



STATE OF RHODE ISLAND

FY 2022 INTENDED USE PLAN

in support of the

FEDERAL FISCAL YEAR 2021 CAPITALIZATION GRANT

*To be made available by the Safe Drinking Water Act Amendment of 1996 for
the Drinking Water State Revolving Fund*

I. INTRODUCTION

This Intended Use Plan (IUP) serves as the State of Rhode Island's application for the Environmental Protection Agency's (EPA) Federal Fiscal Year 2021 Drinking Water State Revolving Fund (DWSRF) Capitalization Grant as authorized by §1452 of the Safe Drinking Water Act Amendments of 1996 (the Act). The IUP requests a grant award totaling \$11,100,000 which includes the reallocation of funds made available from the Wyoming State Revolving Fund (SRF). Rhode Island Infrastructure Bank (Bank) agrees to provide, through methods available to it, the appropriate State Matching Funds of \$2,220,000 for the Federal Fiscal Year 2021 capitalization grant. The State Match will be deposited into the DWSRF upon remittance of Federal funds into the Bank's Automated Standard Application for Payments (ASAP) account as required by the Act.

II. THE RHODE ISLAND DWSRF PROGRAM

A. Administration

The entities involved in the application for this Federal Capitalization Grant are the Bank and the Rhode Island Department of Health (RIDOH). The Bank is the designated lead agency of the DWSRF Program (the Program) and is empowered to enter into capitalization grant agreements with the Regional Administrator, to accept capitalization grant awards, and to otherwise manage the fund in accordance with the requirements and objectives of the Act, as established by Chapter 46-12.8 of the General Laws of Rhode Island, as amended.

RIDOH is responsible for establishing assistance priorities; assisting in development of the IUP; establishing project priority lists (PPL); determining project eligibility; performing technical project reviews; monitoring construction; approval or denial of payment; and

determining and implementing the Technical Assistance, Local Assistance, and State Program Management set-aside programs.

B. Planned Program Activities

This Capitalization Grant Application (the Application) is for qualifying projects and set-aside dollars made available to the State of Rhode Island for Federal Fiscal Year 2021.

The IUP, included as Section III.B to this document, outlines the anticipated use of all funding available in the Program and the methods of financing to be used to make construction loans to Rhode Island-based water suppliers.

The current financial structure of the Program is the culmination of extensive modeling and analyses which provides the Program with the flexibility to achieve its short- and long- term goals (see item B, 3., below) within the changing financial, legal, and/or political environment.

The Program has a financing structure flexible enough to meet the needs of the varied types of water suppliers who seek financial assistance while ensuring the financial health of the Program, the Bank, its bond holders, and existing financial assistance programs. The financial structure attempts to maximize the number and volume of loans the Bank can responsibly make to the local communities and water supply authorities while complying with the Act and associated rules promulgated by EPA.

III. CAPITALIZATION GRANT AGREEMENT

A. EPA/Bank Operating Agreement

The Operating Agreement (OA) which establishes a mutual obligation between the EPA and the State of Rhode Island for the oversight of the Program has been in effect since December 1997. The purpose of the OA is to define and integrate rules, regulations, guidelines, policies, procedures, and activities to be followed by EPA and the State of Rhode Island in administering the Program prescribed by §1452 of the SDWA. The OA will continue from year-to-year and will be incorporated by reference into the annual SRF Capitalization Grant Agreement (the Agreement).

The State of Rhode Island agrees that any modifications to this agreement that may be required by EPA regulations, policies, or program guidance, will be made, and implemented where applicable within six months of issuance or on such other schedule as negotiated with EPA. If feasible, such modifications may be discussed at the time of the annual review. EPA agrees that, unless mandated by Federal law, modifications will not apply retroactively, unless agreed to by the Bank.

Detailed information concerning Rhode Island's SRF laws, rules, policies, and procedures are incorporated by reference in the OA. During or before the annual Application submittal process, changes to the OA will be considered and only the materials relevant to the proposed changes shall be submitted for EPA's consideration.

Information which changes from year-to-year is contained in our annual Application and the IUP. Several specific assurances necessary for submittal of an Application are included in the OA. These include an assurance that the State:

- Had the authority to establish the Program and operates it in accordance with the Act;
- Will use Generally Accepted Accounting Principles;
- Will have the Program fund and set-aside accounts audited annually in accordance with Generally Accepted Government Auditing Standards;
- Will commit and expend funds as efficiently as possible and in an expeditious and timely manner;
- Will use funds in accordance with the IUP; and
- Will provide EPA with an annual or biennial report.

Other assurances specific to the award and acceptance of the capitalization grant are noted in the IUP, included as the next section of this document.

As per the OA, EPA agrees to review the Application and take appropriate action within 45-days of receipt of a complete application (including, but not limited to, supporting documentation and certifications and any modifications to the OA, the annual IUP, and proposed payment schedule) in the Regional Office. EPA shall either approve the application and award the capitalization grant or shall notify the Bank in writing of issues requiring resolution. The State of Rhode Island and EPA agree to negotiate promptly, cooperatively, and in good faith to clarify or resolve questions which may arise during review of the Application. The Bank agrees to execute the Capitalization Grant offer within 30 days of EPA approval.

