

STATE OF NEW HAMPSHIRE
2023 DRINKING WATER STATE REVOLVING FUND
INTENDED USE PLAN

September 1, 2023



New Hampshire Department of Environmental Services

Water Division

Drinking Water and Groundwater Bureau

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1 DWSRF INTRODUCTION

The 1996 Amendments to the Safe Drinking Water Act (SDWA) created a Drinking Water State Revolving Fund (DWSRF), primarily to provide assistance to public water systems to finance the cost of drinking water infrastructure. In accordance with the U.S. Environmental Protection Agency (EPA) guidance, up to 31% of each year's DWSRF allotment to a state (referred to as the capitalization grant) can be used to promote proactive drinking water protection measures such as: source water protection, capacity development, operator certification, small system technical assistance and program administration. The term setaside is used to describe funds for these non-infrastructure activities. There are four setasides that a state may take from the capitalization grant including: a 2% small system technical assistance setaside, a 4% DWSRF Program administration setaside, a 10% Public Water Supply Program management setaside, and a 15% source water protection/capacity development setaside. The purpose of this document is to explain how the New Hampshire Department of Environmental Services (NHDES) intends to use the DWSRF 2023 capitalization grant funds for each of the three programs – Base Program, Supplemental Program and Emerging Contaminants Program. NHDES plans to apply for the 2023 Lead Service Line Bipartisan Infrastructure Law (BIL) grant in 2024. NHDES will implement the program in accordance with EPA's Operating Agreement.

It is important to note that New Hampshire also has a [Drinking Water and Groundwater Trust Fund](#) (DWGTF) and funding through the [American Rescue Plan Act](#) (ARPA) that provides grants and loans for infrastructure projects. New Hampshire has also created the [Per- and Polyfluoroalkyl Substances Remediation Loan Fund](#) (PFAS RLF), established under RSA 485-H, which provides grants and low-interest loans for public water systems to address per- and polyfluoroalkyl substances (PFAS) maximum contaminant level (MCL) violations that may occur as a result of the PFAS standards. Public drinking water program, DWSRF, and engineering staff support the DWGTF, ARPA and PFAS RLF to both process approved funding in concert with DWSRF provisions and to oversee design and construction of drinking water infrastructure projects.

The intended use of the 2023 capitalization grants for the Base, Supplemental and Emerging Contaminant SRF programs include projects to mitigate PFAS contamination for some public water systems. The use of SRF funds to mitigate PFAS contamination depleted available funding for other important drinking water infrastructure investments. The use of DWSRF funds to address PFAS contamination in this workplan depletes available funding for other important drinking water infrastructure investments associated with emerging contaminants. The use of DWSRF funds to mitigate PFAS contamination is not intended to abrogate, resolve, or relieve the entities that caused or contributed to the contamination of New Hampshire's drinking water and/or other natural resources, or who are otherwise liable for contamination or remediation, from any financial or legal liabilities or obligations. New Hampshire maintains the ability to recoup and recover any SRF funds from liable third parties and intends to reuse and reapply recouped SRF funds to other water systems, sites, and eligible recipients in New Hampshire that have other drinking water infrastructure needs. New Hampshire reserves its direct claims and causes of action to recover any financial assistance provided to recipients from those entities that caused or contributed to the PFAS contamination, or who are otherwise liable for PFAS contamination or remediation.

There are a number of attachments that clarify and itemize how DWSRF funds will be utilized. Attachment A provides the financial status. Attachment B provides details on funding of setaside activities. NHDES solicited projects from community and non-transient/non-profit water systems between April 10, 2023, and June 1, 2023. NHDES received funding requests for 111 projects for over \$292 million dollars. Attachment F provides a listing and description of infrastructure projects that were ranked for DWSRF funding.

This plan has been prepared to inform all of the stakeholders on the intended use of the 2023 capitalization grants for the Base, Supplemental and Emerging Contaminant DWSRF as well as available repayment and prior year capitalization grant funds. It is also a part of the documentation the NHDES must provide to the EPA in order to apply for a DWSRF capitalization grant. For further information on [New Hampshire's DWSRF](#), contact Johnna McKenna in the NHDES Drinking Water and Groundwater Bureau at [\(603\) 271-7017](tel:6032717017) or johnna.mckenna@des.nh.gov.

2 FEDERAL AND STATE REQUIREMENTS OF THE DWSRF

2.1 Leveraging

NHDES does not intend to increase infrastructure project funds by leveraging any portion of the DWSRF. This is consistent with the State Treasurer's policy on leveraging revolving loan funds.

2.2 Administration Fee

An administration fee of 2% of the outstanding principal balance is charged and placed into a separate state account to be used for program administration. For any loan for which the interest rate is less than 2%, the administrative fee shall equal the interest rate. The 2% administration account funds will be utilized for activities associated with administering and achieving compliance with the Safe Drinking Water Act, as well as achieving the DWSRF goals listed in Section 4.2.

Financial Terms of Loans

NHDES will establish the interest rates for all loans on the date of the first public hearing held each federal fiscal year using the 11-Bond Index published online the prior week by [The Bond Buyer](#).

Loan rates are established at the time the original loan agreement is transmitted to the loan recipient based on the loan repayment period selected by the loan recipient. Fixed interest rate charges during the loan repayment period are finalized at the time of the supplemental loan agreement, after project completion in accordance with the DWSRF rules (Env-Dw 1100).

All loans for financing standard projects will be for a term not to exceed 20 years except for loans to disadvantaged systems that may be for a term of up to 30 years, provided that the loan term does not exceed the useful life of the financed improvements.

The chart below provides the current loan interest rates:

Table 1 *Current Loan Interest Rates*

Term	Interest	Current charge rate (as of 8/3/23)
5 years	25% of the IUP Rate	0.875%
10 years	50% of the IUP Rate	1.75%
15 years	75% of the IUP Rate	2.625%
20 years	80% of the IUP Rate	2.8%
30 years (disadvantaged systems only)	80% of the IUP Rate	2.8%

Note: Terms of financial assistance for disadvantaged systems and communities are addressed in Section 3.8.

In addition to interest charges, as required by RSA 486:14,I(b), NHDES shall set aside an administrative fee as noted in Section 2.2.

2.3 Davis-Bacon Wage Rates Requirements

The SDWA requires the application of Davis-Bacon prevailing wage rates on all construction projects funded in whole or in part by the DWSRF. Davis-Bacon applies to construction contracts over \$2,000 and their subcontractors (regardless of the subcontract amount).

To ensure compliance with these requirements, NHDES will confirm that the correct wage determinations are being included in the bid specifications and/or construction contracts. NHDES will also provide assistance to recipients with the specific EPA Davis-Bacon contract language that is to be included in bid specifications and/or contracts. In addition, NHDES will collect certifications of Davis-Bacon compliance from assistance recipients with disbursement requests. Guidance documents have been developed to assist with compliance. Three full-time positions oversee and provide assistance with Davis-Bacon requirements.

2.4 American Iron and Steel Requirements and Build American, Buy America Act

America's Water Infrastructure Act (AWIA) 2022 requires that American made iron and steel (AIS) be used in construction projects funded by the DWSRF. Consequently, NHDES intends to continue to implement this provision in accordance with EPA's guidance and has added language to the loan documents, developed project checklists and guidance documents to ensure the implementation and compliance of this provision.

The new Build America, Buy America (BABA) Act requires domestic sourcing requirements for federal financial assistance programs for infrastructure, including the DWSRF programs. NHDES intends to implement this provision beginning with projects funded on the 2022 Project Priority List and beyond and has added language to the loan documents, developed project checklists and guidance documents to ensure the implementation and compliance of this provision.

2.5 Amount Dedicated to Subsidizing Projects for Disadvantaged Communities/Systems

NHDES intends to meet the grant condition that requires certain subsidy requirements for the Base, Supplemental, LSL and Emerging Contaminant DWSRF. This is further addressed in Sections 3, 4, 5, 6 and 7 of this document. This subsidy will be provided as loan forgiveness. Interim financing for projects will not be eligible for subsidies. Further discussion of the disadvantaged community program is found in Section 3. Attachment I provides a list of 2018-2022 projects and the subsidy amounts. According to the charts, the subsidy requirement will be met for each year. If necessary, adjustments will be made to ensure that the minimum subsidy requirement is met. Provisions for this are outlined in previous IUPs and will be implemented as needed.

2.6 Federal Requirements

The following federal requirements apply to the DWSRF capitalization grant: Single Audit Act (OMB A-133); Disadvantaged Business Enterprise compliance (DBE); Federal environmental crosscutters; Federal Flood Risk Management Standards (FFRMS); and Federal Funding Accountability and Transparency Act (FFATA) reporting. These requirements will apply to all DWSRF loan projects. All projects for all funding sources will be used for equivalency purposes. By doing this, NHDES will ensure that the federal requirements are applied to funds in an amount at least equal to the capitalization grant. In addition, continued demonstration of compliance with the operator certification program will be done to avoid withholding a portion of the capitalization grant.

