

Drinking Water State Revolving Fund (DWSRF)

DWSRF Guidance Document Number 24 Loan Forgiveness for School Water Systems

Title 24, Chapter 120, §4763c(j) states "The secretary may forgive up to \$25,000.00 of a loan from the Vermont Environmental Protection Agency (EPA) Drinking Water State Revolving Fund to municipalities for improvements to public school water systems following substantial completion of the project. The Secretary shall establish amounts, eligibility, policies, and procedures for loan forgiveness in the annual state intended use plan (IUP), as required by the Safe Drinking Water Act, 24 USC 300f et seq., with public review and comment prior to finalization and submission to EPA." All municipally owned public school water systems are eligible for loan principal forgiveness under the disadvantaged program.

The following procedures shall be used for implementing this provision.

1. The loan must be to a municipally-owned school that will be regulated as a public water system following project completion under the Water Supply Rule (projects that replace existing school systems with connections to another public water system are eligible projects).
2. The public school water system being improved must be an existing public water system owned by a municipality and regulated as such under the Water Supply Rule.
3. Improvements must meet the eligibility requirements for a DWSRF construction loan and project construction must be completed prior to loan forgiveness.
4. Loans for water system improvements to schools have a maximum term of 30 years, the default interest rate, and an administrative fee of 2%. School system water projects are eligible for up to \$25,000 in principal forgiveness when the following conditions are met:
 - a. System improvements must be completed in accordance with a construction permit issued by the Drinking Water and Groundwater Protection Division (DWGWPD).
 - b. Standard DWSRF procedures must be followed. These include priority list application, loan application, construction requirements, environmental reviews, capacity evaluations, and competitive procurement requirements.
 - c. At the time of loan forgiveness, the water system must be in full compliance with the Water Supply Rule including any operating permit or other compliance schedules. All construction permit conditions must also be satisfied prior to forgiveness.
 - d. Loan forgiveness determinations will be made following construction completion and prior to closing the loan and confirming a repayment schedule.
 - e. There will be no loan forgiveness authorized following the initiation of loan repayments.

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Drafted by: Ashley Lucht, DWSRF Project Lead

Approved by: Terisa Thomas, WIFP Supervisor

Approved by: Eric Blatt, FED Division Director

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