



Maryland

Department of
the Environment

**MARYLAND WATER INFRASTRUCTURE FINANCING ADMINISTRATION
DRINKING WATER REVOLVING LOAN FUND PROGRAM
DRAFT FEDERAL FISCAL YEAR 2024
INTENDED USE PLAN
JUNE 24, 2024**

Wes Moore
Governor

Aruna Miller
Lt. Governor

Serena McIlwain
Secretary

Suzanne E. Dorsey
Deputy Secretary

MARYLAND DEPARTMENT OF THE ENVIRONMENT
MARYLAND WATER INFRASTRUCTURE FINANCING ADMINISTRATION

DRAFT

**Federal Fiscal Year 2024 Intended Use Plan
Maryland Drinking Water Revolving Loan Fund**

TABLE OF CONTENTS

Executive Summary 1

A. Sources and Uses of Funds 3

B. Goals of the Maryland Drinking Water Revolving Loan Fund 4

C. Project Selection and Fund Activities under the FFY 2024 Intended Use Plan (IUP) 5

D. Project Scope of Work/Public Health Benefits - FFY 2024 IUP Projects 6

E. Minority Business Enterprises/Women's Business Enterprises (M/WBE) Participation..... 7

F. Assurances 7

G. Binding Commitments 7

H. Public Review of the Draft FFY 2024 IUP 7

Table 1 - Project Funding List and Sources/Uses of Funds

- Appendix A: Maryland DWSRF Draft Project Priority List for FFY 2024 IUP
- Appendix B: DWSRF Project Priority Ranking/Scoring Criteria
- Appendix C: Hold for Public Hearing Responsiveness Summary
- Appendix D: Assistant Attorney General Certification

**MARYLAND DEPARTMENT OF THE ENVIRONMENT
MARYLAND WATER INFRASTRUCTURE FINANCING ADMINISTRATION
DRAFT
Federal Fiscal Year 2024 Intended Use Plan
Maryland Drinking Water Revolving Loan Fund**

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) 2024 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, on November 15, 2021, President Biden signed the Bipartisan Infrastructure Law (BIL), also referred to as the Infrastructure Investments and Jobs Act (IIJA) (Pub. L. 117-58), which provides a General Supplemental allotment, a Lead Service Line allotment, and an Emerging Contaminants 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 FFY24, Maryland is making applications to receive:

1. Base DW Capitalization Grant allotment of \$9,683,000, to be matched with \$1,936,600 (20%) in State funds, as required.
2. BIL DW General Supplemental Capitalization Grant allotment of \$47,757,000, to be matched with \$9,551,400 (20%) in State funds, as required.
3. BIL DW Emerging Contaminants Capitalization Grant allotment of \$15,874,000 (no State match required).
4. BIL DW Emerging Contaminants FFY 22 reallocation of \$94,000 (no State match required).
5. BIL DW Lead Service Line Capitalization Grant allotment of \$29,917,000 (no State match required).
6. BIL DW Lead Service Line FFY 22 reallocation of \$4,483,000 (no State match required).

Under this IUP, \$94,977,034 (approximately 80%) of all the FFY 2024 capitalization grant allotments (including reallocations) is being allocated towards Drinking Water capital projects. 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, totaling \$116,915,531. 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) will provide EPA a separate work plan for the use of the three programmatic set-asides (2%, 10%, 15%) totaling \$23,911,646 from DWSRF base and BIL funding. MWIFA and MDE WSA maintain their authority to reserve the remaining 2%, 10%, and 15% set-asides from Base and BIL Grants for future eligible uses and is maintaining an accounting of these amounts.