2.7 Federal Reporting

NHDES will continue the commitment to enter project and benefits data into the EPA SRF Data System. Among other parameters, the reporting systems will evaluate the number of New Hampshire DWSRF projects that provide the following public health benefits:

- i. Achieve compliance with SDWA.
- ii. Maintain compliance with SDWA.
- iii. Meet future requirements of SDWA.

NHDES will enter project benefits information into the SRF Data System by the end of the month in which the assistance agreement is signed. In addition to this reporting, NHDES will continue to produce an annual report, which has been required by EPA since the beginning of the DWSRF Program.

FFATA reporting requirements will be met by reporting to fhrs.gov on 2023 loans in a total amount equivalent to \$4,394,820 for the Base DWSRF; \$16,633,450 for the Supplemental DWSRF; and \$7,640,000 for the Emerging Contaminant DWSRF which is the amount of each capitalization grant going toward projects. Recipients of loans that will be reported to fhrs.gov will be required to obtain a Unique Entity Identifier number and provide any information on highly compensated individuals prior to receiving the loan to enable NHDES to fulfill the FFATA requirements. NHDES will report loans in the order they are made until the reporting requirement is met.

3 PRIORITIZATION OF GRANTS AND FINANCIAL ASSISTANCE

The criteria for prioritizing source water protection and sustainability grant applications are contained in the request for

grant proposals to be provided to EPA.

3.1 Selecting Projects for the Base, Supplemental, LSL and Emerging Contaminant DWSRF

Applications for DWSRF funding were required to submit a preliminary application by June 1, 2023. Projects were identified as being eligible for Base DWSRF, Supplemental DWSRF and/or Emerging Contaminant DWSRF. Applications for LSL replacement projects are accepted at any time. Projects meeting the eligibility criteria for one or more of the DWSRF programs were ranked using the criteria described in this section. Projects were then allocated funding from the applicable four DWSRF programs such that the number of projects with the highest ranking that are funded is maximized. Separate of the ranking process described above, NHDES intends to make water systems aware of grant funding not associated with DWSRF for disadvantaged water systems to address PFAS via a WIIN grant or the state PFAS RLF.

3.2 2023 DWSRF Ranking Criteria

Project priority points (P) will be derived using the following formula:

$$P = (A+B+C+D+E+F+G+H+I+J+K+L)$$

A = Current or Projected Violations of Drinking Water Standards or Trigger Levels

B = Water Source and Supply Deficiencies

C = Pump Station/Water Treatment Plant Deficiencies

D = Storage Deficiencies

E = Distribution Deficiencies

F = Affordability

G = Capacity Development/Asset Management

H = Green

I = Resiliency

J = Consolidation/Interconnection

K = Critical Infrastructure

L = Project Readiness/Synergies

NHDES utilizes a ranking system to prioritize the order in which eligible projects will be financed. Projects are ranked based upon the relative impact of the project in achieving the objectives of the Safe Drinking Water Act and, in 2023, priority will continue to be given to projects in disadvantaged communities. In general, highest priority will be given to projects in disadvantaged communities that facilitate compliance with national primary drinking water regulations applicable to the system under title 1412 or otherwise significantly further the health protection objectives of this title (1452(a)(2)). Projects in need of improved capacity will also be given priority. Although, there is not a requirement to fund "green" projects, NHDES intends to award priority points for certain types of green projects identified in a system's energy or water use efficiency or sustainability plan.

Joint projects that involve two or more applicants, that are seeking funding as one project, will be ranked as one project. Ranking points cannot be double counted, but if one applicant is eligible for points from a particular category (e.g., capacity points) then the whole project is eligible for those points.

Criteria and ranking points are described below. Criteria and points apply to the system applying for assistance. For projects where an interconnection is proposed, points can be awarded for the relief of problems in the satellite system(s).

A = Current or Projected Violations of Drinking Water Standards or Trigger Levels

MCLs are established by the federal or state Safe Drinking Water Act (SDWA) for those contaminants which may be detrimental to public health. Exceedances of these levels in the last year (retroactive exceedances for recently adopted MCLs and the last three years for Inorganic Chemical [IOCs] and secondary contaminants) at community public water systems, of contaminants that will be addressed by the project, carry the following weightings. Points are given for all the following categories that apply to a system and will be addressed by the project:

Table 2 A = Current or Projected Violations of Drinking Water Standards or Trigger levels

Category	Subcategory	Priority Points
a. Total and fecal coliforms	1. Boil order	60
	2. Greater than 2 assessments due to positive coliform (not monitoring or reporting)	40
	3. 1-2 TCR assessments due to positive coliform (not monitoring or reporting)	30
b. Chemical Violations	1. MCL violation or HA/AGQS exceedance	60
	2. Levels >50% of MCL/HA/AGQS or >0.1, <0.3 mg/L Mn	30
c. Filtration or Disinfection related Treatment Techniques	1. Greater than 2 violations	60
	2. 1-2 treatment technique violations	30
d. Disinfection Byproducts MCL violations	1. Greater than 2 violations	52
	2. 1-2 MCL violations	40
	3. LRAA greater than 80% of MCL	20
e. Lead and Copper (At the 90th percentile)	1. Lead levels above 0.010 mg/L	52
	2. Copper levels above 1.3 mg/L	40
f. Secondary Standards	Any exceedance of a secondary MCL(unless exceedance of a primary MCL/AGS for the same contaminant)	20

B = Water Source and Supply Deficiencies

Deficiencies related to water source and supply. The public health and compliance risks associated with water supply deficiencies include quantity, reliability and redundancy. The following priority points may be assigned only for current or recent (within last five years) unaddressed shortages. Projects related to future growth or expansions are not eligible for funding.

Table 3 B = Water Source and Supply Deficiencies

Category	Priority Points
Continual shortage (daily)	36
Shortage during seasonal high use or to meet maximum day demand	34
Shortage of supply due to source impairment	18
Shortage of supply due to operational/mechanical deficiency	16

C = Pump Station/Water Treatment Plant Deficiencies

Design or operational deficiencies which could adversely affect a system's ability to continually provide drinking water which meets SDWA standards and ensure operator safety. Points are given to projects that address deficiencies or recommendations.

Table 4 C = Pump Station/Water Treatment Plan Deficiencies

Category	Priority Points
Deficiencies or recommendations related to SWTR optimization/groundwater under the influence of surface water	26
Confined space pumphouse/other safety issues	18
Deficiencies or recommendations related to treatment optimization of groundwater	18
Deficiencies or recommendations related to pump house identified during sanitary survey	16
Mandated disinfection of groundwater system	14
Inadequate water treatment wastewater disposal (backwash or sludge)	14
Lack of backup power source or transfer switch	5

D = Storage Deficiencies

Storage deficiencies related to quantity and ability to continually meet design standards. Points are given to projects that address deficiencies or recommendations.

Table 5 D = Storage Deficiencies

Category	Priority Points
No or inadequate atmospheric storage capacity	30
Pressure tank deficiency	30
Storage deficiency to meet peak hour demand	15
Other storage tank deficiency or recommendation identified during sanitary survey	10

E = Distribution Deficiencies

Design and operational deficiencies which could adversely affect a PWS ability to continuously provide drinking water that meets SDWA standards. Points are given to projects that address deficiencies or recommendations.

Table 6 E = Distribution Deficiencies

Category	Priority Points
Catastrophic failure of water distribution main	40
Chronic failure of water main	30
Inadequate valving and flushing locations	15
Other distribution deficiencies or recommendations (e.g., pressure issues)	15
New meter installation or upgrade of existing service meters	12

F = Affordability

Affordability is an indicator of a rate payer's ability to afford rate increases that may result from a project. Affordability is determined by a ratio that compares the average water rate to the median household income of the community that is applying for funding. Below is a table which provides points based on this ratio. Only year-round communities will be eligible for these points. The water rates are based on the most recent information compiled by NHDES in its 2023 water rate survey report or from information provided directly by the applicant at the time of the pre-application. The median household income (MHI) is the income data compiled by the U.S. Census Bureau 2017-2021 American Community Survey. The affordability ratio is calculated by dividing the water rate by the community median household income times 100.

Table 7 F = Affordability

Affordability Ratio (Water Rate/MHI)	Priority Points
2.00 or more	25
1.6 to 1.9	20
0.8 to 1.5	15

G = Capacity Development/Asset Management

Public Water Systems are notified of recommended improvements in their sanitary survey report or technical assistance site visit reports and are tracked in our capacity development program. Also, projects identified through an Asset Management/Business Plan (AM) plan are prioritized. Systems on the capacity development list are typically very small systems but are not limited to system size. Points can only be for one category.