B. DWSRF Intended Use Plan

1. Introduction

The Bank and RIDOH submit to EPA the IUP for the SDWA §1452 funds available to the State of Rhode Island for Federal Fiscal Year 2021. This includes the Federal Fiscal Year 2021 capitalization grant allotment for the State of Rhode Island, which is \$11,001,000, as well as the 2019 reallocated funds of \$99,000 for a total of \$11,100,000. The 20% State Match requirement of \$2,220,000 will be deposited into the DWSRF upon payment of Federal funds into the Bank's ASAP account as required by the Act.

Consistent with the provisions of the SDWA and subsequent amendments to it, the Bank reserves the right to cross-collateralize between the DWSRF and Clean Water SRF (CWSRF). Similarly, the Bank reserves the right to transfer CWSRF funds to the DWSRF as permitted by SDWA. While the Bank has not initiated any such transfers in prior years, to help fund loan demand in the Program, the Bank proposes to make such a transfer in the near term. For this IUP, the Bank proposes to transfer \$7,264,950 from the CWSRF to the DWSRF. As shown in the table below, this amount represents 33% of the DWSRF Capitalization Grant for the FFY 2019 and FFY2020 DWSRF Capitalization Grants:

Table 1

	DW Cap Grant Amount	Transfer eligible to DWSRF	Transfer amount to DWSRF
2019	\$11,004,000	\$3,631,320	\$3,631,320
2020	\$11,011,000	\$3,633,630	\$3,633,630
	Total	\$7,264,950	\$7,264,950

Currently the Bank is evaluating the best option for facilitating the transfer either by (a) transferring uncommitted first use CWSRF capitalization grant funds from the 2019 and 2020 grants or (b) transferring revolved funds. Acknowledging the administrative burden of transferring Capitalization Grant funds, the Bank’s preference is to transfer revolved funds. Once the Bank settles its approach, it will formally notify Region 1 of the transfer and provide necessary documentation required for the transfer.

With the award of the Federal grant, it is the State’s intention to continue a subsidized loan program for eligible publicly and privately organized drinking water suppliers in the State of Rhode Island.

To determine which projects are to be funded by the Program, RIDOH annually prepares the PPL. RIDOH identifies projects to be funded starting from the highest rated and working down to the funding line drawn across the PPL. In addition to the most current PPL, a carryover list is later discussed in this document.

Projects expecting to need funding in the next fiscal year are identified in priority order. RIDOH has developed a “tie-breaking” procedure, by-pass provisions, by-pass for small systems procedure, and emergency projects procedure as part of the Rules and Regulations Pertaining to the Program which are included as Attachment B to this Application.

The PPL was formatted in accordance with EPA requirements of Green Project Reserve (GPR) and the base Program. Although the State chose the option of opting out of the GPR for FFY2021, the format will remain the same in the event the State does not have the option of opting out in the future or chooses to implement GPR.

2. Revision to the IUP

This IUP is based upon construction projects listed on the PPL. Throughout the course of the year, the need may arise to amend this IUP. If projects identified for funding in the IUP are unable to proceed, funding assistance for these projects will be deferred and other projects from the PPL will be selected for funding based on procedures in the priority determination system, readiness to proceed, and availability of funds. Any qualified applicant that has funding assistance deferred will be informed in writing by the Bank.

3. Short and Long-Term Goals

As required by the Act, the Program has identified the following goals. The IUP details the short- and long-term goals that the Bank and RIDOH have developed to support the overall

objectives of the Program of ensuring affordable drinking water, ensuring public health protections, complying with the Act, and maintaining the long-term financial health of the Program.

Both entities will develop and administer all their respective proper rules, regulations and policies to implement the Program. The goals described below are grouped according to short- and long-term objectives and are not listed in any order of Program priority:

Short Term Goals

#1: Endeavor to provide 15% of project funds for assistance to small systems on an annual basis. Continued outreach efforts to small systems to educate and better promote the Program, to maintain a pipeline of projects that are eligible to receive funding.

#2: Develop various work plans for use of specific set-aside dollars.

#3: Coordinate Program activities with other state and Federal activities relating to public drinking water.

#4: Continue to reduce Unliquidated Obligations (ULO) associated with Capitalization Grant awards and work towards achieving EPA's ULO objective.

#5: Promote climate resilience of water systems through coordination and funding of eligible water suppliers.

#6: Prepare an annual report which lists the State's accomplishments for the fiscal year; submit to EPA in a timely manner.

Long Term Goals

#1: To manage the Program in compliance with the SDWA of 1996 (§1452).

#2: Manage the Program to distribute funding to eligible public and privately-organized water suppliers in a timely and efficient manner.

#3: Maintain the Capacity Development Program as per §1420 of the Act.

#4: Maintain a Source Water Protection Program in accordance with § 1453 of the Act.

#5: Maintain a Disadvantaged Community Loan Program for those water suppliers meeting Program criteria.

#6: Assure full compliance with §1452 of the Act and all Federal cross-cutting issues as required by the 1996 SDWA amendments.

#7: Through effective management, provide a self-sustaining funding program that will assist public water systems in achieving compliance with and maintaining the public health objectives of the Act.

