MARYLAND WATER INFRASTRUCTURE FINANCING ADMINISTRATION
DRINKING WATER REVOLVING LOAN FUND PROGRAM
FEDERAL FISCAL YEAR 2026 INTENDED USE PLAN
July 2026

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MARYLAND DEPARTMENT OF THE ENVIRONMENT
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FINAL Federal Fiscal Year 2026 Intended Use Plan
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EXECUTIVE SUMMARY

The Intended Use Plan (IUP) is the document that the Maryland Water Infrastructure Financing Administration (MWIFA) submits to the United States Environmental Protection Agency (EPA) to request the Federal Fiscal Year (FFY) 2026 Capitalization Grant under the Safe Drinking Water Act (SDWA) for use in the Maryland Drinking Water Revolving Loan Fund (DWRLF or DWSRF). The Maryland DWSRF was established by amendments to the Maryland Water Quality Financing Administration Act, Title 9, Subtitle 16 of the Environment Article, Annotated Code of Maryland, to provide below-market interest rate loans and other subsidies to local governments and eligible private entities for certain eligible drinking water capital improvement projects.

In addition, in 2021, the Infrastructure Investment and Jobs Act (IIJA) (Pub. L. 117-58), provided a General Supplemental allotment, a Lead Service Line allotment, and an Emerging Contaminants allotment to the Drinking Water SRF Program. This IUP is also the document that MWIFA submits to EPA to request Maryland's annual allotments from these appropriations.

The State of Maryland is committed to using the capitalization grant funds ("capitalization grants") for which MWIFA is applying to provide funding for eligible drinking water improvements and set-aside activities that will further the public health objectives of the SDWA.

For FFY26, Maryland is making applications to receive:

1. Base DW Capitalization Grant allotment of $7,983,000, to be matched with $1,596,600 (20%) in State funds, as required.

2. IIJA DW General Supplemental Capitalization Grant allotment of $51,711,000, to be matched with $10,342,200 (20%) in State funds, as required.

3. IIJA DW Emerging Contaminants Capitalization Grant allotment of $15,874,000. (No State match is required).

4. IIJA DW Emerging Contaminants FFY 22 and FFY 23 reallotment of $108,000 (No State match is required).

5. IIJA DW Lead Service Line Capitalization Grant allotment of $27,456,000 (no State match required).

6. IIJA DW Lead Service Line FFY 22 reallotment of $927,000 (no State match required).

7. IIJA WQ SRF Emerging Contaminant Capitalization Grant allotment of $5,143,000, which Maryland transferred from the CW Program to the DW Program in order to fund DW projects (no State match required).

8. IIJA WQ SRF Emerging Contaminant FFY 23 reallotment of $12,000, which Maryland transferred from the CW Program to the DW Program in order to fund DW projects (no State match required).

Under this IUP, $119,336,058 (approximately 83.5%) of all the FFY 2026 capitalization grant allotments (including reallotments) are allocated to Drinking Water capital projects. This figure represents the capitalization grant, plus the state match and minus the set asides for non-capital administrative work. The Federal project funds, combined with State general fund/GO bond match, loan repayments, and investment earnings, will be used to provide low interest loans and other financial subsidies for eligible DWSRF capital improvements. MWIFA will utilize the 4% set-aside from the Base allotment for eligible non-program activities. The Maryland Department of the Environment (MDE) Water & Science Administration (WSA) provided MWIFA and EPA with a separate work plan for the use of the three programmatic set-asides (2%, 10%, 15%) totaling $23,235,040 from DWSRF base and IIJA funding. MWIFA and MDE WSA maintain their authority to reserve the remaining 2%, 4%, and 10% set-asides from DWSRF Base and IIJA Grants for future eligible uses and maintains an accounting of these amounts.

