

**Commonwealth of Virginia
Drinking Water State Revolving Fund Program
Intended Use Plan
For the DWSRF FY2020 Capitalization Grant**

DRAFT

March 2020



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(Also available at <http://www.vdh.virginia.gov/drinking-water/>)

I. Summary

In accordance with the federal Safe Drinking Water Act Amendments (SDWA) of 1996 (P.L.104 182), which established a Drinking Water State Revolving Fund (DWSRF) Program to eligible states through a capitalization grant, the Virginia Department of Health (VDH) Office of Drinking Water (ODW) is making application for federal funding under this program. VDH makes this funding application in accordance with and under the agreements established in the Operating Agreement executed between the EPA and the Commonwealth of Virginia that provides the framework for the DWSRF Program in Virginia. The Commonwealth of Virginia expects to have a total of approximately \$27 million available for utilization under the FY 2020 DWSRF grant program. This amount includes EPA's capitalization grant, Virginia's required state match, and loan repayments from past recipients. It is unlikely that VDH will receive notification of the actual grant amount Virginia is eligible to apply for until June of next year.

II. Introduction

The VDH has primary enforcement responsibility (primacy) for the Virginia's drinking water programs, and as such, is the designated agency to apply for and administer the capitalization grant for the DWSRF Program and related state funds.

This Draft Intended Use Plan (IUP) includes the Project Priority List and the Construction Project Equivalency List. The most current version of the *Virginia Drinking Water State Revolving Fund Program - Program Design Manual*, (available on our website) is part of the IUP and outlines the Program's overall goals, the set-aside and construction aspects of the Program, entities eligible for funding, interest rates and terms, and criteria used to establish a Project Priority List.

In compliance with the requirement in SDWA sec. 1452(b)(1), the IUP undergoes public review and comment through a combination of internet postings and a public meeting that is held in Richmond, Virginia. The VDH – ODW placed the IUP announcement in the General Notices section of the Virginia Register.

III. DWSRF Program Goals

VDH is committed to using the capitalization grant for which it is applying to provide assistance to water systems through set-asides and for capital improvement projects that will further the public health protection objectives of the Safe Drinking Water Act. VDH intends to award all assistance available under this capitalization grant in full conformance with the DWSRF program and the terms and conditions of the capitalization grant award.

The Virginia DWSRF Program activity incorporates the federal, state match, program revenue and repayments, and miscellaneous additional funds to implement the statewide programs to ensure adequate and safe drinking water to citizens. The construction loan and grant funds, in conjunction with the set-aside funds, provide funding sources for infrastructure projects, planning projects, sample testing, capacity development initiatives, state administrative costs, training, technical assistance, wellhead and source water protection, and other activities designed to enhance the state's water programs.

The Project Priority List (PPL) ([Attachment 1](#)) details the funded construction projects, in priority order, and other relevant project information. VDH – ODW gave applicants with project applications that fell below the funding line the option to roll their application over to the next funding cycle. Staff will re-evaluate and rank these projects along with the new applications received during the solicitation period.

VDH _ ODW uses the set-aside funds to maintain and advance waterworks support initiatives that contribute to the sustainability of safe drinking water. The set-asides funds assist waterworks owners in protecting water supplies, ensuring the reliable operation of water systems, preparing for future waterworks challenges, and developing their technical, financial, and managerial capacity (TMF - Capacity Development). Although the waterworks and their consumers are the direct benefactors of these funding efforts, the initiatives may originate with any number of concerned parties. Combined funding used in cooperative efforts with other entities may maximize the desired outcome. This IUP outlines set-aside uses later in this document.

A. Long Term and Short Term Goals

VDH is committed to promoting and protecting the health of Virginians. VDH – ODW supports that mission using a number of critical functions including implemented activities. ODW also supports the mission through regulatory, technical, and financial programs designed to enhance the quality of water provided to the citizens of the Commonwealth. The DWSRF program provides VDH with the means to achieve these goals.

VDH has a goal to utilize the DWSRF resources to implement a long-term, sustainable program focused on providing technical, financial, and managerial resources to waterworks owners. VDH accomplishes this through an integrated assistance program to provide technical, managerial and financial resources targeted to waterworks that exhibit a specific need for assistance. VDH established the following priorities for the DWSRF program:

Long Term

- Protect the public health and welfare by supporting activities that ensure waterworks provide adequate water quantity and quality to their end users.
- Ensure the sustainability of the DWSRF program and related funding to benefit Virginians over the greatest number of years.
- Assist waterworks owners in complying with federal and state mandated drinking water regulations through programmatic, technical, and construction assistance.
- Assist waterworks owners to develop long-term strategies for sustainable infrastructure (managerial, technical, and financial capability) to provide safe drinking water.
- Assist waterworks owners in the protection of their source waters by supporting source water protection programs.
- Make technical and financial assistance available to waterworks owners and consumers through effective outreach programs.

Short Term

- Allocate DWSRF Program funds efficiently so Virginians may realize a prompt benefit.
- Assist waterworks owners through innovative and effective technical assistance programs.

- Promote consolidation and regionalization of water supplies and waterworks through both programmatic and construction assistance.
- Provide a source of low cost financing for drinking water needs.
- Require that all new Community and Nontransient Noncommunity water systems beginning operation after October 1, 1999, demonstrate the technical, financial, and managerial capacity required to operate a waterworks.
- Ensure that state operator certification regulations meet EPA national requirements.
- Ensure training courses are provided that meet the needs of classifications of licensed operators at small waterworks.
- Demonstrate compliance with the capacity development authority, capacity development strategy and operator certification program provisions in order to avoid withholdings.
- Maintain unliquidated obligations (ULOs) at or below the national average of 10%. The ULO is the unexpended balance remaining from the amount of federal funds EPA obligated to an individual state/recipient which has not yet been “drawn down”.
- Maintain program pace at or above the national average of 89%. Program pace is a ratio of the dollar value of closed loans/binding commitments to the total dollars available for projects in the Fund. VDH will use 90% for a pace target for this fiscal year.
- Enter into binding commitments for projects that will proceed to construction or award of construction contracts within twelve months of initial offers of assistance.