#8: Maintain the fiscal integrity of the Program and comply with generally accepted governmental accounting principles to assure continuance of loan funds for future generations.

4. Program Issues and Initiatives

This IUP addresses the sources of funds expected to be available to the Program through State Fiscal Year 2022. The uses of these funds are expected to begin in Federal Fiscal Year 2022. The financing capability of this IUP is based upon the total Federal award, (the FFY2021 grant and FFY2019 reallocation being applied for herein), less the amounts designated for the set-aside programs, plus the State Match when due. Principal and interest repayments to the fund, plus interest and equity earnings will be returned to the fund and recycled. The use of “recycled funds” may be used for Federal direct loans.

To fulfill the proportionality requirement, the State will continue to use the 100% State Match equivalent disbursement method to ensure compliance with the requirement for this and future grants.

The resources available to the Bank are State Match repayments totaling \$2,360,524; De-Allocated List funds totaling \$12,856,142; Revenue fund Release (to Deallocated List; includes interest earnings) totaling \$6,079,370; FFY2021 capitalization grant (minus set-asides) totaling \$7,548,000; and State Match \$2,222,000.

Table II
Resources Available

Resources Available	Amount
State Match Repayments	\$2,360,524
Deallocated List Funds	\$12,856,142
Revenue Fund Release	\$ 6,079,370
FY 2021 Cap Grant (minus set-asides)	\$7,548,000
State Match	\$2,220,000
Bond Proceeds	\$8,000,000
Clean Water Fund Transfer	\$7,264,950
Total	\$46,328,986

As of June 1, 2021, and for the life of Program, the Bank has made ninety-three drinking water loans totaling \$575,061,758. Projects on the draft 2021 PPL total \$802,761,500 and the total amount of projects that can be funded this year totals \$46,328,986; therefore, the Bank estimates its funding gap to be \$756,210,514.

The Bank anticipates closing on the following program loans in FY2022:

Table III
FY2022 Anticipated Loans

Borrower	Loan Amount
Hog Island Water Association*	\$100,000
Village on Chopmist Hill*	\$153,000
Foster-Glocester School District*	\$810,000
Providence Water	\$21,000,000
Westerly	\$2,000,000
Newport Water	\$3,305,000
Total	\$27,368,000

*Small System

To ensure the PPL is not a “wish list” for water suppliers and to get an accurate forecast of the funding needs, RIDOH’s annual solicitation letter requested water systems to only submit projects that will start construction within two years.

Resources will be allocated to long-term subsidized direct loans and/or leveraged loans to local governmental units and privately organized water suppliers in need of financing for identified capital projects. The State will require adherence to all aspects of the Davis-Bacon Act to every funded project. The RIDOH’s Center for Drinking Water Quality requires that EPA’s Attachment 6 Wage Requirements under FY 2012 Appropriations Act become part of the project specifications. Additionally, EPA’s memorandum dated November 16, 2012 Class Deviation Prevailing Wage Interview Interval Requirements are required to be in the specifications as well as in the project files. Furthermore, a copy of the Rhode Island Rules and Regulations Relating to Prevailing Wages (Revised March 26, 2012) are also included in the specifications.

Set-aside monies will be used according to the work plans prepared for each set-aside. Table III estimates the loan potential of Rhode Island’s DWSRF based on the type of financing employed. With this application, the State will be utilizing \$666,000 of the Administrative Set-aside; \$1,110,000 of State Program Management Set-aside; \$1,665,000 of the Local Assistance Set-aside and \$111,000 for the Technical Assistance Set-aside. Set-aside programs are discussed in depth later in this document.

Table IV
Total Capital Grants in the RI DWSRF
Program

FFY	Grant Award	State Match	Set-Asides	Unbanked RIDOH Reserved Set-Aside Authority	Total Capital in the RI DWSRF
1997	\$12,558,800	\$2,511,760	(\$2,260,584)		\$12,809,976
1998	\$7,121,300	\$1,424,260	(\$817,074)		\$7,728,486
1999	\$7,463,800	\$1,492,760	(\$1,221,018)		\$7,735,542
2000	\$7,757,000	\$1,551,400	(\$1,204,679)	(\$982,305)	\$7,121,416
2001	\$7,789,100	\$1,557,820	(\$1,629,929)		\$7,716,991
2002	\$8,052,500	\$1,610,500	(\$2,496,275)	(\$821,133)	\$6,345,592
2003	\$8,004,100	\$1,600,820	(\$2,481,271)		\$7,123,649
2004	\$8,303,100	\$1,660,620	(\$2,573,961)		\$7,389,759
2005	\$8,285,500	\$1,657,100	(\$2,568,505)		\$7,374,095
2006	\$8,229,300	\$1,645,860	(\$2,551,083)		\$7,324,077
2007	\$8,229,000	\$1,645,800	(\$2,550,990)		\$7,323,810
2008	\$8,146,000	\$1,629,200	(\$2,525,260)		\$7,249,940
2009	\$8,146,000	\$1,629,200	(\$2,525,260)		\$7,249,940
2010	\$13,573,000	\$2,714,600	(\$2,171,680)		\$14,115,920
2011	\$9,418,000	\$1,883,600	(\$376,720)		\$10,924,880
2012	\$8,975,000	\$1,795,000	\$0.00		\$10,770,000
2013	\$8,421,000	\$1,684,200	(\$2,021,040)		\$8,084,160
2014	\$8,845,000	\$1,769,000	(\$2,741,950)	(\$44,360)	\$7,827,690
2015	\$8,787,000	\$1,757,400	(\$2,723,970)		\$7,820,430
2016	\$8,312,000	\$1,662,400	(\$1,329,920)		\$8,644,480
2017	\$8,241,000	\$1,648,200	(\$2,477,700)	(\$257,100)	\$7,154,400
2018	\$11,107,000	\$2,221,400	(\$3,443,170)		\$9,885,230
2019	\$11,004,000	\$2,200,800	(\$3,415,240)	(\$225,920)	\$9,563,640
2020	\$11,011,000	\$2,202,200	(\$3,413,410)	(\$220,220)	\$9,579,570
2021*	\$11,100,000	\$2,220,000	(\$3,330,000)	(\$222,000)	\$9,768,000
TOTAL	\$226,879,500	\$45,375,900	(\$54,850,689)	(\$2,773,038)	\$214,631,673

