

# Drinking Water State Revolving Fund, the Bipartisan Infrastructure Law, and Disadvantaged Community Definitions

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October 11, 2022



OFFICE OF GROUND WATER  
AND DRINKING WATER

# What is the DWSRF?



- **Public health protection program**
  - A federal/state partnership designed to create, in each state, a perpetual source of financing for drinking water infrastructure.
- **Has both infrastructure and non-infrastructure components**
  - Provides access to credit and permanent source of funding for water infrastructure (loan fund).
  - Provides non-infrastructure support to states and communities (set-asides).
    - Administrative (4%)
    - Small Systems Technical Assistance (2%)
    - State Program Management (10%)
    - Local Assistance (15%)

# DWSRF Infrastructure Model



- 51 state-level “infrastructure banks” make loans with water systems for drinking water projects.
  - Water systems apply for funding with their respective state DWSRF program.
- States craft their DWSRF program to meet the needs of their state.
  - Each of the 51 programs are unique.
  - They operate within the federal framework but may target funding more narrowly.

# How Does the DWSRF Assist Disadvantaged Communities?

- Household affordability is one of the three statutory priorities.
- State DWSRF programs required to define “disadvantaged community” (DAC).
- Below-market interest rate loans
  - 1.1% average DWSRF interest rate vs. 2.2% market interest rate in 2021
- Additional subsidy (“grant-like dollars”)
  - 12-35% of each federal capitalization grant to DAC\*
- Loan terms of up to 40 years (or design life, whichever is less)
- Technical assistance through the “set-asides”

**Repayment and Savings Comparison of \$2 Million Loan**

Interest rate	1.5%	2.5%	3.5%
Repayment for 20 Year Loan	\$2,316,218	\$2,543,534	\$2,783,807
Savings Using a 1.5% Rate	_____	\$227,316	\$467,589

*\*base program*

# State-Defined Disadvantaged Communities

- Each of the 51 DWSRF programs have their own definitions of disadvantaged community.
  - SDWA 1452(d)(3)...“ the term ‘disadvantaged community’ means the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located.”
- These definitions are important because they will determine eligibility for additional subsidy.
- DWSRF programs have the flexibility to craft their definitions to meet priorities and needs of water systems across their state.
- DAC definitions are central to ensuring the DWSRF program is available to all communities in the state. States should revisit their definition on an annual basis and update it to ensure they are still meeting the needs of the state.
- States should widely advertise the comment period and ensure accessibility.

# The Bipartisan Infrastructure Law (BIL)



- Signed by President Biden on November 15, 2021.
- Historic investment in key programs and initiatives implemented by the U.S. Environmental Protection Agency to build safer, healthier, cleaner communities.
- Includes \$50 billion to the EPA to strengthen the nation's drinking water and wastewater systems – the single largest investment in water that the federal government has ever made.
- More than \$30 billion of this funding through the DWSRF.
- Approximately half of this funding is required to be provided as additional subsidy to DACs.

# Available DWSRF Funding in the BIL



Appropriation	FY 2022 (\$)	FY 2023 (\$)	FY 2024 (\$)	FY 2025 (\$)	FY 2026 (\$)	Five Year Total (\$)
<b>DWSRF General Supplemental</b>	1,902,000,000	2,202,000,000	2,403,000,000	2,603,000,000	2,603,000,000	<b>11,713,000,000</b>
<b>DWSRF Emerging Contaminants</b>	800,000,000	800,000,000	800,000,000	800,000,000	800,000,000	<b>4,000,000,000</b>
<b>DWSRF Lead Service Line Replacement</b>	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	<b>15,000,000,000</b>

# SRF BIL Implementation Memo



- SRF BIL Implementation Memo released in March 2022.
- EPA outlined expectations for States to evaluate and revise, as needed, their DAC definitions.
- EPA provided examples of factors that states may consider in updating their disadvantaged community definition.
- Memo emphasizes that state DAC definitions can include a large public water system where a particular project within the water system addresses a subset of the service area that meets the DAC definition.



