

**SUMMARY OF
PROPOSED DRAFT AMENDMENTS TO THE POLICY FOR IMPLEMENTING THE
DRINKING WATER STATE REVOLVING FUND (POLICY)**

This Policy implements the Drinking Water State Revolving Fund (DWSRF) program, created under the federal Safe Drinking Water Act, which includes federal capitalization grants and complementary state funds used for water infrastructure projects.

In addition to the main body text, the Policy contains appendices on various aspects of program administration. Amendments to the main Policy text require Board approval. Authority to amend appendices is delegated to the Deputy Director of the Division of Financial Assistance (DFA or Division). The following appendices may also be amended as part of this Policy amendment:

- Credit/Financial Guidelines appendix
- Disbursement Request Instructions appendix
- DBE Compliance Guidelines appendix

Key amendment proposals are summarized below.

SCORING CRITERIA

The Scoring Criteria is used to prioritize repayable loan applications and is the sum of three components: (1) the “project score,” (2) the “affordability score,” and (3) the “readiness score.” Affordability Score can be used as the “tie breaker” between equally scored projects if there is inadequate capacity for all project applications with the same priority score.

Submittal of a Complete Application will be required as an eligibility criterion.

Proposed Scoring Criteria

Project Score (max 8)	
All applications subject to scoring will receive a project score based on its project category as shown below:	
<i>Categories A-C – Immediate Health Risk, Untreated or At-Risk Sources, Compliance or Shortage Problems</i>	<input type="checkbox"/> 8
<i>Category D – Inadequate Reliability</i>	<input type="checkbox"/> 6
<i>Category E – Secondary Risks</i>	<input type="checkbox"/> 2
<i>Category F – Other Projects</i>	<input type="checkbox"/> 0

Affordability Score (Size + Rates + Rate Assistance; max 5)			
System Size	< 80% of State MHI	≥ 80% and < 100% of State MHI	≥ 100% and <150% of State MHI
Small CWS (≤10,000 people)	Not subject to scoring*	2	2
Expanded Small CWS (>10,000 and ≤20,000)	2	1	1
Medium CWS (>20,000 and ≤100,000)	2	1	0
Large CWS (>100,000)	1	0	0
* Note: The Intended Use Plan (IUP) may identify additional projects as not be subject to scoring.			
** Note: CWS with State MHI > 150% will receive a zero (0) in the table above. These CWS can still receive points for Water Rates as a Percentage of MHI.			
Water Rates as a Percentage of Median Household Income			
<1.5% of community MHI			<input type="checkbox"/> 0
≥1.5% of community MHI			<input type="checkbox"/> 2
Offers Rate Assistance			1

Readiness Score (max 3)	
Readiness Metric	Score
Willing to consent to the funding agreement template as posted on the Division's website. New certification form in application documents.	2
Plans and Specifications ≥ 90% as verified by Division staff	1

AUTHORITY

- Clarify the Deputy Director's authority to add projects to the Fundable List in accordance with this policy and the annual Board-adopted IUPs.
- Add 2 new conditions of when a project could be removed from the Fundable List – when the applicant fails to meet deadlines established in the IUP, and when there's a conflict of interest between the applicant and an entity that would financially benefit from the funding.
- If recipient requests an extension to Construction Completion Date, give authority to DFA to begin collecting loan repayment under the original schedule (instead of delaying loan repayment as well).

PROJECT COST ELIGIBILITY

The policy discusses the types of project costs that are eligible (or ineligible) to receive DWSRF funding. Cost eligibilities would be expanded to:

1. Allow a planning project applicant to include a Planning Contingency amount in its application to reimburse unforeseen eligible costs, subject to a financial review and approval by DFA.
2. Allow the value appraisal and the cost of purchasing a water system to be considered as eligible project cost as specified in the IUP. For grant projects, DFA could reimburse for land purchase up to an approved appraisal cost.
3. Include purchase of “water rights” as allowed by the U.S. EPA memo dated November 26, 2019.
4. Include rehabilitation of dams and reservoirs as described in the U.S. EPA memo dated July 14, 2021.

APPROVAL TO START CONSTRUCTION

Clarify that an applicant must receive written approval from the Deputy Director of the Division to begin construction prior to execution of the Financing Agreement. This is a federal DWSRF requirement.

STANDARDIZATION AND STREAMLINING

- Clarify the necessary application materials for repayable loans vs. non-repayable principal forgiveness/grant. This will reduce the burden on PF/grant recipients.
- Rearrange application requirements to appendices. Clarify that some application requirements are only required “if applicable.”
- Clarify the debt coverage requirements for repayable financing projects.
- Update electronic submittal instructions to streamline invoice submission.
- Clarify recipient travel expense guidelines and make some backup documentation “upon request,” instead of required, to streamline invoice review.