Table 8 G = Capacity Development/Asset Management

Category	Priority
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	Points
Project is based on the system's AM plan	20
System is actively being provided technical assistance by NHDES/TA provider. Project addresses a recommendation identified through the NHDES capacity development program.	18

H = Green

Projects that include energy or water efficiency improvements will be assigned ranking points. In general, green projects include, but are not limited to, energy generation, leak repair, pump efficiency, water infiltration/storage projects, high efficiency pumps and motors, variable frequency drives in lieu of throttling valves, or any other activities identified in a NHDES-approved water conservation plan or comprehensive energy or water audit.

Table 9 H = Green

Category	Priority Points
Project is based on the system's energy or water audit	15
Project fixes documented leaks	5
Project incorporates energy or water efficient design elements	5

I = Resiliency

Proposed project will aid in preparation for adaptation to the long-term effects of climate variation or extreme weather. Projects must be consistent with State or Federal climate change studies or statewide resiliency planning documents recognized and supported by NHDES.

Table 10I = Resiliency

Category	Priority Points
Project relocates infrastructure out of a floodplain	15
Project includes improvements based on a climate change vulnerability assessment	15
Project fortifies or elevates infrastructure within floodplain	10
Project improves source water's resiliency to quality or quantity impairment (e.g., developing a new source for diversification)	10
Project improves system resiliency other than source water (e.g., pumps, storage tanks, water main)	5

J = Consolidation/Interconnection

Table 11J = Consolidation/Interconnection

Category	Priority Points
Project will consolidate two or more PWS resulting in the inactivation of at least one PWS	30
Project will connect existing households/private homes with contaminated or inadequate yielding water supplies. (DWSRF cannot fund new construction homes/developments)	30
Project will interconnect 2 or more PWS and supplement water supply between PWS (year-round and/or seasonally)	20
Project will interconnect 2 or more PWS for emergency water supply	15

K = Critical Infrastructure

If the project upgrades, replaces or supplements critical infrastructure components such as sole sources of supply, water treatment plant, storage tanks, transmission mains, river crossings, or other such infrastructure the failure of which could interrupt water service to the entire water system, or a significant portion thereof, then the project will be assigned ranking points.

Table 12K = Critical Infrastructure

Category	Priority Points
Single point of failure, will interrupt service to entire water system	20
Single point of failure, will interrupt service to significant portion of water system	15
Project includes a cybersecurity improvement based on cyber assessment	12
Critical infrastructure with redundancy, operations are affected but service is not interrupted	10

L = Project Readiness/Synergies

Proposed project is expected to result in expeditious use of funds. Projects can receive points for both categories.

Table 13L = Project Readiness/Synergies

Category	Priority Points
Project is coordinated with a lead service line replacement project (i.e., water main replacement concurrently with lead service line replacement)	40
Project has received authority to borrow funds	30
Project has submitted 50% or greater plans to NHDES for review	20
Project is coordinated with another infrastructure improvement “complete streets” project	10

3.3 Project Eligibility

Eligible applicants for project funding include municipal or privately owned community water systems and non-profit organizations that operate public water systems that are non-community but serve a non-transient population such as: schools, hospitals and large workplaces. Community water systems with less than 50% of households whose residents are occupied full time (at least six months of the year) are not eligible for points under Category F and will not receive subsidization.

3.4 Tie-Breaking Procedure

When two or more projects score equally under the Project Ranking Formula, tie-breaking procedures will be utilized. The first tie-breaking procedure is related to long-term financing of the projects. A project that intends to use the DWSRF for long-term financing will receive the higher ranking. If both projects are to use the DWSRF for long-term financing, in order to direct financial resources where they will benefit the greatest number of people, and because the vast majority of New Hampshire’s systems are either small or very small, (statewide, only 18 systems serve greater than 10,000 people) the project with the greater existing population served will receive the higher ranking.

3.5 Bypass Procedure

Because of the need to apply quickly for available federal dollars and the unpredictability of when funds become available, projects that score high but cannot obtain authority to borrow before June 2024, may be temporarily bypassed. Also, a project on the fundable portion of the main list may be bypassed if it is determined that the project will not be ready to proceed for other reasons during the funding year or, there are other funding sources available for the project or, if the cost of the project will prevent the state from meeting the small systems and subsidy requirements. Any applicant whose project is to be bypassed will be given written notice by NHDES. It is NHDES’ intent to work with these systems to assist them in getting ready to proceed. Funds which become available due to the utilization of the bypass procedure will be treated in the same way as additional allotments.

3.6 Emergency Projects

Projects necessary to alleviate emergency situations that result in an imminent threat to public health, such as: the total loss of water supply or loss of a major component due to a natural or unforeseen disaster which could not have been prevented by the applicant (e.g. tornado, flood, severe weather, fire, collapse, emerging contaminant that is acute in nature for some population, etc.), or other water emergencies which could not have been prevented by exercise of

reasonable care by the applicant, can be immediately elevated to the top of the Project Priority List (PPL) at the discretion of NHDES.

3.7 Assistance to Small Systems

A minimum of 15% of the total amount available for assistance from the fund must be made available to provide infrastructure loan assistance to systems serving fewer than 10,000 people. Accordingly, NHDES intends to dedicate at least \$740,700 from the Base DWSRF, \$3,158,250 from the Supplemental DWSRF, and \$1,146,000 from the Emerging Contaminants DWSRF for loans to eligible small systems for eligible infrastructure projects.

3.8 Disadvantaged Community/System Program

NHDES will provide loan subsidies to disadvantaged communities as required by law for the Base DWSRF, Supplemental DWSRF, and Emerging Contaminant DWSRF. This is described in more detail in Sections 2.5, 4.5, 5.5 and 6.3 of this document.

3.8.1 Definition of a Disadvantaged Water System

A disadvantaged community or system includes:

1. Financially Disadvantaged Water Systems—Non-transient public water system or community that serves residents whose median household income (MHI) is less than the statewide MHI (Attachment D) based on the most recent census data and/or income survey. If an applicant for DWSRF assistance meets the definition of “disadvantaged” and if the water rate exceeds the statewide affordability criteria (see section 3.8.3), it may be eligible for subsidies from the Disadvantaged Community/System Program. Subsidies will be available in the form of principal forgiveness. This program only applies to infrastructure projects; and
2. Environmentally Disadvantaged Water Systems - Non-transient public water system or community that is: 1) Affected by environmental pollution, naturally occurring contaminant(s) and/or has lead in the water supply or service lines; and 2) Is at risk for negative health effects due to contamination and/or there is water supply or lead service lines containing lead.

3.8.2 Limitations to Disadvantaged Program Assistance

To qualify for disadvantaged program assistance, at least 50% of the residential units served by the water system must be occupied at least six months of the year. Additionally, to qualify as a financially disadvantaged water system, the population using the water system at least six months of the year must meet the disadvantaged income criterion (i.e. Project MHI < Statewide MHI).

Design only projects and projects requesting interim financing will also not be eligible for disadvantaged system assistance.

3.8.3 Affordability Criteria and Terms of Financial Assistance for Financially Disadvantaged Water Systems

Affordability of a proposed project considers both the water rate (based on usage of 71,996 gallons per household per year) and the MHI of the community system or community in which the system exists. An affordable project is one that results in user rates that do not exceed 0.8% of the system or town MHI. For the purpose of determining the level of subsidy given the applicant through the Disadvantaged Community/System Program, the following process is followed:

Communities or systems requesting a loan that have a MHI less than the statewide MHI (based on the most recent census data and/or income survey), which for NHDES is \$83,449 using the 2017 - 2021 American Community Survey data, are identified and considered disadvantaged. Provided they score enough points to be funded using the previously described prioritization ranking methodology, they will be given a subsidy in the form of principal forgiveness to bring the resulting user rate closer to being considered “affordable.” The level of subsidy is determined by using an Affordability Index, which serves to measure the impact of a project on a disadvantaged community. The index is calculated by dividing the water rate by the community or community system’s MHI. Loans, rates and terms for this program will be the same as those for standard project loans.

3.9 Financial Assistance and Water System Capacity

Prior to funding any project, every effort is made to evaluate an applicant's financial, technical and managerial capacity prior to issuing a loan. This is accomplished by reviewing plans, designs, documents and compliance records, as well as completion of a capacity self-assessment form as a condition of the final loan application. Loans will not be issued to those applicants lacking the necessary capacity to effectively own, operate and maintain their system(s). All projects are required to complete asset management activities for the funded asset including asset inventory and a commitment to an asset management, financing and implementation strategy. A system-wide plan is not required by the DWSRF program although it is strongly encouraged, and technical assistance is provided.

3.10 2023 Infrastructure Projects

The NHDES received 110 eligible applications for new infrastructure projects. For a complete description of each of these 2023 projects and the current PPL see Attachment F.

3.11 Amending the IUP or PPL

Any additions or other substantive changes to the PPL, except projects funded on an emergency basis, or changes to the use of funds from what was originally described in the IUP, will go through a public review process. Final revisions will be submitted to EPA for review and approval.

