

Table 6

Washington State Drinking Water State Revolving Fund Financial Status and Intended Uses of Funds Federal Capitalization Grants		
Category	Available Funds	Intended Use (\$)
	Application Year 25	
Total Available		
Federal Capitalization Base Grant FFY25	\$24,974,000	\$24,974,000
20% State Match	\$4,994,800	\$4,994,800
BIL Supplemental Capitalization Grant FFY24	\$52,634,000	\$52,634,000
20% State Match	\$10,526,800	\$10,526,800
BIL Emerging Contaminants Grant FFY24	\$17,495,000	\$17,495,000
BIL Emerging Contaminants 2 nd Reallotment FFY22	\$37,000	\$37,000
BIL Emerging Contaminants Reallotment FFY23	\$494,000	\$494,000
Total	\$111,155,600	\$111,155,600
Base Grant Set-Asides:		
Program Administration (4%)	\$998,960	\$998,960
State Program Management (10%)	\$2,497,400	\$2,497,400
Small System Technical Assistance (2%)	\$499,480	\$499,480
Local Assistance & Other State Programs (15%)	\$3,746,100	\$3,746,100
BIL Supplemental Grant Set-Asides:		
Program Administration (4%)	\$2,105,360	\$0
State Program Management (10%)	\$5,263,400	\$687,200
Small System Technical Assistance (2%)	\$1,052,680	\$0
Local Assistance & Other State Programs (15%)	\$7,895,100	\$7,895,100 ¹
Total Set-Asides	\$24,058,480	\$16,324,240¹
Project Funds Available from Grants + Match		\$94,831,360
Loan Repayment Account		\$89,888,763
Total Available for New Project Loans		\$184,720,123
Total Project Funds and Set-Aside Funds		\$201,044,363

¹DOH intends to utilize \$150,000 of the Local Assistance set-aside as in-kind funding under a national EPA contract to undertake a workload assessment of the PWSS program in the Office of Drinking Water.

Amounts Transferred Between DWSRF and CWSRF

A state governor may elect to transfer up to 33 percent of capitalization grant to the Clean Water State Revolving Fund (CWSRF) or an equivalent amount from the CWSRF to the DWSRF project fund.

Washington does not intend to transfer funds between these programs during SFY 2025 of the DWSRF program.

Criteria and Method for Distributing Capital Loan Funds

Money in the DWSRF Project Fund can be used for:

- ◆ New construction, including emerging contaminants, project loans. Approximately \$179 million was allocated to this funding cycle.
- ◆ Reimbursements for executed construction loan activities.
- ◆ Construction over-run costs were allocated \$5 million.
- ◆ Emergency loans were allocated \$1 million.
- ◆ Planning and Engineering Loans were allocated \$3 million.
- ◆ Consolidation Feasibility Study Grants were allocated \$800,000, \$400,000 from our Drinking Water Assistance Administrative Account and \$400,000 from our 10 of 15 percent set-asides.

Construction Loans

Loan Applications

We accepted applications for the DWSRF Loan program from October 1 to November 30, 2024. We received 54 construction applications requesting over \$274 million.

DWSRF staff provided information and technical assistance on the application process at multiple professional conferences and DWSRF-sponsored webinars. We notified stakeholders on the availability of the construction loan through e-mails and updates to the DWSRF webpage. All information related to the 2024 DWSRF Construction Loan cycle was posted to the DWSRF webpage.

Washington's Eligibility and Threshold Review

Washington's eligibility criteria included all federal eligibility criteria plus several state criteria ([Appendix A](#)). Our DWSRF staff reviewed applications for eligibility and assigned a preliminary score based on information in the application, and an initial review of system compliance status.

The lead service line applicant was offered a straight construction loan then withdrew their application. We determined that two projects were ineligible. Four applicants were bypassed due to managerial or fiscal concerns. Projects that were withdrawn, declined, bypassed, or ineligible are listed in [Appendix F](#).

Washington's Prioritization Process

After assigning a preliminary score based on information in the applications and an initial review of each system's compliance status, our staff met on December 17, 2024, to discuss projects and assign final scores. Staff reviewed compliance files from regional offices and discussed the merits of each project. Regional office files contain considerable background information on each system's operational and compliance history, which is valuable in assessing the true public health significance of each proposal.