Available Capital: \$214,631,673
Loans Executed: \$575,061,758

* Please note that the \$11,100,000 figure represents \$11,001,000 of the FFY2021 Award and \$99,000 of the reallotment provided by unused funds from the Wyoming SRF.

5. Financial Plan and Structure for the DWSRF

On a regular basis the Bank coordinates with RIDOH, borrowers and our financial advisory firm to evaluate the borrowing needs of the State. The Bank evaluates the need

to issue debt to augment other funding sources such as Capitalization Grant Funds, State Match Funds, Borrower Repayments – all to find the most economically efficient way to meet the needs of water systems and communities. Once an approach is settled upon, the Bank will execute on its finance plan.

a) Loan Terms and Fees

The Program offers an economic benefit to its borrowers in the form of loan interest subsidization. The standard interest rate is $\frac{1}{4}$ off the individual borrower's market rate of borrowing (as jointly determined by the Bank's financial advisor and the borrower's financial advisor). Loans can be up to twenty years in duration and can be structured to meet the repayment abilities unique to each borrower. Loan fees include a 1.0% loan origination fee and a 0.3% annual service fee on the outstanding balance of the loan. Interest is collected twice annually, and principal is collected once annually. The Bank uses fees collected to pay for administration costs and other operating expenses.

b) Additional Subsidization

At a minimum, fourteen percent of the FFY2021 capitalization, and a minimum twenty percent of the FFY2019 reallocation, will be given as additional subsidization to small drinking water system borrowers (total \$1,559,940). Priority for principal forgiveness or grants will be given to small drinking water system projects that are on the PPL list, have a certificate of approval, and are ready to proceed. "Emergency" water quality projects will be given priority regardless of PPL ranking. Each qualifying drinking water small system will be eligible to receive at a minimum \$100,000 in principal forgiveness funds, not to exceed the total project size, subject to the availability of funds. Should there not be enough small system demand, principal forgiveness may be allocated amongst other drinking water applicants.

Further, additional subsidization will be given to water systems deemed disadvantaged as per the State's Disadvantaged Community Program later discussed in this IUP. A minimum six percent (\$666,000) of the 2021 Capitalization Grant award will be reserved for small systems meeting the Disadvantaged Community Program criteria. To date, the FFY2019 SDWA Disadvantaged Communities subsidy requirement of \$660,240 has been utilized by Hillsdale Housing. The Bank and RIDOH are continuing to work with Rural Community Assistance Partnership (RCAP) to provide income surveys to small systems to help the State determine eligibility for disadvantaged funds.

The FFY2019 congressional capitalization grant subsidy requirements have now been fully utilized as shown in Table V.

Utilization of the FFY2020 capitalization grant congressional subsidy has commenced, and utilization of the SDWA Disadvantaged Communities subsidy is ready to commence. Full utilization is anticipated by the Summer of 2022.

**Table V
Principal Forgiveness Utilization**

Loans Using FFY19 Cap Grant PF - SDWA Disadvantaged Communities	Principal Forgiveness Allocation
Hillsdale Housing (FY21)	\$ 660,240.00
Total FFY19 Cap Grant PF Used	\$660,240.00
Balance Remaining	\$0.00

Loans Using FFY19 Cap Grant PF - Congressional	Principal Forgiveness Allocation
Hillsdale Housing (FY21)	\$ 356,079.80
Charlestown Cedars	\$ 936,721.00
Paige Associates	\$ 907,999.20
Total FFY19 Cap Grant PF Used	\$2,200,800.00
Balance Remaining	\$0.00

Loans Using FFY20 Cap Grant PF - SDWA Disadvantaged Communities	Principal Forgiveness Allocation
Total FFY20 Cap Grant PF Used	\$0.00
Balance Remaining	\$660,660.00

