

West Virginia legislation establishes the DWTRF requirement for disadvantaged communities. “The Department of Environmental Protection shall, in accordance with the provisions of the federal Safe Drinking Water Act, establish a program for loan subsidies to disadvantaged communities. Thirty percent of the federal capitalization grants made to this state shall be dedicated to the funding of projects for disadvantaged communities” (WV Code §22-36-2(d)). The 30% requirement will be calculated on a cumulative basis of awarded grants. The projects listed on the Funding List, Appendix B, will ensure that this requirement has been met.

Disadvantaged communities are those that have a monthly water user rate equal to or greater than 1.5% of the MHI and/or receive principal forgiveness because of income, unemployment, population loss, providing service to failing and/or unserved areas, and poverty rates.

A. Interest rates on PWS loans

The eligibility criterion for low interest loan consideration will be based upon 3,400 gallons of monthly water usage. The DEP will use this criterion to determine the interest rate on loans. The maximum allowable term of the loans will be determined using the following range of user rates and MHI data:

*Less than 1.5% MHI: Terms will be based upon the 25-Bond Revenue Index. At BCL issuance, the DWTRF will use the last published rate less 5 basis points (.05) for a 20-year term. At no point will the terms exceed 2.75% interest rate, .25% annual admin fee, 20-year term**

1.5% to 1.74% MHI: 1.75% interest rate, .25% annual admin fee, 21 - 30-year term

1.75% to 2.0% MHI: .75% interest rate, .25% annual admin fee, 21 - 30-year term

Greater than 2% MHI: .25% interest rate, .25% annual admin fee, 31 - 40-year term

The MHI data is derived from the 2020 census data published by the U.S. Department of Commerce, U.S. Census Bureau, American Fact Finder. Interest rates will not exceed 2.75%. For public service districts, the MHI to be used will be the lowest of either the county(s) or magisterial district(s) that is most appropriate for the project area. Magisterial district and county information can be found in Appendix D. Municipal MHI data is contained in Appendix D1.

Due to concerns over the 2020 Census data, the use of income surveys to verify the MHI of individual communities will be allowed. Please see the website for further guidance. <https://dep.wv.gov/WWE/Programs/SRF/Pages/default.aspx>

Should Congress amend the SDWA or pass reform legislation that affects small, disadvantaged communities, the DEP may revise this interest rate policy to consider other factors as required by federal law.

Projects that receive a binding commitment during the term of this IUP, will have the option of using either this or the 2023 IUP to set the terms.

* For extension projects, a 30-year term will be considered if a substantial rate impact can be documented.

B. Additional subsidization for disadvantaged communities

This year’s base funding allocation for West Virginia is \$4,938,000. A portion of each capitalization grant must be used for additional loan subsidization. Therefore, the DEP will be setting aside \$2,419,620 from the capitalization grant to be used as principal forgiveness.

This year’s BIL funding allocation for West Virginia is \$21,055,000. BIL requires 49 percent of the allotment (\$10,316,950) be in the form of additional subsidy as a principal forgiveness loan.

Principal forgiveness of all or part of a loan will be the mechanism that will be used to supply the additional subsidization. Additional loan subsidization is a last resort for disadvantaged communities and will only be provided when other funding options within the DWTRF program are not practical to make the project financially affordable (i.e. 40-year loan terms, deferred principal repayments, reduced debt service coverage, etc.).

Additional subsidization eligibility will be on the following basis:

Income based upon %MHI – Based upon the 2020 Census data for 3,400 gallons of water usage.

<u>MHI</u>	<u>Point</u>
1.25% - 1.74%	20
1.75% - 1.99%	30
2.0% - 2.4%	40
2.5% or greater	50

Unemployment Data – As published by WorkForce West Virginia, the State’s average unemployment rate was 4.0% in 2022. See Appendix E.

<u>Locality’s Unemployment Rate (UR)</u>	<u>Points</u>
UR < West Virginia’s UR	0
UR 0% - 2% above West Virginia’s UR	10
UR > 2% above West Virginia’s UR	20

Population Trends – Based upon the percentage change for the period from 2015 to 2020 (calendar years) by county as published by the 2020 Census. See Appendix F.

<u>Change in Population</u>	<u>Points</u>
Greater than +2%	0
0 to +2%	10
Less than 0%	20

Consolidation and extensions to serve unserved areas and failing systems: 10 Points

Poverty Rate greater than or equal to 20% as found on the following Census site:
10 Points <https://data.census.gov/cedsci/>

For applicants that receive at least 40 points, the project is eligible for the lesser of 50% of the total eligible DWTRF project costs or \$1,000,000 in principal forgiveness.

For applicants that receive at least 70 points, the project is eligible for the lesser of 100% of the total eligible DWTRF project costs or \$1,500,000 in principal forgiveness.

The final amount of the subsidy will be determined after receipt of bids and after a formal application is submitted. Note: For wrap loans, as existing debt is retired, the dedicated revenue stream will rollover to pay the amount of any deferred loan.

C. Lead Service Line Replacement Loans

The DWTRF program will provide Lead Service Line Replacement Project loans at 0% interest for both disadvantaged and non-disadvantaged community water systems. Disadvantaged community water systems will also be eligible for principal forgiveness loans to complete service line inventories. These projects will be subject to the same loan term lengths as described previously. This year's BIL funding allocation for West Virginia is \$28,650,000. BIL requires 49 percent of the allotment (\$14,038,500) be in the form of additional subsidy as a principal forgiveness loan. Principal forgiveness will be distributed in the same method as described in paragraph B above.

For a project to be eligible for this funding, it must meet the following definition: Any part of a service line made of lead, which connects the water main to the building inlet. A lead service line may be owned by the water system, owned by the property owner, or both. A galvanized service line is considered a lead service line if it ever was or is currently downstream of any lead service line or service line of unknown material. This can include the replacement of lead goosenecks, pigtails, and connectors as eligible expenses, whether standalone or connected to a lead service line. Lead service line inventories are also eligible for this funding.

D. Emerging Contaminants

The BIL created a DWTRF funding stream for projects that address emerging contaminants. The funding must be in the form of additional subsidy as a principal forgiveness loan. West Virginia's allotment is \$7,640,000. This allotment requires that at least 25 percent of the grant be awarded to a disadvantaged community or a public utility serving a population less than 25,000.