3.12 Public Review Process

The draft IUP and PPL was sent to each person that submitted a pre-application and posted on the NHDES DWSRF webpage for public comment at least seven calendar days prior to the date of the public hearing. A public hearing was held on August 3, 2023. The deadline for receiving written public comments was August 10, 2023. After the end of the public comment period, the department considered all comments received and finalize the proposed IUP and preliminary PPL by making such adjustments as appropriate based on the comments, including but not limited to revising the number of priority points assigned to a project based on additional or revised information and re-ordering the projects to account for the changed point totals. See Attachment H for a summary of comments.

3.13 Binding Commitment Schedule

Projects on the funded portion of the PPL will receive notification following the public comment period ending on August 10, 2023. Loan recipients have until spring of 2024 to obtain the Authority to Borrow and submit a final application. Once a final application is received final loan agreements will be signed and approved by Governor and Council.

4 BASE DWSRF PROGRAM

4.1 Introduction – Base DWSRF

The amount of the State of NHDES' DWSRF base capitalization grant that is available for FFY23 is \$4,938,000. This grant must be matched with state funds that equal 20% of the capitalization grant (\$987,600). The match was secured in the biennial state capital budget that became effective July 1, 2023. NHDES will not be taking the \$99,000 in FY2021 DWSRF reallocation funds.

The maximum amount of set-asides the state can use from the 2023 capitalization grant is 31% of the award or \$1,530,780. After careful analysis of the benefits and costs of taking the full amount of the set-asides, the state has determined that doing so is necessary to support staff and grant and contract funding needed to fully implement the Safe Drinking Water Act in New Hampshire. Accordingly, NHDES intends to utilize \$98,760 from the 2% technical assistance set-aside, \$197,520 from the 4% administration set-aside, \$493,800 from the 10% program management set-aside, and \$740,700 from the 15% source water/capacity set-aside. The majority of these funds will be used to fund personnel performing eligible activities and associated expenses for the period beginning on July 1, 2023, through September 30, 2024, (when we anticipate receiving our next capitalization grant). Other significant uses of these funds include contracts to improve and maintain data management to accomplish goals related to public water system

supervision, source water protection, improved capacity, water system security, asset management, and tracking compliance with loan and grant requirements. The uses of the remaining prior year setasides that are projected to be available as of July 1, 2023, are also described.

Based on the intended FFY23 setaside usage, there is \$4,394,820 available from the FFY23 DWSRF capitalization grant (including 20% state match) for infrastructure projects. In addition to these funds the state may use up to \$10,000,000 in repayment funds. Attachment A includes a table which summarizes the available project funds. Overall, a total of \$14,394,820 of project funds will be available for new loans. DWSRF base and supplemental loan funds will be capped at \$10,000,000 per project.

4.2 Goals for Infrastructure Projects and Setaside Activities – Base DWSRF

The ongoing short-term and long-term goals are listed below. For 2023, as was the case in previous years, there are some particular goals of high importance that continue to be so. These goals include:

- **Keep un-liquidated loan obligations (ULOs) low.** ULOs are the capitalization grant funds that have been approved for NHDES, which may be under contract, but have not actually been spent. Since 2016, NHDES met the federal deadline to reduce our ULO for loan funds (2-year unspent balance limit) and setasides (3-year limit). NHDES will continue practices that were implemented including disbursing federal funds first, bypassing projects on the PPL for shovel-ready projects lower on the list and breaking large projects into phases so as not to commit existing capitalization grant dollars to later phases of a project.
- **Maximize loan forgiveness for disadvantaged communities.** The capitalization grant requirement to use a minimum of 26%, but no more than 35% of the capitalization grant to subsidize projects will be met as indicated in Attachment I. The DWSRF program goal will be to provide loan forgiveness to as many eligible disadvantaged water systems as feasible.
- **Assist loan recipients with federal requirements,** including Davis-Bacon, Build America, Buy America, and American Iron and Steel provisions, by providing guidance and training, document templates and technical support for loan recipients. Increased utilization of Davis-Bacon tracking applications will also be encouraged and evaluated.
- **Promote asset management** with the ultimate goal of having all large and municipal systems applying for funding related to implementation of such plans. This is to be achieved through grants for asset management plans and providing DWSRF priority points if the system has an asset management plan. A database is being utilized to track water system’s progress towards asset management. The 2022 annual NHDES Asset Management Workshop was held on November 3, 2022, in Pembroke. The workshop focused on “Demystifying Asset Management” and how the data that systems collect every day can be used to improve their technical, managerial and financial operations. The workshop was attended by over 100 people offering a diverse mix of operators, consultants, administrators, facility managers and software vendors. Presentations included an introduction to asset management, addressing lead service lines, information about funding options and addressing life cycle cost.
- **Ensure compliance with the lead and copper rule (LCR)** by giving additional priority points for projects that will replace lead system components (i.e., goosenecks, valves, full-service lines) and continuing work on improved implementation of the rule.
- **Assist** water systems with addressing manganese over EPA’s health advisory and complying with MCLs for arsenic and PFAS through the provision of technical and financial assistance. Compliance with the MCLs and for addressing manganese over the health advisory will be provided points equivalent to other MCL rankings for DWSRF funding.
- **Coordinate** the provision of funding from the DWSRF, DWGTF, PFAS RLF, and American Rescue Plan Act (ARPA) to ensure the longevity of the DWSRF by coordinating funding timing and project selection.

4.2.1 Ongoing Short-term Goals for the Base DWSRF

- Provide effective program management to ensure the integrity of the DWSRF.
- Utilize DWSRF monies to address acute health risks as a priority.
- In addition to protecting public health by prioritizing projects that address acute contaminants, address chronic contaminants to the extent that MCLs exist or new ones are established.
- Fund staff to achieve and facilitate statewide compliance with the SDWA.
- Coordinate DWSRF activities with enforcement activities of both NHDES and the EPA.

Note: The DWSRF program staff works closely with the Drinking Water and Groundwater Bureau enforcement program in establishing project priority. It is important to note that all of the DWSRF program staff members have roles in the PWSS program, and the two programs are essentially intertwined. DWSRF works closely with monitoring and enforcement and stays up to date on systems that are not in compliance. The DWSRF program reaches out to noncompliant water systems with infrastructure needs and encourages them to apply for DWSRF financing. Our priority ranking system awards the highest-ranking points to projects that address the most serious health risks (MCL violations), and other projects that address noncompliance with drinking water regulations. The DWSRF program also works closely with the enforcement program to ensure that loans are made to water systems with enforcement targeting tool (ETT) scores of 11 or greater only if the project will resolve the noncompliance.

- Provide public and private water systems with low-cost financial assistance to complete projects eligible for funding.
- Provide assistance in the form of subsidies to communities or eligible systems defined as “disadvantaged” to ensure affordable water.
- Provide small systems (population served of less than 10,000) with financial assistance for eligible projects using at least 15% of the project fund.
- Coordinate the DWSRF program with existing source water protection activities at the state and local level.
- Provide funding for preventative measures such as source water protection and the replacement of aging infrastructure.
- Update and continue to implement NHDES’ Capacity Development Plan.
- Promote “Green” projects and, in particular, the use of effective system-wide metering at systems to promote water and energy efficiency projects.

4.2.2 Long-term Goals for the Base DWSRF

- Support NHDES’ goal of ensuring that all New Hampshire communities will have water that is safe to drink all of the time.
- Develop and effectively manage a self-sustaining program to facilitate compliance by all public drinking water systems with the SDWA.
- Protect public health and promote the completion of cost-effective projects.
- Improve the capacity of small privately owned public water systems.
- Improve resiliency and preparedness at all public water systems.
- Advance water infrastructure sustainability through the promotion of asset management, financial planning, and water and energy efficiency.
- Maintain the DWSRF in perpetuity.

- Have local source water protection programs implemented at 90% of all community sources.
- Provide input in the expenditure of public funds for the purpose of directing investment toward improvements that maximize public benefits, maintain affordability, promote sustainability and increase public water system's technical, managerial and financial capacity.
- Making data supported decisions through the improvement and maintenance of a variety of drinking water related databases.

4.3 Description of Financial Status and Federal Requirements of the Base DWSRF

4.3.1 Total Amount of Funds in the FFY23 Base DWSRF Fund

The total amount of funds allotted to New Hampshire for FFY23 is \$4,938,000. The financial status, as it appears in Attachment A, shows a 20% state match of \$987,600. The match was secured in the biennial state capital budget that was effective July 1, 2023.