As noted in the [2024 DWSRF Construction Loan Guidelines](#), water main replacement projects that coincide with other infrastructure improvement projects were eligible for automatic funding until the available \$3 million allocated for these projects was exhausted. We did not receive any project applications that met these conditions.

As previously described, we assessed each project for its ability to receive principal forgiveness or subsidy. We awarded subsidy to eligible projects, as shown in [Appendix B](#).

Ranking Eligible Applications

Using the criteria in Washington's Fall 2024 DWSRF Guidelines to score eligible loan applications, we awarded "basic points" and "bonus points."

We awarded basic points by the:

- Level of public health risk the proposed project would eliminate.
- Type of project proposed to solve the problem(s) identified in the application.
- Project's Readiness to Proceed.

We gave bonus points to project applicants that:

- Involved restructuring or consolidation benefits.
- Had an asset inventory with six elements or attended an asset management training.
- Had a project that would eliminate an unresolved compliance issue.
- Had a water main project that coincided with other infrastructure projects.
- Addressed distribution leakage above 10 percent, reduced pumping, or treatment costs.

We awarded points to applicants of water system serving residential connection owned or operated by a federally recognized tribe or when 50 percent of the project location is within census tract(s) that meet at least one of the Washington Tracking Network (WTN) Criteria.

- Where 50 percent of the project location is in a census tract(s) ranking 7 or more for the federal funding friendly Environmental Health Disparities (EHD)
- Where 50 percent of the project location is in a census tract(s) ranking 7 or more for the federal funding friendly Social Vulnerability Index (SVI)
- Where 50 percent or more of the project is in a census tract(s) where more than 30 percent of the population is below 185 percent of the federal poverty level

Water System Capacity Review

Water system capacity is an eligibility requirement for DWSRF Construction loans.

Water system capacity is the operational, technical, managerial, and financial capability of the water system to achieve and maintain compliance with all relevant local, state, and federal plans and regulations. Water systems lacking the capacity to maintain compliance with the SDWA are not eligible for funding unless the system owner or operator agrees to initiate feasible and appropriate changes, or the financial assistance will ensure long-term compliance.

DWSRF applicants must demonstrate water system capacity. To do so:

- The applicant must have a current, Health-approved Water System Plan (WSP) or Small Water System Management Program (SWSMP). The WSP approval must not expire on or before the close of the funding cycle (November 30, 2024, for the current funding cycle).
- The applicant's current, Health-approved WSP or SWSMP must include the proposed project.
- The water system must have a Green operating permit at the time of application or on completion of the proposed project.

- The system must be in compliance with any active enforcement actions (including departmental orders, penalties, bilateral compliance agreements, or federally issued administrative orders or stipulated penalties).
- Demonstrate the proposed project is ready to proceed.
- Provide all information as requested in the application.
- The applicant must not have any outstanding audit findings related to technical, managerial, or financial capacity.
- The applicant must show satisfactory performance and timeliness on currently held and open DWSRF funded projects.

Projects ranking high enough to be considered for funding, yet not currently meeting capacity requirements in dot points 3 and 4 above, may still qualify for a loan if the applicant documents and ensures the proposed project will address these compliance and capacity requirements.

Financial Capacity

To protect the federal and state interest in the long-term viability of the loan program, we consider the applicant's ability to repay the loan. The financial evaluation includes reviewing three years of documentation (such as tax returns, budgets, balance sheets, bank statements, and business references) and conducting a detailed financial capacity analysis.

All recipients must dedicate a source of revenue to repaying the loans. Some applicants will dedicate part of their general funds, and others will propose establishing or increasing customer fees.

Readiness to Proceed

Applicants must bid their project within 18 months of contract execution and complete DWSRF-funded projects within 48 months of contract execution. We use the following questions to evaluate a project's readiness to proceed.

- Is the scope of work clearly defined?
- Are water rights in hand? If not, what is the timeline for securing water rights?
- Is preliminary engineering complete?
- Are construction and bid documents complete?
- Have project permits been obtained or are they in process?
- Does the project complete a previous construction loan project, emergency loan project, preconstruction loan project, or consolidation grant project funded by the DWSRF program?
- Is land acquisition or easements part of the project? If so, have rights of way and easements been secured?
- Is the environmental or cultural review complete?