**MARYLAND DEPARTMENT OF THE ENVIRONMENT
MARYLAND WATER INFRASTRUCTURE FINANCING ADMINISTRATION
DRAFT Federal Fiscal Year 2024 Intended Use Plan
Maryland Drinking Water Revolving Loan Fund**

A. Sources and Uses of Funds

A comprehensive summary of DWSRF Sources and Uses of Funds is as follows:

	Cumulative Thru 2023 IUP		2024 IUP	
Sources:				
Federal Capitalization Base Grants	\$ 369,200,706	a	\$ 9,683,000	
20% State Match to Base Grants	\$ 71,333,800	b	\$ 1,936,600	d
Federal Base Re-Allotment	\$ 186,000		\$ -	
20% State Match to Base Grants Re-Allotment	\$ 37,200		\$ -	
Federal BIL_Supple General Grant	\$ 76,707,000		\$ 47,757,000	
10% (20% for GY24) State Match to BIL Federal Grant	\$ 7,670,700		\$ 9,551,400	
Federal EC Grants	\$ 29,714,000		\$ 15,874,000	
Federal EC Re-Allotment			\$ 94,000	
Federal LSL Grants	\$ 80,584,000		\$ 29,917,000	
Federal LSL Re-Allotment			\$ 4,483,000	
Federal Stimulus ARRA Grant 08 IUP	\$ 26,832,000			
Funds Transferred from Water Quality SRF	\$ 10,634,580	c	\$ -	
Investment Earnings thru SFY 23 (Cap Reserve)	\$ 13,083,624			
Loan Principal Repayments thru SFY 23	\$ 158,489,749			
Loan Interest Repayments thru SFY 23	\$ 31,838,971			
Subtotal	\$ 876,312,330		\$ 119,296,000	
Estimated Loan Principal Repays (SFYs 24 & 25)	\$ 39,200,000			
Estimated Loan Interest Repayments (SFYs 24 & 25)	\$ 6,400,000			
Estimated Investment Earnings (SFYs 24 & 25)	\$ 1,179,027			
Estimated Loan Principal (SFY 26)	\$ -		\$ 18,034,336	
Estimated Loan Interest Repayments (SFY 26)	\$ -		\$ 2,375,319	
Estimated Investment Earnings (SFY 26)	\$ -		\$ 400,000	
Reprogrammed			\$ -	
Future Revenue Bonds/ Prin/Int Repayments	\$ 123,391,202		\$ 1,108,842	
Total Sources	\$ 1,046,482,559		\$ 141,214,497	
Uses:				
Loan/Grant Agreements Entered as of 06/30/2023	\$ 601,985,086		\$ -	
Pending Loans/grants on IUPs as of 04/30/2024	\$ 325,030,042		\$ 116,915,531	
SFY 24 Net Loan Agreements Entered as of 04/30/2024	\$ (2,186,388)		\$ -	
ARRA-Stimulus Fed Administrative/Set aside	\$ 400,000		\$ -	
Base -Fed. Set-asides& In Kind (excludes ARRA& BIL listed sep)	\$ 92,582,929		\$ 3,001,730	
Federal Set-asides- BIL Supp General	\$ 20,710,890		\$ 12,894,390	
Federal Set-asides- LSL	\$ 5,190,000		\$ 5,135,736	
Federal Set-asides- EC	\$ 2,770,000		\$ 3,267,110	
Total Uses	\$ 1,046,482,559		\$ 141,214,497	

^a Total federal grant award through FFY 2022 Capitalization Grant, excluding ARRA & BIL

^b Includes State General Fund/GO Bond Match through FFY/GY2023

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

^d State General Fund/GO Bond Match to FFY 2024 Capitalization Grant

The above does not include program income generated from loan fees used for administrative expenses.

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 BIL General Supplemental Capitalization Grants of ~\$43 million per year thru 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.
- 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. The MWIFA will continue to additionally 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).
- Financial Capacity and DAC Assistance - As part of the credit/financial analysis of potential borrowers, the 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. 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/FFY2024 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 2024 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. Community sustainability is supported by points awarded in the IPPS to projects for which 50% or more of project cost or project scope serves, protects, or benefits an Environmental Justice or

overburdened community as identified by a Socioeconomic Score (Distribution Across Maryland) of 75 or more using [MDE's Environmental Justice Screening Tool](#).

