

**Drinking Water State Revolving Fund Intended Use Plan  
SFY23-24 Multiple Federal Grants**

**B. Long-Term Goals**

1. PENNVEST would like to have all public water systems in Pennsylvania achieve compliance with drinking water standards through coordination and integration with the state Public Water System Supervision Program. Based on the 2015 Drinking Water Infrastructure Needs Survey and Assessment (DWINSAs), Pennsylvania needs for public water systems are currently estimated at \$16.772 billion. Eligibility for DWSRF funds will allow many drinking water systems to provide improved drinking water quality and service to existing customers by correcting problems with source water quality and quantity, treatment, storage, and distribution. Emphasis will be placed on projects designed to correct deficiencies that pose a threat to public health.
2. To administer the DWSRF in issuing loans, loan guarantees, or insurance to applicants, at fees commensurate with risk, such that the revolving nature of the DWSRF is assured in perpetuity.
3. To assist communities with financial difficulties in meeting required drinking water standards by providing, without replacing other funds reasonably available, the type and amount of assistance necessary to make the project affordable, consistent with the long-term health of the DWSRF.
4. To support and implement infrastructure sustainability initiatives to protect public health and the environment in accordance with “EPA’s Clean Water and Drinking Water Infrastructure Sustainability Policy” dated October 1, 2010.
5. To ensure the technical integrity of the DWSRF through adequate and effective program management and project planning, design, and construction management.
6. To ensure the administrative integrity of the DWSRF by maintaining a data management system to track and monitor all DWSRF projects and program information and by implementing proper accounting, audit, and fiscal procedures that conform with GAAP.
7. To maintain the OWSRF database (formerly the Project Benefits Reporting System (PBR) and DW National Information Management System (DW NIMS)) and to report data timely and accurately when entering the information into the Federal Funding and Transparency Act (FFATA) information system.

**IV. Allocation of Funds**

**A. Criteria and Method for Distribution of Funds**

The following approach was used to develop Pennsylvania’s proposed distribution of its funding:

1. Analysis of the type of communities served and financial assistance needed;
2. Identification of the sources and spending limits of funds;

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3. Development of a payment schedule, which provides for making timely binding commitments to the projects selected for DWSRF assistance; and
4. Development of a disbursement schedule to pay the project costs as incurred.

***Bypass Procedures***

If projects identified for funding on the IUP list are unable to proceed, they will be bypassed, and other projects from the comprehensive priority list will be funded based on, among others, criteria identified in Section 10(b) of Act 16 and Section 963.9 of the PENNVEST regulations and readiness to proceed, as well as emergency needs for funding.

A project may be bypassed if PENNVEST determines that funding the project from the DWSRF will supplant other funds available to finance all, or a portion of the total costs of a project; or only a portion of the amount requested when the applicant can, based upon its ability to pay, obtain other affordable financing for the remainder of the project.

A project may also be bypassed for funding when another project, that was ranked lower on the Project Priority List (PPL) based on preliminary information or that is added to the PPL, subsequently moves ahead of it based upon new or revised ranking information.

The current PPL (Attachment 4) may show bypassed projects. Bypassed projects are (1) those that will be funded from other sources (e.g. state funded projects), to maximize effective use of the federal funds, and (2) those that have been given a preliminary priority rating but have not yet submitted applications for funding. It should also be noted that there may be projects that have submitted applications for funding but have not yet obtained the necessary permits and approvals and have not yet been given a priority rating. Projects that have not been placed on the IUP and/or PPL lists because there is not yet a cost estimate or priority rating available will be subject to the same eligibility and funding considerations as other projects that are listed.

**B. Types of Projects to be Funded and Financing Rates**

***Project Development***

Each project is reviewed by the regional DEP staff for cost-effectiveness, including the sizing of proposed facilities. Approved projects must be designed to meet only existing needs and future needs based on reasonably expected growth. Where project cost estimates include excess capacity for service beyond normal growth, project approval is based solely on that portion of the project needed to eliminate the public health or compliance concerns for the existing and reasonably expected future customers. Although the project applicant may receive a DEP permit to construct whatever size facility it deems appropriate and which meets DEP design standards, the awarding of PENNVEST DWSRF funding is limited to those costs which meet these criteria.

Where a project includes fire hydrants, these are in all cases a cost-effective addition, which is incidental to the project purpose.

All DWSRF projects are ranked and funded based upon the rating criteria agreed upon by

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Pennsylvania and EPA in Attachment 1. Some projects may obtain an updated rating based upon information provided by the project sponsor at the time of application. Pennsylvania has state funds that may be used for drinking water projects as well. If a project is included on the original IUP as DWSRF-eligible, and the review and ranking process concludes that it is not DWSRF-eligible, it will be bypassed and potentially funded through non-DWSRF funding sources. Other DWSRF-eligible and ranked projects would move onto the IUP to fill any resulting gaps. A brief description of each project on the IUP list is included following the list.

### ***IUP and PPL Amendment Process***

As part of the DWSRF Annual Report, DEP/PENNVEST will submit to EPA one PPL and one IUP/fundable list of all projects that have been approved for funding during the prior year for EPA's review and approval. This post approval amendment process will allow for the multiple PENNVEST board meetings and amendments throughout the year and is based on program operational experience that has been developed over the years. Additionally, a brief description of the environmental or public health concerns and descriptions of all new projects will be included. EPA will review and approve these revisions as part of its annual review process. Should a project be approved by PENNVEST and included on the IUP/PPL that subsequently is found to not be an eligible project, it will be removed from the fund and any funds that have been expended will be reimbursed to the fund.