Loans Using FFY20 Cap Grant PF - Congressional	Principal Forgiveness Allocation
Paige Associates	\$ 28,008.80
Total FFY19 Cap Grant PF Used	\$28,008.80
Balance Remaining	\$1,513,531.20

c) Investment Practices

The Bank has an investment policy for “idle” funds, with most invested in short-term investments until the Bank can allocate those funds into the next pool of borrowing. The Bank, along with its financial advisors, closely monitors investment options. Loan demand can be met using direct loans or leveraged loans. The leveraging ratio for the program is approximately 2x which helps maximize its loan capability by issuing revenue bonds to meet the funding need.

d) Method of Distributing Funds

The Program will provide loans for up to 100% of eligible project and finance costs, consistent with Federal limitations on the use of Program funds, with RIDOH determining the eligibility based on Federal eligibility guidelines. RIDOH has developed the project priority determination system and has prepared the PPL for this fiscal year. The Bank will fund projects on the approved PPL based on the order in which they appear and readiness to proceed to the extent that the borrowers access the fund. Periodic mailings and notices of funding availability have been provided to all eligible borrowers.

Currently, the Bank and RIDOH are structuring loans and project approvals for several projects around the State.

The Bank and RIDOH will take several factors into consideration when determining which projects from the PPL will be funded by the Program. These factors include:

- Project will provide a necessary health benefit in accordance with the Act;
- Water supplier will make an application for financing;
- Water supplier has the financial, managerial and technical ability to apply for, receive and repay the loan; and
- Projects are ready to proceed at the time of financing availability.

6. Project Priority System

RIDOH utilizes a point system to rank the order in which eligible drinking water projects will receive funding from the Program. Projects which address acute public health issues will receive highest priority. The next priority is given to projects that address chronic and long-term public health issues. The ranking criteria also consider issues related to compliance with the Act, infrastructure upgrading and replacement, and the need for assistance based on affordability.

Each year, all eligible public drinking water systems will be asked to submit information on projects for which they are seeking funding or private funding for the next funding year. The information will be reviewed by RIDOH and then given a priority ranking score based on the ranking system. The eligible projects and their respective information will then be listed in order of priority, highest to lowest, in a PPL. The project list will show the following information: name of system, Public Water System (PWS) ID number, project description, population served, priority point score, anticipated start date, and project dollars to be funded.

7. Activities to be supported

RIDOH administers the set-aside programs targeted towards assisting water supply systems in meeting the broad-based goals of the program. Table III below illustrates the dollars spent on set-aside programs. A discussion of each set-aside program follows:

Table VI
Allotment of Set-Aside Dollars Requested

FFY	Administrative	Technical Assistance	State Program Mgmt.	Local Assistance	Total Set-Asides
1997	\$502,352	\$251,176	\$251,176	\$1,255,880	\$2,260,584
1998	\$284,852	\$0	\$532,222	\$0	\$817,074
1999	\$298,552	\$149,276	\$400,000	\$373,190	\$1,221,018
2000	\$310,280	\$297,566	\$1,579,138	\$0	\$2,186,984
2001	\$311,564	\$0	\$150,000	\$1,168,365	\$1,629,929
2002	\$322,100	\$316,832	\$1,470,601	\$1,207,875	\$3,317,408
2003	\$320,164	\$160,082	\$800,410	\$1,200,615	\$2,481,271
2004	\$332,124	\$166,062	\$830,310	\$1,245,465	\$2,573,961
2005	\$331,420	\$165,710	\$828,550	\$1,242,825	\$2,568,505
2006	\$329,172	\$164,586	\$822,930	\$1,234,395	\$2,551,083
2007	\$329,160	\$164,580	\$822,900	\$1,234,350	\$2,550,990
2008	\$325,840	\$162,920	\$814,600	\$1,221,900	\$2,525,260
2009	\$325,840	\$162,920	\$814,600	\$1,221,900	\$2,525,260
2010	\$542,920	\$271,460	\$1,357,300	\$0	\$2,171,680
2011	\$376,720	\$0	\$0	\$0	\$376,720
2012	\$0	\$0	\$0	\$0	\$0
2013	\$336,840	\$168,420	\$673,680	\$842,100	\$2,021,040
2014	\$353,800	\$221,260	\$884,500	\$1,326,750	\$2,786,310
2015	\$351,480	\$175,740	\$878,700	\$1,318,050	\$2,723,970
2016	\$166,240	\$0	\$831,200	\$332,480	\$1,329,920
2017	\$252,630	\$164,820	\$1,081,200	\$1,236,150	\$2,734,800
2018	\$444,280	\$222,140	\$1,110,700	\$1,666,050	\$3,443,170
2019	\$668,080	\$222,080	\$1,100,400	\$1,650,600	\$3,641,160
2020	\$660,660	\$220,220	\$1,101,100	\$1,651,650	\$3,633,630
2021	\$666,000	\$111,000	\$1,110,000	\$1,665,000	\$3,552,000
TOTAL	\$9,143,070	\$3,938,850	\$20,246,217	\$24,295,590	\$57,623,727

a) Administration

RIDOH and the Bank use the annual allotments of administrative set-aside funds to manage the Program. It is expected that the accumulation of annual administrative set-aside award will outlast the Federal capitalization period, thus assuring adequate revenue for perpetual program administration.