The highlights of the FFY 2026 IUP are as follows:

DWSRF FFY 2026 IUP TOTAL SOURCES		**DWSRF FFY 2026 IUP TOTAL USES**	
Base Federal Funds for Capital Projects	$7,983,000	DWSRF Capital Projects Loans & Grants	$119,336,058
Base State Match for Capital Projects (20%)	$1,596,600		
IIJA General Supplemental Funding for Capital Projects	$ 51,711,000	Federal Set-asides – Base + IIJA Supp + IIJA EC + IIJA LSL (DW)	
State Match for IIJA General Supplemental Funding (20%)	$10,342,200	2% Technical Assistance	$2,062,640
IIJA DW Emerging Contaminants Funding for Capital Projects	$15,874,000	4% DWSRF Admin	$319,320
IIJA DW Emerging Contaminants Funding - FFY 23+22 EC Reallotment	$108,000	10% Drinking Water Program Support	$8,922,222
IIJA CW Emerging Contaminants Funding for Capital Projects (transfer) FFY26	$5,143,000	15% Local Assistance/State Activities	$12,250,178
IIJA CW Emerging Contaminants Funding for Capital Projects (transfer) FFY23 Reallotment	$12,000		
IIJA LSL Funding for Capital Projects - FFY26	$27,456,000		
IIJA LSL Reallotment Funding – FFY22	$927,000		
Est. Investment Earnings, Repayments and Reprogrammed Funds	$21,737,618		
TOTAL	**$142,890,418**		**$142,890,418**

To provide applicants an opportunity to seek DWSRF funding, Financial Assistance Applications for drinking water (drinking water source, treatment, storage and distribution) capital projects were accepted by MWIFA from December 1, 2025, through February 7, 2026. The DWSRF IUP Table 1 shows the proposed list of projects for inclusion in the FFY 2026 IUP for DWSRF financial assistance, including those projects that are being considered for additional subsidy (loan principal forgiveness) based on the assumed federal statutory limitations. These projects were selected from the Project Priority List (PPL) based on their Integrated Project Priority System (IPPS) ranking; compliance with technical, managerial, and preliminary financial capacity requirements; readiness to proceed to construction during a reasonable timeframe; and compliance with the following two state requirements: 1) that the project is included in, or amended to, an MDE-approved County Water and Sewer Plan and 2) that the project is consistent with Maryland's Smart Growth/Priority Funding Area (PFA) legislation or has received a PFA exception. Before loan execution, projects identified in the IUP will undergo a detailed financial capacity/credit analysis by the MWIFA. The DWSRF loan terms are outlined below:

Current Interest Rate*	Standard Rate = 50% of Market Rate Disadvantaged Community (DAC) Rate = 25% of Market Rate (Market Interest Rate is defined as the average of the Bond Buyer 11-Bond Index for the month preceding the loan closing). * MDE, by policy, can change the SRF loan interest rate at any time. Interest rates are updated monthly. The range of interest rates for the preceding fiscal year are posted on the MWIFA website.
Loan Term	Up to 30 Years (up to 40 years for DACs), not to exceed the useful life of the constructed asset. 100% principal forgiveness loans have a duration of 10 years, regardless of the life of the asset.
Loan Origination Fee	None

Loan Administrative Fee — 5% of the aggregate debt service divided by the number of administrative fee payments over the life of the loan, collected annually. The administrative fee is used to help meet program operating expenses. These funds are in addition to any funds provided for DWSRF program expenses from the federal capitalization grants.

