

**Connecticut Department of Public Health  
Drinking Water Section  
Drinking Water State Revolving Fund**

**Disadvantaged Community Assistance Program**

I. Purpose:

The Safe Drinking Water Act (SDWA) §1452 (d) requires that States provide a minimum of 12% up to a maximum of 35% of their annual Drinking Water State Revolving Fund (DWSRF) base capitalization grant as additional subsidy to disadvantaged communities. In addition, 49% of funding allocated to the DWSRF programs through the Bipartisan Infrastructure Law's (BIL) General Supplemental and Lead Service Line Replacement capitalization grants must be provided as additional subsidization for eligible DWSRF assistance recipients or project types that meet the state's disadvantaged community criteria. For the BIL's Emerging Contaminant capitalization grant, states must direct at least 25% of these funds to disadvantaged communities or public water systems serving fewer than 25,000 persons.

A key priority of the BIL funding is to ensure that disadvantaged communities fully benefit from these historic investments in the water sector. In EPA's initial BIL Implementation Guidance it expressed its expectation that states evaluate and revise, as needed, their DWSRF disadvantaged community assistance programs. The DPH performed this evaluation of its existing DWSRF Disadvantaged Community Assistance Program (DCAP) and has made revisions to include Census tract level Median Household Income data from the U.S. Census Bureau's American Community Survey (ACS) to further capture disadvantaged populations in Towns and Cities that are not listed on the Department of Economic and Community Development's (DECD) distressed municipality list. The DPH believes these changes will assist in targeting these additional subsidization funds to more projects that will directly benefit disadvantaged populations. This DCAP document establishes the DPH's criteria under which an eligible DWSRF project will qualify for disadvantaged community subsidy under this program. The methods of distributing these subsidy funds to projects that qualify under the DCAP are further detailed in Section IV.I. of the DWSRF Annual Intended Use Plan.

II. Definitions:

- A. **"Benefit" or "Benefits"** means equitable access to safe drinking water, a safe living environment, financial assistance, or any other positive impacts from investments that directly improve the quality of living for one or more distressed municipalities or other area(s) of a Connecticut municipality that meets the definition of a disadvantaged community.
- B. **"Disadvantaged Community"** means the service area of community public water system (PWS) meeting the affordability criteria contained in Section III.
- C. **"Distressed Municipality"** means a distressed municipality as defined in Connecticut General Statute 32-9p(b)
- D. **"Service Area"** means the geographical area served by a PWS that will be impacted by the water system improvement that is proposed to be financed with DWSRF funding.
- E. **"Water System Improvement"** means a planning, design or construction project, or group of interrelated projects which meets all the eligibility requirements for DWSRF funding.

III. Affordability Criteria: A community PWS shall be eligible for loan subsidization under this DCAP if one of the following conditions are satisfied:

## Attachment K

- A. The PWS's project will benefit one or more distressed municipalities. The DPH shall utilize the Department of Economic and Community Development's (DECD) "distressed municipality" list when assigning a project a "disadvantaged community" designation. Such designation shall be applied to a DWSRF project if it serves one or more qualifying communities during the year in which the DWSRF financial assistance agreement is initiated with the State or at any point within the 5 years prior, as identified on DECD's list.
- B. The PWS's project will provide direct benefits to community residents with a Median Household Income (MHI) less than the State MHI. This criterion will be derived using the results of the US Census Bureau's American Community Survey 5-Year Estimate for the years 2015-2019. If the project area has more than one census tract, then the median of the MHI values for those impacted census tracts will be used and compared to the state MHI.
- C. If the PWS serves less than 1,000 people and it does not meet the affordability criteria in subsection A or B, an income survey may be conducted to include each residential rate payer for the purpose of determining the MHI of residential rate payers. The PWS will qualify as a disadvantaged community if:
  1. the outcome of the survey shows that the rate payers' MHI is less than the Connecticut statewide MHI as determined by the results of the US Census Bureau's American Community Survey 5-Year Estimate for the years 2015-2019, or;
  2. the average annual residential rate payers' water bill equals or exceeds 1% of the rate payers' MHI or;
  3. if the PWS also provides sewer service to its residential customers, the average annual combined water and wastewater bill equals or exceeds 1.5% percent of the rate payers' MHI.

An income survey can also be conducted to meet the above affordability criteria for residential property owners served by private wells that have impaired water quality, or an insufficient quantity of water from their private wells and are receiving water system improvements.

Planned customer rate increases including those that will be necessary to undertake the project for which a PWS is seeking DWSRF funding may be included in the water or combined water and wastewater bill calculations detailed in C.2 and C.3.

All income surveys shall be coordinated with and approved by the DPH in advance to be considered valid. These surveys must also be conducted by a qualified independent third party with no vested interest in the survey's outcome. A previously conducted survey that has been accepted by another state or federal agency for the purpose of qualifying for a grant or subsidization under a similar disadvantaged community program may be considered valid if sufficient documentation is provided and determined to be acceptable to the DPH. All income surveys and MHI data shall be considered valid for a period not to exceed 60 months and the income survey shall include not less than 80% participation by all residential rate payers.

Attachment K

- IV. Amount and Form of Subsidization: To the extent that sufficient DWSRF funding applications are received from qualifying disadvantaged communities, the DPH shall utilize no less than 12% and up to 35% of its annual capitalization grant to subsidize loans to these communities for eligible DWSRF projects. The actual subsidization percentage that the DPH will make available from the annual capitalization grant under this DCAP shall be determined annually and detailed in the annual DWSRF Intended Use Plan (IUP).

The General Supplemental and Lead Service Line Replacement capitalization grants from the BIL require that the DPH utilize 49% of the grants to subsidize loans to communities that meet the State's DCAP. In addition, the BIL requires that 25% of the Emerging Contaminants capitalization grant be utilized by DPH to subsidize loans to communities that meet the State's DCAP or have a population of less than 25,000 people.

Connecticut General Statute (CGS) Section 22a-477(t)(2) authorizes the DPH Commissioner to provide additional forms of subsidization, including grants, principal forgiveness or negative forgiveness loans or any combination thereof to recipients in a manner provided under the federal Safe Drinking Water Act in the amounts and in the manner set forth in a project funding agreement. The federal AWIA and BIL restrict the form of subsidization states can use under their DCAP to principal forgiveness or negative interest rate loans. To the maximum practical extent, the DPH will provide the subsidy in the form of loan principal forgiveness.

All subsidization programs under the DWSRF shall be detailed in the annual DWSRF IUP.

- V. Extended Loan Terms: The DPH shall initially make \$50 million in DWSRF loan funds available to disadvantaged communities for loans with extended loan terms in excess of 20 years. Such loan terms may be extended up to 40 years and shall be given out on a first-come first-served basis. Loan terms cannot exceed the useful service life of the infrastructure improvement that is being financed. Maximum extended loan terms shall be based on the DWSRF loan amount provided to a project as indicated in Table 1.

Table 1

<b>DWSRF Loan Amount</b>	<b>Maximum Loan Term</b>
less than \$5,000,000	25 years
\$5,000,000 - \$10,000,000	30 years
Greater than \$10,000,000	40 years

Large PWS that serve greater than 100,000 persons shall not receive more than \$10 million dollars in loans with extended loan terms from the initial \$50 million that is being made available.

Annually, the DPH in consultation with the Office of the State Treasurer (OTT) may make additional funding available for extended loan terms under this Section. Any additional funding made available under this Section will be described in the DPH's annual DWSRF IUP.