- Additional Subsidization and Eligible Recipients – The FFY24 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 (\$1,355,620) to any DWSRF-eligible recipient and a mandatory 12% to 35% SDWA Additional Subsidy (\$1,161,960 to \$3,389,050) for a total requirement of 26% to 49% (\$2,517,580 to \$4,744,670). The FFY24 BIL General Supplemental allotment requires that 49% (\$23,400,930) of the appropriation must be provided as additional subsidy. The FFY24 BIL Emerging Contaminants allotment and FFY22 BIL Emerging Contaminants reallocation requires that 100% (\$15,874,000 and \$94,000, respectively; actual amount net of set-asides taken) be provided as additional subsidy. The FFY24 BIL Lead Service Line Replacement allotment and FFY22 BIL Lead Service Line Replacement reallocation requires that 49% (\$14,659,330 and \$2,196,670, respectively) be provided as additional subsidy. 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 should circumstances warrant. MWIFA's current DAC eligibility criteria, as approved by EPA, is 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%.

Or, if 50% or more of project cost or project scope serves, protects, or benefits an Environmental Justice or overburdened community as identified by a Socioeconomic Score (Distribution Across Maryland) of 75 or more using [MDE's Environmental Justice Screening Tool](#).

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.

- 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.

C. Project Selection and Fund Activities under the FFY 2024 IUP

Financial Assistance Applications for drinking water projects were solicited by MWIFA from December 4, 2023 through January 31, 2024 from local governments and private water system owners. Applications received were rated and ranked based on Drinking Water Integrated Project Priority System (IPPS), reviewed for consistency with state requirements, and identified in the Maryland Drinking Water PPL for FFY24/SFY26 (Appendix A). The PPL was used to select projects for the FFY 2024 IUP, based on their priority ranking, applicant's interest in DWSRF financing (including BIL funding), and readiness to proceed to construction by December 31, 2025 (unless specifically requesting a planning/design phase loan). Projects that were not consistent 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 were bypassed. Projects with technical/managerial concerns that would not be resolved by the project were bypassed. The FFY 2024 IUP includes \$116,915,531 in project funding. Below is a summary of the sources and uses of funds:

Sources:		Uses:	
Federal Base Cap Grant 24	\$ 9,683,000	Set-Asides (Non Project Funds)	
State Match @ 20%	\$ 1,936,600	Technical Assistance (up to 2%) Base, BIL Gen, EC, LSL	\$ 1,836,825
Federal BIL Gen Supp Cap Grant 24	\$ 47,757,000	DWSRF Admin. Expenses (up to 4%)	\$ 387,320
BIL Gen Supp State Match@20%	\$ 9,551,400	DW Program Support (up to 10%)Base, BIL Gen,EC,LSL	\$ 10,099,552
Federal EC Grant 24	\$ 15,874,000	Local Assist./St.Activities (up to 15%) Base,BIL Gen,EC,LSL(10%	\$ 11,975,269
Fed EC Grant 22 Reallotment	\$ 94,000		
Federal LSL Grant 24	\$ 29,917,000	Subtotal	\$ 24,298,966
Fed LSL Grant 22 Reallotment	\$ 4,483,000		
Revenue Bonds	\$ -		
Est. Repayments/Inv earnings	\$ 21,918,497	DWSRF Capital Projects Loans and Grants	\$ 116,915,531
Total	\$ 141,214,497	Total	\$ 141,214,497

