

# Financial & Construction Assistance Program (FCAP)



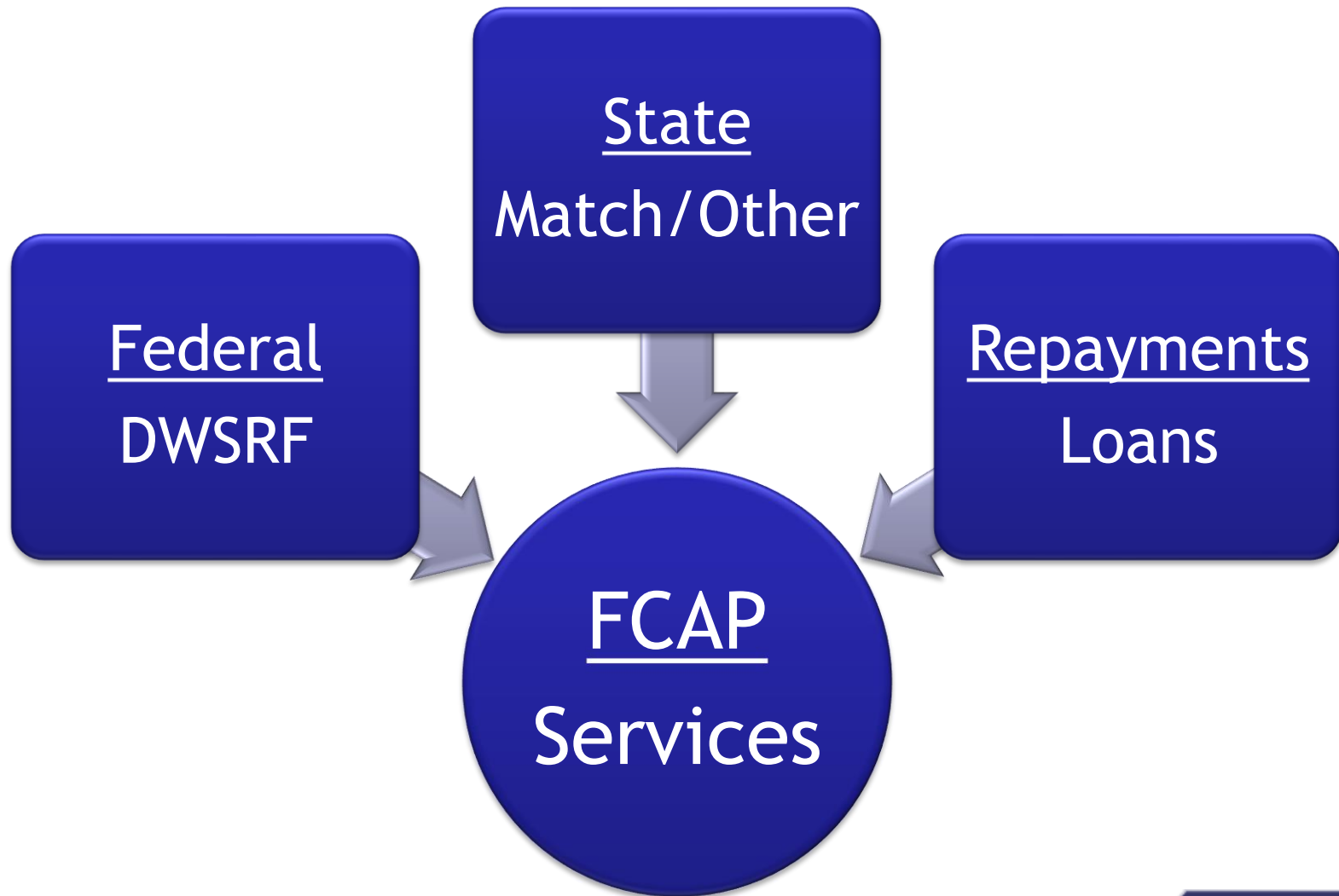
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September 2025