4.3.2 End of the Year Financial Status and Summary of Accomplishments

From FFY97-FFY22, NHDES has been receiving annual DWSRF capitalization grants. Grant amounts have on average, provide the state with about \$7,000,000 to \$13,500,000 annually (not including ARRA funds in 2009). Grant amounts decreased by approximately 40%-60% in FFY22 and FFY23. To date, using these grants, state match dollars, ARRA funding, American Rescue Plan Act of 2021 funding, loan repayments and interest earned, over \$365 million has been provided to improve drinking water infrastructure in New Hampshire. Greater than 15% of the capitalization grants received have funded projects at small systems (systems serving less than 10,000) and projects that qualified for subsidies due to their disadvantaged community status. Approximately 31% of the annual grant can be taken by the state as setasides to fund specific drinking water program related activities. Below is a table that outlines the grant awards and setasides taken in each fiscal year. It should be noted that from FFY99 to FFY03 10%, and in some years 4%, setasides were reserved to be taken from project funds in the future. Utilization of these reserved funds has only occurred once, as described in the revised 2010 IUP and in the footnote below.

Table 14 Grant Awards and Setasides Taken in Each Fiscal Year

Fiscal Year	Capitalization Grant Amount	Setasides Taken
FY 1997	\$13,754,800	\$3,121,557
FY 1998	\$7,121,300	\$2,207,603
FY 1999	\$7,463,800	\$1,268,846
FY 2000	\$7,757,000	\$1,566,512
FY 2001	\$7,789,100	\$1,904,023
FY 2002	\$8,052,500	\$1,449,833
FY 2003	\$8,004,100	\$591,111
FY 2004	\$8,283,100	\$1,328,496
FY 2005	\$8,285,500	\$2,568,505
FY 2006	\$8,229,300	\$2,551,083
FY 2007	\$8,229,000	\$2,550,990
FY 2008	\$8,146,000	\$2,550,990
FY 2009	\$8,146,000	\$2,525,260
FY2010	\$13,573,000	\$4,712,120*
FY2011	\$9,418,000	\$2,919,580
FY2012	\$8,975,000	\$2,782,250
FY2013	\$8,421,000	\$2,610,510
FY2014	\$8,845,000	\$2,741,950
FY2015	\$8,787,000	\$2,723,970
FY2016	\$8,312,000	\$2,576,720

Fiscal Year	Capitalization Grant Amount	Setasides Taken
FY2017	\$8,241,000	\$2,625,070
FY2018	\$11,107,000	\$3,443,170
FY2019	\$11,004,000	\$3,411,240
FY2020	\$11,011,000	\$3,413,410
FY2021	\$11,100,000	\$3,441,000
FY2022	\$7,008,000	\$2,172,480
FY2023	\$4,938,000	\$1,530,780

Note: In 2009, NHDES received a capitalization grant under the American Recovery and Reinvestment Act in the amount of \$19,500,000. NHDES took \$780,000 of these funds for setaside activities.

* The setaside amount taken in FFY10 (received in May 2011) included 31% of the cap grant (\$4,207,630) and prior year funds (\$504,490) previously reserved for future use.

The following bullets outline accomplishments from prior years:

- Processed loan applications from water systems for a variety of infrastructure improvement projects.
- Performed construction inspections and closeout of completed infrastructure projects.
- Performed all EPA required reporting and participated in necessary audits and reviews.
- Maintained agreements with the New Hampshire State Treasury and New Hampshire Business Finance Authority to facilitate loan processing.
- Refined and implemented new rules and requirements resulting from 1996 SDWA Amendments, the 2016 WIIN Act, and the 2018 America's Water Infrastructure Act Amendments.
- Performed monitoring, enforcement, surveillance, lab certification and information management associated with SDWA compliance.
- Implemented a capacity development program that incorporates asset management and includes continuing to identify small system capacity needs and using DWSRF loans and grants to address them.
- Implemented NHDES's Source Water Protection Program including: approval of new well sites, issuance of chemical monitoring waivers, incorporation of sustainability and provision of technical assistance.
- Provided funding for source water protection and security,
- Protected and continue to monitor over 18,000 acres of critical water supply lands.
- Protected public health through adoption of new MCLs through rulemaking for Arsenic and four PFAS contaminants
- Readopted expired rules and advanced primacy packages.
- Contracted to conduct leak detection surveys.
- Advanced water infrastructure sustainability through the provision of eleven rounds of asset management grants.
- Enhanced efforts related to lead in drinking water including obtaining a federal grant for lead outreach, developing and distributing a [Lead in Drinking Water Brochure](#) and [Lead Infographic for Schools](#), reviewed lead remediation plans now required in New Hampshire for schools with elevated lead levels and collaborated with the New Hampshire Department of Education to provide schools with funding for lead remediation and developed and launched "[Protect Your Tap – 10-Minute Lead Test](#)" application.
- Coordinated with funding partners (e.g., USDA Rural Development, Community Development Finance Authority, New Hampshire Drinking Water and Groundwater Trust Fund, NH PFAS Loan and Grant Program, Northern

Border Regional Commission, Economic Development Administration, etc.) to discuss current initiatives, issues and funding opportunities.

- Administered grants and contracts associated with infrastructure, cyber security, planning, energy efficiency, water efficiency and climate change for public water systems.

4.3.3 Types of Projects to be Funded

The types of projects intended to be funded from the Infrastructure Project fund include:

- Construction/upgrading of treatment facilities.
- Replacement or treatment of inadequate or contaminated sources.
- Installation/upgrade of disinfection facilities.
- Consolidation/acquisition and interconnection of systems to address viability issues.
- Planning and engineering associated with eligible projects.
- Replacement of aging infrastructure.
- Transmission lines and storage.
- Distribution system replacement/rehabilitation.
- Replacement of lead components (i.e., goosenecks and full-service lines) and LSL replacement assistance programs.
- Installation of meters and backflow prevention devices.
- Extension of public water systems to address contaminated private drinking water supply wells.
- Projects that advance “green” approaches to water supply; including innovative environmental projects, energy generation, and other work identified in energy or water use efficiency plans.
- Land acquisition and associated costs that are integral to a DWSRF eligible project.
- Interim financing for projects to be funded from other sources as funding allows and only after funding for all projects seeking long term funding occurs (note: principal forgiveness will not be available for these projects).
- Other projects necessary to address compliance/enforcement issues.

The types of activities intended to be funded by the Setaside Account include:

- Administration of the DWSRF program.
- SDWA implementation.
- Technical assistance to small water systems.
- Technical assistance on water system related lead removal and treatment at schools and day cares and compliance with new MCLs for Arsenic, Manganese and PFAS.
- Capacity Development Program implementation.
- Asset management and sustainability grants.
- Leak detection assistance
- Water line GIS mapping
- Emergency preparedness, cybersecurity and resiliency.

- Source water protection implementation, including grants or contracts to implement program elements.
- Ongoing support for operator training and certification.
- Lab accreditation.
- LSL inventory.
- Information management and reporting.

4.3.4 Amount Dedicated to Subsidizing Projects for Disadvantaged Communities/Systems

NHDES intends to meet the grant condition that requires funding equal to at least 26%, not to exceed 35% of the capitalization grant to be provided to disadvantaged systems in the form of loan subsidization. This subsidy will be provided as loan forgiveness. Design only projects and interim financing for projects will not be eligible for subsidies. Further discussion of the disadvantaged community program is found in Sections 3.8 and 4.5. Attachment I provides a list of 2018-2022 projects and the subsidy amounts. According to the charts, the subsidy requirement will be met for 2018-2021. Funding agreements are still pending for several 2022 projects. Subsidies will be adjusted as needed to meet requirements as described in Section 4.5.3.

4.3.5 Anticipated Cash Ratio

All DWSRF projects funded by capitalization grant funds are supported by the appropriate level of State matching funds. For the FFY23 capitalization grant, NHDES will be using a cash draw ratio of 77.5% federal funds and 22.5% state match funds. Within 24 hours of each disbursement to DWSRF loan recipients by the New Hampshire State Treasury, NHDES transacts a federal drawdown request for the federal portion of the disbursed amount.

4.4 Intended Use of Non-Infrastructure Project Activities (setasides) – Base DWSRF

4.4.1 Definition of Setasides

Setasides are uses of DWSRF money allowed by the SDWA for activities other than infrastructure funding. The following chart explains the different setasides, the setaside amounts available in FFY23, and the requirements and restrictions specified in the SDWA for their use.

Setasides Available to States under the Base DWSRF

Table 15 Setasides Available to States Under the Base DWSRF

Setaside Amount/ Name	Requirements for Use	FFY23 \$ Available
4% or \$400K/ Administration of DWSRF	Funds can only be used for activities related to administering the drinking water state revolving fund	\$197,520
2% / Small System Technical Assistance	Funds can only be used to provide technical assistance to systems serving < 10,000	\$98,760
10% / Program Management	Funds can be used to assist the following drinking water programs: Public Water Supply System, Source Water Protection, Capacity Development, and Operator Certification	\$493,800
15% / Source Water Protection and Capacity Development	Funds can be used to support the State's Capacity Development Strategy and the Source Water Protection Program with the following restrictions: <ul style="list-style-type: none"> • SWP land acquisition is loan only. • No more than two-thirds of the total setaside can be used for any one of the following: land acquisition loans or source water protection implementation or capacity development 	\$740,700

4.4.2 Intended Use of Setasides

The intended use of each of the setasides is described below. Attachment B contains the budget that details how the setasides will be used.