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 2024 IUP identifies approximately 2% for source water, 22% for treatment, 73% for transmission/distribution, 2% for finished water storage and < 1% for other.
2. **Assistance to Small Systems Requirement:** Table 1 shows funding for DWSRF projects totaling \$116,915,531. 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 \$40,943,726 (35%) for small systems.
3. **Additional Subsidy Requirements:** The FFY24 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 (\$1,355,620) to any DWSRF-eligible recipient and a mandatory 12% to 35% SDWA Additional Subsidy (\$1,161,960 to \$3,389,050) for a total requirement of 26% to 49% (\$2,517,580 to \$4,744,670). The FFY24 BIL General Supplemental allotment requires that 49% (\$23,400,930) of the appropriation must be provided as additional subsidy. The FFY24 BIL Emerging Contaminants allotment and FFY22 BIL Emerging Contaminants reallotment requires that 100% (\$15,874,000 and \$94,000, respectively; actual amount net of set-asides taken) be provided as additional subsidy. The FFY24 BIL Lead Service Line Replacement allotment and FFY22 BIL Lead Service Line Replacement reallotment requires that 49% (\$14,659,330 and \$2,196,670, respectively) be provided as additional subsidy. The FFY 2024 IUP Table 1 identifies:
 - o \$2,884,150 (30%) of the Base capitalization grant in additional subsidies(loan principal forgiveness):
 - o \$23,400,930 (49%) of BIL General Supplemental in additional subsidies (as loan principal forgiveness):
 - o \$12,700,850 (80%, net of set-asides) of BIL Emerging Contaminants (FFY24 + FFY22) in additional subsidies as loan principal forgiveness; and
 - o \$16,856,000 (49%) of BIL Lead Service Line Replacement (FFY24 + FFY22) in additional subsidy as loan principal forgiveness.

Table 1 also identifies borrowers that qualify as a DAC; however, the extent of subsidy provided (e.g., lower interest rate, up to 40-year loan term, loan principal forgiveness) is determined based on the DAC Criteria described in Section B-2, above.
4. **Administrative Expenses:** With this FFY 2024 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.
5. **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 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 2024, MWQFA estimates the fee revenues to be approximately \$870,000.

D. Project Scope of Work/Public Health Benefits – FFY 2023 IUP Projects

The following are examples of the types of projects selected for financial assistance in the FFY2024 IUP.

Fruitland WTP PFAS Upgrades (rank 1/155 points) in Wicomico County will abandon 4 wells contaminated with PFAS, drill 2 new wells in an aquifer known for excess iron, add plate settler treatment for the iron to the filtration process, and update the SCADA system for automatic operation of the new wells and plate settler system. The WTP serves approximately 5,900 residential users.

Easton Utilities Well No. 14 (rank 18/90 points) in Talbot County will design and construct a new groundwater supply well and infrastructure to support the regional healthcare campus and residential community and improve and redundancy and resiliency of the system to meet maximum daily demand while decreasing aquifer drawdown depths due to the multiple locations of well points. This project will serve a population of approximately 17,500.

Rockville DAC (Tract 7011.02) Water Main Rehab and Improvement (rank 19/90 points) in Montgomery County will replace 9,000 linear footage of tuberculated pipes, valves, vaults, and appurtenances; increase the diameter of undersized pipes; and replace pipes with a history of frequent water main breaks. The specific area served by this project will benefit an area in southeast Rockville qualifying as disadvantaged by its Final EJ Score Percentile (Distribution across Maryland) of 81.61 per MDE's Environmental Justice Screening Tool. The service area currently serves a population of approximately 6,000.

LSL Replacement Phase 1 - Salisbury (rank 80/45 points) in Wicomico County will replace approximately 330 service lines in the southwest quadrant of the City of Salisbury's water distribution system. The system currently serves approximately 33,000 residential users. This is the first phase of replacing suspected and/or potential lead service lines in the water system.

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 loan recipients and their prime contractors 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 on 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.

H. Public Review of the Draft FFY 2024 IUP

The 30-day public comment period started June 24, 2024. On that date, an email was 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, etc. Additionally, MWIFA provided an email notification to the following Maryland Commissions/Committees to share with their membership and interested parties' lists: the Commission on Environmental Justice and Sustainable Communities, the Children's Environmental Health and Protection Advisory Council, and the Bay Restoration Fund Advisory Committee. MWIFA also coordinated 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 were received through July 24, 2024, and the comment period closed on that date. MWIFA was available to answer any questions that arose during the comment period to ensure the public fully understands what is being proposed in the IUP. MWIFA was responsive regarding any comments or concerns raised during the public comment period. The Public Hearing Responsiveness Summary and all comments received are attached as Appendix C to this final document. The Responsiveness Summary indicates what actions MDE took on comments submitted, as well as corrections made.