# SRF BIL Implementation Memo, cont.



Examples of criteria within affordability and disadvantaged community definitions that can be barriers:

- Definitions solely based or contingent upon an “unaffordable” rate. Some state rate considerations serve to assist in affordability determinations, but others do so in a way that can be a barrier to systems with low capacity and a poor rate structure.
- Definitions that include a low cap on additional subsidy (e.g., 30%) are a barrier to communities that need a higher amount of additional subsidization to be able to take the loan.
- Definitions based solely on population or definitions that include population as a determining factor.

# SRF BIL Implementation Memo, cont.



- Examples of potential DAC Definition criteria in the SRF BIL implementation memo:
  - Communities with census tracts that have [X poverty indicator] are eligible for lead service line additional subsidy if the recipient uses those funds for the direct benefit of those residents
  - Community MHI is less than 80% of State MHI
  - Communities with \$25,766 or less upper limit of Lowest Quintile Income
  - Communities with  $\geq 30.9\%$  Population Living Under 200% of Poverty Level
  - Community with census tracts that have a poverty rate greater than or equal to 20%
  - Communities with  $\geq 3.4\%$  Unemployed Population  $\geq 16$  years in Civilian Labor Force
  - Communities with  $\geq 12.1\%$  Vacant Households
  - Community in a county with a Social Vulnerability Index score higher than 0.80
  - Combined sewer and drinking water costs are greater than 2% of the 20th percentile household income (i.e., the Lowest Quintile of Income for the Service Area)
  - Communities with  $\geq 11.7\%$  Population Receiving Food Stamps/SNAP Benefits

# Justice40

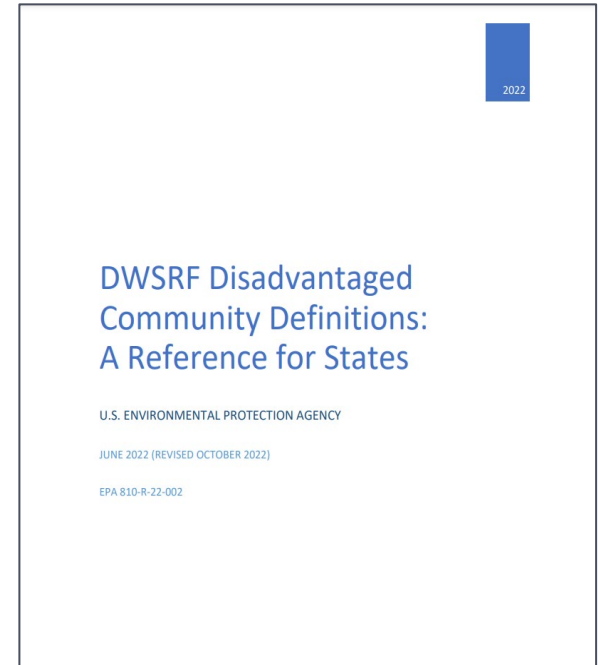


- The DWSRF is a “pilot program” under the Justice40 Initiative.
  - Sets a goal that 40 percent of the overall benefits of certain federal investments flow to disadvantaged communities (DACs).
- Over the past year, the DWSRF worked on Justice40 engagement, implementation, and baseline metrics.
- Assistance to DACs is a high priority for the Agency.
- The new Bipartisan Infrastructure Law requires a significant portion of the funding be provided as additional subsidy to DACs.
  - This funding will be an important tool to further the goals of Justice40.

# DWSRF Disadvantaged Community Definition Analysis



- In June 2022, EPA released a report that compiled and analyzed the DAC definitions for all 51 DWSRF programs.
  - Utilized “intended use plans”, state law, state agency rules and regulations, contacting states.
  - The data for this report was pulled in early 2021 (“pre-BIL”).
- While there are similar indicators used (e.g., MHI, water rates), there are 51 different DAC definitions.
- Summarizes strengths and limitations of using various indicators and analyzes historical additional subsidy distribution.
- Appendix includes a list of all 51 pre-BIL DWSRF DAC definitions.



# DWSRF Disadvantaged Community Definition Analysis, cont.



- Overall, states mainly used a combination of socioeconomic, demographic, and financial indicators in their DAC definitions.
  - Almost all states used MHI as an indicator.
  - Approximately half used water rates as an indicator.
  - Most states used a combination of factors.