Sources and Uses of Funds

	Through 2025 IUP		2026 IUP	
Sources:				
Federal Capitalization Base Grants	$ 391,181,706	a	$ 7,983,000	
20% State Match to Base Grants	$ 77,819,200	b	$ 1,596,600	d
Federal Base Re-Allotment	$ 186,000		$ -	
20% State Match to Base Grants Re-Allotment	$ 37,200		$ -	
Federal IIJA_Supple General Grant	$ 176,196,000		$ 51,711,000	
10% (20% for GY24) State Match to IIJA Federal Grant	$ 27,568,500		$ 10,342,200	
Federal EC Grants	$ 61,462,000		$ 15,874,000	
Federal EC Re-Allotment	$ 572,000		$ 108,000	
Federal LSL Grants	$ 110,501,000		$ 27,456,000	
Federal LSL Re-Allotment	$ 4,483,000		$ 927,000	
Federal Stimulus ARRA Grant 08 IUP	$ 26,832,000			
Federal SDWA Disadvantaged Community (12%-35%)	$ -			
Funds Transferred from Water Quality SRF	$ 21,187,580	c	$ 5,155,000	
Investment Earnings thru SFY 25 (Cap Reserve)	$ 13,785,083		$ 1,241,341	
Loan Principal Repayments thru SFY 25	$ 176,423,358		$ 18,103,932	
Loan Interest Repayments thru SFY 25	$ 34,279,253		$ 2,418,343	
Subtotal	$ 1,122,513,880		$ 142,916,416	
Estimated Loan Principal Repays (SFYs 25 & 26)	$ 36,363,535			
Estimated Loan Interest Repayments (SFYs 25 & 26)	$ 5,875,319			
Estimated Investment Earnings (SFYs 25 & 26)	$ 2,535,636			
Estimated Loan Principal (SFY 27)	$ -		$ 17,713,814	
Estimated Loan Interest Repayments (SFY 27)	$ -		$ 2,368,683	
Estimated Investment Earnings (SFY 27)	$ -		$ 1,655,121	
Reprogrammed			$ -	
Future Revenue Bonds/ Prin/Int Repayments	$ 159,776,231		$ -	
Total Sources	$ 1,327,064,602		$ 164,654,034	
Uses:				
Loan/Grant Agreements Entered as of 06/30/2026	$ 616,697,734		$ -	
Pending Loans/grants on IUPs as of 04/30/2026	$ 452,512,922		$ 119,336,058	
SFY 25 Net Loan Agreements Entered as of 04/30/2026	$ (13,754,748)		$ -	
ARRA-Stimulus Fed Administrative/Set aside	$ 400,000		$ -	
Base -Fed. Set-asides& In Kind (excludes ARRA& IIJA listed sep)	$ 102,635,299		$ 2,474,730	
Federal Set-asides- IIJA Supp General	$ 47,572,920		$ 13,961,970	
Federal Set-asides- LSL	$ 12,589,111		$ 2,802,520	
Federal Set-asides- EC	$ 10,452,150		$ 4,315,140	
Total Uses	$ 1,229,105,388		$ 142,890,418	

[a] Total federal grant award through FFY 2025 Capitalization Grant, excluding ARRA & IIJA

[b] Includes State General Fund/GO Bond Match through FFY/GY2025

[c] Funds transferred from Water Quality SRF to DWSRF (prior years).

[d] State General Fund/GO Bond Match to FFY 2025 Capitalization Grant

Excludes EC-SDC Non-SRF grant as directed by EPA

B. Goals of the Maryland Drinking Water Revolving Loan Fund

1. Long-Term Goals

- Achieve and/or Maintain Compliance with Safe Drinking Water Standards - Using the DWSRF project priority rating and ranking system, target financial assistance that will help water systems comply with, maintain, or meet safe drinking water standards, and address public health issues.

- Coordination of Capital & Set-Aside Priorities - Coordinate State priorities under the set-aside work plan (technical assistance, source water protection, and technical, managerial & financial capacity development) to target DWSRF funding to high priority capital projects to achieve objectives consistent with the SDWA.