4% DWSRF Program Administration – 1 FTEs

DWSRF Program administration will be funded in part by using the entire FFY23 setaside and remaining prior years funds in order to administer the DWSRF program. The Drinking Water and Groundwater Bureau, with support from within and outside NHDES, will administer the DWSRF. The 4% setaside will be used to pay salaries and associated expenses of existing NHDES support personnel devoted to the administration of the fund.

2% Technical Assistance for Small Systems - 1 FTE

NHDES intends to use all of the FFY23 setaside and the remaining prior year setaside. As in years past, NHDES will utilize this setaside to provide technical assistance to small water systems. While technical assistance is a routine activity for all the staff in the small system subsection, NHDES will use a portion of this setaside to fund 1 FTE and associated expenses. This position is located in the small system subsection and is dedicated to improving the financial, managerial and technical capability of systems serving less than 3,300.

10% State Program Management – 3 FTEs

Program Management activities will be funded using the entire FFY23 10% setaside and the remaining prior years setaside. In general, the 10% setaside supports monitoring, enforcement, laboratory certification, private well initiative, operator certification, engineering and plan review, as well as information management activities.

15% Source Water Protection and Capacity Development – 5 FTEs

A number of activities will be funded from using the entire FFY23 15% setaside and the remaining prior year funds, including capacity development and source water protection. Source water protection activities will include administering technical and financial (grants and contracts) assistance and performance of regulatory functions related to new well sitings and large groundwater withdrawal permitting and to manage database and GIS systems necessary to provide source water protection assistance to water systems. Other capacity development activities beyond source protection will also occur. This will include tracking the progress of NHDES' current Capacity Development Program and the ongoing provision of technical assistance to improve small systems managerial, financial and technical capabilities. The staff funded under this setaside will also administer the grants and contracts associated with source water protection and capacity development grants and contracts funded by the Base DWSRF described in section 4.

4.4.3 Base DWSRF 2%, 10% and 15% Setaside Uses, Deliverables and Measures of Success

Section 5.4.3 summarizes the grants and contracts and associated deliverables and measure of success for programs administered by staff funded with the Base and Supplemental DWSRF and grants and contracts funded by the Supplemental DWSRF.

4.4.4 Transferring Funds from Setasides into Infrastructure Project Account

NHDES reserves the right to transfer monies from setaside accounts into the infrastructure project account should the need arise.

4.5 Criteria and Method for Distribution of Infrastructure Project Funds – Base DWSRF

4.5.1 Terms of Financial Assistance for Financially Disadvantaged Water Systems

In FFY23 the state must provide a minimum of 26% of the capitalization grant to subsidize infrastructure projects for disadvantaged systems but may provide up to 35%. To meet this goal, NHDES will fund projects in disadvantaged communities on a priority basis.

Disadvantaged System Assistance

Table 16 Disadvantaged System Assistance

Affordability Index <i>(Project user rate/community or water system's MHI)</i> <i>See attachment D for MHI figures</i>	Minimum Principal Forgiveness*
0.8 to < 1.5	60%
1.6 to < 2	70%
≥ 2	80%

* The NHDES DWSRF program reserves the right to modify the principal forgiveness percentages to meet the minimum subsidy requirements.

Community systems that are county owned or are non-profit may be eligible for forgiveness. The level of subsidy will be determined based on the chart below.

County Owned or Non-profit Community Systems Disadvantaged System Assistance

Table 17 County-Owned or Non-Profit Community Systems Disadvantaged System Assistance

Median Household Income (MHI)	Minimum Principal Forgiveness*
\$83,449 - \$50,000	30%
Below \$50,000	50%

* The NHDES DWSRF program reserves the right to modify the principal forgiveness percentages to meet the minimum subsidy requirements.

4.5.2 Terms of Financial Assistance for Environmentally Disadvantaged Water Systems

The minimum principal forgiveness for environmentally disadvantaged water systems shall be 10% for non-disadvantaged systems and 20% for nonprofit entities. This is especially true when people are consuming contaminated drinking water. New Hampshire residents are disproportionately exposed to PFAS, arsenic, uranium and manganese in their drinking water. Additionally, cancer incidence data in New Hampshire rank the most populated counties in New Hampshire as having a higher-than-average incidence of certain cancers when compared to national incidence data.

4.5.3 Amount of Funding to be Provided to Disadvantaged Communities/Systems

NHDES intends to reserve a minimum of 26% but no more than 35% of the DWSRF capitalization grant to subsidize eligible projects at community water systems in disadvantaged communities. Subsidy will be provided in the form of principal forgiveness. To meet this goal, the amount of subsidy for a project will be determined at the time of the loan agreement in accordance with the table above. The NHDES DWSRF program reserves the right to increase the principal forgiveness percentages in the Disadvantaged System Assistance table in section 4.5.1, above, in order to meet the minimum 26% disadvantaged subsidy goal. If necessary, each category of principal forgiveness in the tables above will be increased by an equal amount to ensure that the total amount of loan forgiveness under the 2023 PPL meets the amount required by the federal grant.

4.5.4 Identification of Systems to Receive Assistance

Projects have been prioritized using the system described in section 3.2 and identified on the PPL as eligible for assistance from the Disadvantaged Community/System Program.

4.5.5 Long-term Effect of Subsidies on the DWSRF

The anticipated net long-term effect of the allocation of funds for financial assistance to Disadvantaged communities/Systems, as proposed, will be to reduce the amount of funds available to the standard projects fund in the amount of \$1,283,880.

5 SUPPLEMENTAL DWSRF

5.1 Introduction – Supplemental DWSRF

The amount of NHDES' DWSRF capitalization grant that is available for the FFY23 Supplemental Program is \$21,055,000. This grant must be matched with state funds that equal 10% of the capitalization grant (\$2,105,500). The match has been incorporated into the state's 2023 capital budget.

The maximum amount of setasides the state can use from the 2023 capitalization grant is 31% of the award or \$6,527,050. After careful analysis of the benefits and costs of taking the full amount of the setasides, the state has determined that doing so is necessary to support staff and grant and contract funding needed to fully implement the Safe Drinking Water Act in New Hampshire. Accordingly, NHDES intends to utilize \$421,100 from the 2% technical assistance setaside, \$842,200 from the 4% administration setaside, \$2,105,500 from the 10% program management setaside, and \$3,518,250 from the 15% source water/capacity setaside. The majority of these funds will be used to fund eligible grants and contracts for eligible activities and associated expenses for the period beginning on July 1, 2023, through September 30, 2024, (when we anticipate receiving our next capitalization grant).

Based on the intended FFY23 setaside usage, there is \$16,633,450 available from the FFY23 DWSRF capitalization grant (including 10% state match) for infrastructure projects. Attachment A includes a table which summarizes the available project funds. DWSRF base and supplemental loan funds will be capped at \$10,000,000 per project.

5.2 Goals for Infrastructure Projects and Setaside Activities – Supplemental DWSRF

The ongoing short-term and long-term goals are the same as for the Base DWSRF program described in Section 4.2 except that the maximum loan forgiveness for disadvantaged communities is required to be exactly 49% of the capitalization grant.

5.3 Description of Financial Status and Federal Requirements of the Supplemental DWSRF

5.3.1 Total Amount of Funds in the FFY23 Supplemental DWSRF Fund

The total amount of funds allotted to New Hampshire for FFY23 is \$21,055,000. The intended use for this funding is summarized in Attachments A and B. The financial status, as it appears in Attachment A, shows a 10% state match of \$2,105,500. The match was secured in in the capital budget of the 2023 Legislative Session.

5.3.2 Types of Projects to be Funded

The types of projects intended to be funded from the Supplemental DWSRF are the same type of projects that can be funded in the Base DWSRF as described in Section 4.3.4.

5.3.3 Amount Dedicated to Subsidizing Projects for Disadvantaged Communities/Systems

NHDES intends to meet the grant condition that requires funding equal at least 49% of the capitalization grant to be provided to disadvantaged systems in the form of loan subsidization. This subsidy will be provided as loan forgiveness. Interim financing for projects will not be eligible for subsidies. Further discussion of the disadvantaged community program is found in Section 3.8 and 5.5.

Funds Transferred Between DWSRF and the Clean Water State Revolving Fund (CWSRF)

The SDWA amendments of 1996 allow states to transfer up to 33% of the DWSRF capitalization grant into the CWSRF or an equivalent dollar amount from the CWSRF into the DWSRF. NHDES reserves the right to transfer between these funds in accordance with the provisions of the SDWA.

5.3.4 Anticipated Cash Ratio

All DWSRF projects funded by capitalization grant funds are supported by the appropriate level of State matching funds. For the FFY23 capitalization grant, NHDES will be using a cash draw ratio of 87.34% federal funds and 12.66% state match funds. Within 24 hours of each disbursement to DWSRF loan recipients by the New Hampshire State Treasury, 2023 DWSRF Intended Use Plan

NHDES transacts a federal drawdown request for the federal portion of the disbursed amount.

