

April 2009

## Drinking Water Assistance Fund and the American Recovery and Reinvestment Act of 2009

### What is the Drinking Water Assistance Fund?

Through grants from U.S. EPA and matching funds provided by Ohio EPA, the State of Ohio has established financial and technical assistance programs under the Drinking Water Assistance Fund (DWAFF) to improve Ohio's drinking water systems. The main purpose of the DWAFF is to protect public health by providing financial assistance to eligible public water systems to attain and maintain compliance with the Safe Drinking Water Act (SDWA) and Ohio statutes and regulations.

### American Recovery and Reinvestment Act of 2009

Numerous short-term changes are being made to this year's DWAFF plan to meet the objectives and requirements of the American Recovery and Reinvestment Act of 2009 (Recovery Act, also known as the "federal stimulus bill.") Ohio EPA has added a number of short-term goals to emphasize its intention to fund eligible projects ready to proceed to construction in a timely manner in order to create and retain jobs and promote economic recovery. Ohio will receive approximately \$58.5 million in Recovery Act funds for drinking water projects.

To be eligible for Recovery Act funds, projects must have registered their intent to seek Recovery Act funding through the Ohio Recovery Web page by March 6, 2009, and submitted a pre-application form to Ohio EPA by March 13, 2009. All projects

receiving Recovery Act funds must be under construction or have a signed contract to start construction by February 16, 2010. Ohio EPA will prioritize projects ready to begin construction by June 2009 for 50 percent of Recovery Act funds. A second priority will be given to "green projects" and remaining Recovery Act funds will be allocated to projects indicating they will be ready for construction by September 30, 2009.

Ohio will exceed the Recovery Act requirement that at least 50 percent of funds be used as subsidies by awarding 100 percent of Recovery Act funds for principal forgiveness.

### Intended Use Plan

The draft Intended Use Plan (IUP) describes how Ohio EPA intends to distribute the funds provided by the Recovery Act as well as the customary annual financial assistance of the DWAFF. The IUP also describes how Ohio EPA will administer the funds and prioritize projects. The draft IUP will be forwarded to U.S. EPA for review and approval, and will also be made available for public comment.

### DWAFF Goals

The long-term DWAFF goals include:

- provide below-market rate loans and subsidies to eligible systems to eliminate public health threats and ensure compliance with state and federal drinking water laws;
- provide technical assistance to systems serving fewer than 10,000 in population;

- target small and disadvantaged community assistance to reduce the financial impact of capital improvement projects on smaller systems and systems serving less affluent populations;
- extend public water systems;
- improve the technical, managerial and financial capability of public water system owners and operators;
- complete source water assessments; and
- encourage the consolidation and/or regionalization of small systems.

The short-term DWAFF goals are to:

- expeditiously fund eligible projects to create and retain jobs and promote economic recovery;
- enhance systems' ability to initiate projects by using 100 percent of Recovery Act funds to provide partial principal forgiveness;
- match Recovery Act funds with other Water Supply Revolving Loan Account (WSRLA) funds to maximize the number of projects to receive Recovery Act funding;
- provide discounted loan rates for all projects; and
- enter into commitments for Recovery Act funded projects that will begin construction or award contracts for construction no later than February 16, 2010.

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# Water Supply Revolving Loan Account and the American Recovery and Reinvestment Act of 2009

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## WSRLA Project Priority System

Proposed projects are reviewed by Ohio EPA in accordance with state and federal law and placed on the project priority list according to several factors, including:

- human health risk;
- compliance with federal and state SDWA requirements;
- economic affordability;
- effective management;
- population of the area served; and
- regionalization / consolidation.

Special consideration also will be made for projects receiving Recovery Act funding including overall priority, readiness to proceed to construction and green infrastructure elements. Ohio EPA must reserve 20 percent of available Recovery Act funds for green projects.

Ohio EPA may bypass projects on the intended projects list due to withdrawal of the project by the applicant, lack of readiness to proceed or inability to meet the requirements of the Recovery Act. For projects applying for Recovery Act funds, if a plant construction project or a distribution-related project does not have detail plan approval or planning document acceptance by July 15, 2009, the project may be bypassed. These bypassed projects may be eligible for non-Recovery Act funding.

## Disadvantaged Communities

The Disadvantaged Community Loan Program is a subsection of the WSRLA to provide funding to small drinking water systems with particular affordability needs for planning and construction improvements. To be considered

for the disadvantaged community program, a system must have submitted a complete application for the disadvantaged community program to Ohio EPA by March 13, 2009. Only systems specifically requesting an evaluation were reviewed for eligibility. Some of the factors considered when making this determination include the cost of water service compared to the statewide average, the presence of public health risks, median household income, population and poverty rate. Fulfillment of any one criterion does not guarantee designation as a disadvantaged community.

## WSRLA Award Structure

Ohio EPA will use all of the Recovery Act funds it receives to provide partial principal forgiveness to qualifying projects.

### *Recovery Act Projects*

Disadvantaged Community – Up to 80 percent (Tier I), 70 percent (Tier II) or 60 percent (Tier III) of project awarded in principal forgiveness; the balance in an interest-free loan for up to 30 years.

Non-Disadvantaged Communities – Up to 40 percent (if no economic affordability points) or 50 percent (with economic affordability points) of project awarded in principal forgiveness and the balance in a 20-year interest-free loan.

### *Non-Recovery Act Projects*

To further help Ohio communities, Ohio EPA is offering reduced interest rates for projects not receiving Recovery Act funds.

Tier I Disadvantaged Community – Up to 50 percent principal forgiveness, or \$500,000, (whichever is less) per system per

program year; remainder of loan with a zero percent interest rate for up to a 30-year term.

Tier II Disadvantaged Community – Zero percent interest rate for up to a 30 year term.

Tier III Disadvantaged Community – Two percent interest rate for up to a 30-year term.

Non-Disadvantaged Communities with Economic Affordability Points – Zero percent interest rate loan for up to 20 years.

Non-Disadvantaged Community with no Economic Affordability Points – Two percent interest rate loan for up to 20 years.

## Other Provisions and Restrictions

The Recovery Act contains provisions requiring the use of U.S. made iron, steel and manufactured goods in funded projects, as well as prevailing wage requirements. We are awaiting federal guidance on how these provisions will be applied to projects in Ohio.

Communities that receive Recovery Act funds also will be required to post new, project-related job opportunities at [www.OhioMeansJobs.com](http://www.OhioMeansJobs.com).

## For More Information

Contact Stacy Barna with Ohio EPA's Division of Drinking and Ground Waters at 614-644-2752.

Information regarding opportunities for public input on the IUP can be found online at [http://www.epa.state.oh.us/ddagw/dwaf\\_economic\\_stimulus.htm](http://www.epa.state.oh.us/ddagw/dwaf_economic_stimulus.htm). Public comments are due by May 8, 2009.