Type of Indicator	Indicators	Number of States Using Indicator
<b>Socioeconomic</b>	Median Household Income <sup>a</sup>	49
	Unemployment Rate	10
	Poverty Rate	8
	Percentage of Population Receiving Government Assistance <sup>b</sup>	1
	Labor Force Participation Rate	1
<b>Demographic</b>	Population Trends	7
	Age Composition	2
<b>Financial</b>	Water Rates	27
	Water System Size (Population Served or Number Connections)	16
	Water System Debt	7
	Municipal Bond Rating	2
	Proposed Loan Amount	1
	Property Value	3
<b>Public Health</b>	Human Health-related Factors	2
<b>EJ</b>	EJ Community or Similar Designation	2
<b>Defined Categories</b>	Specifically defined and identified category or group	3

*a. Includes two states that do not use median household income but do use adjusted gross income or per capita income as indicators.*

*b. Government assistance includes Social Security, Supplemental Security Income, cash assistance, or Supplemental Nutrition Assistance Program (SNAP).*

# Disadvantaged Community Definition Indicator

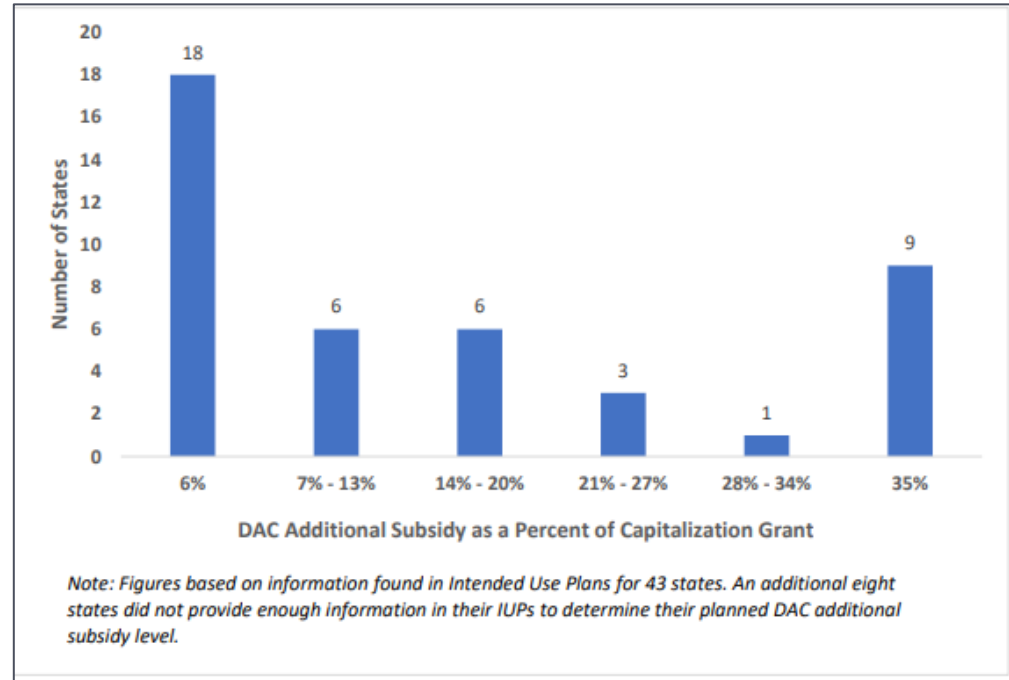
## “Strengths and Limitations”

Indicator	Strengths	Limitations
<b>Median Household Income</b>	<ul style="list-style-type: none"> <li>• Strong correlation with presence of households with income below state/national median income.</li> <li>• Straightforward and easy-to-use proxy for household ability to pay.</li> <li>• Readily accessible data from the U.S. Census Bureau.</li> </ul>	<ul style="list-style-type: none"> <li>• Does not show presence of households in poverty (with very low incomes).</li> <li>• May not accurately capture what the poorest households can afford.</li> <li>• Service area of systems may not align with the geography of the area reported by the U.S. Census Bureau, especially in rural areas.</li> <li>• Does not address actual water costs borne by ratepayers.</li> </ul>
<b>Water Rates</b>	<ul style="list-style-type: none"> <li>• Provides a measure of actual costs to users.</li> <li>• When used in combination with other measures such as MHI, can identify communities that do not appear to face financial hardship based on income alone, but for whom the relative cost of water is high.</li> </ul>	<ul style="list-style-type: none"> <li>• Current rates are not always set at a level high enough to sustain the water system over the long term.</li> <li>• Definitions that use a specific dollar amount (e.g., \$300 for 5,000 gal) as a threshold for affordability require regular updating, can be challenging to set, and may still be too high for very low-income households to afford.</li> </ul>
<b>Water System Size</b>	<ul style="list-style-type: none"> <li>• Addresses challenges faced by small systems, such as high fixed costs,</li> </ul>	<ul style="list-style-type: none"> <li>• Small size alone does not determine affordability. Some small systems</li> </ul>