5.4 Intended Use of Non-Infrastructure Project Activities (Setasides) – Supplemental DWSRF

5.4.1 Definition of Setasides

Setasides are uses of DWSRF money allowed by the SDWA for activities other than infrastructure funding. The following chart explains the different setasides, the setaside amounts available in FFY23, and the requirements and restrictions specified in the SDWA for their use.

Setasides Available to States Under the Supplemental DWSRF

Table 18 Setasides Available to States Under the Supplemental DWSRF

Setaside Amount/ Name	Requirements for Use	FFY23 \$ Available
4% or \$400K/ Administration of DWSRF	Funds can only be used for activities related to administering the drinking water state revolving fund.	\$842,200
2% / Small System Technical Assistance	Funds can only be used to provide technical assistance to systems serving < 10,000.	\$421,100
10% / Program Management	Funds can be used to assist the following drinking water programs: Public Water Supply System, Source Water Protection, Capacity Development, and Operator Certification.	\$2,105,500
15% / Source Water Protection and Capacity Development	Funds can be used to support the State's Capacity Development Strategy and the Source Water Protection Program with the following restrictions: SWP land acquisition is loan only. No more than two-thirds of the total setaside can be used for any one of the following: land acquisition loans or source water protection implementation or capacity development.	\$3,158,250

5.4.2 Intended Use of Setasides

The intended use of each of the setasides is described below. Attachment B contains the budget that details how this and the 2% and 15% setasides will be used. Attachments A and B provide additional information regarding the use of setasides.

4% DWSRF Program Administration – 3 FTEs

DWSRF Program administration will be funded in part by using the entire FFY23 setaside from the Supplemental DWSRF in order to administer the DWSRF program. The Drinking Water and Groundwater Bureau, with support from within and outside NHDES, will administer the DWSRF. The 4% setaside will be used to pay salaries and associated expenses of existing NHDES support personnel devoted to the administration of the fund. External support will be provided by the New Hampshire State Treasury, and the Business Finance Authority (BFA). BFA will be funded to establish the credit worthiness and provide legal services for private systems. The New Hampshire State Treasury will be funded to process transfers in and out of the Automatic Clearing House Bank, as well as managing accounts and investments related to the DWSRF. Attachment C contains the current agreements with the BFA and the New Hampshire State Treasury. Funds from this setaside are also used to procure all equipment and training necessary for the adequate performance of program administration staff, and travel costs for FTEs performing fund administrative functions. In addition, some of the 4% funds may be used to hire contractor support for DWSRF-related data management. These contracts will assist the state with reporting to EPA and analysis of future fund related scenarios.

2% Technical Assistance for Small Systems – 1 FTE

NHDES intends to use all of the FFY23 setaside from the Supplemental DWSRF. As in years past, NHDES will utilize this setaside to provide technical assistance for PFAS, manganese and arsenic compliance for small water systems. While technical assistance is a routine activity for all the staff in the small system subsection, NHDES will use a portion of this setaside to fund 1 FTE and associated expenses. This position is located in the small system subsection. As with all the setasides, funding from this setaside will be used to support data systems. This allows us to track the performance of small systems.

10% State Program Management – 6 FTEs

Program management activities will be funded using the entire FFY23 10% setaside and the remaining prior years setaside. In general, the 10% setaside supports monitoring, enforcement, laboratory certification, private well initiative, operator certification, engineering and plan review, as well as information management activities. Funding from this setaside, will be used for contractor assistance related to PWS data system development and maintenance.

15% Source Water Protection and Capacity Development – 8 FTEs

A number of activities will be funded from using the entire FFY23 15% setaside and the remaining prior year funds, including capacity development and source water protection. Source water protection activities will include technical and financial (grants and contracts) assistance and performance of regulatory functions related to new well sitings and large groundwater withdrawal permitting and to manage database and GIS systems necessary to provide source water protection assistance to water systems. Other capacity development activities beyond source protection will also occur. This will include tracking the progress of NHDES' current Capacity Development Program and the ongoing provision of technical assistance to improve small systems managerial, financial and technical capabilities. The state also plans to continue funding a highly successful leak detection contractor and potentially expand this work to include contracting service for water audits as well as grants for asset management plans. Contractual support for database improvements is also planned. Grant applications for all grants funded by the DWSRF are available on the NHDES website. Hard copies of these and contractual agreements funded by the setasides can be provided to EPA.

Additionally, the setaside will be used to fund 1 FTE to assist water systems with completing their work relative to the Lead and Copper Rule and also to administer grants and contracts.

5.4.3 DWSRF 2%, 10% and 15% Setaside Uses, Deliverables and Measures of Success

Table 19 Setaside Uses, Deliverables and Measures of Success

Activity	Setasides Used	Deliverables	Measures of Success
Promote Source Water Protection Planning and Sustainability	15% setaside	<ul style="list-style-type: none"> • Provide grants for SWP projects. • Assist PWS. • Publish newsletter and maintain website. • Issue monitoring waivers. • Meet current EPA measures. • Energy audits contract and Implementation grant. • Asset management grants. • Promoting the value of drinking water. • Leak detection contract. • Water audit contract. • Cyanobacteria monitoring contract. • Modernizing municipal drinking water protection ordinances. 	<ul style="list-style-type: none"> • Number of SWP plans implemented. • Meeting EPA's SWP Measures. • Routine communication with stakeholders. • Water saved. • Energy consumption reduced. • Cyanotoxin blooms detected early. • Local drinking water protection ordinances updated. • Determination of the adequacy of water in regional water systems.

Activity	Setasides Used	Deliverables	Measures of Success
		Grant. <ul style="list-style-type: none"> • Regional water system pathogen assessment contract. • Watershed protection and restoration grant. • Impaired watershed/chloride plan. • Water rate dashboard. • Climate change vulnerability assessment. 	<ul style="list-style-type: none"> • Identification of activities impacting watershed water quality and actions that can be taken to correct problems.
Program Management	10% setaside	<ul style="list-style-type: none"> • Increase compliance via effective enforcement activity. • Develop and implement new rules and complete primacy packages. • All New Hampshire annual lab certifications completed. • Source water protection grant • Public water system document submittal portal. • Cybersecurity grant. • Water System planning grants. 	<ul style="list-style-type: none"> • Implementation of regulations and primacy updates in accordance with EPA's schedule/measures. • The number of enforcement actions/year. • The number of labs certified/ year. • The number of assistance contacts to private well owners through calls and use of the Be Well Informed app. • Number of water systems implementing climate change vulnerability assessments and implementing associated recommendations. • Number of systems completing planning grants to develop information needed to identify and prioritize water system improvements. • Development of portal for water systems to submit documents into NHDES' digital library and database.
Information Management/GIS	2%, 10% and 15% setasides	<ul style="list-style-type: none"> • Improved information management. • Document current status of all PWSs. • Transition from legacy databases. • GIS analysis for priority setting 	<ul style="list-style-type: none"> • Timely reporting. • Data-driven decision making. • Functional databases. • Improved GIS analyses and coverage of distribution systems.

Activity	Setasides Used	Deliverables	Measures of Success
		and mapping of public water system distribution systems.	
Capacity Development/ Small System Oversight	2%, 10% and 15% setasides	<ul style="list-style-type: none"> • Target capacity development. • Outreach and assistance to small systems. • Assist private well owners with a focus on arsenic reduction. • Operator certification. • Lead services line inventories. 	<ul style="list-style-type: none"> • Improved compliance. • Improved public health. • Efficient use of infrastructure funding. • Inventories and sampling plans completed at all required PWSs. Compliance with new Lead and Copper rule.
Implement Well Siting Program	15% setaside	<ul style="list-style-type: none"> • New well sitings/ large withdrawals. • Evaluate source capacity as needed. 	The number of well siting approvals and capacity investigations completed.

5.4.4 Transferring Funds from Setasides into Infrastructure Project Account

NHDES reserves the right to transfer monies from setaside accounts into the infrastructure project account should the need arise.

5.5 Criteria and Method for Distribution of Infrastructure Project Funds – Supplemental DWSRF

5.5.1 Terms of Financial Assistance for Financially Disadvantaged Water Systems

The state must provide 49% of the capitalization grant to subsidize infrastructure projects for disadvantaged systems.

Disadvantaged System Assistance

Table 20 Disadvantaged System Assistance

Affordability Index (Project user rate/community or water system's MHI) See attachment D for MHI figures	Minimum Principal Forgiveness*
0.8 to < 1.5	60%
1.6 to < 2	70%
≥ 2	80%

* The NHDES DWSRF program reserves the right to modify the principal forgiveness percentages to meet the minimum subsidy requirements.

Community systems that are county owned or are non-profit may be eligible for forgiveness. The level of subsidy will be determined based on the chart below.