# What is FCAP

- The 1996 Amendments to SDWA, Section 1452, created the DWSRF program.
- Provides Financing (low interest loans & grants) to waterworks
- Financing for waterworks construction projects
- Priority for projects addressing public health or compliance problems
- Not just for problem waterworks, financing is also for those doing everything right

# FCAP Sources of Funding



# Typical Projects

## Construction Projects

- Funding about 20 - 25 projects annually
- Target project size is about \$3-6 M.
- Largest Leveraged project = \$37 M
- Largest Non-Leveraged project = \$14.5 M

# Funding Terms FCAP

## Core Program Terms

- 20-year loan term
  - Interest rate is 1% below the municipal bond market rate.  
(Currently 3.15% to 3.30%)
  - Rates updated at VRA website  
[Drinking Water State Revolving Fund -  
Virginia Resources Authority](#)  
[Virginia Resources Authority](#)

# Funding Terms FCAP

## VDH disadvantaged designation:

- 30-year term,
- Interest rate is 0.5% below the municipal bond market rate.  
(Currently 4.10% to 4.20%)
- Principal forgiveness (grant) funds may be available if Disadvantaged criteria met

# Disadvantaged Designation Criteria

- The annual target residential user rate is defined as 1% of the **Median Household Income (MHI)** from the project area that benefits from the project.
  - Need to use the latest US Census Information to obtain MHI
  - Use FCAP's template located on our website to calculate the average monthly residential water user rate.
  - This template asks for actual billing data to determine the average monthly residential water user rate.

# Disadvantaged Criteria

These situations may also be considered disadvantaged

- Taking over another waterworks which would be determined to be disadvantaged
- Taking over a waterworks that is considered failing or under performing
- Providing drinking water service to existing unserved areas with public health challenges



# Typical Annual FCAP Cycle

January

FCAP website updated

May 5<sup>th</sup>

Funding Application  
Discussion with Field  
Offices must be complete

June 5th

Application deadline  
(DWSRF Base,  
BIL LSL, GA HB1600)

Sept./Oct.

Funding offers made

Oct./Nov.

Award letters

Nov./Dec.

Initial meetings

# Typical Annual FCAP Cycle

- \*Same application and June 5<sup>th</sup> deadline for DWSRF and GA HB1600 (if GA appropriates funds next year)**
- \*BIL LSL Replacement has a separate application but shares same June 5<sup>th</sup> deadline**

# Typical Annual FCAP Cycle

- \* No Application Fee!
- \*Field Office Scope Review Meeting must be scheduled at least 30 days prior to the deadline for the type of funding the recipient is applying for.
- \*Typical timeline is 3.5 yrs from application to completion

Online at:

<http://www.vdh.virginia.gov/drinking-water/fcap/>

# **FCAP Construction Funding Sources in 2027 (applications due in 2026)**

## **DWSRF Annual Capitalization Grant**

- \$15.4 M (approx.) DWSRF Base Grant and State Match - Pending Federal Budget
- \$15 M (approx.) Loan Repayments
- 30.4 Total from both sources

## **General Assembly House Bill 1600 Funding**

- Currently no way to predict if funding will be available for next year

# FCAP Construction Funding Sources in 2027 (applications due in 2026)

## Bipartisan Infrastructure Law (BIL)

- \$49 M (approx.) for Lead Service Line replacement for FY2025 & an additional \$49 M (approx.) FY2026 not yet awarded
- EPA is reallocating these funds based upon LSL Inventories and the new Virginia Allocation may be lower or higher
- EPA expects to release new allocations soon
- Only waterworks with know Lead Service Lines (LSLs) are eligible for funding

# Construction Loan Eligibility Criteria

- Current or Future waterworks owners
- Community type waterworks
- Non-Profit Non-Community type waterworks
- Political Subdivisions (towns, cities, counties) & Public Service Authorities
- Private/investor owned waterworks

*Any sized waterworks that meets the above criteria is eligible to apply.*

**Not for state, tribal, or federally-owned waterworks.**

# Construction Loan Eligibility Criteria

## Project priorities:

- Correct/prevent public health compliance problems,
- Improve the Technical, Managerial, and Financial (TMF) Capacity of the waterworks, and/or
- Improve reliability, sustainability or resiliency

# Construction Loan Eligibility Criteria

## *Not meant for:*

- *Growth or economic development*
- *Fire protection*
- *Reservoirs (waiver - eligible under certain conditions)*
- *Emergency projects*
- *Waterworks lacking TMF*



# Examples of Eligible Projects

New Construction, repair, replacement or improvement of:



Source, Treatment...