IV. Program Implementation

VDH manages the DWSRF Program to maximize benefits available to waterworks owners and Virginians. VDH frequently reviews the Program effectiveness and makes necessary revisions to ensure continued financial sustainability, integration with the Public Water System Supervision Program (PWSS), and success operation.

A. Important Program Changes

VDH notes the following important changes (or continuations) implemented in the Program:

1. VDH is requiring **Asset Management Plans/Capital Improvement Plans** for all DWSRF applicants that have not completed one. This will promote responsible asset management and help to address the issue of aging infrastructure. Depending on availability of funds, VDH may make principal forgiveness funds available to assist those waterworks in need of completing a plan.
2. VDH completed our preliminary review of **small projects** (project budgets less than \$300,000) and made the following determination based on project readiness: VDH would not offer funding to any owner with more than two open/incomplete DWSRF projects to allow owners to focus efforts on completing open previously awarded DWSRF projects. As in prior years, VDH reserves the right to by-pass any open project that has not executed the assistance agreements/initiated construction within 12 months of the original award date. As evidenced by the multiple open projects, timely project loan closings and completions challenged some waterworks.. Owners could expedite project closing or reprioritize their projects (and request withdrawal or bypass) to reduce active projects to less than three. Where after, VDH will reconsider making new offers. These bypassed projects will remain on the PPL with intended offer amounts in the event the owner can reduce the number of projects.

3. **Small projects** (less than \$300,000) special offers: The funding package under this special program is 100% as principal forgiveness (PF) (grant funds). To qualify for this offer, VDH requires closure of the principal forgiveness loan within 12 months of the offer letter.
4. **Lead Service Line replacements special offers:** In an effort to accelerate the removal of lead exposure to drinking water, the DWSRF Program has made funding available for the complete removal of the public and/or private portion of the LSLs. The funding package under this special program (continued from last year) is 100% as principal forgiveness (PF) (grant funds). To qualify for this offer, VDH requires closure of the principal forgiveness loan within 12 months of this offer letter.
5. **Capacity Building Program or Expedited Closing Program.** Projects may be eligible for an additional interest reduction of **0.2%** under this special program. To qualify for the Capacity Building Program, VDH requires a commitment to adjust rates to ensure minimum compound revenue increases of 2%¹ each year for the next five years. To qualify for the Expedited Closing Program, VDH requires loan closings within 12 months of initial offer letters. Letters to waterworks owners instructed them to notify VDH of their interest in participating in either of these special programs in their offer response letters. The intent of these programs is to accelerate loan closings and encourage financial capacity building.
6. **Disadvantaged waterworks:** For simplicity, VDH – ODW eliminated the upper target rate tier of 1.25% of Median Household Income (MHI) in 2017. Since that time, VDH is only using the **1% of MHI as a determinant for target rates**. Disadvantaged criteria has been modified as follows: Disadvantaged waterworks are those who meet the following criteria: Currently have or will have after project completion user rates that meet or exceed the target rate or are willing to adjust/raise rates in accordance with a VDH approved schedule.
7. **Projects in the EVGMA only:** To conserve water in the Eastern Virginia Groundwater Management Area (EVGMA) created pursuant to the EVGMA of 1992, VDH reserves the right to give precedence to water projects that do not involve withdrawal of groundwater from the coastal plain aquifer over those projects that do withdraw groundwater in the EVGMA. VDH will only apply this evaluation to any equally ranked projects when both are located in the EVGMA.
8. **PER Requirement Revised:** In 2017 VDH – ODW revised the requirement to have a Preliminary Engineering Report (PER) drafted and submitted with the construction application. The submission (or waiver) of the PER may be made a condition of the award. VDH believes this allows greater flexibility in the Program and may allow the funding of the PER as part of the construction award. A Preliminary Engineering Conference (PEC) is required.
9. **Design Build:** In an effort to better serve our waterworks owners, the DWSRF Program made revisions to accommodate Design Build and other alternative project delivery methods.
10. **Refinance Loans; Rates Near Historic Lows:** Given the extremely low interest rates, VDH encouraged publically-owned systems to consider refinancing local debt obligations related to drinking water infrastructure where construction was started and debt was incurred after July 1, 1993. The typical loan has an interest rate ranging from 1.5% to 2.5% with a 20-year term; however, a 30-year term may be available for disadvantaged.
11. **Improved Funding Chances:** All waterworks owners with eligible projects were encouraged to apply. VDH's Program was able to offer funding to **all** eligible construction projects with

¹ Alternatively, owners may commit to using an inflationary linked index such as the Consumer Price Index (CPI) or the Personal Consumption Index (PCE).

completed applications in state fiscal years 2018, 2017, 2016, 2015, and 2014. VDH will attempt to offer funding to all eligible project applications recognizing that some may decline offers and withdraw from the program.

B. Coordination with Enforcement

VDH coordinates efforts between the Capacity Development Program, the Financial and Construction Assistance Program (FCAP), the ODW Field Office staff, and the ODW Enforcement section utilizing EPA's Enforcement Targeting Tool (ETT) to identify noncompliant waterworks with health-based violations. Owners with violations for monitoring, operator certification, or other non-construction related issues are typically not included. Staff contact waterworks by letter or telephone of available DWSRF opportunities approximately one month before the application deadlines and encourage them to apply. The scoring matrix awards additional points for those owners that apply for construction funds that will resolve ETT related issues. Projects with higher ETT scores get higher priority.

C. Coalfield Water Development Fund (CWDF) Program

A unique feature of the Virginia DWSRF Program is the federal statutory language allowing a pilot demonstration project in Southwest Virginia. The Commonwealth made loans to a regional endowment, with the loans repaid using terms and conditions in the same manner as all other project loans. VDH invests loan funds with proceeds used to assist communities in Southwest Virginia in correcting water infrastructure challenges. The SDWA authorizes Virginia to establish a special demonstration project to loan funds to a regional endowment for "...financing new drinking water facilities..." in an area of Southwest Virginia encompassing Planning Districts 1 and 2 (includes Lee, Scott, Wise, Dickenson, Buchanan, Russell, and Tazewell counties). The SDWA established this endowment to assist meeting the special needs of the Coalfields area of Southwest Virginia. In the funding years 1997 through 2000, VDH elected to provide a total of \$10 million from its capitalization grants as loans to the endowment. The endowment reached its goal and VDH can provide no additional funding.

D. Financial Health

The programs financial health is reflected in both the active non-construction activities and in funding opportunities. Both areas are integrated and affect the other's success, i.e. activities promoting or enhancing delivery of a safe drinking water reduce the demand on the loan area by ensuring the long-term wellbeing of the waterworks. VDH will maintain the DWSRF (the Fund) in perpetuity for providing financial assistance as authorized and limited by the SDWA. The Fund includes state match, interest earnings, Federal grant dollars, and repayments of principal and interest on loans received.

E. Program Coordination

VDHs program coordination will maintain the two areas of non-construction and project loans with the overall long-term financial health of the program maximizing the benefits for Virginians. VDH – ODW utilizes strategic coupling of programmatic considerations with the results of a planning model that examines the aggregate effects of altering financial parameters of the program. VDH – ODW will revise or implement procedures, as needed, based on the results of the annual assessment.

F. Disadvantaged Program

The Disadvantaged Program is described in VDH's *Program Design Manual*. Loan subsidies (in the form of below market rate loans and principal forgiveness loans) will decrease the loan funds available.

However, principal forgiveness coupled with a waterworks business operations plan and a requirement to implement rate adjustments will reduce demand on principal forgiveness/grant funds by ensuring long-term financial well-being of the waterworks. The waterworks business operations plan ensures a new (or struggling) owner has the managerial, technical, and financial capacity to provide for the long-term operation of the waterworks. These initiatives allow waterworks to undertake projects they could not otherwise construct and, therefore, protect the public health. This strategy is one of the strong themes encouraged by Congress.

V. Sources and Uses of Funds

VDH will be applying to EPA for an approximate amount of \$18,200,000 DWSRF capitalization grant. VDH anticipates this as the amount Virginia will be eligible to receive under the DWSRF FY2020 appropriation. The final funding amount will be determined by Federal Appropriation and announced at a later date. Recent DWSRF capital grant amounts varied between \$13.6M to \$18.1M.

VDH has evaluated the need to issue leverage bonds to meet program demand and is taking a multi-year perspective. Under Virginia's leveraging structure, the Virginia Resources Authority (VRA) will sell bonds to provide the necessary funds to fully meet the requests approved by VDH for drinking water loan assistance. The leveraging structure and cash flow analyses will be available to the U.S. EPA prior to any bond issuance.

As permitted by Congress in legislation approved in 1997, Virginia intends to cross-collateralize bonds sold for the Clean Water Revolving Loan Fund and the Drinking Water State Revolving Fund. The purpose is to enhance the security of bonds sold for both programs, thereby improving the credit rating and reducing the cost of funds. This allows both programs to meet program capacity demand and pass on the best possible interest rates to its borrowers. The revenues from loan repayments in each program are pledged first to the allocated portion of bonds for that program. After program revenues pay debt service on its portion funds, excess funds may cover a revenue deficiency in the other program. Given the loan portfolio quality, robust coverage in each program, and established financial management practices, implementation of this provision is highly unlikely. The cross-collateralization of the two programs provides an efficient mechanism to initiate a leverage program for the Drinking Water State Revolving Fund.

A. Sources of Funds

Virginia's required 20% state match for the capitalization grant, approximately \$3.6 million, is deposited into a dedicated state loan fund, the *Virginia Water Supply Revolving Fund* (§62.1-233 et seq.), established under the *Code of Virginia*. A funding summary is provided as [Attachment 4](#).

Also specified in the *Code of Virginia*, and in conjunction with a VDH Memorandum of Understanding, are roles and responsibilities for the Virginia Resources Authority (VRA) pertaining to individual construction loans and processes. EPA allows states to charge a reasonable fee to administer the DWSRF Program. VDH reserves the right to apply a \$6,000 loan-closing fee on select projects. VDH can add this fee to the principal of the loan. VDH may designate part of the interest on a loan (from zero to 1.5%) as an administration fee and used by VDH for the administration of the program. Except for the origination and admin fee, all other repayments funds will return to the Fund for use on future construction or refinance projects. VDH will deposit collected fees in a separate, non-project account and use only for administration of the DWSRF Program.

B. Construction Projects

VDH intends to provide approximately \$26.4 million in DWSRF construction funds (from the cap grant, state match, and repaid interest and principal – see [Attachment 4](#)). The PPL ([Attachment 1](#)) identifies the VDH construction projects to receive dollars for funding in priority order, with funding breakdowns and other relevant project information. The \$26.4 million in funding currently represents priority projects. The current PPL reflects \$26.4 million in funding assistance offered; however, VDH will adjust this total based on EPA funding, applicant responses, project readiness in accordance with DWSRF criteria, changes in project scope, and/or actual construction bid results. VDH will utilize available SRF funds from prior year grant awards, repayment funds, make phased awards should any additional funds be required.

EPA established certain requirements and goals for use of the DWSRF funds for water infrastructure construction. VDH has captured the funds provided in support of these requirements and goals in [Attachment 2](#).

1. Loan Terms and Fees

Under the DWSRF Program, the repayment period for loans is 20 years or the life of the asset financed (whichever is less). The interest rate is set to equal one percent below the prevailing “AA” market rate at loan closing. Recent loan closings have been between 1.5% and 2.5% interest.

Terms may include principal forgiveness, lower interest rates, and 30-year term loans for those recipients whose projects qualify as “disadvantaged”. See the DWSRF Program Design Manual for details and the proposed changes above.

2. Additional Subsidization

The DWSRF requires that no less than 20% of the capitalization grant amount and no more than an optional additional 30% of the capitalization grant amount be provided in the form of subsidies. These may be negative interest rates, principal forgiveness, grants, or any combination of these. The VDH does not intend to provide any funding as negative interest rates or grants; however, principal forgiveness will be provided for eligible projects. The PPL, shown in [Attachment 2](#), identifies the amount and percent of the capitalization grant provided as principal forgiveness loans, to the projects that ranked high enough to fund. Any subsequent revision to this PPL will likewise demonstrate that between 20% and 50% of the capitalization grant will be provided via principal forgiveness loans. See [Attachment 2](#).

3. Green Infrastructure

Water efficiency, energy efficiency, green infrastructure, and/or other environmentally innovative activities are optional to receive funds under the DWSRF. VDH will attempt to meet EPA’s goal of 20%. The efficiency projects VDH expects to fund are shown in [Attachment 2](#)

4. Assistance to Small Communities

All states are required to provide, to the extent possible, a minimum of fifteen percent (15%) of funds available annually for loans to small systems. Small systems are those that serve fewer than

10,000 persons. The amount of funds VDH expects to be able to provide to small systems is shown in [Attachment 2](#).

5. Emergency Projects

VDH may bypass one or more projects identified in this IUP to provide funding for an emergency project where an imminent and severe public health or water quality problem exists, that requires the immediate construction of facilities to eliminate an existing potentially hazardous condition. Emergency projects are described in the DWSRF Program Design Manual.

VDH may fund a project not on the current PPL only if it meets the emergency criteria. Emergency projects are expected to meet requirements for technical, financial, and managerial capacity, environmental review, and other cross-cutting Federal authorities as applicable prior to funds being disbursed.

6. Project Requirements

All projects must meet requirements for adequate technical, financial, and managerial (T, M, F) capacity, federal super cross-cutting authorities (i.e. Davis-Bacon Wage Act, American Iron and Steel provisions and Disadvantage Business Enterprises), and DWSRF program requirements. Projects designated by VDH as “equivalency” will be required to meet additional federal cross cutters such as Single Audit and other reviews prior to fund disbursement. VDH reviews each project to ensure requirements are met prior to loan closing. Staff will review phased projects or those identified as design-build to ensure all requirements are met before funds are disbursed.

7. Project By-passes

In order to meet the established goals, conditions, and requirements of the DWSRF capitalization grant, VDH reserves the right to bypass higher ranked projects identified in the PPL. Projects may be by-passed in accordance with the DWSRF Program Design Manual and in compliance with EPA requirements due to the owner’s inability to meet Program requirements in a timely manner. Any previously bypassed project identified on an IUP will be given consideration for future SRF loan funding.

8. Revisions to the Project Priority List

During any subsequent revisions to the PPL, VDH will attempt to meet all EPA requirements including overall grant award conditions. It must be recognized that this is a challenge as VDH will not know the amount of the grant allocation for Virginia until May or June of 2020.

C. Set-Asides:

The set-asides are four categories of non-project funds that are “set side” and used for specified purposes, up to a maximum amount allowable by federal statute. VDH determines the level of set aside funding, each based on the activities and projects proposed by VDH staff, waterworks owners, and public input under each funding year. [Attachment 3](#) to this IUP lists the suggested uses of set-aside funds proposed during the solicitation or public input phase of IUP development. An overview of major funding initiatives for the set-aside funds is given below. VDH reserves the right to utilize any unrequested available funds out of the 4, 2, and 10 percent set-asides in future years if needed.

1. Administration and Technical Assistance:

The entire 4% available and allowed for the current year will be requested.

Administration – These funds will support the administrative functions of five DWSRF staff members: the Project Officer, the Financial and Construction Assistance Program (FCAP) Division Director, the Project Team Lead, a Project Engineer and the Environmental Review Technician (for conducting environmental reviews related to the State Environmental Review Program and reviews of federal and state environmental impacts related to SRF construction funded projects). Remaining DWSRF staff members are identified in the State Program Management (10%) section.

Other administrative costs pertain to the review of applications and selected projects, application workshops, environmental reviews, analysis of applicants' ability to repay loans, and VDH travel to meetings sponsored by EPA, CIFA, and others.

VDH provides funding to Virginia Resources Authority (VRA) for credit analysis summaries for each project, project loan closings, funding disbursements, accounting tasks, compliance review of closed loans, and annual audit of the construction loan fund. VDH funds VRA costs with administration fees charged to DWSRF loan recipients. If the administration fees are insufficient to fund VRA, VDH may use a portion of this set aside to cover any additional costs.

Funds also pay for legal assistance in contract renewals/commitments, proportional lease payments, insurance costs, and audit services.

2. Small System Technical Assistance:

Virginia will request the full 2% available and allowed of the Small System Technical Assistance funding.

- a. Funding supports five part-time data entry positions and three inspector positions to cover transient non-community waterworks.
- b. Funding provides for routine travel and for lab equipment and supplies for training classes.

3. State Program Management:

Virginia will request the entire 10% available and allowed set-aside funding for the current year.

a. Public Water System Supervision

- Fund four DWSRF Project Engineers to facilitate technical and administrative project reviews.
- Fund the Employee Training and Development Coordinator to facilitate ODW staff's technical and administrative training.
- Fund six Environmental Inspector positions.
- Fund one position to assist in preparing and processing enforcement actions and monitor compliance for enforcement targeting tool (ETT) and violations reporting.
- Fund the HR/Personnel Analyst to address ODW hiring, retention, continuity planning, and supervisory development.

- Fund the SRF Fiscal Specialist position.
- Fund Statistical Analyst supporting State Environmental Review Program, Source Water Protection Program and other ODW program support functions.
- Fund database development/maintenance.
- Fund the Special Projects Engineer.
- Fund Environmental Health Specialist (GIS) position for working related to Wellhead and Source Water Protection implementation.
- Fund wage positions for support of the DWSRF marketing, data division, and other program support.
- Continue funding for technical training, web casts, website design and development, travel, conferences, on-line training, and meetings for ODW staff.
- Fund the SDWIS development, upgrades, and transition to cloud computing.
- Continue vehicle maintenance for fieldwork.
- Continue funding for replacement copy machines, fax machines, printers, GPS systems, and cell phones.
- Continue lease payments for central and field offices.
- GEC Contracts for SDWIS maintenance

4. Local Assistance and other State Programs:

Virginia is requesting all of the 15% of the available and allowed Local Assistance and other State Program funds, with no more than 10% in a category. Initiatives funded upon prior year grants, as well as newly established initiatives, will continue in this grant performance period.

a. Assistance under Capacity Development:

- Funding the Capacity Development Manager, three Sustainability Coordinators, and one part-time position to develop and oversee all capacity development programs, data collection, and reporting. Expenditures also include travel related to program development, workshops, conferences, and data collection.
- Fund Operator Certification Training Coordinator to conduct training events for waterworks staff.
- Funding the Security Officer.
- Technical Assistance – continuation of funds for Capacity Development Program and project planning grants, to include both construction and non-construction planning. Nonconstruction planning grants are (as examples): Rate and Financial Studies, Asset Management, and Sustainability/Reliability Studies.
- Technical Assistance - Engineering Services Contract(s). VDH has entered into contracts for engineering services through consulting engineering firm(s) to provide small scope project engineering directly to small water systems that do not have the financial, technical and or managerial capacity to retain an engineer. Staff estimates each task order to be between \$15,000 and \$20,000. These projects shall address compliance and/or capacity issues of small public community systems serving less than 10,000 persons. (Approximately \$150,000).
- Receivership Program – no funding requested.
- Direct Technical Assistance - Training to Waterworks:

- *“Management, Methods and Money, Understanding Concepts in Capacity Development”* provides waterworks decision-makers with the basics of operating a sustainable waterworks.
 - *“Establishing a Successful and Sustainable Waterworks: Revenues, Rates, and Funding Short Course”* will assist in full-cost pricing, staffing, and business plan development. *“Distribution System Operators”* Course provides operators with a weeklong course devoted to all aspects of effective operation and maintenance of distribution systems.
 - *“Hands-on Training at a Full Scale Water Plant”* at a full-scale water plant to provide activities related to the full-scale, conventional plant and operator water quality control.
 - *“Contaminants of Concern”* provides operators and waterworks decision makers with information regarding identification and treatment of new emerging contaminants.
 - Distance learning website funding to support the Mountain Empire Community College program.
 - *Small System Applied Math*. Provide specialty seminars and training events for waterworks owners/operators on various topics. VDH contracts Virginia Tech to conduct training and to provide scholarships to training courses for disadvantaged operators/owners.
- Funds also provide for legal assistance in contract renewals/commitments, proportional lease payments, insurance costs, and audit services.
 - Travel costs for Capacity Development Staff and other ODW staff instructors. Travel costs associated with the training events conducted for waterworks.
 - Virginia Tech’s Water Operators Short School Instructors travel costs

b. Wellhead Protection

- Funding for additional staff time directed toward wellhead protection activities by positions funded by other set-asides.
- GIS Source Water Assessment maintenance.
- Funds for use in supplementing existing state efforts to further protect source water.

Contractual – ODW issued contracts to CHA and TetraTech to continue the Source Water Protection Program services

VI. Public Review and Comment

In compliance with the requirement in SDWA sec. 1452(b)(1) to provide for public review and comment, the IUP undergoes public comment via mailings, internet, and a public meeting. The IUP cover letter is also placed in the General Notices section of the Virginia Register. VDH considers all meaningful public input and comments and makes revisions to the IUP and project priority lists if necessary.

The VDH posted this Intended Use Plan under the Financial & Construction Assistance Programs at <http://www.vdh.virginia.gov/drinking-water/>. The Public Comment period closes on Thursday, March

19, 2020 immediately after the conclusion of the Public Meeting. The VDH also provided notice by email of the availability of the IUP to all organizations and individuals on its distribution list.

Thursday, March 19, 2020 is the closing of the public comment period.

The VDH will hold a public meeting to solicit comments and recommendations regarding this IUP on Thursday, March 19, 2020 from 2:00 p.m. – 3:00 p.m. in the VDH's Office of Drinking Water, 6th floor library, 109 Governor Street, VA 23219.

2020 PROJECT PRIORITY LIST

Priority	ID	City / County	Owner Information	Project Name	Project Description	Service Population	Point Total	Designation	Program Type Code	Principal Forgiveness	Project Cost	SRF Amount for this IUP	Cumulative SRF Amount	Notes
1	016	Goochland	Goochland County DPU	Jenkins MHP-County Water Connection	Installing a 4" water meter extension approximately 90-feet to the trailer. The extension would include installing approximately 50' of casing pipe across Rt. 6, installing a master meter and meter box, and installing an RPZ backflow preventer and enclosure.	455	76	H-A	WWSRF	\$126,000	\$126,000	\$126,000	\$126,000	2
2	009	Montgomery	MCPSA	Plum Creek-Bethel-Riner Water System Interconnects Project	Plum Creek-construct approximately 3,100 LF of 8" waterline between State Route 177 and 688 near the city limits of Radford, VA, pressure reducing valve station and related appurtenances. Bethel-construct approximately 4,600 LF of 8" waterline and 21,300 LF of 12" waterline cross country between State Route 11 and 7 Mile Tree Road near mile marker 109, I-81, and related appurtenances. Riner-construction of approximately 21,200 LF of 12" waterline from State Route 658 near mile marker 109, I-81 cross country to State Route 8 at Riner, VA and related appurtenances.	22,202	54	H-C	WWSRF	\$900,000	\$5,812,000	\$5,812,000	\$5,938,000	2
3	037	Wise	Big Stone Gap, Town of	System-Wide Water Loss & Improvements Project - Phase IB	Replacement of approximately 1,850 LF of 8-inch waterline with 8-inch waterline; replacement of approximately 160 LF of 6-inch waterline with 6-inch waterline; replacement of approximately 125 LF of 2-inch waterline; replacement of approximately 200 LF of 3/4-inch service line; reconnect three (3) residential connections; installation of one (1) fire hydrant assemblies; installation of one (1) pressure reducing valve and vault; installation of six (6) master meters vaults; and associated appurtenances.	8,100	46	H-P	WWSRF	\$118,915	\$237,829	\$237,829	\$6,175,829	2
4	001	Wise	Appalachia, Town of	Andover and Wise Street WL Replacement	Reconnect 43 residential connections, replace 1,500 LF of 6-inch waterline and related appurtenances.	133	45	H-P	WWSRF	\$127,777	\$255,553	\$255,553	\$6,431,382	2
5	038	Wise	Appalachia, Town of	Old Bottom WL Replacement - Phases I & II	Replacing approximately 1,260 LF of waterline and associated appurtenances, reconnection of approximately 26 customers in-town, update the Hydraulic Model, and generate an Asset Management Plan.	103	43	H-P	WWSRF	\$187,774	\$375,547	\$375,547	\$6,806,929	2

Priority	ID	City / County	Owner Information	Project Name	Project Description	Service Population	Point Total	Designation	Program Type Code	Principal Forgiveness	Project Cost	SRF Amount for this IUP	Cumulative SRF Amount	Notes
6	019	Smyth	Rye Valley	Rt 16 WL Replacements -Phase II	Construction of approximately 2,500 LF of 6" and smaller water line and reconnection of 18 +/- existing service meters; and replacement of approximately 930 LF of existing 4" line, 1,170 LF of existing 2" line and 420 LF of existing 1" line.	27	32	H-P	VWSRF	\$100,000	\$200,000	\$200,000	\$7,006,929	2
7	044	Wise	City of Norton	Clear Creek Water Line Replacement Project - Phase III	Replacement of approximately 1,600 LF of 6-inch waterline; replacement of approximately 800 LF of 4-inch waterline; replacement of approximately 500 LF of 3/4-inch service line; reconnect nineteen (19) residential connections; installation of two (2) fire hydrant assemblies; and associated appurtenances.	42	52	H-P	VWSRF	\$77,978	\$155,956	\$155,956	\$7,162,885	2
8	020	Highland	Monterey, Town of	Well Systems Control Improvements	Installation of cellular-based SCADA system to automatically control two (2) wells, pressure transducers/transmitters on each tank drainline, flow meters at each well house to measure (totalize) pump flows, sonic water level indicator on both wells, and a SCADA CPU at the Town's wastewater treatment plant to monitor and control tanks and wells.	450	41	H-P	VWSRF	\$107,500	\$215,000	\$215,000	\$7,377,885	3
11	021	Sussex	Waverly, Town of	Water System Improvements	Replacement of approximately 19,000 feet of 2" galvanized waterline, approximately 16,000 feet of 4" waterline, approximately 6,000 feet of 6" waterline and appurtenances, and replace 905 meters and replace Well #3.	1,835	38	H-P	VWSRF	\$500,000	\$4,003,000	\$4,003,000	\$11,380,885	2
12	025	Smyth	Marion, Town of	Phase 5 Water Line Replacement Project	Construction includes 2,900 ft. of 8-inch, 4,930 ft. of 6-inch, 410 ft. of 2-inch, related water line appurtenances, backup 150 KW electric generator, and a sound attenuation enclosure around the generator to reduce noise impact. The construction installation work will be force account by the Town crew.	8,950	50	H-P	VWSRF	\$431,015	\$862,030	\$862,030	\$12,242,915	2
13	003	Lee	Pennington Gap, Town of	Town-wide Water Meter Replacement, Phase II	Phase II entails replacing 800 3/4-inch meters in-kind.	1,840	60	H-P	VWSRF	\$132,975	\$265,950	\$265,950	\$12,508,865	3

Priority	ID	City / County	Owner Information	Project Name	Project Description	Service Population	Point Total	Designation	Program Type Code	Principal Forgiveness	Project Cost	SRF Amount for this IUP	Cumulative SRF Amount	Notes
14	042	Pulaski	Pulaski, Town of	Emergency Generators for Town of Pulaski Water System	Furnishing and installing emergency generators as well as service entrance rated automatic transfer switches and all necessary conduit, cabling, and fasteners at the following pump stations: Ridge Road (25 KW), Pierce Avenue (40 KW) and Calfee (40 KW).	9,473	38	H-P	VWSRF	\$49,300	\$98,600	\$98,600	\$12,607,465	3
16	023	Pulaski	PCPSA	WTP Filter Media Replacement	Replace filter media, inspect and repair underdrains as needed, repair and replace the surface wash agitators as needed, adjust levelness of wash troughs, repair leakage	10,290	30	H-P	VWSRF	\$362,500	\$725,000	\$725,000	\$13,332,465	3
17	004	Amherst	Amherst, Town of	Water Treatment Plant Improvements	Two 60 HP vertical turbine pumps will be replaced in the influent pump station, a new generator and automatic transfer switch will be installed in the influent pump station, four new filter underdrains for existing sand filters, new filter media; new air wash system; new motor actuated valves, replace 10" influent valves; replacement of backwash and finished water pumps; replacement of soda ash feed equipment, replace motor control centers, install five new sample stations in the laboratory; replace two sludge lagoon pumps, new general and transfer switch, construction of new sludge holding tank and pumps; and general repairs on the WTP building.	3,270	29	H-P	VWSRF	\$500,000	\$4,430,000	\$4,430,000	\$17,762,465	2
18	036	Lee	Lee County PSA	St. Charles WL Replacement Project Phase III	Replace existing waterlines with approximately 6,700 LF of 8-inch, 3,200 LF of 6-inch, 4,230 LF of 4-inch, 3,240 LF of 2-inch, 7,930 LF of 3/4-inch waterline, 37 gate valves, 11 fire hydrants, 122 service reconnections, 180 new system-wide radio read meters and associated appurtenances.	293	49	H-P	VWSRF	\$198,972	\$397,943	\$397,943	\$18,160,408	2
19	045	Scott	Scott County Public Service Authority	Weber City Water Main Replacement - Phase 2	Approximately 6,000 LF of 2" replacement water main and appurtenances.	120	41	H-P	VWSRF	\$59,425	\$118,850	\$118,850	\$18,279,258	2
20	013	Tazewell	TCPSA	Capital Imp. Plan Phase II	Rehabilitation of eight (8) existing pump stations, replacement of approximately 1,785 existing water service meters, leak detection equipment, and the replacement of approximately 2,640 LF of 8-inch ductile iron water line with new 10-inch PVC water line along Rt. 19.	16,050	40	H-P	VWSRF	\$500,000	\$2,638,300	\$2,638,300	\$20,917,558	2
22	006	Southampton	Sedley Water Company, Inc.	Sedley, Distribution System Replacement	Installation of 4,090 LF of 3-inch diameter pipe and 20,580 LF of 2-inch diameter pipe. Each of the 178 service connections, pipe, touch read meter and plastic meter box are replaced. A touch read wand and software are required to upload meter data to the water company's billing software.	537	24	H-P	VWSRF	\$386,500	\$773,000	\$773,000	\$21,690,558	2
24	018	Henry	Henry County PSA	Fieldale Service Line Replacement Phase III	Replacement of approximately 3,600 LF of existing lead-jointed cast iron water mains with new 6" line and replacement of existing lead goosenecks and/or galvanized steel service lines with new 3/4" HDPE material for 23 +/- existing customers.	34	35	H-P	VWSRF	\$307,500	\$500,000	\$500,000	\$22,190,558	2

Priority	ID	City / County	Owner Information	Project Name	Project Description	Service Population	Point Total	Design ation	Program Type Code	Principal Forgiveness	Project Cost	SRF Amount for this IUP	Cumulative SRF Amount	Notes
26	010	Russell	RCPSA	Nash Ford/Clinch Mountain Road WL Ext. Project	Approximately 22,500 LF of 6-inch, 3,000 LF of 4-inch, 4,000 LF of 2-inch, fire protection to provide potable water to approximately 54 homes in the Nash Ford community. Also extending public water service into the Clinch Mountain Road community utilizing approximately 5,500 LF of 6-inch, 2,300 LF of 4-inch, 6,500 LF of 2-inch and 500 LF of 1-inch water line.	113	44	H-P	VWSRF	\$500,000	\$1,308,400	\$1,308,400	\$23,498,958	1
27	017	Henry	Henry County PSA	Preston Road WL Ext.	Construction would include approximately 19,600 LF of 12" and smaller water lines and related improvements and closure of two HCPSA well systems (Pine Forest and Eagle Lane).	158	37	H-P	VWSRF	\$500,000	\$2,910,800	\$2,910,800	\$26,409,758	2

NOTES:

Priority Projects 9, 10, 21, and 23 offers were declined or project was withdrawn from consideration at the owner's request. Priority Projects 15 and 25 were by passed due to a lack of Technical, Managerial and Financial (TMF) Capacity. Once the issue(s) is/are resolved, the owner can re-apply for funding for those projects.

1. Project offer was held under readiness criteria. VDH will extend an offer when owner reduces the number of open/incomplete DWSRF projects to less than 3.
Otherwise owner can re-apply next funding cycle.
2. The loan portion of the project will be funded with a 30 year loan (or the design life of the assets) at 2.5% interest.
3. The loan portion of the project will be funded with a 20 year loan (or the design life of the assets) with the interest rate set

Designation Codes:

H - Health (A-Acute, C-Chronic, P-Public)
O - Other Eligible Project
I - Incomplete Application
N - Not Eligible, N/A - Not Applicable

Attachment 2

DWSRF Project Number	CTY/ CNTY	OWNER	Project	SRF Funding Amount	GPR	Assistance to Small Systems	SRF Loan Amount	SRF Principal Forgiveness	Required min. 20% Subsidy	Optional 6-35% Additional Subsidy	Disadvantaged?	Project Population
022-19	Pittsylvania	Pittsylvania County Service	Hwy 58 System Inter	\$ 11,938,000			\$ 11,938,000	\$ -			No	5,824
009	Montgomery	MCPSA	Plum Creek-Bethel-Rin	\$ 5,812,000			\$ 4,912,000	\$ 900,000			Yes	22,202
019	Smyth	Rye Valley	Rt 16 WL Replacement	\$ 200,000			\$ 100,000	\$ 100,000			No	27
042	Pulaski	Pulaski, Town of	Emergency Generator	\$ 98,600			\$ 49,300	\$ 49,300			Yes	9,473
Total ---->				\$18,048,600	\$0	\$0	\$16,999,300	\$1,049,300	\$0	\$0		

Moved from 2019

Estimated- SRF Cap Grant Amount : \$ 17,965,000 100% 0% 0% 0.0% 0.0%

In the event the first project drops out there are sufficient dollars in other projects to meet equivalency requirements. Other projects will be added if necessary.