County Owned or Nonprofit Community Systems Disadvantaged System Assistance

Table 21 County Owned or Nonprofit Community Systems Disadvantaged System Assistance

Median Household Income (MHI)	Minimum Principal Forgiveness*
\$83,449 - \$50,000	20%
Below \$50,000	50%

* The NHDES DWSRF program reserves the right to modify the principal forgiveness percentages to meet the minimum subsidy requirements.

5.5.2 Terms of Financial Assistance for Environmentally Disadvantaged Water Systems

The minimum principal forgiveness for environmentally disadvantaged water systems shall be 10% for non-disadvantaged systems and 20% for non-profit entities. This is especially true when people are consuming contaminated drinking water. New Hampshire residents are disproportionately exposed to PFAS, arsenic, uranium and manganese in their drinking water. Additionally, cancer incidence data in New Hampshire rank the most populated counties in New Hampshire as having a higher-than-average incidence of certain cancers when compared to national incidence data.

5.5.3 Amount of Funding to be Provided to Disadvantaged Communities/Systems

NHDES intends to reserve a minimum of 49% of the DWSRF capitalization grant to subsidize eligible projects at community water systems in disadvantaged communities. Subsidy will be provided in the form of principal forgiveness. To meet this goal, the amount of subsidy for a project will be determined at the time of the loan agreement in accordance with the table above. The NHDES DWSRF program reserves the right to increase the principal forgiveness percentages in the Disadvantaged System Assistance in order to meet the minimum 49% disadvantaged subsidy goal. If necessary, each category of principal forgiveness in the tables above will be increased by an equal amount to ensure that the total amount of loan forgiveness under the 2022 PPL meets the amount required by the federal grant.

5.5.4 Identification of Systems to Receive Assistance

Projects have been prioritized using the system described in section 3.2 and identified on the PPL as eligible for assistance from the Disadvantaged Community/System Program.

5.5.5 Long-term Effect of Subsidies on the DWSRF

The anticipated net long-term effect of the allocation of funds for financial assistance to Disadvantaged communities/Systems, as proposed, will be to reduce the amount of funds available to the standard projects fund in the amount of \$8,816,080.

6 EMERGING CONTAMINANTS DWSRF PROGRAM

6.1 Introduction – Emerging Contaminants DWSRF

The amount of the NHDES' DWSRF capitalization grant that is available for FFY23 Emerging Contaminants DWSRF is \$7,640,000. There is no match requirement for this funding.

It is not anticipated that setasides will be taken from the FFY23 Emerging Contaminant DWSRF.

Based on the intended FFY23 setaside usage, there is \$7,640,000 available from the FFY23 DWSRF capitalization grant. NHDES solicited projects from community and non-transient/nonprofit water systems between April 10, 2023 and June 1, 2023. NHDES received funding requests for 110 eligible projects for over \$292 million. Attachment F provides a listing and description of infrastructure projects that were ranked for funding.

6.2 Goals for Infrastructure Projects – Emerging Contaminant DWSRF

The short-term and long-term goals are to assist public water system with reducing exposure to emerging contaminants such as PFAS and manganese in their drinking water.

6.3 Description of Financial Status and Federal Requirements of the Emerging Contaminant DWSRF

6.3.1 Total Amount of Funds in the FFY23 Emerging Contaminant DWSRF Fund

The total amount of funds allotted to NHDES for FFY23 is \$7,640,000. The intended use for this funding is to provide infrastructure loans as summarized in Attachments A and B.

6.3.2 Types of Projects to be Funded

The types of projects intended to be funded from the Emerging Contaminant DWSRF are the same type of projects that

can be funded in the Base and Supplemental DWSRF as described in Section 4.3.3 except that the project must be specifically related to address the occurrence of an emerging contaminants in drinking water with a focus on PFAS and Manganese.

6.3.3 Amount Dedicated to Subsidizing Projects for Disadvantaged Communities/Systems

NHDES intends to meet the grant condition that requires funding be provided to eligible recipients as loans with 100% principal forgiveness or as grants and that at least 25% of these funds be provided to disadvantaged communities (as defined by the state under SDWA 1452(d)) or public water systems serving fewer than 25,000 persons. This subsidy will be provided as loan forgiveness. Interim financing for projects will not be eligible for subsidies.

6.4 Intended Use of Non-Infrastructure Project Activities (Setasides) - EC DWSRF

Setasides under the EC DWSRF will not be utilized. Attachment B contains the budget details. All remaining funds will be used towards EC type projects. NHDES reserves the authority to potentially utilize setaside funds in future EC funding.

6.5 Criteria and Method for Distribution of Infrastructure Project Funds

In FFY2023 the state must provide 100% of the capitalization grant to subsidize infrastructure projects associated with emerging contaminants. Of this amount, at least 25% of the funding must be provided to disadvantaged systems. However, all water systems with contamination are included within the definition of disadvantaged systems. DWSRF emerging contaminant loan funds will be capped at \$2,500,000 per project for disadvantaged systems and \$1,000,000 for non-disadvantaged systems.

7 LEAD SERVICE LINE DWSRF PROGRAM

NHDES plans to apply for the 2023 Lead Service Line BIL grant in 2024. Water systems can submit applications for LSL funding from the 2022 grant at any time for LSL replacement projects.

ATTACHMENT A

FFY23 New Hampshire DWSRF Financial Status

Base DWSRF Program

Table 22 **FFY23 New Hampshire DWSRF Financial Status, Base DWSRF Program**

	Funds available
Projected Uses of DWSRF	
Federal Cap Grant	\$4,938,000
State Match (20% of federal cap grant)	\$987,600
Total funds available for projects and setasides	\$5,925,600
Projected funds for projects:	
FFY23 Set asides to be used 7/1/23-9/30/24	(\$1,530,780)
Total funds available for projects	\$4,394,820
Projected uses of FFY23 infrastructure project funds:	
Subsidies to Disadvantaged Communities/Systems (26% of cap grant)	\$1,283,880
Small System Dedication (15% of Cap Grant)	\$740,700
Maximum Standard project loans (may also include small system projects)	\$2,370,240
Total uses of FFY23 project funds:	\$4,394,820
Loan repayment available for projects:	\$10,000,000
Total Project Funds Available:	\$14,394,820

FFY23 New Hampshire DWSRF Financial Status

Supplemental DWSRF Program

Table 23 FFY23 New Hampshire DWSRF Financial Status, Supplemental DWSRF Program

	Funds available
Projected Uses of DWSRF	
Federal Cap Grant	\$21,055,000
State Match (10% of federal cap grant)	\$2,105,500
Total funds available for projects and setasides	\$23,160,500
Projected \$ for projects:	
FFY23 Set asides to be used 7/1/23-9/30/24	(\$6,527,050)
Total funds available for projects	\$16,633,450
Projected uses of FFY23 infrastructure project funds:	
Subsidies to Disadvantaged Communities/Systems (49% of cap grant)	\$10,316,950
Small System Dedication (15% of Cap Grant)	\$3,158,250
Maximum Standard project loans (may also include small system projects)	\$3,158,250
Total uses of FFY23 project funds:	\$16,633,450
Loan repayment available for projects:	\$0
Total Project Funds Available:	\$16,633,450

FFY23 New Hampshire DWSRF Financial Status

Emerging Contaminants DWSRF Program

Table 24 **FFY23 New Hampshire DWSRF Financial Status, Emerging Contaminants DWSRF Program**

	Funds available
Projected Uses of DWSRF	
Federal Cap Grant	\$7,640,000
State Match (not required)	\$0
Total funds available for projects and setasides	\$7,640,000
 Projected \$ for projects:	
FFY23 Set asides to be used 7/1/23-9/30/24	(\$0)
Total \$s available for projects	\$7,640,000
 Projected uses of FFY23 infrastructure project funds:	
Subsidies to Disadvantaged Communities/Systems (100% of cap grant)	\$7,640,000
Small System Dedication (15% of Cap Grant)	\$1,146,000
Maximum Standard project loans (may also include small system projects)	\$6,494,000
 Total uses of FFY23 project funds:	\$7,640,000
Loan repayment available for projects:	\$0
Total Project Funds Available:	\$7,640,000

ATTACHMENT B
Setaside Budgets

ATTACHMENT C

Agreements – Business Finance Authority and Department of Treasury

ATTACHMENT D

2017-2021 American Community Survey MHI Table

ATTACHMENT E
Indirect Cost Agreement

ATTACHMENT F

Infrastructure Projects: Projects Priority Lists (PPL)

Base DWSRF PPL

Supplemental DWSRF PPL

Emerging Contaminants DWSRF PPL

ATTACHMENT G
Payment Schedules for ACH

ATTACHMENT H

Public Participation

Call for Pre-applications

Public Hearing Newspaper Notice

Public Hearing Description and Summary of Comments Received

ATTACHMENT I
Subsidy Requirement Charts