

14. Disadvantaged Community Program

To assess affordability needs in the DWSRF, Rhode Island has established an Affordability Criteria for Rhode Island's municipalities and drinking water utilities. Entities with an Affordability Index less than the statewide average may qualify for additional subsidization such as principal forgiveness. Indexed entities are grouped into tiers, with tiers further below the statewide average qualifying for increased levels of subsidization.

Once each year, prior to the release of the Intended Use Plan for the fiscal year, RI Infrastructure Bank shall use current data, funding availability and expected loan volume to update the calculation, tiers and thresholds; RI Infrastructure Bank may also establish additional eligibility provisions at its discretion. All RI municipalities shall be indexed along with selected drinking water and wastewater entities. Additional entities can be indexed on an as-needed basis.

The Affordability Index is calculated using the following formula:

$$\text{Affordability Index} = \text{Median Household Income} * \text{Employment Rate} * \text{Population Ratio}$$

- **Median Household Income**¹ is a widely accepted metric of resident's ability to afford the cost of infrastructure projects. A community with higher median household income suggests higher ability to afford the cost of infrastructure.
- **Employment Rate**² represents the resident employment size divided by the size of the total labor force in the community. Higher employment rates suggest that a community has more residents able to afford the cost of infrastructure than a community with lower rates.
- **Population Ratio**³ is the ratio of the current US Census Bureau Decennial Census population to the previous Census population expressed as a percentage. A percentage greater than 100% indicates communities with a growing population, and a percentage less than 100% indicates a shrinking population. A growing population indicates an increasing ratepayer base to absorb infrastructure costs. As a state, Rhode Island's population slightly increased from 2000 to 2010.

Large drinking water systems serving over 10,000 users shall be tiered based on the tier of the community they serve. Large systems serving multiple communities shall be tiered based on an index set to be a weighted average of each community served. Weighting shall be based on population served or flow data and come from publicly available sources or data provided by the system.

Small drinking water systems serving 10,000 users or less shall be tiered based on median household income from either an income survey or census tract data. If a system serves multiple census tracts, the census tract with the lowest income is used.

Eligible systems with an Affordability Index 70% or less of the statewide average shall be designated a tier 1 entity; systems with an Affordability Index between 71% and 85% shall be designated a tier 2 entity; systems with an Affordability Index between 86% and 100% of the statewide average shall

¹ Median Household Income data from the Rhode Island Department of Labor and Training (RI DLT) site or other accepted source. RI DLT does not collect median household income and uses data from US Census Bureau, American Tables S1901 & B19301 Per Capita Personal Income in the Past 12 Months (Inflation-Adjusted Dollars).

² Employment data from the RI DLT, Labor Market information or other accepted source.

³ Population data is from RI DLT or other accepted source. RI DLT does not collect population data and uses data from US Census Bureau decennial census.

be designated a tier 3 entity. Domestic limited liability companies and domestic profit corporations, excepting cooperatives, are not eligible for a tier. Additionally, to qualify for drinking water tiering, entities must be a community Public Water System or a school.

The Affordability Index results are shown in Appendix 1. All 39 RI municipalities have been indexed, along with selected drinking water entities. Additional entities can be indexed on an as-needed basis.

The table below describes the FY23 Tiers with eligible communities listed. Entities not listed are either not eligible or have not been indexed.

Table: FY23 Tiers with eligible communities (% = Community Index as Percentage of State Index)

Tier 1 Affordability Index 70% or less	Tier 2 Affordability Index 71 - 85%	Tier 3 Affordability Index 86% - 100%
Woonsocket Water – 58%	Pawtucket Water Supply Board – 73% Providence Water Supply Board – 83% Small systems: Kingston Water District Smithfield Water Supply Board Greenville Water District* Pascoag Utility District*	Small systems: Block Island Water Note: Funding only available in this tier if no ready-to-proceed projects remain in Tier 1 and Tier 2

*Income survey planned; results needed to qualify system under a tier. As planning for these income surveys has already started, Greenville Water District and Pascoag Utility District can qualify for loan forgiveness following the previous version of RI DW SRF’s additional subsidization for disadvantaged small systems qualification process for projects starting before December 31, 2022.

Drinking water projects expected to close in FY23 with affordability-based principal forgiveness include:

- Woonsocket Water
- Pawtucket Water Supply Board
- East Providence Water Utilities
- Providence Water Supply Board
- Smithfield Water Supply Board
- Greenville Water District
- Kingston Water District

Allocating Principal Forgiveness

Projects closing loans in FY23 shall be allocated principal forgiveness according to the following table.

Table: FY23 Tiers with thresholds and principal forgiveness

Tier	Index Threshold	DW SRF Principal Forgiveness
Tier 1	0-70% of state average	40% of project cost if application received by priority date and loan closed prior to December 31, 2022
Tier 2	71-85% of state average	15% of project cost if application received by priority date and loan closed prior to December 31, 2022
Tier 3	86-100% of state average	Funding available in this tier if no ready-to-proceed projects remain in Tier 1 and Tier 2
All projects		Up to \$100,000 for systems serving less than 10,000 users; Up to \$200,000 for systems serving school districts; Emergency generators may receive principal forgiveness for a portion or the entirety of the project cost.

Principal forgiveness amounts are contingent upon funding availability and readiness to proceed. The Bank strives to accommodate all borrowers and, for financial applications not received by the priority date of June 10, 2022 or not ready-to-proceed, shall allocate principal forgiveness in the order in which ready-to-proceed financial applications are received.

Lead Service Line Replacement – Principal Forgiveness Allocation

Principal forgiveness allocations for lead service line replacements will utilize the Affordability Index to determine eligibility. Entities classified as Tier 1 or Tier 2 will qualify for an allocation of principal forgiveness. If the entity does not qualify but has qualifying census tracts located within the service area, they will be provided a prorated principal forgiveness amount based on the percentage of work to be performed in those areas.

The amount of principal forgiveness for each project is determined by the total amount of subsidy to be awarded (49% of lead service line capitalization grant). All eligible projects will receive the same percentage of principal forgiveness. This will be determined by calculating what percentage of subsidy can be provided across all projects to arrive at the total principal forgiveness to be awarded.

To access the principal forgiveness, entities must borrow for the remaining project balance. This will ensure that full projects are completed.

Lead service line projects expected to close in FY23 with affordability-based principal forgiveness include: