



Drinking Water State Revolving Fund (DWSRF)

Introduction

The Federal Safe Drinking Water Act (SDWA) of 1996 allowed states to establish a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems (PWS) with financing engineering and construction costs associated with infrastructure projects needed to achieve and maintain compliance with SDWA requirements and to protect public health. The initial authorization which ended in 2003 provided approximately \$1 billion a year to be allocated among the states. Funds have been allocated annually with the Department of Public Health (DPH) receiving approximately \$8.1 million. For Federal Fiscal Year 2010, the amount has increased to \$13.5 million. To date, the State has executed loans totaling over \$92 million for drinking water infrastructure improvement projects. The American Recovery and Reinvestment Act of 2009 (ARRA) provided an additional \$17.2 million in project funding.

Each year the DPH submits a Capitalization Grant Application to the U.S. Environmental Protection Agency (EPA) to capture its DWSRF allocation. Applications for funding from EPA include funds for set-aside activities as well as project funds. Set- asides are funds allocated for a range of specific activities such as encouraging source water protection, technical assistance for small water systems, and supporting other state drinking water program activities. The Intended Use Plan describes the State's intended uses for set-aside and project funds.

CT General Statutes Sections 22a-475 to 483, established provisions for a DWSRF program and appoints the DPH as the lead agency. DPH coordinates DWSRF activities among four different State agencies. A DWSRF Interagency Memorandum of Understanding details the roles and responsibilities of each agency.

The following is a brief overview of State agency participation:

- Department of Public Health, 860.509.7333, Programmatic and fiscal administration of DWSRF funded projects and of set-asides.
- Office of the State Treasurer, 860.702.3134, Fiscal administration of all DWSRF accounts, oversight of loans and administration of DWSRF leveraging plan.
- Department of Energy & Environmental Protection, 860. 424.3704, Fiscal administration of DWSRF funded projects, including loan issuance and loan closings under the statutory provisions of the State's Clean Water program.
- Public Utilities Regulatory Agency, 860.827.2816, Programmatic and fiscal input on DWSRF funded projects for regulated water companies.

What is a Public Water System (PWS)?

A PWS has 15 or more service connections or regularly serves at least 25 people, 60 or more days a year. PWSs are subdivided by regulation into two categories; community and non-community. Community systems serve water to residential populations, whereas non-community systems serve water to non-residential populations. Community and non-profit, non-community PWSs are eligible.

Priority List of Projects

Each year DPH must assign ranking points for each project and develop a priority list of projects that may be eligible to receive funding in the year after the grant award. Priority for the use of funds will be designated to those projects that address one or more of the following categories:

- Water Quality
- Water Quantity
- Acquisition/Transfer
- Proactive Infrastructure Upgrades
- Source/Distribution System Protection
- Affordability

The highest points will be assigned to projects that will bring systems into compliance with water quality and quantity regulations of the CT Public Health Code. This reflects the DPH's philosophy of encouraging public health protection through the distribution of safe and adequate drinking water. In each fiscal year, the Commissioner of the DPH will make project loans to eligible recipients based on ranking order on the Priority List of eligible projects to the extent of monies available. Each recipient may apply for and receive a project loan in the amount equal to 100% of the eligible project cost. The DPH may bypass a project on the Priority List if the selected PWS is not ready to proceed.

Eligible Project Categories

- Treatment - Includes installation or upgrade of facilities to improve the water quality.
- Transmission and Distribution - Includes installation or replacement of transmission and distribution pipes.
- Source - Includes rehabilitation of wells or development of sources to replace contaminated sources and/or increase supply.
- Storage - Includes construction of new water storage tanks or rehabilitation of existing water storage tanks.
- Consolidation - Includes projects resulting in consolidation of water systems and/or interconnection of properties with known contamination.

Financial Terms of Loans

The State will institute a tiered schedule of interest rates for DWSRF loans derived from the market costs of debt financing for the DWSRF program. The tier applicable to a specific project will be based on the financial and legal status of the recipient as well as the type of project. CT General Statutes Sections 22a-475 to 483 makes it possible for the State to offer project loans with “reduced interest rates or an extended term, if permitted by Federal law” to eligible public water systems that qualify as disadvantage communities. The State reserves the option to offer this feature after gaining financial and programmatic experience with the DWSRF program.

All loans made to eligible drinking water projects shall bear an interest rate not exceeding one-half the rate of the average net interest cost as determined by the State Bond Commission. Current loan interest rates range from 2.06%–3.70%.

Public Outreach and Comment

DPH has engaged in a concerted effort to prepare and provide accurate and understandable information on the DWSRF program to potential applicants and other interested parties.

The DWSRF potential loan applicant pool in CT consists of approximately 1200 PWSs [Community & Non-Community (non-profit)]. Outreach to these systems as well as to interested parties has occurred simultaneously with the development of the DWSRF program. It has consisted of one-on-one meetings held at the request of interested parties, mailings, blast e-mailing, open forums, conference/workshop presentations, telephone inquiries and the expansion of the DWSRF web-site.

A continuing program goal is to develop a strategy to increase program participation to those PWSs that serve a population under 10,000. The Department reserves approximately 50% of its projects funds for small systems and strongly encourages them to apply for funding.

We welcome public comments on this program to improve our ability to serve. To learn more about the DWSRF Program and the types of eligible/ineligible projects visit our website:

<http://www.ct.gov/dph/publicdrinkingwater>