- Can assist States in evaluating new indicators and/or considering whether to combine certain indicators
- Full table of strengths/limitations for common indicators can be found in the report.

# Historic DWSRF Additional Subsidy Distribution

- The amount of total additional subsidy provided in FY21 varied by state.
  - Overall, states tended to provide between the minimum—mid range of additional subsidy.
  - States must balance additional subsidy with perpetuity of their loan fund.
- *Note: this analysis was conducted before BIL was signed into law. At that time, the "floor" for DAC additional subsidy was 6 percent.*



# DWSRF Disadvantaged Community Definition Updates/Revisions



- Since the passing of BIL, many state DWSRF programs have revised or are in the process of evaluating their DAC definitions.
- Association of State Drinking Water Administrators (ASDWA) [Environmental Justice website](#) is a good resource.
  - ASDWA's website has a table with DWSRF DAC definitions, including any that have been revised or are open for public comment, and links to relevant state DWSRF websites and documents.
- EPA plans to update the DAC Definitions report in the future.
- EPA is also working on a document with various ways the set-asides (non-infrastructure support \$\$) can be used to assist DACs and state programs.



# Resources



- [DWSRF Disadvantaged Community Definition Report](#)
- [Addressing Water Affordability with the DWSRF](#) (fact sheet)
- [Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law](#) (memorandum)
- [EPA Bipartisan Infrastructure Law](#) (website)
- [Justice40 OMB interim guidance](#)
- [National EJ Community Engagement Call: J40 and the SRFs](#) (Oct 26, 2021, webinar recording)
- [State DWSRF contacts](#) (website)

The background features a dynamic image of water with numerous bubbles of various sizes. A large, white, semi-transparent rectangular box is centered on the page, containing the text. The word "QUESTIONS" is written in a large, bold, dark blue font at the top of the box. Below it, two email addresses are listed in a smaller, bold, dark blue font, each underlined. At the bottom of the box, the text "DWSRF Webpage:" is followed by a URL in a smaller, bold, dark blue font, also underlined.

# QUESTIONS

**[Anderer.Kirsten@epa.gov](mailto:Anderer.Kirsten@epa.gov)**

**[Shattuck.Dallas@epa.gov](mailto:Shattuck.Dallas@epa.gov)**

**DWSRF Webpage: <https://www.epa.gov/dwsrf>**

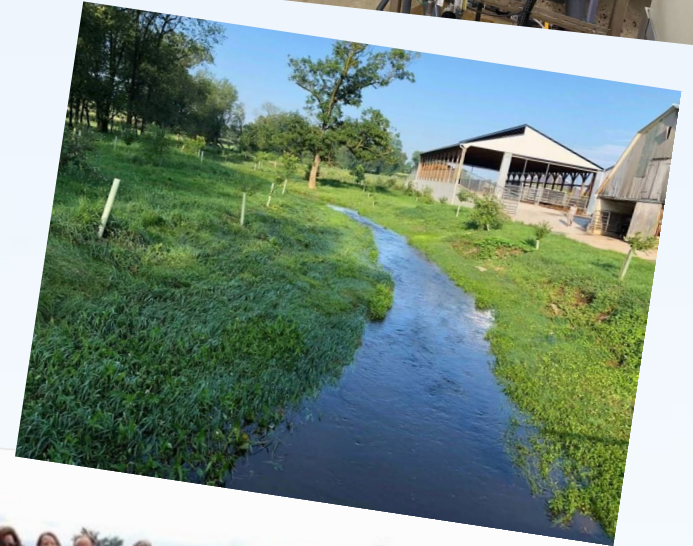


# PENNVEST

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PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

# Financing Clean Water Projects!!



# State Revolving Fund

PENNVEST manages the State Revolving Fund to finance clean water projects. The principal and subsidized interest repaid grows the fund to finance more projects!