- Fund Perpetuity and Utilization - To provide low-interest rate financing and other subsidies to high priority eligible projects that are ready to proceed within a reasonable time while maintaining a perpetual source of capital funds for future projects. The goal is to achieve a fund utilization rate (loans executed/total funds) of 95% or greater. This is one Program Activity Measure (PAM) under EPA's strategic plan for the DWSRF. The DWSRF could finance approximately $316.2 million in additional loans from capitalization grants, State match, loan repayments, and investment earnings between FFY 2025 and FFY 2028 IUPs (excluding revenue bond leveraging and 27% - 31% allocated toward set-asides annually). This is in addition to the $1.042 billion of capacity on existing IUPs (FFY 1998 – 2024). This analysis assumes an annual Maryland Federal Capitalization Grant of ~$10 million per year, as well as IIJA General Supplemental Capitalization Grants of ~$43 million per year through FFY 2026. The cumulative loan capacity of the DWSRF is projected to reach $1.36 billion by FFY 2028.

- Funding Prioritization – The IPPS rating and ranking system targets financial assistance to projects that help meet Maryland's priorities for safe drinking water, as well as federal requirements to limit human exposure to lead, and perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other emerging contaminants in drinking water. The IPPS focuses on the proposed project drinking water quality and quantity benefits, documented public health concerns, compliance status, cost efficiency, and other co-benefits. MWIFA transferred the FFY23 reallotment and FFY26 WQSRF EC allotment to the DWSRF to address the urgent demand shown by the number of PFAS applications to the DWSRF. This transfer provided an additional $5,155,000 to respond to this public health need.

- Reasonable User Cost – To ensure projects are constructed at a reasonable cost for the users of the system, MWIFA will continue to provide disadvantaged communities (DACs) a lower interest rate and additional subsidies in the form of loan principal forgiveness. MWIFA will continue to utilize its state grant programs and coordinate with other federal and state financial assistance programs (e.g., USDA Rural Utilities Service, Community Development Block Grant, Federal Special Appropriation grants). Reasonable cost is based on four economic metrics: percent poverty, unemployment, median household income and population decline, as described below.

- Financial Capacity and DAC Assistance - As part of the credit/financial analysis of potential borrowers, MWIFA will continue to provide financial advisory services to system owners on the feasibility of their user rate structure and financial capacity to pay back a loan. The MWIFA financial model forecasts future operating cash flows based on existing/proposed user rates using audited financial statements and includes a 2% inflation factor for all projected out years. The model has been an effective tool to assist communities in developing affordable user rate structures and in determining additional subsidies to DACs.

2. Short-Term Goals/FFY2026 IUP Operating Goals

- Utility Sustainability - To provide low-cost capital financing for existing facility (fix-it-first) upgrades for drinking water system improvements necessary to achieve or maintain SDWA compliance. The FFY 2026 IUP funding list identifies several such projects. In addition, MWIFA continues to work closely with facility owners to maintain system financial capacity. MWIFA's credit capacity analysis includes discussions with potential loan recipients to ensure their enterprise fund remains fiscally solvent. Fiscal solvency includes reliable and dedicated sources of revenue for the debt service on capital improvements and the cost of operations and maintenance. Projects that support sustainable elements, such as asset management, or projects that support green infrastructure, such as water/energy efficiency, are awarded sustainability points on the project rating system.

- Additional Subsidization and Eligible Recipients – The FFY26 Base Capitalization Grant allotment is subject to two distinct and additive authorities requiring that a percentage of the allotment be provided as additional subsidy (e.g., loan principal forgiveness: a mandatory 14% Congressional Additional Subsidy to any DWSRF eligible recipient and a mandatory 12% to 35% SDWA Additional Subsidy for a total requirement of 26% to 49%. The FFY26 Base Capitalization additional subsidy target is $2,062,640, and MWIFA programmed $3,911,670 in additional subsidy. The FFY26 IIJA General Supplemental allotment requires that 49% of the appropriation must be provided as additional subsidy. The FFY26 IIJA General Supplemental target is $25,338,390, and MWIFA programmed $25,338,390 in additional subsidy. The FFY26 IIJA DW Emerging Contaminants allotment and the FFY26 IIJA Lead Service Line allotment requires that 100% be provided as additional subsidy. MWIFA programmed $30,729,530in additional subsidies for these funds. Additional subsidies are provided to eligible projects in priority ranking order with readiness to proceed to construction until the statutory limit is reached. It has been MWIFA's policy to provide additional subsidy in the form of loan principal forgiveness from the Base program to DACs in an amount up to 50% of the financed amount, not to exceed $1.5 million; however, the Administration reserves the right to revise this policy by increasing this amount should circumstances warrant.

