

DWSRF - Intended Use Plan Fiscal Year 2024

- Apply for all DWSRF federal grants and ensure requirements of the grant terms and conditions are met including Michigan's ARP funds.
- Assist municipalities in successfully applying to DWSRF thru the use of state grant programs or BIL set-asides for LSLR projects to fully capture and allocate all BIL LSLR dollars.
- Assist disadvantaged applicants in upgrading or improving their drinking water infrastructure to maintain compliance with the SDWA.

PROGRAMMATIC REQUIREMENTS

Disadvantaged Community

The EPA defines a disadvantaged community in DWSRF as the entire service area of a public water system that meets affordability criteria established by the State. Disadvantaged communities may be afforded additional subsidization or extended loan terms.

Michigan's affordability criteria, referred to as a disadvantaged community determination, was updated for FY2024 projects and is described on EGLE's [SRF Overburdened Community Definition and Scoring Criteria website](#). The disadvantaged criteria includes two tiers, overburdened communities and significantly overburdened communities. An applicant is required to have a disadvantaged calculation completed every fiscal year if seeking qualification under this program.

Attachment 1 illustrates applicants that have qualified as either overburdened or significantly overburdened. Additional priority points of 20 for overburdened or 25 for significantly overburdened (out of 100 total) are awarded based on this status.

The DWSRF PPL allocates financing and funding to 64 projects, of which 62 are disadvantaged, or 97 percent.

Additional Subsidization

Two distinct and additive subsidy authorities are included in the traditional capitalization grant for Michigan's FY2024 projects. Under the congressional additional subsidy authority, states must provide 14 percent (\$1,577,380) of their annual capitalization grant from the EPA as additional subsidization to eligible recipients. Secondly, under the Safe Drinking Water Act (SDWA) Disadvantaged Community Additional Subsidy Authority, states must use at least 12 percent (\$1,352,240), but not more than 35 percent (\$3,943,450) of the capitalization grant as additional subsidization to state-defined disadvantaged communities. Michigan is planning to award all additional subsidization as principal forgiveness to disadvantaged communities in FY2024. Principal forgiveness allows applicants to forgo loan repayment for the portion of their loan that is forgiven, thereby operating like a grant.

The table below illustrates the traditional DWSRF capitalization grant and associated additional subsidy amounts for FY2024 projects.

Table 2 Additional Subsidy Allocation

Capitalization Grant	Required 14% Congressional Subsidy	SDWA Subsidy	Total Traditional Subsidy in 2024
\$11,267,000	\$1,577,380	\$1,991,659	\$3,569,039

BIL Additional Subsidy

As mandated under the BIL, 49 percent of funds from the DWSRF Supplemental grant, 100 percent of funds under the EC grant, and 49 percent of funds under the LSLR grant must be awarded as additional subsidy. These BIL subsidies will also be awarded to applicants in the form of loan principal forgiveness. [Table 1](#) illustrates the total subsidy being awarded under BIL. In some instances, there is not enough traditional loan or BIL supplemental loan dollars to award to projects to fund/finance 100% of project costs. In these occurrences, only grant or forgiveness dollars have been allocated to a project requiring an applicant to fund the remaining project costs from sources outside of DWSRF. Attachment 1 illustrates the total dollars that are estimated to be awarded in FY2024. Dollars carried over from FY2023 will be spent prior to FY2024 awards. Remaining FY2024 BIL dollars will be allocated to projects in FY2025.

Project Priority List

Using a combination of principal forgiveness, ARP dollars, DWSRF BIL, traditional loan dollars and other state grant money, WIFFS is planning to award \$760,714,011 to projects on the FY2024 PPL. The methodology listed below was used to allocate the fundable ranges for FY2024. Funds were allocated in priority order (with the exception of EC projects previously discussed) until exhausted.

- Significantly Overburdened applicants are awarded a 100% ARP grant or principal forgiveness combination up to a maximum of \$20,000,000. Loan dollars are awarded to cover project costs greater than \$20,000,000 where applicable.
- Overburdened applicants are awarded 50% ARP grant or principal forgiveness combination up to a maximum of \$20,000,000. Loan dollars are awarded to cover the remaining 50% of projects costs or those costs greater than \$20,000,000 where applicable.
- All other non-disadvantaged applicants within the fundable range will receive 10% ARP grant or principal forgiveness up to a maximum of \$20,000,000.