# Examples of Eligible Projects



Monitoring/Control, Distribution,  
Emergency Power, Security...

# Construction Loan Eligible Activities

## Projects Can Include:

- Preparation of Preliminary Engineering Reports
- Development of Plans and Specifications
- Leak Detection Studies and Water Audits
- Asset Management Plans
- Waterworks Business Operation Plans (WBOP)
- Well Drilling and Development
- Land Acquisition/Conservation Easements for Source Water Protection/Development

***These eligible activities can be included as part of the overall Construction Project!***

# Drinking Water Funding Program Details

## Design-Build and Construction Management at Risk

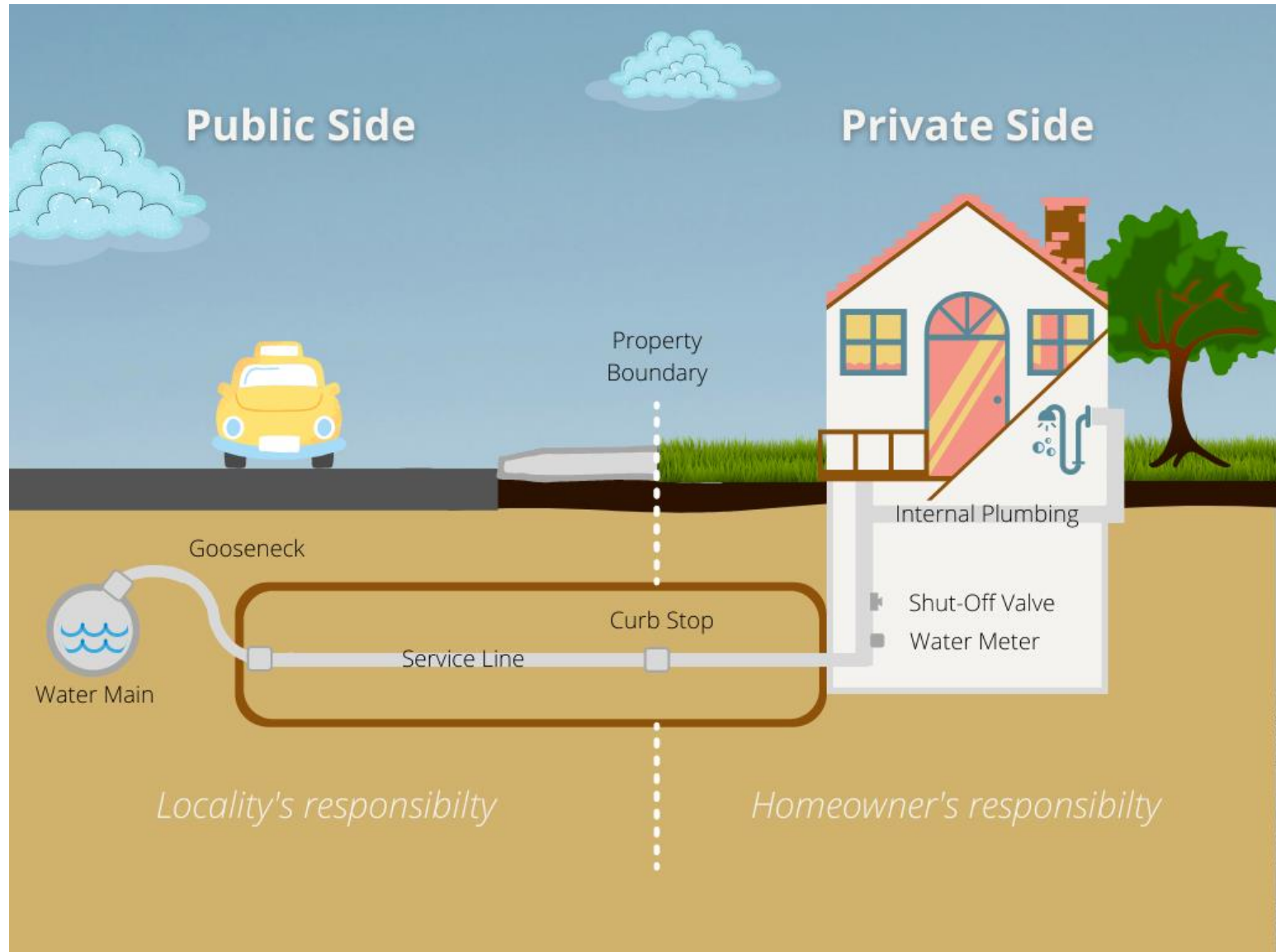
- Design-Build, Construction Management at Risk (CMAR) and other alternative project delivery methods can be funded.
- Locality needs ordinance to authorize alternative project delivery method.
- Early Field Office and Central Office Plan Review Team involvement is critical with this type of project.
- VDH's first design build funded project (\$5.6 M in VDH FY 17 funding). Construction complete.