  MWIFA's current DAC eligibility criteria, as approved by EPA, are as follows:

  Require at least 2 of the following 4 criteria to qualify as a disadvantaged community

  1. Project is physically located and benefits a community with a poverty level above 110% of the statewide poverty rate; and/or
  2. Project is physically located and benefits a community with median household income (MHI) less than 80% of State MHI; and/or
  3. Project is physically located and benefits a community with an unemployment rate above 120% of the State unemployment rate; and/or
  4. Project is physically located and benefits a community with a population trend of less than -1.2%.

  In addition to the above criteria, if the statutory limit for additional subsidy has not been reached, up to 25% of the loan amount as loan principal forgiveness may also be provided to projects in priority ranking order with readiness to proceed where the water user rate would increase by more than 20% to achieve financial capacity as determined by MDE.

  Modification of the DAC Applicability in Certain Situations Related to LSL Funding
  Maryland's criteria to designate communities as disadvantaged has always stressed economic factors that consider affordability. The first three criteria used to identify disadvantaged communities (DACs) derive from economic statistics measuring poverty, median household income (MHI) and the percentage of unemployment. The fourth criterion relates to population loss (although not directly an economic indicator, it tends to influence the impact on user rates as the population of ratepayers decreases, which influences affordability as remaining payers struggle to service infrastructure debt).

  Recognizing affordability issues associated with lead service line (LSL) financing in particular, Maryland broadened the application of its DAC definition. One characteristic of LSL work is that it is quite different from regular capital projects financed with State Revolving Fund (SRF) loans. LSL work tends to be very expensive and can involve working on both public property and the homeowners' property (i.e., private property). Costs associated with lead service line replacement (LSLR) can impact some individuals disproportionately—while costs may be very focused on LSLR in specific locations, impact of those costs often will be spread across the service area's ratepayers. MHI tends to mask differences between highly disparate socio-economic subsections of a service area. In highly urbanized, older communities with pockets of less wealthy, under-resourced populations, individuals or subcommunities can incur LSLR costs with a disproportionate impact. MHI creates a normalized income which may lead to the service area as a whole being assessed as non-DAC. To remedy this affordability issue, Maryland expanded eligibility for principal forgiveness (also known as additional subsidy) in some situations to alleviate the impact of the cost increases across a large service area.

  Maryland plans three activities to decrease financial burden on communities across the state and to balance the need to expeditiously deliver LSL funding to communities that need it.

(1) Broaden DAC criteria such that if pockets of disadvantaged areas exist within a large service area which is not categorized as DAC, then Maryland will apply the disadvantaged status to the whole service area.
(2) Convert some loans in smaller rural areas of the state to grants so that costs associated with loan closings, and the time lost to do so, can be minimized.
(3) Provide technical assistance to those communities that require assistance to access the funds.

The above efforts will lead to greater accessibility of the funding across the state. By making water infrastructure debt more affordable, this measure brings down the burden on DAC rate payers but will also help all ratepayers—less affluent communities located within larger more affluent service areas or for those that live in remote, smaller and under-resourced communities. These proposed changes will have significant public health benefits.

- Explore the establishment of a statewide pay-for-performance contract for lead service line inventories – MWIFA, along with MDE's Water Supply Program, are in the early stages of exploring the development of a statewide lead service line inventory, which would follow the "pay for performance" model successfully implemented elsewhere to resolve "unknowns" within the system.

- Maintain Sufficient Staffing Levels – Given the departure of key staffing elements in early 2025, one of the most important programmatic short-term goals is to build staff back into crucial roles and ensure sustainable program operating levels. As of 6/22/2026, key leadership positions in accounting and program management have been filled, and MWIFA has hired several more accounting and procurement staff members to alleviate the work backlog.