# How Can PENNVEST Help?

- **Drinking Water – Public/Private**
- **Wastewater – Public/Private**
- **Stormwater – Public/Private**
- **Non-Point Source**
  - **Ag BMPs – Public/Private**
  - **Acid Mine – Public/Private**
  - **Brownfield – Public/Private**
  - **Green Infrastructure – Public/Private**
  - **Onlot Systems – Principal Residence**
  - **Sewer Lateral Repair/First-Time Hookup – Principal Residence**
- **Lead Testing and Remediation – Schools and Childcare facilities**

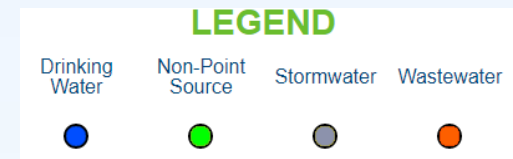
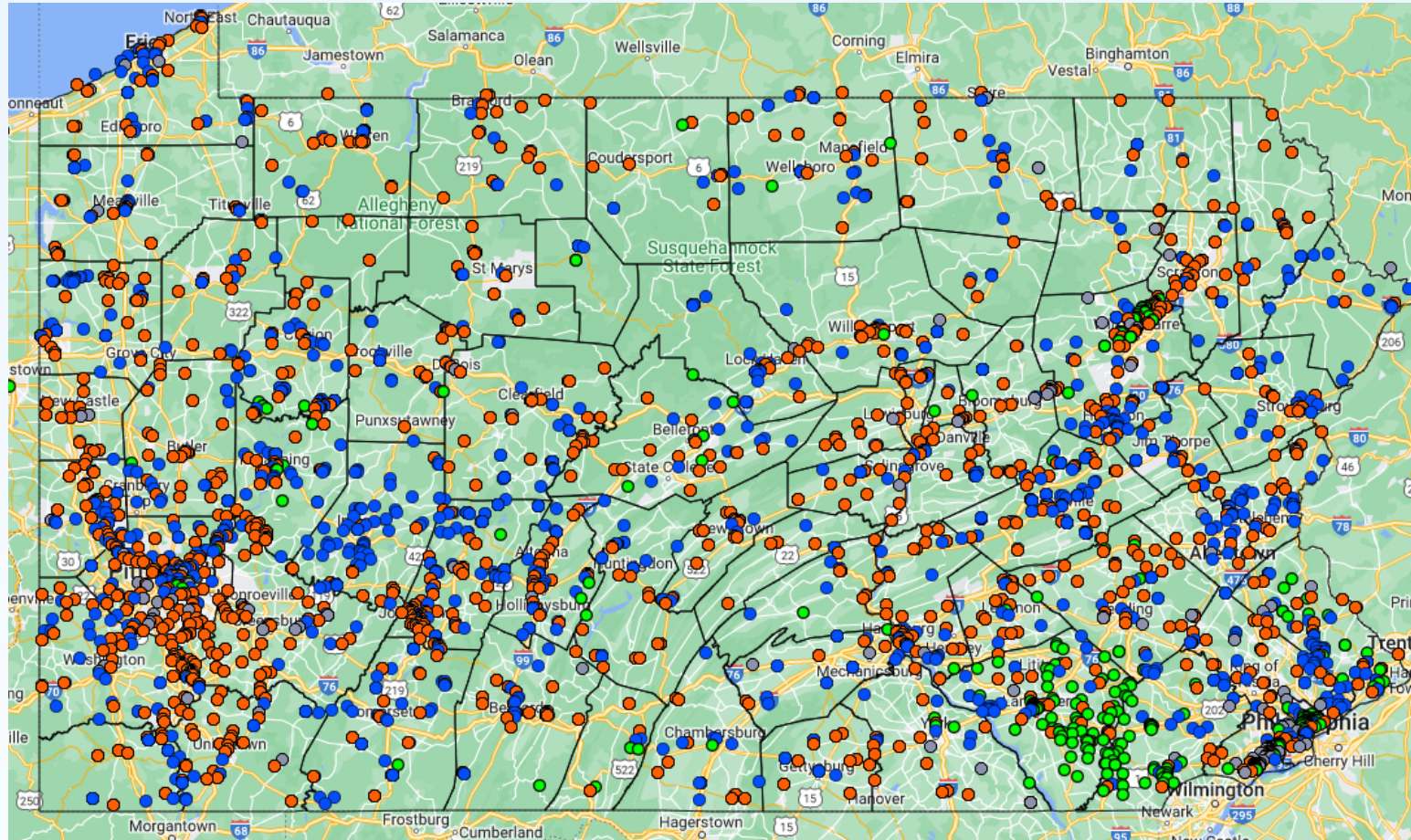
# **PENNVEST Financing**