# Lead Elimination Assistance Program (LEAP) – Revamped LSLR Program



- BIL LSL funds are available for LSL Replacement through the LEAP program
- Lead Service Line (LSL) replacement must be a complete replacement (public and private side of the service line)

# Lead Service Line Replacement Schematic





# Priority Ranking

**As a condition of each EPA capitalization grant  
FCAP must develop a Project Priority List (PPL)**

- Evaluate projects based on an EPA-approved criteria
- Rank projects in priority order
- Offer funding in strict priority order
- Make the PPL available to the public
- Establish a public comment period/meeting
- Address public comments
- Allow for EPA review/approval
- Allowed to by-pass projects
- Unfunded projects are welcome to reapply in subsequent years

# Priority Ranking

## Priority is based on:

- Acute Health issues (e.g. enforcement, BWN, SWTR/TCR violations, GUDI)
- Chronic Health issues (e.g. PMCL violations, lead/copper, ETT>10, disinfection byproducts)
- Public Health (e.g. imp. pressure, reduce leakage, inadequate individual home water supplies, SMCLs, ETT 5 to10)
- Compliance with Regulations



# Priority Ranking

Priority is based on:

- Other Factors:
  - Rates as related to Median Household Income
  - Regionalization
  - Readiness
  - Availability of other funds
  - Projected cost per connection
  - Sustainability/reliability/Green Project Reserve

# However!

While priority is based on Acute, Chronic, Public Health - FCAP has funded many types of projects.

- Aging Water System Infrastructure
- Replacing Critical Water System Assets
- In general - “taking care of what you currently have”

We highly encourage all waterworks owners with eligible projects to apply!

# Drinking Water Funding Program Requirements

- Procurement review - abide by the Virginia Public Procurement Act (VPPA), EPA's MBE/WBE
- Preliminary Engineering Report (PER) and Plans/Specifications
- Environmental Review
- Davis-Bacon Wage Requirement
- American Iron and Steel Requirements (AIS)
- Build America, Buy America (BABA)

# FCAP EPA Priorities

- Continue to prioritize “public health priorities” in our scoring and ranking
- EPA wants FCAP to prioritize closing loans within 12 months of Award and complete construction within 3 years.
- Need to prioritize “Shovel Ready” projects further along in design.
- EPA may push FCAP to bypass lagging projects.

# FCAP Challenges

- Congress continues to reduce DWSRF Base Grant and provide that money to Congressional Earmark projects
- All Bipartisan Infrastructure Funding (BIL) has now been awarded except for remaining LSL replacement funds that are pending reallocation from EPA

# Questions

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*Suggested Links:*

**ODW Financial and Construction Assistance Program (FCAP) Website**

[www.vdh.virginia.gov/drinking-water/fcap/](http://www.vdh.virginia.gov/drinking-water/fcap/)