- Broaden the Borrowing Base – With recent changes at the federal level, MWIFA is actively engaged in monitoring the risk of loss to federal funds for various programs. Many of the borrowers who are MWIFA's clients rely on these federal dollars to achieve their capital project public health and environmental goals. In times with greater uncertainty, MWIFA must try to broaden the base of loan borrowers to meet the growing needs across all of Maryland, increase the pace at which loans are closed, and decrease the number of outstanding projects to which programmed funding has already been committed. These will be operating goals in the coming fiscal year.

C. Project Selection and Fund Activities under the FFY 2026 IUP

Financial Assistance Applications for drinking water projects were solicited by MWIFA from December 1, 2025 through February 7, 2026 from local governments and private water system owners. Applications received were rated and ranked based on the Drinking Water Integrated Project Priority System (IPPS), reviewed for consistency with state requirements, and identified in the Maryland Drinking Water PPL for FFY26/SFY28 (Appendix A). The PPL was used to select projects for the FFY 2026 IUP, based on their priority ranking, their interest in DWSRF financing (including IIJA funding), and their readiness to proceed to construction within a reasonable timeframe (unless specifically requesting a planning/design phase loan).

Projects that were not consistent with the following two state requirements were bypassed as ineligible for funding during this funding cycle: 1) the project is included in, or amended to, an MDE-approved County Water and Sewer Plan and 2) the project is consistent with Maryland's Smart Growth/Priority Funding Area (PFA) legislation or has received a PFA exception. Projects with technical or managerial concerns that would not be resolved by the project were also bypassed.

Below is a summary of the sources and uses of funds:

DWSRF FFY 2026 IUP TOTAL SOURCES		DWSRF FFY 2026 IUP TOTAL USES	
Base Federal Funds for Capital Projects	$7,983,000	DWSRF Capital Projects Loans & Grants	$119,336,058
Base State Match for Capital Projects (20%)	$1,596,600		
IIJA General Supplemental Funding for Capital Projects	$51,711,000	<u>Federal Set-asides – Base + IIJA Supp + IIJA EC + IIJA LSL (DW)</u>	
State Match for IIJA General Supplemental Funding (20%)	$10,342,200	2% Technical Assistance	$2,062,640
IIJA DW Emerging Contaminants Funding for Capital Projects	$15,874,000	4% DWSRF Admin	$319,320
IIJA DW Emerging Contaminants Funding - FFY 23+22 EC Reallotment	$108,000	10% Drinking Water Program Support	$8,922,222
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IIJA CW Emerging Contaminants Funding for Capital Projects (transfer) FFY23 Reallotment	$12,000		
IIJA LSL Funding for Capital Projects - FFY26	$27,456,000		
IIJA LSL Reallotment Funding – FFY22	$927,000		
Est. Investment Earnings, Repayments and Reprogrammed Funds	$21,737,618		
TOTAL	**$142,890,418**		**$142,890,418**

1. **Funding by Type of Project:** The primary objective of the SDWA is to protect public health by providing safe and adequate drinking water through source water protection, treatment, storage and distribution. The FFY 2026 IUP indicates that approximately 22% of selected projects focused on drinking water treatment, 59% focused on transmission/distribution, 4% focused on finished water storage, and 15% focused on source water. No selected projects were listed in the “other” type category.

2. **Assistance to Small Systems Requirement:** The SDWA specifies that a minimum of 15% of all dollars (capitalization grant, State match, repayments, bond proceeds, investment earnings, transferred funds from WQSRF to DWSRF) credited to the DWSRF project fund shall be used to provide assistance to small systems. The project list includes 103,984,604 (or 87.11%) for small systems - far exceeding that goal.