**Projects Approved: 4,523 for a Total Funding of \$10.7 Billion**

**\$800 Million Budgeted for 2022-2023**

- **1,162 Drinking Water**
- **1,736 Wastewater**
- **17 Brownfield**
- **185 Non-Point Source**
- **3 Acid Mine Drainage**
- **149 Stormwater**
- **1,019 Onlot Repairs**
- **24 Sewer Laterals Replaced**
- **228 New Sewer Connections**

# PROJECTS DISTRIBUTION STATEWIDE





# Assistance for Disadvantage Systems

## How Does PENNVEST define Disadvantaged System?

- PENNVEST utilizes a financial capability analysis that compares various community specific demographic data to similarly situated communities across the Commonwealth to determine a percent of the community's adjusted median household income (MHI) that should be available to pay for water service.
- The amount that should be available to pay for water service by residential customers will range from 0.5 to 1.5 percent of the community's adjusted MHI dependent upon specific socio-economic factors for each community. This process aids in an equitable distribution of residential user rates.

# Assistance for Disadvantage Systems

## How does PENNVEST define a Disadvantaged System (cont.)?

- Should the estimated resulting residential user rates be higher than similar systems then these systems are considered “disadvantaged” and given hardship consideration.
- **Hardship considerations:**

Reduced interest rate to 1.000% for full term

Principal Forgiveness funds – principal forgiveness is often prorated

Loan term extended up to 30 years

# Changes to Disadvantaged System definition under the Infrastructure Information and Jobs Act

Need to know where your at before you can decide how to get to where you want to go!!!!



# Changes to Disadvantaged System definition under the Infrastructure Information and Jobs Act

- **Conducted an analysis of the impact of current Disadvantage System definition.**
- **Results confirmed since 1989 42% of Loan dollars and 40% of Principal Forgiveness dollars were awarded to projects within Environmental Justice Areas as defined by Pennsylvania covering 28% of the state population.**
- **Environmental Justice Areas – Any census tract where 20% or more of individuals live at or below the federal poverty line, and/or 30 percent or more of the population identifies as a non-white minority, based on data from the U.S. Census Bureau and the federal guidelines for poverty.**

# Changes to Disadvantaged System definition under the Infrastructure Information and Jobs Act

- Changed the target rate in the financial capability analysis from 1%-2% to 0.5%-1.5% of adjusted MHI.
- Any community identified as disadvantaged using the Council on Environmental Quality (CEQ) Climate and Economic Justice Screening Tool or located in a Pennsylvania defined Environmental Justice Area will be considered a disadvantaged system for purposes of applications relating to design and engineering projects with the financial capability analysis being performed on the service area impacted by the proposed project instead of system wide.

# Changes to Disadvantaged System definition under the Infrastructure Information and Jobs Act

Each year we will evaluate the effectiveness of the modifications to the program and determine if additional adjustments are necessary.



