

## Additional Subsidization

To be eligible for additional subsidization, a community must be a disadvantaged community. Disadvantaged Communities are those that meet at least one of the three disadvantaged community criteria.

1. A system wide MHI less than the state's MHI (55,454) as calculated by the WRIS, or
2. A project area MHI less than the state's MHI (55,454) as calculated by the WRIS or by using census tract information, or
3. An affordability index ratio of 1.0 or greater calculated as the annual 4,000 gallon water rate divided by the system MHI rounded to the nearest tenth.

KIA will use the same definition for disadvantaged community across all available funding sources (base, supplemental, emerging contaminants, and lead service line replacement) for the state fiscal year 2024 funding cycle.

The total amount of principal forgiveness available for Base and Supplemental borrowers will be distributed such that each qualifying borrower will receive the same percentage of principal forgiveness. This funding cycle, the percentage is approximately 52%. To arrive at the same percentage, the Base borrowers may also receive principal forgiveness from the Supplemental program.

### 1. Base Program

The authorization of the base federal capitalization grant requires that beyond the subsidization provided through the low interest financing, additional subsidization is to be provided to utilities in disadvantaged communities. The amount of the capitalization grant received from the federal government that is available for additional subsidization varies each year based on the allowable range authorized by the federal grant, and the amount decided upon by the Commonwealth of Kentucky. BIL raised the minimum Safe Drinking Water Act requirement for additional subsidy to disadvantaged communities from 6% to 12%, establishing an additional subsidy range of 12% to 35% for the annual base DWSRF capitalization grants. An additional Congressional subsidization amount of 14% is required to be provided as authorized by the 2023 appropriation. Total additional subsidization for FFY 2023 that must be awarded ranges between 26%, or \$1,563,120, and 49%, or \$2,945,880.

This additional subsidization is provided through forgiveness of a portion of the principal loan amount. The KIA Board sets the amount of additional subsidization to be provided, and determines the maximum amount to any single borrower as well as the criteria for determining the projects that will be offered additional subsidization. For SFY 2024 the total amount of base program additional subsidization that will be awarded is approximately 30%, or \$1,803,600. The table below consists of the projects being invited to submit a loan application that includes base program additional

subsidization. All borrowers receiving additional subsidization have a system area MHI below the State’s MHI.

Loan Number	WRIS #	Applicant	Requested Loan Amount	Invited Loan Amount	System Service Area MHI	Principal Forgiveness Amount	Cumulative Principal Forgiveness
F24-005	WX21229024	Springfield Water and Sewer Commission	\$2,894,924	\$2,894,924	\$55,273	\$601,200	\$601,200
F24-006	WX21123030	Larue County Water District #1	\$1,692,500	\$1,692,500	\$55,382	\$601,200	\$1,202,400
F24-043	WX21027044	Hardinsburg, City of	\$13,675,000	\$2,619,892	\$51,690	\$601,200	\$1,803,600

Principal forgiveness will be reallocated in subsequent invitations as available. If a loan is eligible for principal forgiveness, it will be allocated only once. This includes projects receiving financing over multiple funding cycles, not individual increments. Principal forgiveness will not be provided on loan increase requests.

## 2. Supplemental Base Program – Additional Subsidy

BIL mandates that 49% of funds provided through the DWSRF General Supplemental Funding must be provided as additional subsidization to disadvantaged communities. The table below consists of projects being invited to submit a loan application that includes supplemental base program additional subsidization. All borrowers have a system area MHI below the State’s MHI. A portion of the principal forgiveness will be awarded to borrowers receiving a loan invitation from the base program.

Loan Number	WRIS #	Applicant	Requested Loan Amount	Invited Loan Amount	System Service Area MHI	Principal Forgiveness Amount	Cumulative Principal Forgiveness
F24-001	WX21155045	Lebanon, City of	\$16,016,179	\$7,500,000	\$32,733	\$3,923,472	\$3,923,472
F24-007	WX21193065	Hazard, City of	\$7,544,616	\$7,500,000	\$44,969	\$3,923,472	\$7,846,944
F24-012	WX21133069	Fleming-Neon, City of	\$2,777,000	\$2,777,000	\$35,453	\$1,452,731	\$9,299,675
F24-013	WX21229026	Springfield Water and Sewer Commission	\$4,277,500	\$2,473,070	\$55,273	\$1,293,736	\$10,593,411
F24-005	WX21229024	Springfield Water and Sewer Commission			\$55,273	\$913,220	\$11,506,631
F24-006	WX21123030	Larue County Water District #1			\$55,382	\$284,197	\$11,790,828
F24-043	WX21027044	Hardinsburg, City of			\$51,690	\$769,343	\$12,560,171

## 3. Lead Service Line Replacement Program – Additional Subsidy

BIL mandates that 49% of funds provided through the DWSRF Lead Service Line Replacement (LSLR) Funding must be provided as additional subsidization. The table below consists of projects being invited to submit a loan application that includes LSLR program additional subsidization. All borrowers have either a system service area MHI or project service area MHI below the State’s MHI. Qualifying borrowers invited for lead service line inventory loans will receive 100% principal

forgiveness. Qualifying borrowers invited for lead service line replacement loans will receive approximately 57% principal forgiveness.