    - **Additional Subsidy Requirements**: The FFY26 Base Capitalization Grant allotment is subject to two distinct and additive authorities requiring that a percentage of the allotment be provided as additional subsidy (e.g., loan principal forgiveness: a mandatory 14% Congressional Additional Subsidy to any DWSRF eligible recipient and a mandatory 12% to 35% SDWA Additional Subsidy, for a total requirement of 26% to 49%. The FFY26 Base Capitalization additional subsidy target is $2,062,640, and MWIFA programmed $3,911,670 in additional subsidy. The FFY26 IIJA General Supplemental allotment requires that 49% of the appropriation must be provided as additional subsidy. The FFY26 IIJA General Supplemental target is $25,338,390, and MWIFA programmed $25,338,390 in additional subsidy. The FFY26 IIJA DW Emerging Contaminants allotment and the FFY26 IIJA Lead Service Line allotment requires that 100% be provided as additional subsidy. MWIFA programmed $30,729,530 in additional subsidies for these funds. Additional subsidies are provided to eligible projects in priority ranking order with readiness to proceed to construction until the statutory limit is reached. It has been MWIFA’s policy to provide additional subsidy in the form of loan principal forgiveness from the Base program to DACs in an amount up to 50% of the financed amount, not to exceed $1.5 million; however, the Administration reserves the right to revise this policy by increasing this amount should circumstances warrant.

3. **Administrative Expenses:** With this FFY 2026 IUP, the MWIFA is requesting the federal 4% funds from the Base program, to be used in addition to loan fees, as described below for DWSRF program administration.

4. **Program Income (Non-Federal):** The MWIFA charges loan fees equal to 5% of annual debt service, which are used for administrative expenses in addition to the 4% of federal DW capitalization grant set-aside. The details related to the program income revenue and expenses are provided each year in the annual report. During State FY 2026, MWQFA estimates the fee revenues to be approximately $893,555.

D. Project Scope of Work/Public Health Benefits – FFY 2026 IUP Projects

The following are examples of the types of projects selected for financial assistance in the FFY2026 IUP.

<u>Town of Bel Air, MD PFAS Exposure Reduction</u> in Harford County. A private water distribution system has been proactive in sampling for PFAS after MDE conducted sampling in 2022. Results have shown elevated contaminants and the owners applied and are scheduled to mitigate PFAS. The Bel Air System provides an average of 1.50 mgd to approximately 5,200 customer connections in 2025. The population served by the Bel Air System is estimated to be approximately 14,500. Approximately 85 percent of the customer base is residential. The recipient, Maryland American Water, proposes to construct granular activated carbon (GAC) adsorbers for the removal of PFAS compounds at the Bynum Well station. The improvements will be constructed on MDAW's existing site located adjacent to Bynum Run Park and the Town of Bel Air Public Works facility at the eastern edge of the system.

<u>Woodbine Village Mobile Home Park LLC PFAS/PFOA Mitigation</u>, in Carroll County is another PFAS/PFOA project to mitigate contaminants operated by a Mobile Home Park (MHP), which had high levels of PFAS in drinking water. The project will connect a private system to the public water distribution system, which is under PFAS regulatory limits and has a centralized water treatment facility should the MHP need to more actively treat PFAS contaminants in the future. The proposed project's scope includes installation of a meter vault, connective water piping between the town and MHP, and valves to connecting infrastructure from the MHP. This project is one of several PFAS remediation projects on this year's IUP. In fact, out of the 38 drinking water projects, eleven involve remediation efforts for PFAS.