### ***Drinking Water System Projects***

The PPL submitted annually as part of the DWSRF Capitalization Grant application, as well as the new BIL – General Supplemental, LSL Replacement, and Emerging Contaminants grants, serves as both a fundable list and comprehensive list. It contains projects currently being considered for funding as well as those previously considered for funding over the past twelve to eighteen months. It contains enough eligible projects for full allotment of the Base Grant as well as the General Supplemental Grant and the LSL Replacement Grant. The PPL also contains enough projects for the full allotment of the DWSRF Emerging Contaminants Grant and, with a 100% transfer from the CWSRF Program, enough projects to cover the full allotment of the CWSRF Emerging Contaminants Grant provided through BIL.

Projects appearing on the IUP list and the FFY 2023 PPL were ranked in accordance with the criteria noted herein. However, some ratings have not been finalized and may be modified during further review prior to project funding.

The type and amount of financial assistance was determined for each project. The sources and spending limits have been identified and the SRF funds have been allocated accordingly.

### ***Green Infrastructure Projects***

There is no minimum requirement of funding to be reserved for allocation to “Green Infrastructure” projects, as defined by EPA to include the following categories:

1. Water efficiency
2. Energy efficiency

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3. Site-specific practices that mitigate stormwater at drinking water facilities
4. Environmentally innovative

However, Pennsylvania recognizes the importance of these types of projects and will continue to promote them. The Project Priority List (Attachment 4) identifies which projects are “green,” and which category the project primarily addresses. Projects that are “green” will be further identified in the OWSRF database.

### ***Additional Subsidies***

Pennsylvania has a very large number of very small systems that may not have the necessary resources upfront to go through the application requirements necessary to apply for financial assistance from the DWSRF. Recognizing the importance of this funding to these small systems, Pennsylvania will continue the following outreach activities to further market the DWSRF program and to assist small systems with the application requirements for DWSRF funding:

1. The Capability Enhancement Facilitators will continue to implement the Professional Engineering Services Program funded by the 2% - Technical Assistance to Small Systems DWSRF set-aside to provide small systems with the necessary engineering, project design, permitting and PENNVEST application development expertise needed to address infrastructure improvements needed at the system (Attachment 2).
2. The Capability Enhancement Facilitators will attend the PENNVEST planning consultation meetings for DWSRF funding. These meetings are the first step in the development of a project for DWSRF funding. Using the Technical, Managerial, and Financial (TMF) Assessment protocols in Attachment 2, these facilitators can aid small systems by determining whether systems meet the eligibility requirements for TMF capability prior to the system applying for DWSRF funding. They will also assist systems with addressing their capability weaknesses so that they may become eligible for DWSRF funding. However, the water system will need to obtain the services of a consulting engineer or DEP’s Professional Engineering Services program to assist with the development of the application. The Capability Enhancement Facilitator’s attendance at the planning consultation meeting is not mandatory when the Capability Enhancement Facilitator can establish that the water system meets the eligibility requirements for TMF capability in advance of the planning consultation meeting. In this situation, the Capability Enhancement Facilitator will evaluate the water system, complete the PENNVEST Capability Approval Sheet, and provide it to the DEP and PENNVEST staff involved with the proposed PENNVEST project in advance of the planning consultation meeting (Attachment 2).
3. DEP’s Outreach Assistance Provider Program will help small water systems address their capability weaknesses, so they can meet the federal requirements and eligibility criteria for DWSRF funding (Attachment 2).
4. PENNVEST and DEP will collaborate with water industry associations to inform the regulated community about funding criteria for disadvantaged communities and green projects through the development of workshops, newsletter articles, fact sheets, and webinars.

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5. Funding of a third-party entity to implement outreach targeted to underserved and/or environmental justice areas to aid in determination of public health or environmental problems, then help develop realistic paths to result in a resolution.
6. To the extent that demand for principal forgiveness is influenced by the roll-out schedule for new regulations, DEP expects an increase in demand for small water system infrastructure funding as these systems are required to comply with the Long Term 2 Enhanced Surface Water Treatment Rule, Stage 2 Disinfectants and Disinfection Byproducts Rule, Disinfection Requirements Rule, General Update to PA Code Chapter 109, and the Revised Lead and Copper Rule. Systems may also need to comply with the proposed PFAS MCL. The additional subsidies that can be used by these small systems from the DWSRF will be critical in meeting these compliance requirements.

***Financing Rates***

The Pennsylvania DWSRF loan program is required by state law to make loans with a minimum interest rate of one percent. This requirement ensures the growth of the DWSRF fund in future years.

**C. EPA Sustainability Policy**

Pennsylvania is committed to promoting the long-term sustainability of its drinking water systems while protecting public health, water quality, and the environment. To further promote elements of EPA’s Policy, PENNVEST has incorporated the following elements into the DWSRF Program:

1. Economy of Scale – Improving the Economy of Scale helps improve water systems’ financial and managerial ability to become a sustainable system. This also improves the buying power of the system and helps it operate more efficiently. This concept includes:
  - a) Looping multiple small water systems together to form one larger, more sustainable water system
  - b) Upsizing or extending service of a capable water system to eliminate a distressed water system
  - c) Upsizing or extending service of a capable water system to serve an unserved area that does not have water that meets state and federal Safe Drinking Water Standards
2. Fix-it-first approach - The “Fix-it-first” concept is an important feature of the DWSRF program. This includes:
  - a) Replacing existing infrastructure
  - b) Augmenting infrastructure capacity to meet the needs of currently served areas
  - c) Repairing or replacing existing drinking water systems
3. Cluster systems – Cluster systems address localized individual home drinking water needs by avoiding long service line installations through undeveloped land. This also includes