES) by interested applicants for review and initial determination of eligibility. The pre-application includes information on the public water system and the need and scope of the proposed project. Pre-applications are typically due in June each year.

All pre-applications are ranked based upon the relative impact of the project in achieving the objectives of the SDWA. Factors used in the priority ranking system are outlined in the Intended Use Plan (IUP) for

each fiscal year and generally include water quality issues, quantity deficiencies, treatment/design deficiencies, consolidation, and asset management practices. A project priority list (PPL) is created according to the calculated project ranking and selection to receive DWSRF funding. The DWSRF Program publishes the draft PPL in July of each year and distributes for public comment in August of each year.

Eligible applicants selected for the funded portion of the PPL shall then submit a full application by spring of the following year. The final application includes obtaining the authority to borrow, financial review, environmental review, and commitment to implement asset management components for the funded asset. Loan Application Checklists for Municipal and Village District Applicants and Privately-Owned Water System Applicants are available on the program website.

### **Loan Approval & Construction**

Upon receipt of the final application materials, the DWSRF Program will develop loan documents for approval from Governor and Council. Once the loan documents are approved (formal closing required for privately owned systems) and the environmental review is complete, project construction can begin and funds can be disbursed. DWSRF projects require the preparation, submittal, and approval of engineering design plans and competitive bid process. After bids are solicited and a contractor is selected (typically the lowest responsible bidder), NHDES issues an Authorization to Award and project construction may commence.

The DWSRF Program is a federally funded program and therefore subject to federal provisions including the Davis Bacon Related Acts (require payment of prevailing wage rates for all construction projects), American Iron & Steel (AIS), Disadvantaged Business Enterprise rules, Environmental Review and Single Audit. Throughout the construction process, NHDES will work closely with the loan recipient, engineer and contractor(s) to ensure compliance with the applicable federal provisions. Funds are disbursed monthly upon receipt of a disbursement request from the borrower, provided all required documentation is received. During construction, interest will be calculated at 1% on funds disbursed. Construction interest may be paid at first repayment or it may be capitalized over the life of the loan (as long as adequate loan funds are available).

### **Repayment**

Upon project completion, final loan documents are prepared with a repayment schedule based on the amount of funds borrowed and the final loan term. Loan repayment begins at the lowest available interest rate and within six months of project completion for privately-owned systems, and within one year of substantial completion (or scheduled completion date, whichever is earlier) for municipalities. There is no penalty for prepayment.

### **Disadvantaged Community System Assistance Program**

In addition to providing low interest loans to public water systems (PWS) for drinking water infrastructure improvement projects, DWSRF provides additional loan subsidies to disadvantaged communities in the form of principal forgiveness. Disadvantaged community water systems are defined as public water systems or communities that serve residents whose median household income (MHI) is less than the statewide MHI. This is based upon the most recent census data and/or income survey. If a water system falls into this category, it may be eligible for subsidies to bring their proposed rates closer to what the state has defined as affordable.

Affordability of a proposed project considers both the resulting user rate (based on usage of 67,616 gallons per household per year) and the MHI of the community in which the system serves. An affordable project is one that results in user rates that do not exceed 0.8% of the PWS/town MHI. The level of subsidy will be determined by using an affordability index. The index is calculated by dividing the

resulting project user rate by the PWS's/town's MHI. For example, if a town's MHI is \$43,000 and the water rate is \$668/year then their affordability index is 1.55. The amount of principal forgiveness awarded is described in the annual IUP.

Loan rates and terms for this program will be the same as those for standard project loans. Principal forgiveness is awarded at the first repayment for municipal systems and at each monthly repayment for privately owned systems.

If a town's MHI does not accurately reflect the income of the residents served by the community water system, an income survey may be requested by NHDES or voluntarily completed by the community water system. The income survey must include all households served by the water system and the results compiled by a third party (i.e., Rural Community Assistance Partnership, Community Loan Fund, etc.). The income survey report and results are confidential and the DWSRF Program requires a minimum 75% return rate on the surveys.

#### **Limitations to Disadvantaged Program Assistance**

To qualify for disadvantaged program assistance, at least 50% of the residential units served by the water system must be occupied at least six months of the year by a population meeting the disadvantaged income criterion (i.e., Project MHI < State MHI). A project requesting interim financing will also not be eligible for disadvantaged system assistance.

#### **For More Information**

Please contact the Drinking Water and Groundwater Bureau at (603) 271-2513 or [dwsrf@des.nh.gov](mailto:dwsrf@des.nh.gov) or visit our website at [des.nh.gov](http://des.nh.gov).

Note: This fact sheet is accurate as of July 2019. Statutory or regulatory changes or the availability of additional information after this date may render this information inaccurate or incomplete.