<u>Friendsville Water Improvement Project</u>, located in the Town of Friendsville, Garrett County, Maryland. The water system is owned and operated by the Garrett County Sanitary District Inc. and currently serves approximately 221 customers within the incorporated limits of the Town of Friendsville. The existing system consists of a surface water intake on the Youghiogheny River, a conventional sand filtration Water Treatment Plant (WTP) with a permitted average withdrawal of 73,000 gallons per day (gpd) and a maximum daily withdrawal of 150,000 gpd, a treatment capacity of approximately 120,000 gpd, a 300,000-gallon concrete water storage tank constructed in 1976, and a distribution system comprised primarily of 4-inch, 6-inch, and 8-inch ductile iron water mains. The project will develop two groundwater source wells; construct a new WTP and connect to the existing water system; and construct a new water tank and decommission the existing water tank. The project will remedy deficiencies in the existing water supply and distribution system, improve long-term source water reliability, enhance emergency response capability, and ensure continued compliance state and federal regulations. The project is also in a disadvantaged community as determined by MDE standards relating to median household income, unemployment, and population growth, which provides access to preferential funding terms and increases a project's relative priority.

E. Minority Business Enterprises/Women's Business Enterprises (M/WBE) Participation

The EPA and MDE negotiated fair share goals for FFYs 2024, 2025, and 2026 based on the Maryland Department of Transportation 2018 disparity/availability study. Based on these negotiations, MDE set goals of 22% MBE and 16% WBE for the "construction" category (total 38% M/WBE).

These goals will be applicable to all projects financed using DWSRF (loans, loan principal forgiveness). MDE provides DWSRF applicants an "Insert" for inclusion in procurement/bid documents, which outlines the M/WBE (%) goals and the affirmative/positive steps necessary to show a good faith effort consistent with federal regulations under 40 CFR Part 33. Failure to meet the M/WBE goals does not preclude the use of the SRF, as long as the good faith efforts can be demonstrated and documented. It is important that the <u>loan recipients</u> and their <u>prime contractors</u> undertake the necessary affirmative/positive steps to assure that M/WBE firms are afforded the opportunity to participate in SRF projects. All subcontractors selected to participate in the project are also subject to these Good Faith Efforts requirements when further subcontracting or dividing a scope of work. M/WBE Program details and forms are available on MDE's web site at https://mde.maryland.gov/programs/water/wqfa/pages/mwbe.aspx.

F. Assurances

The Department agrees to comply with the Federal program requirements as outlined in the Operating Agreement between EPA and MDE, amended as of April 2014, and further updated as of February 2016, as well as grant conditions in each Capitalization Grant Agreement.

G. Binding Commitments

The projected binding commitments will occur at or around construction start date indicated for each project listed in Table 1. Prior to the execution of the loan, Maryland law requires that any proposed financing be approved by the Board of Public Works (BPW), an authoritative three-member fiscal panel comprised of the State's Governor, the Comptroller and the Treasurer. All SRF projects are subject to and must obtain pre-approval by the BPW to encumber the programmed funds, and this is a prerequisite to form a loan agreement or receive a state or federal grant.

H. Public Review of the Draft FFY 2026 IUP

Round 1: The 30-day public comment period will start on July 20, 2026. On that date, an email will be sent to all applicants who submitted Financial Assistance Applications (and others), informing them of the availability of the Draft IUP/PPL on MDE's website. The interested parties list includes representatives from state and local government, environmental consultants/engineers, community groups, neighborhood associations, environmental organizations and the general public. Additionally, MWIFA will provide email notification to the following Maryland Commissions/Committees to share with their membership and interested parties' lists: the Children's Environmental Health and Protection Advisory Council and the Bay Restoration Fund Advisory Committee. MWIFA also coordinates with MDE's Communications Office to ensure that the draft IUP documents are shared via the Department's various social media accounts. MWIFA will also share the draft IUP with the Maryland General Assembly.

Public comments will be accepted through August 20, 2026. MWIFA will be available to answer any questions that arise during the comment period to ensure the public fully understands what is being proposed in the IUP. MWIFA will be responsive regarding any comments or concerns raised during the public comment period. A public responsiveness document will be drafted to summarize all comments received. The summary will be attached as Appendix C to this final document in August 2026. The Responsiveness Summary will indicate what actions MDE took on comments submitted.

Please visit our website for further information about our State and Federal Funding Programs at:

https://mde.maryland.gov/programs/water/WQFA/Pages/index.aspx