With this application the State is utilizing \$666,000 of the grant request for administrative set-aside costs. The combined needs of RIDOH and the Bank exceed the 4% (\$444,000) allowed for administrative costs. The Bank will be utilizing \$222,000 for various purposes

related to performing its administrative oversight responsibility of the financial aspects of the program. RIDOH will be utilizing \$444,000 to cover expenses incurred in carrying out its programmatic responsibilities for the program. As a result, the State will be utilizing an additional \$222,000 out of the Administrative Reserved Authority. The administration and technical assistance set-aside workplan describes planned funding and uses in more detail and includes a line-item budget.

a) Technical Assistance for Small Systems

The State plans to utilize \$222,000 in FFY 2022 but is utilizing \$111,000 of the FFY 2021 grant request for technical assistance. As shown in Table IV, the State is banking the additional \$111,000 offered with the FFY 2021 capitalization grant because of extra carryover funding from the FFY 2019 and FFY 2020 grants that would extend beyond two years if the full \$222,000 from FFY 2021 were received. This extra carryover is due to vacancies as well as staff activations to the RIDOH COVID-19 response (paid for by COVID-19 funding). Technical Assistance set-aside monies can be used for technical training to the operators of small public water systems specifically targeting operation and maintenance issues including water quality improvement and compliance with the SDWA. The bulk of the Technical Assistance set-aside funding is used to fund contracts to provide engineering services, technical training and outreach. A portion of the set-aside can be used to provide assistance to small community water systems in preparing Consumer Confidence Reports (CCRs). The technical assistance set-aside workplan describes planned funding and uses in more detail and includes a line-item budget.

b) State Program Management

A maximum of 10% of a Capitalization Grant can be allocated for State Program Management (SPM) activities. The State will be utilizing \$1,110,000 of the grant request.

RIDOH uses the SPM set-aside to fund various activities which are mandated by the Act including to:

- Maintain the Capacity Development Program to ensure that water systems have the technical, managerial, and financial capacity to meet existing and future SDWA regulations;
- Fund a portion of the Operator Certification Program;
- Fund a portion of the Drinking Water Laboratory Quality Control and Quality Assurance Officer within the Department of Health; and
- Fund existing drinking water programs including a portion of other Public Water Surveillance Program activities.

The Act requires that states meet specific mandates or risk losing a portion of their federal grant. Failure to implement a Capacity Development Program and/or Operator Certification Program that are at least as stringent as the federal guidelines will result in a state losing up to 20% of their Capitalization Grant each year. The state program management set-aside workplan describes planned funding and uses in more detail and includes a line-item budget.

c) Local Assistance

The State will be utilizing \$1,665,000 of the grant request for Local Assistance activities. Activities include public outreach and education to promote source protection and support water system capacity, water system technical assistance, continued development of a GIS-based groundwater quality database, guidance for contract operators and facility improvement planning. Services and products will be delivered through a combination of office staff and contracted services. The local assistance set-aside workplan describes planned funding and uses in more detail and includes a line-item budget.

8. List of Projects to be Funded

RIDOH, in preparation of its Fiscal Year 2021 PPL, has surveyed water suppliers around the State to gauge interest and readiness to proceed for projects needing funding provided by the FFY2021 Capitalization Grant. A list of potential borrowers, the projects to be funded, the project's ranking score, and estimated dollar amount of the project is provided as Appendix A to the IUP. The PPL was put on notice for public review on May 24, 2021 and can be found on RIDOH's Program webpage.

9. Green Infrastructure

The PPL was formatted in accordance with EPA requirements of GPR and the base Program. Although the State chose the option of opting out of the GPR commencing with FY 2012, the format will remain the same in the event the State does not have the option of opting out in the future or chooses to implement GPR again.

10. Small Systems Strategy

Per the Federal requirement, the State intends to use a portion of the DWSRF capitalization grant as principal forgiveness or grants as discussed in Section 5 B: Additional Subsidization.

All small water systems, serving 10,000 users or fewer, listed on the project priority list will be eligible to receive at minimum, \$100,000 in principal forgiveness not to exceed the total project size, subject to the availability of funds. Small water system projects solving for contamination issues will receive priority for this funding and disadvantaged very small systems, as described in Section 12, will receive priority for additional principal forgiveness or grant funding. Funding decisions will be made by considering their ranking on the project priority list combined with their readiness to proceed.

**Table VII
Borrower Subsidies by System Category**

System Category	Small	Small & Disadvantaged	Very Small	Very Small & Disadvantaged	Disadvantaged only
Interest Rate Subsidy	25%	25% up to 100% (interest-free)*	25%	25% up to 100% (interest-free)*	25% up to 100% (interest-free)*
Principal Subsidy	\$100,000	\$100,000	\$100,000	Up to max project cost, determination made based on Bank criteria	None

The Bank and the RIDOH are committed to providing a targeted approach that involves education, outreach, and technical, financial assistance, and streamlining the processes to provide an enhanced level of service to Rhode Island’s small drinking water systems.

