

9.3.2.3. Planning Subsidy Category 3: Emerging Contaminants
Planning and design loans are eligible for loan forgiveness as follows:

- 100% forgiveness.

9.3.3. Construction Subsidy

Construction subsidy is available based on the following grant categories.

9.3.3.1. Construction Subsidy Category 1: General and General Supplemental
Eligible Disadvantaged Community construction projects may receive loan forgiveness
as follows:

- Disadvantaged Communities: Up to 50% loan forgiveness.

9.3.3.2. Construction Subsidy Category 2: Lead Service Lines
Eligible construction projects may receive loan forgiveness as follows:

- Disadvantaged Communities: 50% loan forgiveness.

9.3.3.3. Construction Subsidy Category 3: Emerging Contaminants
All construction projects may receive 100% loan forgiveness, with loans capped at
\$5,000,000 in Emerging Contaminant Grant funds.

9.3.3.4. Construction Subsidy Category 4: Standby Power
St. George Town Center is eligible for 100% loan forgiveness, up to \$87,520, for
completion of their project per the Standby Power Initiative.

9.4. Disadvantaged Community Subsidy

The following sections describe the DWSRF Program's approach to the allocation of
disadvantaged community subsidy under this Intended Use Plan.

9.4.1. General Grants Disadvantaged Community Subsidy

For purposes of this Intended Use Plan, construction projects eligible for funding under
the General and General Supplemental grants are eligible to receive disadvantaged
community subsidy if they meet the statutory definition of disadvantaged municipality in
24 VSA §4752(12). The definition includes municipal or service area Median Household
Income (MHI) and calculations are described in Vermont DWSRF Guidance Document
10. Income measurements are determined using Median Household Income. This
information will be obtained from the American Community Survey's most recent 5-year
rolling average MHI using the most current data available on the date the corresponding
Intended Use Plan year was finalized, or based on an approved income survey, or other
method as approved by the Secretary. The procedures for conducting and approving
income surveys and the requisite record keeping will be in accordance with the Vermont
State Revolving Fund's established Guidance Document #11: Median Household
Income Determination or as determined by an equivalent method. Disadvantaged
community projects may receive longer loan terms up to 40 years depending on project
useful life and may receive a lower administrative fee rate. A project may receive this

subsidy, pending availability of this form of subsidy from this Intended Use Plan cycle, up to the level that would reduce the annual household user rate to 1% of MHI post-project, and not to exceed 50% principal forgiveness.

9.4.2. Lead Service Line Grant Disadvantaged Community Subsidy

The Infrastructure Investment and Jobs Act, requires states to provide 49% of the Lead Service Line grant to disadvantaged communities in the form of loan forgiveness.

Because communities with lead service lines are appropriately considered disadvantaged, and to ensure communities can take full advantage of the Lead Service Line Grant funds, the Department is hereby continuing the scope of disadvantaged community subsidy eligibility for purposes of the FFY 2025 Lead Service Line Intended Use Plan. To emphasize, because the subsidy requirement in the grant from EPA is a specific amount (49%), rather than a range or not to exceed amount, and because it is a large percentage of the grant, any underutilization of subsidy would limit the overall amount of available loan funds, and vice versa. It is in the public interest to ensure maximum utilization of Lead Service Line funds, including providing funding to disadvantaged communities.

9.4.2.1. Lead Service Line Planning Loans

For purposes of planning and design loans for lead service line inventories and replacements funded under the Lead Service Line IUP, “disadvantaged community” shall mean a municipality or served area of a municipality that has a median household income (MHI) less than or equal to 125% of the state median household income. These communities shall be eligible for loan forgiveness for lead service line inventories as described in section 9.3.2.2.

9.4.2.2. Lead Service Line Construction Loans

For purposes of construction loans funded under the lead service line IUP, “disadvantaged community” shall mean an applicant municipality or served area that:

- (1) has a median household income (MHI) less than or equal to 125% of the State average median household income as determined by the Secretary.

These disadvantaged communities shall be eligible for 50% loan forgiveness for construction loans funded under the lead service line IUP.

The Department notes that for Lead Service Line construction loans the above eligibility criteria for disadvantaged community subsidy are similar to the definition of “disadvantaged municipality” in 24 VSA § 4752(12). The eligibility criteria for disadvantaged community subsidy differ from the §4752(12) definition of disadvantaged municipality in that there is an eligibility cap of 120% of the State average median household income under the eligibility criteria, and the amount of subsidy is based on a percentage (50%) of the loan. The above criteria for allocation of disadvantaged community subsidy apply only to construction projects funded by the Lead Service Line SRF.

9.5. Requirements to Secure Subsidy (Loan Forgiveness)

The Department establishes the amount of available subsidy on an annual basis in the Intended Use Plan, consistent with the requirements of the State's capitalization grants. All subsidy is awarded to recipients and project types that are eligible for subsidy on a first-come, first-served basis.

Subsidy is considered reserved for a project once DWSRF has received the following:

- Complete funding application (see below for specifics for each loan type).
- Approved Engineering Services Agreement.

9.5.1. Funding Application Requirements

The list below identifies the required elements of a complete funding application for each step unless it is inapplicable to the project. The DWSRF program will notify borrowers when they have secured additional subsidy.

Step 1 (Preliminary engineering)

- Loan application form
- Draft Engineering Services Agreement

Step 2 (Final design)

- Complete funding application
- Draft Engineering Services Agreement
- Preliminary Engineering Report Approval from DWGPD engineer

Step 3 (Construction)

- Complete funding application
- Draft Engineering Services Agreement
- Bond Vote Certification and Counsel Opinion letter
- All permits in place, including Act 250, if required, and environmental review
- Permit to Construct
- All necessary prior step engineering approvals, including preliminary engineering

9.6. Municipal School Subsidy

Municipally owned non-transient, non-community school water systems are categorically disadvantaged per State statute and are eligible for up to \$25,000 in construction loan principal forgiveness; there is no further subsidy provided to these applicants with the exception of municipal school projects funded under the Emerging Contaminants Grant. Because all Emerging Contaminant Grants funds are required to be 100% forgiven the only applicable Emerging Contaminant subsidy limitations are those identified in this IUP.

10. Program Updates and Guidance

10.1. Priority List Ranking

A potential construction (Step 3) loan applicant must submit a priority list application during the open application period. Only construction projects that have previously submitted an administratively complete Preliminary Engineering Report (PER) or Permit