# Process Assistance for Disadvantage Communities


- **Competitive Terms, below market rates**
- **Four Board Meetings per year**
- **Electronic application system**
- **Regional Project Specialist**
- **RFP for Technical assistance with a focus on disadvantage communities and Environmental Justice Areas to build capacity in communities to develop projects and act as a “driver” to bring projects to PENNVEST**



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## Coronavirus Information

### SPOTLIGHT



[Mission](#)

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[Update Regarding COVID-19](#)


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[Payment Deferral](#)

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[Funding Programs](#)

### PRESS RELEASES



[Gov. Wolf Announces \\$450 Million Loan Program for Financially Strained Hospitals](#)


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[Governor Wolf Announces \\$98 Million Investment in Water Infrastructure Projects in 15 Counties](#)

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[Governor Wolf Announces \\$98](#)

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PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**SPRING 2019 PENNVEST INFORMATION SESSIONS**

Municipal officials, conservation districts, private landowners, authority users and staff, regulators, engineers, and others interesting in learning how PENNVEST funding can help improve water quality in your community.

Join PENNVEST to learn about:

- PENNVEST overview (funding levels, sources of funding, timelines/milestones, and cut off dates)
- Discussion of project development:
  - Architecture and engineering requirements
  - Project Eligibility
  - Lead line replacement program
  - On-lot, lateral replacement program
- New funds disbursement system
- Discussion of modernizing the application process (input on the current process)
- What's working & what needs improvement (settlement, disbursement, closeout)
- Open forum Q&A
- Adjourn

*If interested in attending: register at:*  
<http://www.eventbrite.com/e/pennvest-information-sessions-tickets-55948>

*Register soon to reserve your seat!*

contact your regional Project Specialist with questions or concerns regarding the events.

**East Region:** Rebecca Kennedy (717) 574-8454 [rkennedy@pa.gov](mailto:rkennedy@pa.gov)  
**West Region:** Dan Mikesic (717) 574-8452 [dmikesic@pa.gov](mailto:dmikesic@pa.gov)  
**West and Northcentral Regions:** David Henning (717) 574-8451 [dhenning@pa.gov](mailto:dhenning@pa.gov)  
**East and South Central Regions:** Tesra Schlupp (717) 574- 8453 [tschlupp@pa.gov](mailto:tschlupp@pa.gov)

ALL WORKSHOPS ARE 9:30 – NOON UNLESS NOTED OTHERWISE  
Parking is available on-site for all locations

- 11<sup>th</sup> CLEARFIELD COUNTY 9:30-NOON, at the PennDOT Training Center, 107 Drive, Clearfield, PA, 16830 814 765-8825
- 12<sup>th</sup> TIOGA COUNTY 9:30-NOON at the Mansfield, PA, Microtel Inn Suites, 90 D Mansfield, PA, 16933; 570-662-9300
- 13<sup>th</sup> CHESTER COUNTY 9:30-NOON at the Trudyfrinn Township Building, Keen H Sortal Road, Berwyn, PA, 19312; 610-633-1400
- 14<sup>th</sup> CAMBRIA COUNTY 9:30-NOON at the PADEP Offices, 286 Industrial Park Road, PA, 15931 814-472-1505
- 15<sup>th</sup> WESTMORELAND COUNTY 1:00-3:30 at the PADEP Offices, 131 Broadview Road, PA, 15672 724-925-5530
- 16<sup>th</sup> CRAWFORD COUNTY 9:30-NOON at the Meadville Holiday Inn Express; 18240 Lake Road, Meadville, PA, 16335; 814-724-6012
- 17<sup>th</sup> LEHIGH COUNTY 9:30-NOON at the offices of the Lehigh Valley Planning Commission; 950 Marcon Boulevard, Allentown, PA, 18109; 610-965-4544
- 18<sup>th</sup> DAUPHIN COUNTY 9:30-NOON at the offices of the Fish and Boat Commission; Avenue, Harrisburg, PA, 17110 717- 705-7900
- 19<sup>th</sup> LACKAWANNA COUNTY 9:30-NOON at the Lackawanna County Emergency Center; View Drive, Jessup, PA, 18434; 570-307-7300
- 20<sup>th</sup> BEDFORD COUNTY 9:30-NOON at the Bedford County Courthouse, 200 S. Jullard Road, PA, 15522; 814-623-4807
- 21<sup>st</sup> LUZERNE COUNTY 9:30-NOON at the Top of the 80's Restaurant Meeting Room; 80's Road, Hazle Township, PA, 18202 570-454-8795

# QUESTIONS ?

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