Planning and Engineering Loans

The Planning and Engineering Loan (previously known as the DWSRF Preconstruction Loan) is available for applications on a year-round basis, with approximately \$3 million available each year. Community water systems and not-for-profit non-community water systems are eligible for a Planning and Engineering Loan. This program is intended to assist our water systems with preparing for a construction project. The general terms of the Planning and Engineering Loan are:

- Maximum award per jurisdiction is \$500,000.
- Awarded on a first-come basis until funding is exhausted.
- Zero percent annual interest rate. No subsidy available.
- Two (2) percent loan origination fee (non-refundable).
- Two-year time of performance.
- Ten-year repayment period.

We will also make planning and engineering loans available to existing construction loan holders that are having difficulty making progress. In these instances, we will terminate the construction loan and replace it with a planning and engineering loan. Bonus points are awarded on a DWSRF Construction Loan application to entities that received a planning and engineering loan from DWSRF. Ten planning and engineering loans were awarded this year. A list of loans executed this year is included in [Appendix D](#).

Emergency Loan Program

DWSRF program guidelines allow states to use funds for emergency recovery activities according to established emergency funding procedures. The emergency rule became final on April 1, 2016. Emergency loans are available to not-for-profit community and non-community water systems serving fewer than 10,000 people. Water systems serving less than 10,000 people under a court ordered receivership may also be eligible for this funding. During the period of this IUP, Washington intends to make \$1 million available to eligible water systems each state fiscal year. **We have not executed any emergency loans since 2019.** In the event of a large-scale disaster, DWSRF will modify the availability of emergency loans and funding amount.

For purposes of this program, “emergency” refers to an event like a natural disaster or other event that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety. A failure to maintain, replace, reconstruct, upgrade, or make necessary infrastructure improvement does not constitute an emergency.

Our primary goal is to respond to and assist public water systems in recovering from public health threats. The emergency loan program ensures we are ready and able to award loans to water systems experiencing an emergency, so they can restore water service as quickly as possible. The emergency loan program will help water systems that lose critical drinking water services or facilities during an emergency and demonstrate substantial financial need according to DWSRF criteria. These funds will be available for construction, reconstruction, replacement, rehabilitation, temporary repair, rental of equipment, or improvement necessary to continue or restore operation of a public water system that is in violation of health and safety standards due to an emergency as defined above.

Applicants will submit a completed emergency application package to Health. All application material is available online. The emergency program will follow all general Office of Drinking Water administrative program policies and DWSRF grant and loan guidelines. We have made recent modifications to the emergency loan program to align with the Department of Ecology's emergency loan program. The loan terms are:

- Maximum amount of \$500,000 per entity.
- Funding is awarded on a first-come basis until funding is exhausted.
- Zero percent annual interest rate.
- One-point-five (1.5) percent loan origination fee.
- Two-year time of performance.
- Ten-year repayment period.

Loan Process and List

Bypass Process

We reserve the right to fund lower priority projects if higher priority projects are not ready or willing to proceed. In such instances, the state will comply with established bypass procedures. We may add projects to the List of Fundable Projects due to emergencies, such as an unanticipated system failure or a project needed to prevent an imminent health threat.

We *bypass*, or do not recommend funding for applicants unable to demonstrate ability to repay the loan, applicants with insufficient loan security, or projects not ready to proceed.

We offer technical assistance to help bypassed applicants meet the program requirements, so they can reapply in a future funding cycle, or provide information about other funding opportunities.

Amending the Project Priority List

We coordinate closely with loan applicants that make the project priority list. Some entities decline the loan due to factors such as securing more favorable funding. If an approved project withdrew from the list, we move the highest-ranking unfunded project to the project priority list.

Loan Fees

Like many other states, Washington charges a nonrefundable 1.0 percent loan fee, and we incorporate the loan fee into the total loan request for the construction loan and lead service line replacement loan. For example, we assess a loan fee of \$5,000 on a loan request for \$500,000, bringing the total loan to \$505,000. Nonrefundable loan fees for planning and engineering loans are 2.0 percent and we incorporate the loan fee into the total loan request. There is no loan fee for recipients receiving subsidy.

Washington transfers the loan fee to the Drinking Water Assistance Administrative Account (05R) when the loan contract is executed. On March 18, 2025, the cash balance of this account was approximately \$3,780,720. By statute, interest or other investment income accrued in this account remains in this account. Funds from this account can be used for loan program administration, consolidation feasibility study grants and other eligible set-aside activities. However, if the state determines that the balance of the loan fee account exceeds short- and long-term program administration needs, we may transfer a portion of the funds to the project loan account to be used for project loans.