WRIS #	Applicant	Requested Loan Amount	Invited Loan Amount	System Service Area MHI	Project Service Area MHI	Principal Forgiveness Amount	Cumulative Principal Forgiveness
WX21117011	Northern Kentucky Water District	\$5,400,000	\$3,000,000		\$47,917	\$1,724,685	\$1,724,685
WX21037013	Northern Kentucky Water District	\$4,500,000	\$4,500,000		\$44,095	\$2,587,028	\$4,311,713
WX21085047	Grayson County Water District	\$220,000	\$220,000	\$40,654		\$220,000	\$4,531,713
WX21205060	Rowan Water Inc	\$100,000	\$100,000	\$43,041		\$100,000	\$4,631,713
WX21159018	Martin County Water District	\$299,250	\$299,250	\$41,569		\$299,250	\$4,930,963
WX21115033	Paintsville Utilities Commission	\$418,000	\$418,000	\$40,122		\$418,000	\$5,348,963
WX21021040	Danville, City of	\$214,000	\$214,000	\$47,002		\$214,000	\$5,562,963
WX21229016	Springfield Water and Sewer Commission	\$855,000	\$855,000	\$55,273		\$491,535	\$6,054,498
WX21027061	Hardinsburg, City of	\$1,300,702	\$1,300,702	\$51,690		\$747,767	\$6,802,265
WX21011046	Bath County Water District	\$100,000	\$100,000	\$46,522		\$100,000	\$6,902,265
WX21071022	Southern Water & Sewer District	\$247,575	\$247,575	\$35,060		\$247,575	\$7,149,840
WX21071025	Prestonsburg City's Utilities Commission	\$416,250	\$416,250	\$39,277		\$416,250	\$7,566,090
WX21073037	Frankfort Plant Board	\$1,050,077	\$1,050,077		\$51,731	\$603,684	\$8,169,774
WX21043058	Grayson Utilities Commission	\$450,000	\$450,000	\$36,287		\$450,000	\$8,619,774
WX21199155	Western Pulaski County Water District	\$275,000	\$275,000	\$45,534		\$275,000	\$8,894,774
WX21173183	Mount Sterling Water and Sewer	\$100,000	\$100,000	\$45,879		\$57,490	\$8,952,264
WX21195064	Pikeville, City of	\$119,902	\$119,902	\$40,792		\$119,902	\$9,072,166
WX21183062	Ohio County Water District	\$185,000	\$185,000	\$51,802		\$185,000	\$9,257,166
WX21063013	Sandy Hook Water District	\$450,000	\$450,000	\$52,305		\$450,000	\$9,707,166
WX21059104	Owensboro Municipal Utilities	\$1,000,000	\$1,000,000	\$48,267		\$1,000,000	\$10,707,166
WX21019064	Ashland, City of	\$1,245,000	\$874,130	\$48,535		\$874,130	\$11,581,296
WX21019072	Big Sandy Water District	\$460,000	\$460,000	\$52,305		\$460,000	\$12,041,296
WX21195066	Mountain Water District	\$435,720	\$435,720	\$37,514		\$435,720	\$12,477,016
WX21161052	Maysville, City of	\$227,500	\$227,500	\$44,036		\$227,500	\$12,704,516
WX21021039	Danville, City of	\$3,250,000	\$2,320,394	\$47,002		\$1,333,983	\$14,038,499

The table below consists of borrowers who submitted projects to be ranked for LSLR inventory funding. The Division of Water (DOW) will conduct direct technical assistance from LSLR program set-asides to assist these borrowers. The borrowers selected by DOW have a system service area MHI less than 80% of the State's MHI and a system service area population less than 10,000.