RIDOH contracts with industry partners and vendors to provide services that prepare small public water systems to prepare for infrastructure upgrades, solicit funding, complete projects, and sustain strong financial and managerial practices. As a condition of eligibility, all small systems must have a Facilities Improvement Plan completed either independently or by the vendor with which RIDOH contracts. This document serves as a planning tool for both short- and long-term capital project needs. Additionally, RIDOH contracts with an industry vendor to provide engineering services to small public water systems, which range from completion of engineering plans and specifications to bidding assistance, project oversight, and compliance with federal requirements. RIDOH has a contract in place with a vendor that will provide financial and managerial training to small public water systems. Both the Facilities Improvement Plans and financial and managerial training will be required of any small public water systems receiving principal forgiveness.

a) Education and Outreach

The DWSRF program views customer engagement as a critical step in cultivating and maintaining relationships with its customers. Below are steps that the Bank and RIDOH are undertaking to achieve the small drinking water system requirement:

- The Bank and RIDOH will meet with every small drinking water system that has a project on the PPL;
- The Bank will compile a small drinking water system client list and, on an annual basis, host informational sessions about the Program in partnership with RIDOH;
- RIDOH and the Bank will attend small drinking water system association meetings such as the Atlantic States Rural Water & Wastewater Association, and the Rhode Island Water Works Association;
- RIDOH will proactively market the DWSRF program during sanitary surveys and with systems that are not in compliance with State Drinking Water Regulations; and
- RIDOH, in partnership with the Bank, will proactively reach out to small systems,

that are known to need improvements, during the yearly PPL development process to ensure applications for projects are received.

b) Technical Assistance

- The Bank, in partnership with RIDOH, will hold an annual information session for small drinking water systems to understand the project financing process and to ensure that they understand required Federal reporting requirements and processes for participating in the Program;
- The Bank will design marketing materials specifically targeted towards small drinking water systems;
- The Bank will assist with income surveys to disadvantaged very small systems to assist with the affordability analysis needed when considering additional principal forgiveness commitments over and above the \$100,000;
- The Bank and RIDOH will identify other funding and financing programs that have the potential to co-fund projects with financing;
- The Bank will assist small drinking water systems with energy efficiency technical assistance, such as energy audits through partnership with National Grid's energy efficiency team;
- RIDOH and the Bank will develop a small drinking water system technical assistance guide, including additional grant and financing options; and
- RIDOH will provide direct technical assistance to assist the PWS to complete the certificate of approval process.

c) Streamline and Improve the Process for Small Systems

- RIDOH will create a packet of materials, templates, and guidance documents for the certificate of approval process;
- The Bank will create a packet of materials, templates, and guidance documents for the loan approval process;
- RIDOH will refer systems to FIP and capacity development services once the PPL is finalized.

d) Financing Incentives

- Small drinking water systems will receive preference over other applicants to access principal forgiveness funds.
- To be eligible to receive principal forgiveness, projects must be on the PPL and have a Certificate of Approval. Those projects that are ready to proceed will be given priority. Readiness to proceed will be deemed as having either an RFP for engineering services to design the project, final bids in hand for engineering or construction services, or a signed engineering or construction contract. Emergency water quality projects will be given first- priority regardless of PPL ranking.
- Each qualifying drinking water small system will be eligible to receive at a minimum \$100,000 in principal forgiveness funds (dependent upon project size), subject to the availability of funds.
- Each calendar year, small drinking water system applicants have until December 1st to ensure that they have all their Bank and RIDOH application documentation

and approvals in place prior to the March DWSRF financing. Principal forgiveness allocations will be determined by the Bank prior to December 31st.

- Should there not be enough small system demand, principal forgiveness may be allocated amongst other drinking water applicants.

11. Disadvantaged Community Program

As mandated in the Act, the State of Rhode Island has developed criteria for awarding additional financial assistance to those water suppliers whose service area is determined to be economically disadvantaged. The additional financial assistance will be in the form of increased interest subsidization on Program loans. RIDOH and the Bank submitted the following criteria to all public and community water suppliers in the State and EPA for their review and input in August of 1998:

- To participate in the Disadvantaged Community Program, an eligible borrower must be a community public water system;
- The water supplier must make application to RIDOH for inclusion on the PPL and application to the Bank for a loan in the current year;
- The water supplier must have a service area Median Household Income figure (MHI) less than or equal to the State MHI which is currently \$71,169 (source: 2019 American Community Survey 1-Year Estimates);
- A debt service schedule for a standard Program loan (25% interest subsidy) will be calculated for the project loan being contemplated. The schedule will be added to the water supplier's existing rate structure and the resultant annual user fee, when compared to the service area MHI, must be greater than 0.999 percent;
- The Disadvantaged Community Program will be in effect to the extent monies are available; and
- If found to be eligible for the Disadvantaged Community Program, additional interest subsidies will be calculated as per the following schedule:

User fees with DWSRF Debt Service/Service Area MHI	Subsidy
Less than or equal to 0.999 %	25% interest subsidy
1.000% to 1.249%	50% interest subsidy
1.250% to 1.499%	75% interest subsidy
Greater than or equal to 1.500%	0% interest rate

The Bank and RIDOH will forward the criteria for the Disadvantaged Community Program to any water suppliers in the State who request the information. The Disadvantaged Community Program as presented herein has been implemented and all eligible borrowers will be examined as to qualification for additional loan subsidies.