EVALUATION OF OTHER GRANT REQUIREMENTS AND GOALS

500,000
25%

DWSRF Project Number	CTY/ CNTY	OWNER	Project	SRF Funding Amount	GPR	Assistance to Small Systems	SRF Loan Amount	SRF Principal Forgiveness	Required min. 20% Subsidy	Optional 6-35% Additional Subsidy	Use 30%??	Project Population	20% Subsidy?
016	Goochland	Goochland County DPU	Jenkins MHP-County W	\$ 126,000	\$ -	\$ 126,000	\$ -	\$ 126,000	\$ -	\$ 126,000	Yes	455	\$ 31,500
009	Montgomery	MCPSA	Plum Creek-Bethel-Rin	\$ 5,812,000	\$ -	\$ -	\$ 4,912,000	\$ 900,000	\$ -	\$ 900,000	Yes	22,202	\$ 500,000
037	Wise	Big Stone Gap, Town of	System-Wide Water L	\$ 237,829	\$ 64,131	\$ 237,829	\$ 118,915	\$ 118,915	\$ -	\$ 118,915	Yes	8,100	\$ 59,457
001	Wise	Appalachia, Town of	Andover and Wise Str	\$ 255,553	\$ 5,478	\$ 255,553	\$ 127,777	\$ 127,777	\$ 127,777	\$ -	No	133	\$ 63,888
038	Wise	Appalachia, Town of	Old Bottom WL Replac	\$ 375,547	\$ 4,601	\$ 375,547	\$ 187,774	\$ 187,774	\$ 187,774	\$ -	No	103	\$ 93,887
019	Smyth	Rye Valley	Rt 16 WL Replacement	\$ 200,000	\$ 1,642	\$ 200,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	NO	27	\$ 50,000
044	Wise	City of Norton	Clear Creek Water Lin	\$ 155,956	\$ 850	\$ 155,956	\$ 77,978	\$ 77,978	\$ -	\$ 77,978	Yes	42	\$ 38,989
020	Highland	Monterey, Town of	Well Systems Control	\$ 215,000	\$ -	\$ 215,000	\$ 107,500	\$ 107,500	\$ 107,500	\$ -	No	450	\$ 53,750
021	Sussex	Waverly, Town of	Water System Improve	\$ 4,003,000	\$ 3,120,460	\$ 4,003,000	\$ 3,303,000	\$ 700,000	\$ 700,000	\$ -	No	1,835	\$ 500,000
025	Smyth	Marion, Town of	Phase 5 Water Line R	\$ 862,030	\$ 593	\$ 862,030	\$ 431,015	\$ 431,015	\$ -	\$ 431,015	Yes	8,950	\$ 215,508
003	Lee	Pennington Gap, Town of	Town-wide Water Met	\$ 265,950	\$ 79,622	\$ 265,950	\$ 132,975	\$ 132,975	\$ -	\$ 132,975	Yes	1,840	\$ 66,488
042	Pulaski	Pulaski, Town of	Emergency Generator	\$ 98,600	\$ -	\$ 98,600	\$ 49,300	\$ 49,300	\$ -	\$ 49,300	Yes	9,473	\$ 24,650
023	Pulaski	PCPSA	WTP Filter Media Repl	\$ 725,000	\$ 725,000	\$ -	\$ 362,500	\$ 362,500	\$ 362,500	\$ -	No	10,290	\$ -
004	Amherst	Amherst, Town of	Water Treatment Plant	\$ 4,430,000	\$ -	\$ 4,430,000	\$ 3,730,000	\$ 700,000	\$ 700,000	\$ -	Yes	3,270	\$ 500,000
036	Lee	Lee County PSA	St. Charles WL Replac	\$ 397,943	\$ 5,250	\$ 397,943	\$ 198,972	\$ 198,972	\$ -	\$ 198,972	Yes	293	\$ 99,486
045	Wise	Scott County Public Se	Weber City Water Mair	\$ 118,850	\$ 850	\$ 118,850	\$ 59,425	\$ 59,425	\$ -	\$ 59,425	Yes	42	\$ 29,713
013	Tazewell	TCPSA	Capital Imp. Plan Phase	\$ 2,638,300	\$ 2,638,300	\$ -	\$ 1,938,300	\$ 700,000	\$ 700,000	\$ -	Yes	16,050	\$ 500,000
006	Southampton	Sedley Water Company,	Sedley, Distribution Sy	\$ 773,000	\$ 773,000	\$ 773,000	\$ 386,500	\$ 386,500	\$ 386,500	\$ -	No	537	\$ 193,250
018	Henry	Henry County PSA	Fieldale Service Line F	\$ 500,000	\$ -	\$ 500,000	\$ 192,500	\$ 307,500	\$ -	\$ 307,500	Yes	34	\$ 125,000
010	Russell	RCPSA	Nash Ford/Clinch Moun	\$ 1,308,400	\$ -	\$ 1,308,400	\$ 654,200	\$ 654,200	\$ 654,200	\$ -	Yes	113	\$ 327,100
017	Henry	Henry County PSA	Preston Road WL Ext.	\$ 2,910,800	\$ 133,800	\$ 2,910,800	\$ 2,210,800	\$ 700,000	\$ 700,000	\$ -	Yes	158	\$ 500,000
Total ---->				\$26,409,758	\$7,553,577	\$17,234,458	\$19,281,429	\$7,128,329	\$4,726,250	\$2,402,079			\$3,972,665

Estimated- SRF Cap Grant Amount : \$ 17,965,000 147% 42% 66% 39.7% 26.3% 13.4% 22.1%

Estimated- Total SRF Project Funds = \$ 26,310,000

Attachment 3

Set-Aside Suggested Use Schedule

The Virginia Department of Health received these suggestions during the solicitation / public input phase of developing the Intended Use Plan, and considered them in the development of the set-aside portion of the Intended Use Plan.

Item	Name	Suggested Amount	Activity Description	Funded Yes/No	Amount
1	Mountain Empire Community College	\$79,858	To continue development of the on-line distance learning Water Degree Program which provides training, education and certification for drinking water operators.		
2	VA Section American Water Works Association	\$27,500	To provide program administration and training services for the cross connection and backflow training program.		
3	Virginia Tech	\$650,800	Continuation of all courses for operators and owners of waterworks that have already been developed and deployed.		
4	Virginia Tech	\$41,850	Continuations of administrative services for ODW through Virginia Tech CPE including ongoing communications to waterworks operators, survey administration, committee meeting organization, creation of marketing materials, and providing documentation.		
5	Virginia Rural Water Association	\$45,000	Procure leak detection and line location equipment to assist waterworks with system maintenance.		
	TOTAL	\$845,008			\$0

Notes:

Most items are continuations of past suggestions.

Attachment 4

Virginia Drinking Water State Revolving Fund Program Intended Use Plan - Funding Summary with Projected Set-Asides

I. SOURCES

Federal DWSRF Grant Allocation =	\$18,200,000.00	
State's General Fund - 20% match required =	\$3,640,000.00	
<i>SUBTOTAL 1</i>	\$21,840,000.00	\$21,840,000.00
Other sources =		
Interest earned (0945)	\$2,000.00	assumed
Interest earned (VWSRF)	\$300,000.00	assumed
Repaid principal to June 30	\$8,300,000.00	assumed
Repaid interest to June 30	\$1,600,000.00	assumed
	\$10,202,000.00	assumed
<i>SUBTOTAL 2</i>		\$10,202,000.00
RECAPTURE from unused In-kind funds	\$0.00	
		\$0.00
<i>Grand Total Funds Available =</i>		\$32,042,000.00

II. USES for Set-asides

Cat.	Maximum %	Name	Percent chosen	Current Grant Amount
1	2%	Small System Technical Assistance	2.00%	\$ 364,000.00
2	4%	DWSRF Administration & Tech. Assistance	4.00%	\$ 728,000.00
3	10%	State Program Management	10.00%	\$1,820,000.00
4	15%	Local Assistance and other State Programs	15.00%	\$2,730,000.00
Total =			31.00%	\$5,642,000.00

III.

USES for Loan funds			
Federal Allocation =	\$18,200,000.00		
minus set asides	\$5,642,000.00		
Federal loan funds	\$12,558,000.00	77.528%	Federal share
plus 20% match required =	\$3,640,000.00	22.472%	State share
SUBTOTAL		\$16,198,000.00	
plus Other state funds =	\$0.00		
SUBTOTAL		\$16,198,000.00	
plus other sources =	\$10,202,000.00		
SUBTOTAL		\$26,400,000.00	
plus Recapture from unused in-kind	\$0.00		
TOTAL Amount Available (less Set-Asides)		\$26,400,000.00	
Balance available for individual project loans and subsidies =		\$	26,400,000.00
Subsidies -- not less than 20% nor more than 30% of grant to be used =		\$	3,640,000.00
Loans (max) =		\$	22,760,000.00
Total =		\$	26,400,000.00