<b>Loan Number</b>	<b>WRIS #</b>	<b>Applicant</b>	<b>System Service Area Population</b>	<b>System Service Area MHI</b>
F24-015L	WX21011045	Owingsville, City of	2,064	\$36,120
F24-016L	WX21011047	Sharpsburg Water District	3,538	\$41,275
F24-017L	WX21173185	Montgomery County Water District #1	1,662	\$42,475
F24-018L	WX21175061	West Liberty, City of	3,343	\$43,649
F24-020L	WX21071024	Martin, City of	482	\$27,171
F24-021L	WX21165031	Frenchburg, City of	5,230	\$42,713
F24-024L	WX21195065	Elkhorn City, City of	1,416	\$29,783
F24-025L	WX21153041	Magoffin County Water District	9,435	\$31,048
F24-028L	WX21053022	Albany, City of	9,042	\$34,796
F24-029L	WX21033032	Princeton Water & Wastewater Commission	6,904	\$41,967
F24-032L	WX21173184	Jeffersonville, City of	4,883	\$44,956
F24-034L	WX21153042	Salyersville Water Works	2,000	\$28,472
F24-035L	WX21127032	Louisa, City of	6,060	\$36,161
F24-039L	WX21089129	South Shore, City of	4,164	\$36,768
F24-040L	WX21071026	Wheelwright Utilities Commission	707	\$42,189
F24-044L	WX21025072	Jackson, City of	4,780	\$30,480
F24-045L	WX21119032	Knott County Water & Sewer District	9,996	\$35,253
F24-049L	WX21133079	Jenkins, City of	2,300	\$30,305
F24-059L	WX21095019	Harlan Municipal Water Works	4,109	\$26,975
F24-060L	WX21133078	Whitesburg, City of	2,583	\$28,698
F24-061L	WX21131018	Hyden-Leslie County Water District	9,677	\$35,537
F24-062L	WX21193075	Perry County Fiscal Court	2,881	\$35,545
F24-012L	WX21133069	Fleming-Neon, City of	2,774	\$35,453
F24-070L	WX21237019	Campton, City of	5,910	\$25,452
F24-071L	WX21129012	Beattyville, City of	6,787	\$28,751
F24-072L	WX21189017	Booneville, City of	4,046	\$29,880
F24-073L	WX21025071	Breathitt County Water District	7,256	\$32,498
F24-074L	WX21193077	Buckhorn, City of	826	\$32,665
F24-075L	WX21119033	Hindman, City of	2,722	\$33,226
F24-076L	WX21133077	Fleming-Neon, City of	2,774	\$35,453
F24-077L	WX21133080	Letcher County Water & Sewer District	9,568	\$36,453
F24-078L	WX21225062	Sturgis, City of	2,278	\$39,841
F24-079L	WX21183063	Fordsville, City of	846	\$44,031
F24-069L	WX21177051	Greenville Utilities Commission	4,694	\$37,684
F24-081L	WX21043060	Rattlesnake Ridge Water District	9,926	\$39,755
F24-082L	WX21225061	Uniontown, City of	1,071	\$40,540
F24-083L	WX21089128	Wurtland, City of	1,475	\$41,785
F24-084L	WX21043059	Olive Hill, City of	4,910	\$42,077
F24-054L	WX21169048	Edmonton, City of	7,299	\$40,861
F24-113L	WX21025066	Jackson, City of	4,780	\$30,480

#### 4. Emerging Contaminants Program – Additional Subsidy

BIL mandates that 100% of funds provided through the DWSRF Emerging Contaminants Funding must be provided as additional subsidization. A minimum of 25 percent of funds must go towards disadvantaged communities or public water systems serving fewer than 25,000 people. Emerging Contaminants funding and additional subsidization will be awarded to the project below, whose system service area MHI is below the State’s MHI.

Loan Number	WRIS #	Applicant	Requested Loan Amount	Invited Loan Amount	System Service Area MHI	Principal Forgiveness Amount	Cumulative Principal Forgiveness
F24-064	WX21219042	Logan-Todd Regional Water Commission	\$19,475,000	\$6,417,690	\$45,769	\$6,417,690	\$6,417,690

#### Single Audit Requirement

If more than \$750,000 of Federal funds is disbursed during any one (borrower) fiscal year, the borrower is required to have a single or program-specific audit conducted for that year in accordance with 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This is the Federal requirement, however, KIA requires all borrowers to complete an annual audit for the life of the loan.

#### Federal Compliance

1. The Commonwealth of Kentucky entered into the operating agreement and will enter into the FY23 grant agreement with the EPA. All specific conditions of the agreements will be addressed in FFY23.
2. The Authority will update EPA’s SRF Data System at least quarterly to report financial information about the program and projects, loan information, and project activities and benefits.
3. The Authority agrees that all loan repayments will begin within 1 year of initiation of operations. Project closeout is monitored by the Authority and the Division of Water. The repayment dollars for loans in repayment will be considered as available loan funds for the funding cycle.
4. The available funds include the capitalization grant, the state match, the anticipated repayment funds from all loans currently in repayment and estimated interest earnings for the year.
5. Leverage bond debt service payments are paid from principal and interest repayments from borrowers directly financed with bond proceeds (leverage loans). Any additional interest debt service payments is repaid solely from interest earnings generated from non-leverage loans. Calculations showing that the fund is maintained in perpetuity were provided to EPA prior to issuance of the bonds.
6. The Authority anticipates that 100% of the capitalization grant will be drawn in the first quarter of the FFY.