12. Disadvantaged Very Small System Program

A disadvantaged very small system is defined as a system that serves a population of 1,000 people or fewer and meets the disadvantaged community program criteria.

Disadvantaged very small systems will, at minimum receive \$100,000 in principal

forgiveness or grant funds and be prioritized for additional subsidization subject to availability of funds. Requirements to receive principal forgiveness or grants will include that these very small public water systems have a facility improvement plan (FIP), or agree to participate in the RIDOH FIP program, and that they participate in six to ten hours of financial and managerial training.

Small PWSs classified as disadvantaged may be given additional subsidization for the project to bring the overall water rate closer to being considered “affordable”. Additional interest subsidy will be determined based upon the Disadvantaged Community Program (Section 11) interest subsidy table. The Bank will assist with income surveys to determine affordability for the allocation of additional principal forgiveness or grant funds and at that time determination will be made as to which water suppliers will receive the additional subsidization monies.

13. Emergency Construction Program

The emergency construction fund will provide loans to PWS that have experienced a recent unexpected event that poses a serious threat to public health, welfare, or water supply. Projects must meet the eligibility criteria but do not need to be on the project priority list and are eligible for principal forgiveness. RIDOH has the discretion to determine what constitutes an emergency and can also waive provisions of the standard approval process (including but not limited to competitive bidding, environmental reviews, capacity assessments, and plans and specifications).

14. Emergency Power Generator Initiative

Included in the small water systems comprehensive strategy will be a focus of accelerating improvements, including the installation of emergency generators or renewable energy systems, that will increase the resiliency of small water systems to impacts of extreme weather events. Funding for emergency generators will be available to all eligible systems. The level of financial assistance, including principal forgiveness, will be consistent with sections III.B.11 and 12 of this IUP. All eligible projects that receive a certificate of approval from RIDOH and are ready to proceed may be funded.

15. Assurances and Specific Proposals

The Bank provides the necessary assurances and certifications for the Program as part of the OA between the State of Rhode Island and the EPA. Refer to Rhode Island’s OA for specific assurances regarding the State Environmental Review Process to be completed by the Rhode Island Department of Environmental Management (DEM), agreement to comply with federal cross-cutters, agreement to enter into binding commitments, and agreement to the timely expenditure of funds.

16. Schedule of Payments into the Automated Standard Application (ASAP)

The Program anticipates funding its ASAP account in a manner to be agreed upon by the EPA and the Bank to allow for maximum Capitalization Grant draws as may become necessary. The Program anticipates deposits into the ASAP account for the FFY22 capitalization grant as per the following schedule:

Table VIII
Anticipated Payments Into EPA/ ACH Payment system

Federal Fiscal Quarter	Payment Into ACH	Cumulative Ceiling
Oct - Dec 2021 (22-1)	\$3,700,000	\$3,700,000
Jan - Mar 2022 (22-2)	\$3,700,000	\$7,400,000
Apr - Jun 2022 (22-3)	\$3,700,000	\$11,100,000
Jul - Sep 2022 (22-4)	\$0	\$11,100,000

17. Schedule of Cash Draws from the ASAP

The ultimate method of financing used (e.g., direct loans, leveraged loans or combination) and the anticipated start and completion dates of the projects to be funded will determine an accurate cash draw schedule from the ASAP account. The Bank and RIDOH are cognizant of, and will abide by, all cash draw rules as prescribed by EPA.

18. Schedule of Binding Commitments

In accordance with §1452(g)(3)(A) of the Act, the State of Rhode Island agrees to enter into binding commitments to provide financial assistance to eligible water suppliers. A binding commitment for the Program is defined as that point in time when both a Certificate of Approval for the project has been issued by RIDOH and a loan agreement with the Bank is in place. The State of Rhode Island agrees to make binding commitments in an amount equal to or greater than the amount of each grant payment and State Match that is deposited into the Program within one year after the grant payment.

19. Public Review and Comment

The IUP is subject to review and comment by the public prior to its incorporation into the State of Rhode Island’s Capitalization Grant agreement with EPA. The IUP was put to public notice on June 16, 2021 in the Providence Journal and was simultaneously sent to all interested parties by request.

In the spring, letters were sent out to all eligible systems asking them for new projects for the PPL. The FY 2021 PPL was placed on the RIDOH webpage for public notice on May 25, 2021. As utilities show interest in utilizing the Program, RIDOH revises the PPL yearly so that the utilities may access funds.

20. Audits and Reporting

The Bank and RIDOH are committed to entering data into the EPA SRF Data System to evaluate the benefits of the RI DWSRF Program. The State will continue to adhere to Federal Funding Accountability & Transparency Act (FFATA); MBE/WBE; Single Audit Act and CCR/SAM. The State will also adhere to the requirements that sub- recipients provide a DUNS number prior to receiving a sub-award.

21. American Iron and Steel

On January 17, 2014, Federal Public Law 113-76 was enacted, which added a new federal use of American Iron and Steel (AIS) requirement in Section 436. Subsequent annual appropriations have continued this requirement in all drinking water construction projects. To assure compliance, all loan agreements contain language requiring compliance with the AIS. In addition, RIDOH ensures that the required AIS language is included in all Request for Proposals, and contracts and conducts field verifications for project compliance with AIS.